Greene County Farmers Market Meeting
Five Categories of Agricultural Risk

1. Production Risk
2. Market Risk
3. Financial Risk
4. Human Risk
5. Legal Risk
How Can We Balance Risk and Reward in Agriculture?

- Management Practices
- Reduce Variability through Diversification and/or Flexibility
- Transfer Risk to Someone Else (e.g., Crop Insurance)
Transfer Risk to Someone Else

• Contracting
  – Production
  – Pricing

• Crop Insurance
A Wide Range of Federal Crop Insurance Programs

• Common Crop Insurance Policy offers
  – Yield Protection (YP)
  – Revenue Protection (RP)
  – Revenue Protection with Harvest Price Exclusion (RPHPE)

• Adjusted Gross Revenue (AGR)
• Livestock Risk Protection (LRP)
• Livestock Gross Margin (LGM)
• Pasture, Rangeland, and Forage (PRF)
• Group Risk Plans (GRP)
• Apiculture
### Federal Crop Insurance Crop Programs

<table>
<thead>
<tr>
<th>Apples</th>
<th>Grain Sorghum</th>
<th>Popcorn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>Grapes</td>
<td>Potatoes</td>
</tr>
<tr>
<td>Blueberries</td>
<td>Nursery</td>
<td>Processing</td>
</tr>
<tr>
<td>Cabbage</td>
<td>Livestock (multiple)</td>
<td>Beans</td>
</tr>
<tr>
<td>Canola</td>
<td>Oats</td>
<td>Rye</td>
</tr>
<tr>
<td>Corn</td>
<td>Onions</td>
<td>Soybeans</td>
</tr>
<tr>
<td>Cotton</td>
<td>Pasture/Range/Forage</td>
<td>Tobacco (multiple)</td>
</tr>
<tr>
<td>Fresh Mkt -Beans, -Corn, -Tomatoes</td>
<td>Peaches - Peanuts - Pears - Peppers</td>
<td>Wheat Whole Farm (AGR-Lite) Apiculture</td>
</tr>
</tbody>
</table>

*Coverage varies by county. Other crops may be insurable by Written Agreement.*
Written Agreements

• At least three years of Verifiable Production records for the crop or similar crop

• Similar crops – Fresh Market Tomatoes (For Example)
  – Peppers
  – Chili Peppers
  – Processing Tomatoes
Written Agreements

• Similar Crops – Processing Tomatoes
  (For Example)
  – Fresh Market Corn
  – PFresh Market Tomatoes
  – Peppers

• Evidence crop can be produced in county
Written Agreement

- Legal Description of Land
- FSA, Farm Serial Number, Tract, Fields
- FSA Map
- Viable Marketing Outlet
Yield & Revenue Policies

• Yield Protection or Revenue Protection is available for the following crops:
  - Corn
  - Cotton
  - Rice
  - Canola/Rapeseed
  - Sunflower
  - Wheat
  - Grain Sorghum
  - Soybean
  - Barley
  - Malting Barley

• These crops with Commodity Exchange price discovery make up a significant portion of the Federal Crop insurance
Yield Protection

• Yield Protection plan of insurance replaces APH plan of insurance for crops with Commodity Exchange price discovery
• Uses Projected Price to determine insurance coverage
• Crops with Revenue and Yield Protection will **NOT** have an RMA established price election
Revenue Protection

• Revenue Protection
  ➢ Guarantee based on the higher of the projected or harvest price (similar to CRC or RA with Harvest Price Option)

• Revenue Protection with Harvest Price Exclusion
  ➢ Guarantee based on the projected price only
Unit Choices

• Enterprise Units (may save you 10% - 50%)

• Basic Units

• Optional Units
Crop Insurance for Vegetables

• Crop Programs
  – Processing Beans
  – Blueberry
  – Sweet Corn
  – Dry Peas
  – Peanut
  – Pepper

• Adjusted Gross Revenue-Lite (AGR & AGR-Lite)
  – Fresh Market Beans*
  – Cabbage
  – Onions
  – Potato
  – Tomato

*Note: Available in approved NC counties: Chowan, Hyde, Tyrell, and Washington
Adjusted Gross Revenue (AGR-Lite)

- Whole-farm gross revenue protection with a single policy
- Can be used in conjunction with other crop insurance plans
- Coverage levels from 65% to 80%
- Available in all NC counties
- Based on five-year revenue history
- Sales Closing Date: 03/15/2013
- Premium Subsidy: 48% to 59%
AGR-Lite

• Whole-farm, enterprise revenue insurance program

• Stand alone or addition to other coverage

• Insurable causes of loss
  – Revenue losses from natural causes
  – Revenue losses from market fluctuation
AGR-Lite

Objective of AGR-Lite
– To provide protection options
– Manage risk: Both production and price risk
– Risk Management tool for insuring farm commodities (e.g., watermelons) not currently insurable under stand-alone crop insurance policies such as potatoes.
How AGR-Lite Works

• Based on five-year revenue history (IRS)
  – Based on a producer’s Schedule F

• Premium Subsidy: 48% to 59%
  – 65% level subsidized 59%
  – 80% level subsidized 48%
AGR-Lite Guarantee

• 5 year Average Revenue: $300,000
• Expected 2013 Revenue: $310,000
  – AGR is Lesser of the Two ($300,000)
• Coverage Level: 80%
• Payment Rate: 90%
AGR and AGR-Lite Guarantee

- $300,000 Approved AGR
- X 80% Coverage Level (deductible)
- $240,000 Trigger Point (level where loss payment begin)
- X 90% Payment Rate (Copay)
- $216,000 Guarantee (max amount of loss)
Sample Loss Example:
Assume 80% coverage level and a 90% payment rate
Approved AGR of $300,000
Actual farm revenues of $70,000;

