Crop Insurance for Diversified Operations

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Funding for this project was provided by the North Central Extension Risk Management Education Center, the USDA National Institute of Food and Agriculture under Award Number 2018-70027-28586.
Today’s Agenda

Introductions

How crop insurance works

  a. Multi-peril crop insurance
     i. Covering organic value
     ii. Endorsements and special options
  b. Written Agreements
  c. Relay and double cropping
  d. Whole Farm Revenue Protection
     i. Micro Farm
  e. Pasture, Rangeland, Forage

New small grains resources

Q&A
Zoom poll
Center for Rural Affairs

OUR MISSION

Establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.
Northbourne Organic Crop Insurance, LLC

Built specifically for the organic farmer, Northbourne Organic Crop Insurance helps producers build a risk management plan that is tailored to their financial success.
What is crop insurance?

Federal crop insurance

- Administered and subsidized by USDA’s Risk Management Agency.
- Sold by private crop insurance companies, agents.
- Protects against natural perils.
- Purchased to manage risk, sometimes required for loans and programs.
- It is the only input cost you are guaranteed revenue out of.

Private policies
FCIC Program Growth for Specialty Crops

Source: USDA Risk Management Agency
Multi-Peril Crop Insurance

“Off the shelf” policies
Multi-Peril Crop Insurance (MPCI)

- Protection against natural perils, sometimes revenue losses due to price changes.
- Coverage available from 50-85% by 5% intervals.
- Premium subsidies vary by level of coverage (higher subsidies for lower levels of coverage).
- Policies available by crop, by county.
Wheat, 2022

Source: USDA Risk Management Agency

CENTER for RURAL AFFAIRS
Source: USDA Risk Management Agency
Yield vs. revenue protection

- Yield policies protect against production losses.
- Revenue policies protect against production losses and revenue reduction.

Actual Production History (APH)

- Average of past yields (min 4, max 10 years).
- With no APH, or without a full 4 years, a producer will use county transitional yields, or T-yields.
How coverage is calculated

spring starting price $ \times \text{APH \times coverage level} = \text{guarantee}

Units: \quad $ \quad \text{bu/acre} \quad \% \quad \$/acre

How claims are calculated

\text{guarantee} - (\text{harvested crop \times fall price}) = \text{claim}

Units: \quad \$/acre \quad \text{bu} \quad $ \quad \$/acre
Covering Organic Value

Organic price elections

- Available for 80+ certified organic crops nationwide, but varies by state and county.

Contract price option

- Insures crop at a set contract price value (up to 150% of the spring starting price, with exceptions).
- Available for certified organic crops and during transition.
- Sign up by the sales closing date. Contracts not required until acreage reporting date.
Winter Wheat Contract Pricing

Without Contract Pricing

Bushel Guarantee 40 bu
Crop Insurance Price x $14.54
Guaranteed Revenue $581.60

With Contract Pricing

Bushel Guarantee 40 bu
Crop Insurance Price x $21.81
Guaranteed Revenue $872.40
Endorsements and Special Options

Example: Malting Barley Endorsement (MBE)

- Provides additional quality protection by incorporating projected and harvest prices based on a producer’s contracts, instead of using the spring and fall prices set by RMA.
- If a producer elects to purchase the MBE, then all of their malting type barley acreage in the county must be insured with it.
- Available in select counties in:

  - Alaska
  - Colorado
  - Idaho
  - Minnesota
  - Montana
  - Nebraska
  - North Dakota
  - Ohio
  - Oregon
  - South Dakota
  - Washington
  - Wyoming
Written Agreements

Case-by-case agreements
Written Agreements

- Producers can apply for **individual coverage** if their crop isn’t insurable, or they don’t meet production criteria based off land type.

- Application process often requires supporting documents (details of coverage in another county, letters of support, production history, etc.)
Written Agreements - Most Common Types

HR - High-Risk Areas

- Request to change the rate on high risk land

NB - New Breaking

- Request coverage for acreage not planted and harvested in one of the three previous crop years
  - Exception for alfalfa

XC - County Without Actuarial Documents

- Request coverage for a crop with no actuarial documents in the county
Relay and double cropping
Relay cropping

- Written agreement available for farmers to insure relay cropped soybeans
- Must be submitted by March 15th
- Some areas require prior relay cropping history before allowing coverage
- New for 2022
Double cropping

- Allows farmers to raise two crops in one year
- Expanded insurance coverage in 2023 for soybeans and grain sorghum
Double Cropping - Soybeans
Double Cropping - Grain Sorghum
Whole Farm Revenue Protection

An alternative coverage style
Whole Farm Revenue Protection

Protects overall revenue for your entire operation

- Guarantee is based on previous allowable revenue vs expected revenue
- Must have 5 consecutive years of farm tax history
  - Beginning farmers get an exception and only need three years
- Farms with two or more commodities receive a whole-farm premium subsidy
- Coverage level options available from 50%-75%
  - If you farm three or more commodities, you have the option to purchase 80% or 85% as well
- Will cover any crop/commodity except: timber, forest, and forest products; and animals for sport, show, or pets.
Whole Farm Revenue Protection

Follows tax year revenue - Claims will not be completed until after taxes are filed

- Required Paperwork:
  - Application/Policy Change Reporting Form
  - Allowable Revenue and Expenses Worksheet (all 5 previous years)
  - Accounts Receivable and Accounts Payable Report
  - Expected Value and Yield Source Document
  - Farm Operation Report
  - WFRP History Report
  - Inventory Report
  - Market animal and Nursery Inventory Report
  - Producer’s Pre-Acceptance Worksheet for Perennial Crops
Whole Farm Revenue Protection

Is it worth all the paperwork?

