Risk Management Information for North Carolina Tomato & Vegetable Growers

Clif Parker

NC Agromedicine Institute

United States Department of Agriculture Risk Management Agency (RMA)

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Program Sponsorship,

• USDA / Risk Management Agency (RMA)
  – Oversees $115B Federal Crop Insurance Program
  – Raleigh, NC, Regional Office (One of Ten Regions)
  – Relatively Few Employees (About 500)
  – Main Offices in Washington, DC, and Kansas City, MO

• NC Agromedicine Institute
  – Promotes the health and safety of farmers, fishers, foresters, their workers and their families through research, prevention/intervention, and education/outreach
  – Crop Insurance Education Programs
  – Farm Safety Programs
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
Federal Crop Insurance Programs

• Actual Production History
  – Yield
  – Revenue
  – Revenue with Harvest Exclusion

• Livestock Risk Protection (LRP)

• Dollar Plans
Federal Crop Insurance Programs

• Adjusted Gross Revenue (AGR)
• Livestock Gross Margin (LGM)
• Pasture, Rangeland, and Forage (PRF)
• Group Risk Plan (GRP)
Basic Provisions

- One Basic Provisions provides for the following plans of insurance:
  - Yield Protection (Crops with Commodity Exchange price discovery)
  - Revenue Protection
  - Revenue Protection with Harvest Price Exclusion
  - Actual Production History (Crops with no Commodity Exchange price discovery)
  - Dollar Plans
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
Unit Choices

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

• Basic Units

• Optional Units
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
Crop Insurance for Vegetables

• Crop Programs
  – Processing Beans
  – Blueberry
  – Sweet Corn
  – Dry Peas
  – Peanut
  – Pepper
  – Fresh Market Beans*
  – Cabbage
  – Onions
  – Potato
  – Tomato**

• Adjusted Gross Revenue-Lite (AGR & AGR-Lite)

*Note: Available in approved NC counties: Chowan, Hyde, Tyrell, and Washington
** North Carolina by Written Agreement
Tomato Written Agreements

• At least three years of Verifiable Production records for Tomatoes or similar crop
• Similar crops – Fresh Market Tomatoes
  – Peppers
  – Chili Peppers
  – Processing Tomatoes
Tomato Written Agreements

• Similar Crops – Processing Tomatoes
  – Fresh Market Corn
  – PFresh Market Tomatoes
  – Peppers

• Evidence tomatoes can be produced in county
Tomato Written Agreement

- Legal Description of Land
- FSA, Farm Serial Number, Tract, Fields
- FSA Map
- Viable Marketing Outlet
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: 03/15/2011
• 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
- \( \times \ 80\% \)  Coverage Level (deductible)
- $240,000  Trigger Point (level where loss payment begin)
- \( \times \ 90\% \)  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 x 0.80 = $240,000

Loss Scenario:
$240,000 - $70,000 revenue to count = $170,000 loss
$170,000 x 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.
Vegetable Growers
Risk Management Strategies

• Non-Insured Assistance Program (NAP)
  – Farm Service Agency
  – 27% coverage
  – $250 per crop per county
  – $750 max for all crops in county
Visit Your Crop Insurance Agent

- Your agent will receive required training on the new Common Crop Insurance Policy Basic Provisions as well as other crop program updates.
- Visit your agent early on the in the sales season to discuss how the new changes may affect your farming operation.
- To locate an Agent visit the RMA website at:

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/

NC Agromedicine Institute
Clifton R. Parker          Robin Tutor
919-795-9591               252-744-1045