Loss Inception Point: $300,000 \times 0.80 = $240,000

Loss Scenario:
$240,000 - $70,000 revenue to count = $170,000 loss
$170,000 \times 0.90$ payment rate = $153,000 indemnity
Adjusted Gross Revenue (AGR and AGR-Lite)

RMA website (www.rma.usda.gov) provides information about AGR and AGR-Lite availability. The website also offers a premium calculator, agent locator, and other information and tools.
Nursery Insurance

• Available for Field Grown and Container that meet the following requirements:
  – Are on the eligible plant list
  – Are grown in nursery that is at least 50% wholesale
  – Meet insurability requirements in policy
  – Are grown in an appropriate medium
Nursery Important Dates

• Insurance period:
  – June 1 and continues to May 31 of following year

• Contract change date:
  – January 31 for current year

• Sales closing date is:
  – May 31 the current crop year
Nursery Insurance

• Causes of loss
  – Adverse Weather conditions
  – Failure of irrigation water supply
    • If due to insurable cause of loss (drought)
  – Fire
  – Wildlife
Nursery Insurance

• Following losses are not covered:
  – Collapse or failure of buildings/structures
    • Unless caused by insurable cause
  – Disease or insect infestation
    • Unless effective control measures do not exist
  – Failure of plant to grow to an expected size
    • Unless caused by insurable cause
  – Inadequate power supply
    • Unless caused by insurable cause of loss
  – Inability to market nursery products
Nursery Insurance

• Plant Inventory Value report
• Plant inventory is required to declare value of plants
• Inventory for each insured practice is required
• Must have two copies of your wholesale plant list and prices
• Must have Physical plant inventory and price documentation
Nursery Endorsements

• Peak Inventory Endorsement
  – Increased inventory for short periods
    • Example is Mums in Fall

• Rehabilitation Endorsement
  – Costs for labor and pruning to rehabilitate damaged plants

• Pilot Nursery Grower’s Price Endorsement
  – Available in 19 states insures plants at higher price than plant list
Nursery Insurance

• Coverage levels
  • 50-75% of APH

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
<th>70</th>
<th>75</th>
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</thead>
<tbody>
<tr>
<td>Premium subsidy %</td>
<td>67</td>
<td>64</td>
<td>64</td>
<td>59</td>
<td>59</td>
<td>55</td>
</tr>
<tr>
<td>Your share %</td>
<td>33</td>
<td>36</td>
<td>36</td>
<td>41</td>
<td>41</td>
<td>45</td>
</tr>
</tbody>
</table>
Nursery Indemnity Example

$100,000  Plant inventory

X .65  Coverage Level percentage

$65,000  Unit amount of insurance

$100,000  Plant Inventory

$- 65,000  Unit amount of insurance

$35,000  Deductible
Nursery Indemnity Example

$100,000  Field Market value before loss

$ - 50,000  Field Market value after loss

$ 50,000  Value of loss

$ - 35,000  Deductible

$ 15,000  Indemnity
Apiculture Rainfall Index Pilot Program

- Designed to provide safety net for beekeepers primary income sources – Honey, pollen collection, wax, and breeding stock

- Program Available in North Carolina Counties

- Coverage is for single peril – lack of rainfall
Apiculture Rainfall Index Pilot Program

- Rainfall is based on indexed amount received in a regional “grid area” (approx. 12x12 mile), NOT actual amount rainfall producer operation receives.
Apiculture Rainfall Index Pilot Program

• Producer must select 2, two-month periods where rain is important to his or her operation.

• Also called an “index interval”.

• Insurance payments will be calculated using NOAA CPC rainfall data for the grid(s) and index interval(s) the producer has chosen to insure.
Apiculture Rainfall Index Pilot Program

How does Apiculture insurance work?

- Coverage Level = Percentage of expected grid index selected by policyholder
- When the final grid index falls below selected “trigger grid index” (coverage level multiplied by the expected grid index), producer may receive a loss payment.
Apiculture Rainfall Index Pilot Program

• Coverage is based on the rainfall experience of the entire grid.
• NOT based on individual farms or ranches or specific weather stations
• More detailed information at NOAA’s website:
  • http://www.cpc.ncep.noaa.gov/products/outreach/research_papers/ncep_cpc_atlas/7/toc.html)
Apiculture Rainfall Index Pilot Program

- Designed for maximum flexibility.
- Protection Factor establishes a value between 60 and 150% of County Base Value to match protection amount to the value of forage that represents producer’s grazing or hay operation.
- Producer not required to insure all acres:
  - Cannot exceed the total number of grazing or haying acres in the operation.
  - Allows acres important to grazing program or hay operation to be insured.
Apiculture Rainfall Index Pilot Program

• Rainfall index does NOT measure producer direct production or loss.
• Apiculture Rainfall Index only insures a rainfall that is expected be an estimate of the operator’s production.
• Producers are encouraged to review historical indices for area, discuss Apiculture Rain Index with crop insurance agent and check for more program information at: http://www.rma.usda.gov/policies/pasturerangeforage
Pasture, Rangeland, Forage Rainfall Index Pilot Program

• Rainfall and vegetation indices do NOT measure producer direct production or loss.
• PRF only insures a rainfall or vegetation index that is expected be an estimate of the operator’s production.
• Producers are encouraged to review historical indices for area, discuss PRF with crop insurance agent and check for more program information at: http://www.rma.usda.gov/policies/pasturerangelandforage
Contact Information

Producers are strongly urged to contact a local crop insurance agent as soon as possible for more detailed information and premium quotes.

For a list of crop insurance agents, contact the local USDA Farm Service Agency office or logon to the following Risk Management Agency web site: http://www.rma.usda.gov/tools/agents/

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