CROP INSURANCE IN PENNSYLVANIA

www.keepPAgrowing.com

pennsylvania
DEPARTMENT OF AGRICULTURE

USDA
Risk Management Agency

Made possible in partnership with the USDA Risk Management Agency.

This institution is an equal opportunity provider.

Inside:

Page 2:
What's Your Farm's Risk?

Page 3:
NAP Buy-up and SCO

Page 4:
Crop Insurance Enhancements

Producing Crops is Risky Business

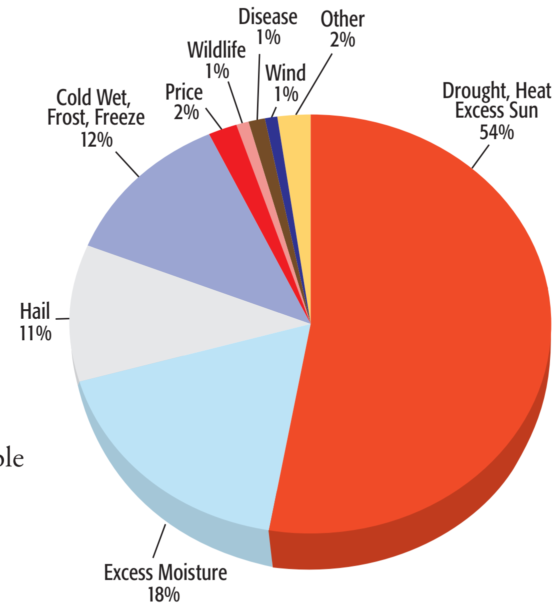
As we finalize 2014 production, marketing and finances; let's consider this an excellent opportunity for building a risk protection plan for the upcoming year. We should set aside an appropriate amount of time for our farm management team to address how well our 2015 risk management plan is likely to work. We are fortunate to have a bevy of new risk management tools at our finger tips. It is each farmer's individual responsibility to understand how these new tools fit into their farm operation.

Today, a risk protection tool is available for almost any crop grown in Pennsylvania. Crop insurance products are available for many of our commercial crops. In addition to these individual commodity products we now have Whole-Farm insurance available from our crop insurance sales agent. Non-insured crop Assistance Protection (NAP) will cover the vast majority of crops that have no crop insurance protection available. New this year is NAP buy-up protection for non-insurable crops with up to 65% coverage. To discover what crops have NAP coverage in the counties you farm, contact your County FSA personnel.

As Pennsylvania producers utilize the risk protection products best suited to meet their farm business and family needs they can be assured a pay day. Farmers can add their USDA protection benefits to their sales from production, and remain whole into another year.

Is Your Risk Protection Plan Adequate for 2015?

Why PA Crops Fail (2001-2010)



For additional information:

NAP– http://www.fsa.usda.gov/FSA/webapp?area=home&subject=diap&topic=nap
Whole-Farm Crop Insurance – http://www.rma.usda.gov/news/currentissues/farmbill/rma14-159.pdf
Finding a crop insurance sales agent – http://www.rma.usda.gov/tools/agent.html

Crop Safety Net Worksheet

Is my Risk Management Plan adequate to avoid a disaster related business interruption?

Obtain Farm Bill Safety Net options and advice from crop insurance agents, your county FSA, NRCS and Extension ag educators.

Use the table below to get a handle on the information needed to respond to the following questions:

1. How much risk exposure do I have?

____

2. What should my ideal safety net accomplish?

- ☐ Cover production costs?
- ☐ Replace livestock feed?
- ☐ Contribute to family living expenses?
- ☐ Other______________________________
- ☐ Cover preharvest sales contract?
- ☐ Make a rent or mortgage payment?
- ☐ Secure ag loans?

3. How much protection do I need?

____

4. Do I prefer revenue protection or yield protection?

____

5. At what percentage of crop loss should my payment trigger?

____

6. Am I likely to enroll in: ARC-County Loss Trigger, ARC-Individual Farm Loss Trigger or PLC Price Protection Program (binding 5 year commitment for crops with FSA base acres)?

____

Crops I plan to grow	Estimated input costs	Estimated expected revenue	Protection choices available	Protection choice I am considering

Supplemental Coverage Option (SCO): A New Crop Insurance Program for Farmers

As we enhance our understanding of new risk management tools available to us out of the 2014 Farm Bill, the Supplemental Coverage Option is one crop insurance product we should consider. With SCO the amount of protection and our premium cost is based on underlying crop insurance policy coverage we choose. With lower underlying coverage, we'll have greater SCO protection and a higher cost. With higher underlying coverage, we will have a lesser amount of SCO protection and a lower cost. SCO can be thought of as an endorsement to our individual plans of insurance as we must have yield protection or revenue protection crop insurance products in place in order to secure SCO coverage.

