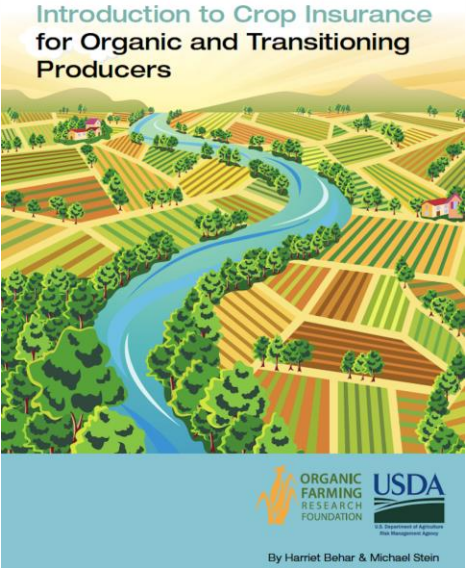


Crop Insurance Options for Organic Producers

Harriet Behar
Michael Stein

ORGANIC FARMING
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Introduction to Crop Insurance for Organic and Transitioning Producers

ORGANIC FARMING
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USDA
U.S. Department of Agriculture
Risk Management Agency

By Harriet Behar & Michael Stein

ORGANIC FARMING
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Why Crop Insurance?

Have you had experiences with crop insurance before?

Are you concerned about unpredictable weather or markets?

Do your creditors need for you to carry insurance?

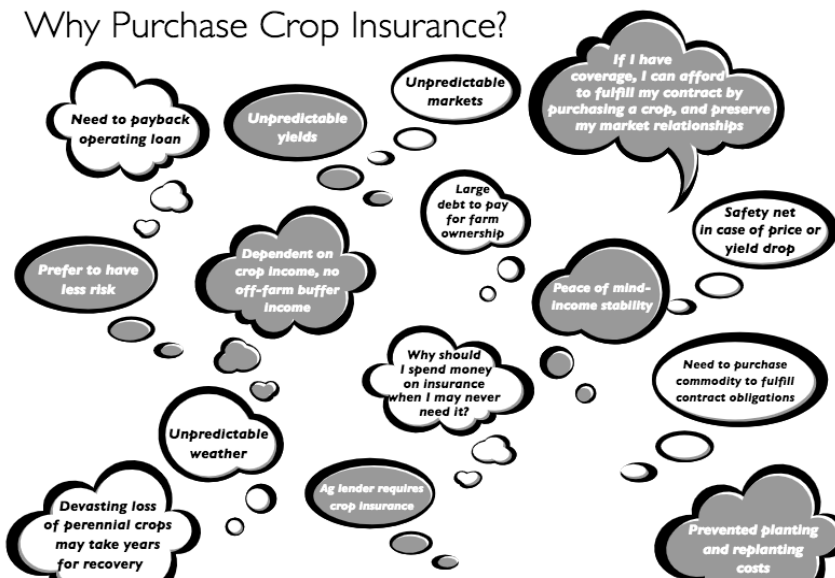


Crop insurance options for organic producers have ***greatly improved*** in the past five years, it ***may be the time to take a look again*** if you were disappointed in the past.....



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Why Purchase Crop Insurance?



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Why Crop Insurance?

Consider financial risk and dependence on farm income when considering the types and premiums paid for crop insurance.

Coverage options range from the most catastrophic of events to income losses based upon price volatility and low production yields.



Why Crop Insurance?

Crop Insurance Minimizes Financial Risk

- **Unpredictable weather-** hail, wind, fire, drought, flood, frost, heavy rains.
- **Unpredictable pests-** insects, wildlife, plant disease
- **Unpredictable yields-** seed quality problems, climatic conditions, pest problems, harvest issues
- **Unpredictable markets-** competition from foreign imports, loss of customers, tariffs
- **Unpredictable prices-** commodity pricing by global markets, economic conditions affect consumer spending, larger scale operations can drive down farm gate pricing



Why Crop Insurance?

Does crop insurance provide value for the cost?

