Disclaimer: This information is provided for training only. Any discrepancy between the training material and the policy is not intended. The information provided in this training does not supersede policy and procedure.
I am Familiar With the Crop Insurance Options Available for My Farm

A. Strongly Agree
B. Agree
C. Somewhat Agree
D. Neutral
E. Somewhat Disagree
F. Disagree
G. Strongly Disagree

Response Counter: 30
Objectives

- Risk Assessment
- Alphabet Soup
- Overview of Crop Insurance from RMA
- Overview of New Forage Insurance Options
  - Record Keeping
  - Causes of Loss
  - Strategies For Use
- Other Considerations
- Where to Get More Information
- When to Buy (Sales Closing Dates)
- Other Resources
Farming

Without Crop Insurance

Loss

Loss

Loss

10-13

5-9

0-4

By Jon Paul Driver
FARMING

WITH CROP INSURANCE

BY JON PAUL DRIVER

Loss 10-13
Loss 5-9
Loss 0-4
Alphabet Soup

- FSA – Farm Service Agency (1930’s)
  - Local Administration of Federal Farm Programs

  - Operates and manages the Federal Crop Insurance Corporation (1938)
  - Crop Insurance Sold by 15 private-sector insurance companies
New and Expanded Coverage

- Forage Production Insurance (Expanded) (RMA)
- Whole Farm Revenue Protection Pilot (New) (RMA)
- Pasture, Rangeland and Forage Pilot – Rainfall Index (Expanded) (RMA)
- NAP Buy-up (New) (Farm Service Agency)
Forage Production Insurance

Loss Example

Assume a 65-percent coverage level, a 100-percent price election of $200 per ton, and an average yield of 3 tons per acre.

\[
\begin{array}{ccc}
3 & \text{Tons Per Acre} \\
\times 0.65 & \text{Percent Coverage Level} \\
1.95 & \text{Tons Per Acre Guarantee} \\
- 1.5 & \text{Harvest Tons Per Acre Production} \\
0.45 & \text{Tons Per Acre Loss} \\
\times $200 & \text{Price Election} \\
$90 & \text{Indemnity Payment Per Acre}
\end{array}
\]
Causes of Loss

- Adverse Weather
  - Hail, Frost, Freeze, Drought, Excess Moisture
- Failure of Irrigation Water Supply
  - If Caused by Insured Peril That Occurs During the Insurance Period
- Volcanic Eruption
- Insects and Disease
  - Must Have Used Proper and Sufficient Control Measures
Acceptable Records

- Certified Scale Weight
  - Insured’s Name
  - Crop Name
  - Date of Harvest or Weigh Date
  - Field Identification
  - Practice, Type, Crop Year
  - Weight of Crop
Acceptable Records

- Direct Marketing
  - Pre-Harvest Appraisal
    - AND
  - Sales Records/Machine Harvest Records
  - Check with Your Insurance Agent Before Selling the Hay

- Vertical Integration (Forage Fed on Farm)
  - Pre-Harvest Appraisal
  - Check With Your Insurance Agent Prior to Harvest AND Prior to Feeding
Pre-Harvest Appraisal

- Conducted by
  - Insurance Company
    - Possibly Have to Pay for This
  - FSA
    - Fee

- NOT RMA
Historical Analysis

NASS Alfalfa Yield History
Boundary County

- **Yield**
- **75% of Average**
- **Average**
WHAT ABOUT QUALITY?!?!?!

Whole Farm Revenue!!!!
Whole Farm Revenue Protection Pilot

- Designed For Small-Medium Farms
  - $8.5 Million Coverage Limit / $17 Million Total Revenue Limit
- Designed For Diverse Farms
  - The More Crops the Merrier
- Commodity County Measures Farm Diversification
- Coverage Levels from 50-85%
Examples of Multiple Crops

- Irrigated Alfalfa vs. Non-irrigated Alfalfa
- Irrigated Grass vs. Non-irrigated Alfalfa
- Other Hay
- Irrigated Oats vs. Non-irrigated Oats
- Barley
- Cow-Calf vs. Feedlot
- Bluegrass Seed
Record Keeping

- 5 Years of Schedule F (Or Equivalent)
- Written Farm Plan
  - Historical Records
- Inventories, Accounts Receivable or Accounts Payable
- Summaries of Coverage for Other Insurance Policies
Limitations

- Livestock Or Nursery
  - Over $1 Million in Annual Sales, 35% of revenue
- Potatoes
  - Must Have 2 Crops Based on Commodity Count Calculation
- Over $17 Million in Total Revenue or $8.5 Million in Coverage
- Make Sure to Ask about Qualifying Crops
# Subsidy

- Maximum Subsidy Only Available with 3 or More Crops

## WFRP Subsidy: Percentage of Total Premium Paid by Government

<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>
<th>80%</th>
<th>85%</th>
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<tbody>
<tr>
<td>Basic Subsidy-Qualifying Commodity Count: 1</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Whole-Farm Subsidy-Qualifying Commodity Count: 2</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>71%</td>
<td>56%</td>
<td></td>
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</tbody>
</table>
Analysis

- Different For EVERY Farm

- Revenue Not NET!

