

FACT SHEET: CROP INSURANCE 101



What is federal crop insurance?

- Insurance against crop loss from natural causes such as drought or disease. Some products offer insurance for lost revenue, whether due to low yields or changes in market price.

Benefits to having crop insurance:

- Helps manage risk and protects against yield loss or price declines.
- Many banks require proof of crop insurance to qualify for loans.

Causes of loss that crop insurance covers:

- Depends on the insurance plan.
- Natural causes are usually covered, such as drought, excessive moisture, hail, wind, frost, insects, and disease.
- Changes in price can be covered.
- Not covered: damage from pesticide drift, fire, negligence, failure to follow Good Farming Practices, and others.

Good Farming Practices are defined by Risk Management Agency as “the production methods utilized to produce the insured crop and allow it to make normal progress toward maturity and produce at least the yield used to determine the production guarantee or amount of insurance, including any adjustments for late planted acreage, which are those generally recognized by agricultural experts or organic agricultural experts, depending on the practice, for the area.”

Important things to know for beginning farmers:

- Those buying crop insurance during the first five years of farming are considered beginning farmers, unlike other U.S. Department of Agriculture programs. The exception is **Whole Farm Revenue Protection**, which considers those with 10 or fewer years of farming experience as beginning farmers.
- Sometimes you will qualify for higher subsidies on your crop insurance, such as a 10 percent bonus on your premium.
- Fees for buying catastrophic risk protection coverage are waived.
- Production histories from farms you were involved with in the past can be used even if you're not currently farming there.

Is crop insurance right for you?

- Consider the level of risk your farm or ranch has throughout the season. Are there certain times when your production is more vulnerable and you could experience a major loss? You might wish to purchase crop insurance against that loss.
- What is your debt level? Could a major loss significantly impact your ability to repay your loans? If so, crop insurance might be a good idea to help you protect against a loss.
- Or, is your operation so diversified that your risk is spread over several enterprises and seasons? Risk management may be built into your business model, and crop insurance may not be needed.



Useful preparation when searching for a crop insurance agent:

- If you have a more unusual farm model, have materials on hand about your type of operation in case education is needed.
- Insurance agents rely on business from producers like you—if the first one you call isn't a good fit, another one will be.
- Look up crop insurance agents in your area using Risk Management Agency's Agent Locator. All multi-peril crop insurance, including catastrophic policies, are available from private insurance agents. rma.usda.gov/en/Information-Tools/Agent-Locator-Page

After identifying an agent:

- Work with your agent to understand several important details, such as: 1) premium cost, 2) premium due date, 3) required reporting, 4) how and when to file a claim.
- Nobody wants to have a loss, but speak with your agent about how to be prepared. The window required to submit documentation of a loss is usually 72 hours. Ask your agent about what information you will need to collect after a loss for your claim to be valid.

Covering organic crops:

- Policies for specific organic crops are available in certain counties, and 80 crops have organic price elections. A premium rate for an organic practice must be specified in Risk Management Agency's actuarial documents or in an approved written agreement.
- In counties with no organic policy for a specific crop, **Whole Farm Revenue Protection** is available to cover the revenue of your entire operation, including that from organic crops.
- Crop insurance coverage is also available for acres that are transitioning to certified organic in accordance with an organic plan.

Learn more:

- Crop insurance options available in your county (select the crop year): webapp.rma.usda.gov/apps/ActuarialInformationBrowser/Default.aspx
- What would a crop insurance policy cost you? Estimate using this tool: webapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx

Other crop insurance facts:

- The Risk Management Agency, part of the U.S. Department of Agriculture, manages the Federal Crop Insurance Corporation to provide innovative products to America's farmers and ranchers.
- Risk Management Agency has public-private partnerships with crop insurance companies called Approved Insurance Providers, which sell and service insurance products in every state and Puerto Rico. In 2019, 15 companies have Approved Insurance Provider status. Risk Management Agency backs Approved Insurance Providers which share the risks associated with catastrophic losses due to major weather events.
- Approved Insurance Providers work with individual crop insurance agents to offer crop insurance. Work directly with an agent to purchase crop insurance. The Risk Management Agency subsidizes a portion of your crop insurance premium.
- Other forms of private crop insurance (like hail insurance) exist that are not subsidized by the federal government. Insurance agents can provide more information.

What is Whole Farm Revenue Protection?

- Whole Farm Revenue Protection provides a risk management safety net for all commodities on the farm under one insurance policy and is available in all counties nationwide. This insurance plan is tailored for any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