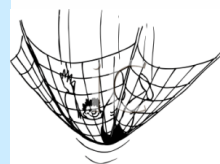


- Upfront cost- may not ever get a payment
- Can you survive a significant loss of income- what percentage?
- What is your personal comfort with risk?
- Can insurance dollars be used more wisely to build farm resiliency?
- Are other types of insurance more useful?
 - Liability insurance for u-pick operations
- Consider other types of insurance purchased -may never file a claim:
 - Homeowner insurance for fire or flood
 - Health insurance



Crop Insurance Considerations

- Do you have off-farm income as a safety net?
- Do you have loans to repay?
- Are you growing perennial crops that will not provide income for a few years?
- Can you cover costs if weather conditions require replanting or delay planting which will affect final yields?
- If you cannot deliver your crop to market, will you lose your buyers permanently to others?
- Will you need to purchase a crop to meet a contract, if your production is lowered?



Crop Insurance Considerations



- Has your region experienced a devastating weather event in the past 10 years?
- Are your crop susceptible to existing or new invasive pests or diseases?
- Is your production diversified to produce income, even if one or more crops are weather affected?
- Are your markets diversified to deal with lower prices by one buyer?
- Are you tracking your costs and income in a realistic way, to truly understand your vulnerabilities?



Crop Insurance Options



- **Multi-peril crop insurance** (commodity crop focused)
- **Contract Price Addendum**
- **Crop Hail Insurance**
- **Whole Farm Revenue Protection** (diverse farms)
- **NAP- Non-Insured Crop Disaster Insurance Program** (specialty crops)- through Farm Service Agency (FSA)



Multi-Peril Crop Insurance

- **Commodity Crop Insurance with standard yield and pricing for nonorganic crops and organic crops in the actuarial tables**
- **Option for Organic Price Election when you have an organic certificate**
- **Option to cover a contract price if it is higher than what is offered in the first two options**



Multi-Peril Crop Insurance

Organic price election

- Insures certain organic crops at a higher price than conventional.
- This type of insurance is based on your Actual revenue history (ARH) or actual production history (APH)
- Coverage level from 50% to 85% (in 5% increments), depending on policy
- If no organic crop history, can only use 65% of county average for per commodity to determine organic yields.
 - *this type of insurance is a better option once you have an organic crop history for your yields*



Multi-Peril Crop Insurance

- Currently, there are 70 organic price elections for the 2019 crop year
- These organic prices are higher than conventional prices
- Not available in every state or county for every crop



Almonds	Hybrid Sorghum Seed
Apples (Fresh Market)	Hybrid Sweet Corn Seed
Avocados and Avocado Tree	Juice Grapes
Banana and Banana Tree	Lemons
Early and Midseason and Late Oranges	Mandarins/Tangerines
Barley	Maryland Tobacco
Blueberries	Millet
Burley Tobacco	Oats
Cabbage	Onions (Fresh Market)
Cigar Binder Tobacco	Oranges and Orange Tree
Coffee and Coffee Tree	Papaya and Papaya Tree
Corn	Pasture, Rangeland, Forage
Corn Silage	Peaches
Cotton	Pears
Cotton, Extra Long Staple	Peppermint
Cottonseed (endorsement)	Pinto Beans
Cranberries	Pistachios
Cultivated Wild Rice	Plums
Dry Air Tobacco (excluding Type 37)	Popcorn
Dry Beans	Potatoes
Dry Peas	Processing Cling Peaches
Figs	Processing Tomatoes
Flax	Prunes
Flue Cured Tobacco	Raisins
Forage Production	Rice
Fresh Apricots	Rye
Fresh Freestone Peaches	Safflower
Fresh Market Beans	Silage Sorghum
Fresh Market Sweet Corn	Soybeans
Fresh Market Tomatoes (APH Plan)	Sugarcane
Fresh Nectarines	Sunflowers
Grain Sorghum	Table Grapes
Grapefruit and Grapefruit Trees	Tangelos
Rio Red, Star Ruby and Ruby Red Grapefruits	Walnuts
Pinto Beans	Wheat
Hybrid Corn Seed	

Multi-Peril Crop Insurance

Example of Organic Price Election Calculation

Organic farmers insuring corn:

Can multiply the conventional corn price (\$3.96) x 2.29 = \$9.06 per bushel

This is the amount you can insure your organic corn given the Organic Price Election.