- Subsidy Makes This Program Attractive
Pasture, Rangeland and Forage Pilot (PRF)

- Insurance Against Drought
  - Insure periods when precipitation is important to your operation.
- Insure only Pasture, Range, and Hay Ground
- Timely Payments
  - Within 60 Days
- No Record Keeping Requirements
PRF (Continued)

- Must insure two, 2-month periods

<table>
<thead>
<tr>
<th>January – February</th>
<th>February - March</th>
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</thead>
<tbody>
<tr>
<td>March – April</td>
<td>April – May</td>
</tr>
<tr>
<td>May - June</td>
<td>June – July</td>
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<tr>
<td>July – August</td>
<td>August – September</td>
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<tr>
<td>September – October</td>
<td>October – November</td>
</tr>
<tr>
<td>November - December</td>
<td></td>
</tr>
</tbody>
</table>

- Pick Important Months!!!
Noninsured Crop Disaster Assistance Program (NAP)

- Not Just Catastrophic Coverage Anymore

- Similar to the Forage Production Policy

- Not Possible to Use for Timothy, Orchard Grass, or Alfalfa Because of Forage Production Policy – Good for Other Types of Forage
Premium

- The producer's share of the crop; times
- The number of eligible acres devoted to the crop; times
- The approved yield per acre; times
- The coverage level; times
- The average market price; times
- A 5.25 percent premium fee.
- + $250 Per Crop, with a max of $750 Per County
NAP

- Coverage Between 50-65%
- Purchased at FSA
- Forage Sign up Deadline Extended to November 13\textsuperscript{th} For 2016 Crop Year
  - Normally September 30\textsuperscript{th}
- March 15\textsuperscript{th} for Spring Crops
Other Considerations

- Banks/FSA
  - Long Run Cash Flow

- Land owners
  - Leasing, Contracts, Negotiations

- Cattle
  - Manage Feed Cost Risk
More Considerations

- Equity vs. Debt
  - Producers with high debt loads (Debt to Assets over 20%) these products should be much more attractive
  - Producers seeking to expand production, i.e. take on more debt, should carefully examine available insurance options

- Crop Insurance Could Be Required for Loans
Beginning Farmer Rancher

- Producers who have operated farms for less than 10 years get:
  - Premiums Reduced 10%
  - 100% of Transitional Yields

- BFR producers have a very different risk profile and should carefully consider insurance options
Options

- 4 Options
  - 4 Different Levels of Record Keeping
  - 4 Different Pricing Structures
  - 4 Different Causes of Loss
  - 4 Different Protection Levels

- A Policy for Everyone Who Needs One
When to Buy

- Sales Closing Dates
  - Forage Production Insurance
    - September 30th
  - Whole Farm Revenue Protection Pilot
    - March 15th
- Pasture, Rangeland, and Forage
  - November 15th
- NAP
  - Extended to November 13th
Where to Buy

• Your Existing Insurance Agent

• Ask Your Neighbor

• http://www.rma.usda.gov/tools/agent.html
Review

- Overview of New Forage Insurance Options
  - Forage Production Insurance
  - Whole Farm Revenue Protection Pilot
  - Pasture, Rangeland and Forage Pilot
  - NAP
- Other Considerations
- Where to Buy
- When to Buy
Farm Risk Plans

Welcome to Farm Risk Planning

USDA's Risk Management Agency regulates and supervises the Federal crop insurance program. More farmers and ranchers participate in and have more at stake in the crop insurance program than any other USDA program. RMA also helps farmers and ranchers learn how to improve their risk management skills.

To explore your risk management options, please select any of the icons above to see a table of contents.

When you are done, we encourage you to fill in your Risk Management Checklist, and complete your SWOT Analysis.

After that, we hope you will take whatever action you feel necessary to better manage both your downside risks and your upside opportunities.

Note: These links will take you off the RMA Web site. Although we make every effort to link to quality sites, RMA is not responsible for the content or privacy policies used by non-federal government Web sites. RMA does not endorse any products, private or public, available on these sites. Linking Policy.
Financial Risk

There are three components of financial risk: the cost of debt capital, cash flow needs, and the ability to maintain and grow equity.

**Business Plans**
- NEW Analyzing Your Business: How Do You Know Where You Stand? (PDF)
- NEW Building a Business Plan for Your Farm: Important First Steps (PDF)
- NEW Developing a Business Plan (PDF)

**Buying/Leasing Farmland**
- NEW Farm Building Leases
- NEW Grazing Leases
- NEW Leasing Cropland
- NEW Principles and Background
- NEW Livestock Leases

**Calculators**
- Crop Budget Calculator
- Mortgage Calculator

**Family**
- Rebuilding After When Your Income Drops (PDF)
- Credit Cards and College – 10 Tips (PDF)
I am Familiar With the Crop Insurance Options Available for My Farm

A. Strongly Agree
B. Agree
C. Somewhat Agree
D. Neutral
E. Somewhat Disagree
F. Disagree
G. Strongly Disagree
How Many Crops Do You Grow?

A. 1
B. 2
C. 3
D. 4+
Do You Have Livestock?

A. Yes
B. No
Do You Have Off-Farm Investments?

A. Yes
B. No
I Keep Excellent Records

A. Strongly Agree
B. Agree
C. Somewhat Agree
D. Neutral
E. Somewhat Disagree
F. Disagree
G. Strongly Disagree
I Know My Cost of Production

A. For Each Field
B. Overall
C. Per Cutting
D. Per Bale
E. Per Acre

20%  20%  20%  20%  20%
I Have Written Agreements

A. Yes
B. Most
C. Some
D. No

Response Counter

Yes: 25%
Most: 25%
Some: 25%
No: 25%
Land Ownership/Leases

A. I Own All of My Farm Land
B. My Leases are 80/20
C. My Leases are 70/30
D. My Leases are 2/3 1/3
E. Cash Leases
F. Flex Leases

Response Counter
The End

- Thank you for your participation