- Depends on your operation
- If you can’t purchase MPCI for the crops on your farm, this is often your only option
- WFRP is a great option for an overall safety net to make sure your revenue is covered for the year, even if you can have MPCI on your crops

What is covered under allowable revenue?

- Any revenue pertaining specifically to the crop
  - Agricultural program payments and custom hire are excluded
  - Post production expenses and revenue are excluded
    - Ex: Applesauce, jams
Whole Farm Revenue Protection

How should I set up my policy?

- Line-by-Line Commodities
- Combined Direct Marketing
- Micro Farm
Whole Farm Revenue Protection

Line-by-Line Commodities

- Each commodity is separated out
- You know your expenses/revenue/yield for each commodity

Combined Direct Marketing

- Combines all commodities together under one line rather than keeping track of them individually - Do not need expected values and yields per crop
- Useful for farmers who sell their commodities directly to the end consumer
- Must report at least two commodities sold through direct marketing
- Combined Direct Marketing commodity code always equals two commodities regardless of the actual number of commodities reported
Whole Farm Revenue Protection

Micro Farm

- Includes all agricultural commodities on the insured’s farm operation
- Commodity count will equal three, qualifying the farmer for 80-85% coverage
- Commodities are not required to have separate expected values and yields
- Insured must provide consolidated sales records for the last three years
- Revenue from post-production operations and value added to commodities may be included
Whole Farm Revenue Protection
Benefits for Each Reporting Style

Line-by-Line Commodities
- Can have an unlimited amount of commodities

Combined Direct Marketing
- Combines all sales records together
- Easier reporting than line-by-line commodities

Micro Farm
- Great for the smaller producer
  - only applicable to farmers with less than $100,000 allowable revenue
- Post-production revenue and expenses can be included
  - Finally an option for applesauce, jam, apple butter, etc!
Pasture, Rangeland, and Forage
Pasture, Rangeland and Forage (PRF)

Insures haying or grazing land based on rainfall in the area

- All grazing acres must be intended for livestock
- Coverages levels available from 70% to 90% in 5% increments
- Productivity factors range from 60% to 150% in 1% increments

Index Driven - Based on NOAA data back to 1948

- Covers a grid area - rainfall data may not reflect your farm, but is relative to the area
- Farmers must select at least two different 2-month periods

Sales closing deadline is December 1st
Pasture, Rangeland and Forage (PRF)

Why insure under PRF?

- More flexibility than any other crop
  - Farmers may pick and choose which fields to insure
  - Haying land can be insured at a different coverage level than grazing land
- Stress-Free Policy
  - Farmer does not have to report any rainfall data or haying yields
  - Check is automatically cut from the insurance company
    ■ all indemnity will go toward premium first

Sales closing deadline is December 1st
### Grazing Grid - 27730
**40FM/10JJ/10SO/40ND**

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**Total Profit:** $ 111.00
New small grains resources
CROP INSURANCE FOR SMALL GRAINS: WHEAT COVERAGE OPTIONS

Some farmers in the Midwest and Great Plains opt to grow wheat as part of their operations. Their reasons range from conservation benefits to the requirements of organic certification to local or specialty markets they have identified. The most recent Census of Agriculture indicates more than 1,000 farms grow barley for grain.

Federal crop insurance availability for winter wheat can be found on the National Crop Insurance Service (NCIS) website. The process will require assessment of one or more options.

MULTI-PERIL CROP INSURANCE

Arguably, the most straightforward way to protect federal crop insurance is with a multi-peril crop insurance (MPCI) policy. Farmers who use crop insurance are likely familiar with MPCI for other crops, such as corn and soybeans.

MULTI-PERIL CROP INSURANCE

Multi-peril coverage will protect in the event of a natural peril, including adverse weather conditions (freeze, wind, drought, excess precipitation, etc.), failure of the irrigation water supply, fire, and insect or plant disease.

Where available, barley coverage is offered as:
- Yield Protection
- Revenue Protection
- Revenue Protection with Harvest Price Exclusion Protection

Generally speaking, barley can be insured if it is planted for harvest at grain policy. No minimum annual planting is required on a producer’s county. See Figure 1 for the availability of barley policies in select states in 2022.

In addition, depending on the policy type, a producer may elect an additional option, endorsement, or endorsement.

MULTI-PERIL CROP INSURANCE

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MULTI-PERIL CROP INSURANCE

When an option, eye coverage is available as Actual Losses. Actual Losses may use 4 to 10 years of personal yield history to create an average yield.

Farmers who do not have yield history will use county average yields, or T-yields, until they build up their own APHs. Each year a crop is harvested, one year of T-yields will replace one of their actual yields, until their average is a full four years of their own yields.

Coverage levels are available in 5% intervals, from catastrophic coverage at 50%, all the way up to 85%. Policy availability is dependent on a producer’s county. See Figure 1 for the availability of yield policies in select states in 2022.
Questions?
Exit poll
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