Check with crop insurance agent for the conventional price and factor for each crop when you are buying the crop insurance.



Contract price addendum coverage

- ✓ Tied to an actual contracted price and your actual organic yield history- some price caps apply
- ✓ If you don't have organic production history and a contracted price- then you receive 65% of county average yields on your organic production
- ✓ Contract must be signed by closing date of crop insurance sales, usually mid March.
- ✓ Can cover average price of more than one contract with different prices, or if some is not contracted and some is, then average of all markets. For example: standard multi-peril coverage would be averaged along with contract price --- average based upon the acreage planted for each market outlet.



2. Contract price addendum coverage

*Only for certified organic and transitional to organic crops
Need signed contract with buyer by insurance closing date to use this option*

- Barley: Hulless, Malting, Waxy Hulled, and Waxy Hulless types
- Canola / Rapeseed: High Oleic Canola type
- Corn: Blue and High Amylase types
- Processing Beans: Non-organic practices for all types; Chickpeas / Garbanzo, Large Kabuli type is contract price only
- Dry Beans: Contract Seed Bean type is contract price only
- Dry Peas: Contract Seed Peas type is contract price only
- Soybeans: All Other Food Grades, High Protein, Large Seeded Food Grade, Low Linolenic Acid, Low Saturated Fat, and Small Seeded Food Grade types

All Other Grapefruit	Fresh Apricots	Potatoes	Alfalfa Seed
Almonds	Fresh Freestone Peaches	Processing Apricots	Buckwheat
Apples	Fresh Market Tomatoes	Processing Beans	Camelina
Avocados	Fresh Nectarines	Processing Cling Peaches	Clary Sage
Bananas	Grain Sorghum	Processing Freestone Peaches	Cucumbers
Barley	Grapefruit	Prunes	
Blueberries	Late Oranges	Rice	Grapes
Cabbage	Lemons	Rio Red & Star Ruby Grapefruit	Grass Seed
Canola / Rapeseed	Macadamia Nuts	Ruby Red Grapefruit	Green Peas
Coffee	Mandarins	Rye	Mustard
Corn	Millet	Safflower	Peanuts
Cotton	Mint	Soybeans	
Cranberries	Oats	Sugar Beets	Pumpkins
Cultivated Wild Rice	Onions	Sugarcane	Sesame
Dry Beans	Oranges (Navel, Sweet, and Valencia)	Sunflowers	Silage Sorghum
Dry Peas	Papaya	Table Grapes	Sweet Corn
Early & Midseason Oranges	Peaches	Tangelos (Minneola & Orlando)	Sweet Potatoes
ELS Cotton	Pears	Tobacco	
Figs	Pistachios	Tomatoes	
Flax	Plums	Walnuts	
Forage Production	Popcorn	Wheat	



Price “tab” for your crop- determined by crop insurance

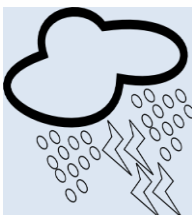
Types / Practices	T/P 01	T/P 02	T/P 03	T/P 04	T/P 05	T/P 06	T/P 07	T/P 08	T/P 09	T/P 10
Type	High Amylose 302	High Amylose 302	Grain 016	Silage 026	Grain 016	Silage 026	High Amylose 302	High Amylose 302	Grain 016	Silage 026
Practice	Non-irrigated 003	Irrigated 002	Non-irrigated 003	Non-irrigated 003	Irrigated 002	Irrigated 002	Organic(Certified) Non-irr. 713	Organic(Certified) Irr. 702	Organic(Certified) Non-irr. 713	Organic(Certified) Non-irr. 713