Additional features of SCO:

- No coverage overlap with traditional crop insurance coverage
- Covers all planted acreage of the crop
- Increases the level of coverage to 86% of our APH yield
- Results in additional premium, and an additional administrative fee
- Premium is subsidized at a standard 65%

SCO differs from traditional crop insurance in that it provides coverage based on a County yield loss trigger for losses above the underlying individual plan's coverage level, and SCO does not provide prevented planted benefits. Also, there is no Notice of Loss for SCO as payment occurs based on NASS County yield data with any indemnity available later than for individual policy because of this need to wait for County summary data to be finalized.

Indemnities will not be paid on acreage that has been determined to have been solely damaged by causes of loss not insured by the underlying policy. Although SCO is a product of the 2014 Farm Bill, it does not have a payment cap or base acre limitations, and there is no waiting for the national average farm price for the marketing year.

Exploring how SCO indemnity is calculated; we see payments begin if County revenue/yield is less than 86% of expected. Our indemnity is then based on our individual crop insurance product coverage with a maximum of 86% (SCO coverage) minus our individual crop insurance coverage level.

For additional information see:

RMA website: www.rma.usda.gov

SCO Decision Tool:
http://prodwebnlb.rma.usda.gov/apps/CIDT

Be Prepared for Spring Planted Crop Deadlines

March 16 is the deadline to sign up for crop insurance, including Whole-Farm Revenue Protection, and NAP on most spring planted crops. It is also the deadline for making any changes to existing policies. The volatility of grain prices is now putting extra pressure on producers to lock in as much income as they can as early as they can. Understanding how crop insurance and the new FSA programs can be utilized to construct an effective risk management strategy is also on everyone's mind this time of year.

The crops with this March 16 deadline are: spring barley, cabbage, cigar filler tobacco, corn, forage seeding, fresh market sweet corn, fresh market tomatoes, grain sorghum, green peas, Maryland tobacco, oats, potatoes, processing beans, soybeans, processing sweet corn, and processing tomatoes.

March 16 is also the deadline for NAP coverage available through your County FSA. Let's look at a simple example of a NAP loss claim. In this example we decided on the 65% coverage level with 100% price.

Blue Hubbard Squash	
Expected yield	220 cwts.
Acreage in production	2.0 acres
Normal production	440 cwts.
We had chosen the 65% coverage level at sign up	
Production guarantee	286 cwts.
Actual production	100 cwts.
Production loss	186 cwts.
Price ($57/cwt. x 100%)	$57.00
Loss payment	**$10,602**

Crop Insurance Improvements Authorized by the Farm Bill

1. More coverage options

2. Improved NAP Protection (Non-insured crop disaster Assistance Program from FSA) provides up to 65% level of coverage and 100% of projected price for most non-insurable crops

3. Enterprise insurance units authority changed from a temporary to a permanent program; Separate enterprise insurance units for irrigated and non-irrigated crops

4. Different coverage levels by practice may be selected if producer has both irrigated and non-irrigated production practices

5. Improved Organic protection

a. Organic elections availability for more crops

b. Extended for organic price coverage to a total of sixteen, and producer has the option of using organic or conventional prices

c. RMA has removed the 5% premium surcharge for organic price options

6. New benefits for being beginning farmers

a. Additional 10% points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy;

b. Exemption from paying the administrative fee for catastrophic (CAT) and additional coverage (buy up) level policies;

c. Use of the production history of farming operations, if beginning farmers were previously involved in the decision making or physical activities; and

d. An increase in the substituted yield for yield adjustment, which allows a replacement of a low yield due to an insured cause of loss, from 60 to 80% of the applicable transitional yield (T-Yield) for the crop in the county.

7. New T-Yield Options (effective beginning with 2015 crop year spring crops) – When a crop in a county suffers over a 50% yield loss, producers in that county and adjacent counties may omit their yield for that year's production. For this provision, the Federal Crop Insurance Corporation may make a separate determination for irrigated and non-irrigated acreage. Note: The current 60% yield plug is retained for replacing low APH yields (80% yield plug for new and beginning farmers).

8. New improved Whole-Farm Revenue Protection – A whole-farm insurance policy is available that combines AGR and AGR-Lite with improvements to target highly diversified farms.

9. Supplemental Coverage Option (SCO) – An option to buy area/county loss trigger insurance to cover yield or revenue loss depending on the coverage in effect of the individual policy. The level of coverage is between 86% and coverage of individual policy. SCO covers all planted acres with no payment limitation (not available for crops covered by ARC.)

10. Conservation Compliance Certification – By June 1, 2015, farmers must file form AD-1026 with the Farm Service Agency (FSA) to be eligible for premium subsidy on crop insurance policies in the 2016 Reinsurance year (July 1, 2015 to June 30, 2016). Farmers and any affiliated person must be in compliance with the HELC and WC provisions. ▲