Prices - Base County										
Projected Price	\$3.9600	\$3.9600	\$3.9600	\$29.2500	\$3.9600	\$29.2500	\$9.0700	\$9.0700	\$9.0700	\$97.0000
Catastrophic Price	\$2.1800	\$2.1800	\$2.1800	\$16.0900	\$2.1800	\$16.0900	\$4.9900	\$4.9900	\$4.9900	\$36.8800
Maximum Contract Price Factor	1.2000	1.2000					1.2000	1.2000	1.6000	1.6000
Maximum Contract Price	\$4.7520	\$4.7520					\$10.8840	\$10.8840	\$13.6080	\$150.0000
Contract Price Code	Yes	Yes					Yes	Yes	Yes	Yes

Prices - Base County	T/P 05	T/P 06	T/P 07	T/P 08	T/P 09
Projected Price	Grain 016	Silage 026	High Amylose 382	High Amylose 382	Grain 016
Catastrophic Price	Irrigated 002	Irrigated 002	Organic(Certified) Non-irr. 713	Organic(Certified) Irr. 702	Organic(Certified) Non-irr. 713
Maximum Contract Price Factor					
Maximum Contract Price					
Contract Price Code					
	\$3.9600	\$29.2500	\$9.0700	\$9.0700	\$9.0700
	\$2.1800	\$16.0900	\$4.9900	\$4.9900	\$4.9900
			1.2000	1.2000	1.6000
			\$10.8840	\$10.8840	\$13.6080
			Yes	Yes	Yes



Crop Hail Insurance



• Purchase late in season, when bumper crop or high value?

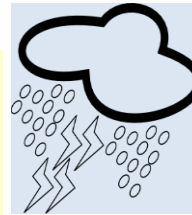
• Not part of the Federally subsidized crop insurance program.

• Available from private insurance providers.

• Can purchase at any time during growing season.

• Can be expanded to cover loss by fire, wind, vandalism.

• Will not cover frost, flooding, drought or low prices.



• Acre by acre coverage

• Premium cost based on hail frequency in your region.



Whole Farm Revenue Protection (WFRP)

- It is available EVERYWHERE in the U.S.
- It uses records you are already providing for tax purposes
- The federal insurance *subsidy* for what you pay for crop insurance *are larger when farm has numerous crops*
- Tied to the farm's full revenue, producer rewarded with lower premium payments when farm revenue is diversified



Whole Farm Revenue Protection (WFRP)

What revenue does WFRP cover?

- This year's expected revenue OR
 - the historic revenue adjusted for growth – can get up to 35% higher coverage if can show revenue would go up due to higher value crop, more acreage etc.
- All commodities produced on the farm including:
 - animals and animal products (up to \$1 mil in livestock),
 - commodities purchased for resale (up to 50% of total) and
 - possible replant costs



Whole Farm Revenue Protection (WFRP)

What revenue does WFRP cover?

- Can insure income, if you buy crops and sell them for resale (cannot be more than 50% of your full farm income).
- Can provide coverage for the higher price received by direct market growers, or unique high value crops.
- WFRP can be useful in avoiding the lowered Actual Production History yields (65% of county average) during the first few years of organic production.
- Wide variety of crops covered.
- High risk land is covered.
- Beginning farmers need 3 (not 5) years of records, can obtain an extra 10% subsidy on premium payment..



Whole Farm Revenue Protection (WFRP)

Losses NOT covered by WFRP

Price

- Quarantine, boycott or refusal of anyone to accept commodities
- Deterioration of commodity in storage
- Measurable decline in local prices identified as resulting from man-made causes

Yield

- Yield loss due to negligence, mismanagement, wrongdoing
- Act of person rather than nature
 - Chemical or GMO drift
- Breakdown of equipment not due to natural causes
- Theft and vandalism



Relevant WFRP Dates (in Wisconsin)

- Sales Deadline 03/15
- Intended Farm Operations Report (03/15)
- Revised Farm Operations Report (07/15)
 - Oct 31 if you're a late year fiscal filer
- Final Farm Operations Report (03/15 next year)
- File Taxes
- Claim is worked (after taxes are filed)
 - Notice of loss is still due within 72 hours of cause



Eligibility Requirements for WFRP

Include, but are not limited to the following:

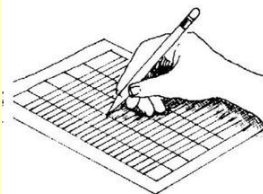
- Must be U.S. citizen or resident
- Must file schedule F or other tax forms that can be converted to a schedule F
- Schedule F must cover 100% or your operation. (If the tax entity only reports a portion of farming activity by partnership, corporation or joint venture, then no WFRP)
- Must derive 50% or more allowable revenue from commodities OTHER THAN THOSE purchased for resale

The image shows a portion of the IRS Schedule F (Form 1982) titled "Profit or Loss From Farming". It includes sections for "Farm Operations" and "Other Income and Expenses". The form is used to report the financial details of a farming operation for tax purposes.



Required Documentation for WFRP

- 5 consecutive years of tax records immediately before the insurance year
- Allowable revenues for all years
- Allowable expenses for all years
- Whole Farm History Report - Convert all years' **revenues and expenses** to worksheet provided
- Farm Operations Report –Intended Quantity



Determining your Coverage Amount for WFRP

Allowable Expenses include:

- | | |
|--|----------------------------------|
| – Cost or basis | – Repairs and maintenance |
| – Vehicle expenses, freight and trucking | – Seeds and plants |
| – Chemicals, fertilizers, lime | – Storage |
| – Conservation expenses | – Supplies |
| – Custom hire | – Utilities |
| – Depreciation | – Veterinary, breeding, medicine |
| – Feed | – Other related expenses |
| – Gas, fuel, oil | |
| – Farm and related insurance | |
| – Certain Labor hired | |



Determining your Coverage Amount for WFRP



Use the Lower of:

- Whole farm historic average revenue,
 - Includes Indexing or farm expansion
- Or
- Your total expected revenue
 - This is determined on the Farm Operations Report

Based on these factors-
you can choose to insure between 50-85%
of your expected net revenue

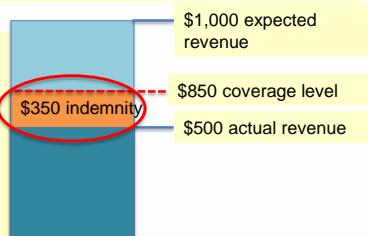


Determining your Coverage Amount for WFRP

Crop Insurance Examples

- Past records → On average, you earn **\$1,000** in revenue on the farm, so expect to earn this in 2019
- You decide to buy a policy that insures **85%** of your expected revenue:
 - $\$1,000 * 85\% = \text{\textcolor{brown}{\$850}}$

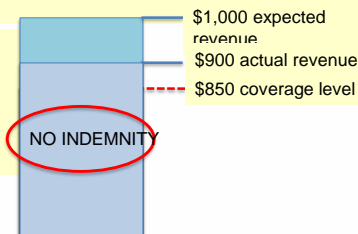
Hail hits a week before harvest, wiping out 50% of the crop and leaving you with only \$500 in revenue for the year.



Crop Insurance Examples

- Past records → On average, you earn **\$1,000** in revenue on the farm, so expect to earn this in 2019
- You decide to buy a policy that insures **85%** of your expected revenue:
 - $\$1,000 * 85\% = \850

Minor flooding in a single field brings your revenue down to \$900 in 2015.



4. Whole Farm Revenue Protection (WFRP)

Commodity Count

- Subsidy increases with commodity count
- Premium (and risk) decreases with commodity count

Subsidy Factors		0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.85
Coverage Level									
Subsidy Factor	Basic Subsidy-Qualifying Commodity Count: 1 to 1	0.670	0.640	0.640	0.590	0.590	0.550		
	Whole-Farm Subsidy-Qualifying Commodity Count: 2 to 2	0.800	0.800	0.800	0.800	0.800	0.800		
	Whole-Farm Subsidy-Qualifying Commodity Count: 3 to 9999	0.800	0.800	0.800	0.800	0.800	0.800	0.710	0.560

Your highest subsidy percentage comes with 2+ commodities, at the 50%-75% coverage levels.



Commodity Count for WFRP

• Alfalfa-irrigated or non-irrigated	• Cauliflower	• Gooseberries	• Lettuce	• Parsley	• Spinach
• Apples-Fresh Market	• Celery	• Grain Sorghum-irrigated or non-irrigated	• Lima Beans	• Parsnips	• Summer Squash
• Apples-Processing	• Christmas Trees	• Grapes	• Maple Syrup	• Peaches	• Sweet Cherries
• Aquatic Plants	• Clover	• Grass Hay-irrigated or non-irrigated	• Melons	• Pears	• Sweet Corn-Fresh Market
• Asparagus	• Corn-irrigated or non-irrigated	• Mink	• Millet	• Pecans-irrigated or non-irrigated	• Sweet Corn-Processing
• Barley-irrigated or non-irrigated	• Corn-silage	• Nectarines	• Nursery	• Peppers (Other)	• Sweet Potatoes
• Bees (animals)	• Dairy	• Oats-irrigated or non-irrigated	• Onions	• Plums	• Swiss Chard
• Beets	• Dry Beans	• Orchard Grass	• Pumpkins (Mini)	• Popcorn	• Table Grapes
• Bell Peppers	• Dry Peas	• Other Animal Products	• Radishes	• Potatoes	• Timothy Grass
• Berries (Other)	• Eggplant	• Other Crops	• Raspberries	• Poultry	• Turf
• Blackberries	• Eggs	• Other Crops Perennial	• Rye	• Pumpkins (Mini)	• Turnips
• Blueberries	• Endive	• Other Forage Seeds	• Seasonal Potted Plants	• Raspberries	• Vegetables-Mixed
• Broccoli	• Fish	• Other Fruits	• Seed (Other)	• Rye	• Watermelon
• Broilers	• Flax	• Other Live Animals	• Seed Vegetable	• Seasonal Potted Plants	• Wheat-irrigated or non-irrigated
• Brussel Sprouts	• Flint corn-ornamental	• Other Small Grains	• Sheep Ewe/Lamb	• Seeds	
• Canola-irrigated or non-irrigated	• Flowers (Other)	• Other Vegetables-irrigated or non-irrigated	• Sheep Feedlot	• Sheep Stocker/Feeder	
• Cantaloupe	• Flowers-cut		• Sheep	• Snap Beans	
• Carrots	• Flowers-dried		• Soybeans-irrigated or non-irrigated		
• Cattle-cow/calf	• Flowers-potted				
• Cattle-feedlot	• Forage Production				
• Cattle-stocker/feeder	• Furs				
	• Game Birds				
	• Garlic				
	• Goats				



Commodity Count for WFRP

When figuring the number of crops and their percentage of your crop income, you need to calculate if the crop is significant enough to be a stand-alone choice. If not, then the crop would get lumped with others in an "other crop" or "other livestock" category.

Commodity Count Calculation

- 1 divided by the number of commodities you grow, multiplied by .333
 - Example: 1 divided by 5 x .333= .0666 (round to three decimals)
 - .067 x the projected revenue of the farm
 - Example .067 x \$50,000= \$3350
 - In this Example, \$3350 is the qualifying revenue threshold, which is the minimum revenue from that commodity in order to be listed separately, which is important in gaining diversity in order to get a higher federal subsidy for your insurance payment.



Where can I look up my cost? WFRP

Quick Criteria

* Commodity : Whole Farm Revenue Protect

* Commodity Year : 2016

* State : Wisconsin 55

* County : Dodge 027

* Type : Calendar Year Filer 670

* Practice : No Practice Specified 997

Individual Coverage

Whole Farm Revenue Protection 76

* MPC Liability : 0

* Allowable Revenue : 2010:250000
2011:220000
2012:265000
2013:242000
2014:268000

* Commodity Values : -Select A Commodity Add

Add Multiple Remove All

Commodity	Total Value	Delete
Barley 0091 (M) :		
Corn 0041 (M) :		

Get Estimates

Input revenue amounts from Farm History Report and any liability from an MPC liability policy.

Add each commodity that counts as a separate commodity and expected revenue from each

Click the "Get Estimates" button



Where can I look up my cost?

Show In Grid

☐ Liability Amount ☐ Total Premium Amount ☒ Producer Premium Amount

Producer Premium Amount

Individual Coverage

	PE %	85 %	80 %	75 %	70 %	65 %	60 %	55 %	50 %
Whole Farm Revenue Protection 76	100 %	\$8,584.00	\$4,510.00	\$2,471.00	\$1,966.00	\$1,544.00	\$1,264.00	\$980.00	\$783.00

You can choose to display your Producer Premium Amount, which is what the farmer pays.



Pros-Whole Farm Revenue Protection

- Revenue from normally uninsurable crops is insurable
- Encourages enterprise diversification
- No higher rate on high risk land
- Can use prices significantly higher than what RMA assigns
- Possible higher government subsidies

Cons

Any loss payment cannot be calculated until after tax time the next spring.



Notice of Claim

- You must report any cause of loss within 72 hours if it is weather related for all types of crop insurance to your agent.
- Claim must be filed no later than 60 days after the original date the farm tax forms are due to the IRS for the insurance year for WFRP.
- Revenue loss from market volatility is also covered with WFRP.



All types of crop insurance require good documentation if you file a claim

- Good records (your organic field activity log can be used), detailing you did your due diligence in trying to grow the crop.
 - Inputs, planting dates, use of manure, insect and disease management strategies, weed management activities
- Take photos periodically during the season of your healthy crops.
- File your midseason reports in a timely way with the crop insurance agent
- Take photos immediately of crop losses and over time as the field recovers (or not).



Choosing among crop insurance options

- **Do you have an organic cropping history to determine yields?**
- Do you have a contract with an organic premium price?
- **Do you have a nonorganic cropping history for the crops you are now growing organically?**
- Would it be more advantageous to insure some crops under multi-peril single commodity insurance and the remainder under Whole Farm Revenue Protection?
- **Do you have five years of filing a Schedule F, that would be useful in determining average yearly income and expenses?**

-Remember, you can insure up to 35% more than your 5 year average income under Whole Farm Revenue Protection, if you can show that your crops are more valuable, such as a recent transition to organic.



Beginning, Limited Resource, and Underserved Farmers and Ranchers

- Exemption from paying administrative fees for Catastrophic Risk Protection and additional coverage policies.
- Premium subsidies provided by the federal government increased by ten percentage points above what is offered on regular subsidized federal crop insurance.
- If you were part of a farming operation before you started your own operation, you can use their Actual Production History when determining yields. In order to do this, you had to have been part of the decision making or part of physical activities on that farm.
- If using the T-Yield (county average yield for that crop), there is an increase from 60-80 percent of the yield calculation, if you had an insured cause of loss.
- For Whole Farm Revenue Protection, beginning farmers can determine their historical average with three years of revenue history, instead of the standard five years of revenue records.

Once you have farmed more than five years on your own, these benefits are no longer available to you.



Working with a Crop Insurance Agent

- Be prepared to discuss
 - What you intend to grow
 - If have contracts and at what price
 - Have you grown this crop for multiple years and the field locations
 - Are your doing a new type of production, such as organic
 - Are you adding acres
- Ask these questions
 - Are you familiar with insuring my type of crops?
 - Are you familiar with organic production?
 - Are you familiar with organic options for crop insurance?
 - Are you familiar with organic certification/documentation requirements?
 - Are you familiar with Whole Farm Revenue Protection and can you help me work through my various options?
 - Can you help me decide if I should purchase a mix of multi-peril and whole farm crop insurance?



Finding a crop insurance agent

You can use a clickable national map to find crop insurance companies that can write policies in each of the 50 states as well as Puerto Rico and the District of Columbia.

<https://www3.rma.usda.gov/tools/agents/companies/2019/indexCI.cfm>



Introduction to Crop Insurance for Organic and Transitioning Producers



By Harriet Behar & Michael Stein

Free download on OFRF website with more info

- **crop insurance products**
- **finding information on the web**
- **examples of recordkeeping forms.**



This guidebook is available for free download at www.ofrf.org