

Crop Insurance Basics

St Paul Regional Office

I have sometimes thought that it might be well to establish an office of insurance for farms against damage that may occur to them from storms, blight, insects, etc. A small sum paid by a number would repair such losses and prevent much poverty and distress.

Benjamin Franklin, October 24, 1788

The Beginning of Crop Insurance

The Dust Bowl

A film by Ken Burns

Aired on Public Television.

The film chronicles the environmental catastrophe that--throughout the 1930s--destroyed the farmlands of the Great Plains, turned prairies into deserts, and unleashed a pattern of massive, deadly dust storms that for many seemed to herald the end of the world.

Watch it online at

<http://video.pbs.org/program/dust-bowl/>

The Worst Hard Times

A book by Timothy Egan; 2006

Stories of those who survived the Great American Dust Bowl.



Federal Crop Insurance Corporation(FCIC)

“to promote the national welfare ...
through a sound system of crop
insurance”

“provide the means for the research and
experience helpful in devising and
establishing such insurance”

FCIC Act, Section 502(a), February 16, 1938

RMA Formed in 1996



1938 Farmall

Major Legislation

1938 FCIC Act: FCIC created by Congress.

1980 FCIC Act Amended: sales offered through private sector.

1993 OBRA: loss ratio target, “actuarial soundness.”

1994 Reform Act: replaced ad hoc disaster aid with expanded crop insurance and created CAT coverage.

1996-98: revenue insurance spread nationwide.

1998 Research Act: “permanent funding” fix.

1998/1999 Emergency Bills: premium discounts for buy-up coverage, income and crop loss assistance.

2000: New Agricultural Risk Protection Act (ARPA)

2008: Average Crop Revenue Election (ACRE), payment limits.

2014: Whole Farm, linked conservation, improved compliance.



The Players

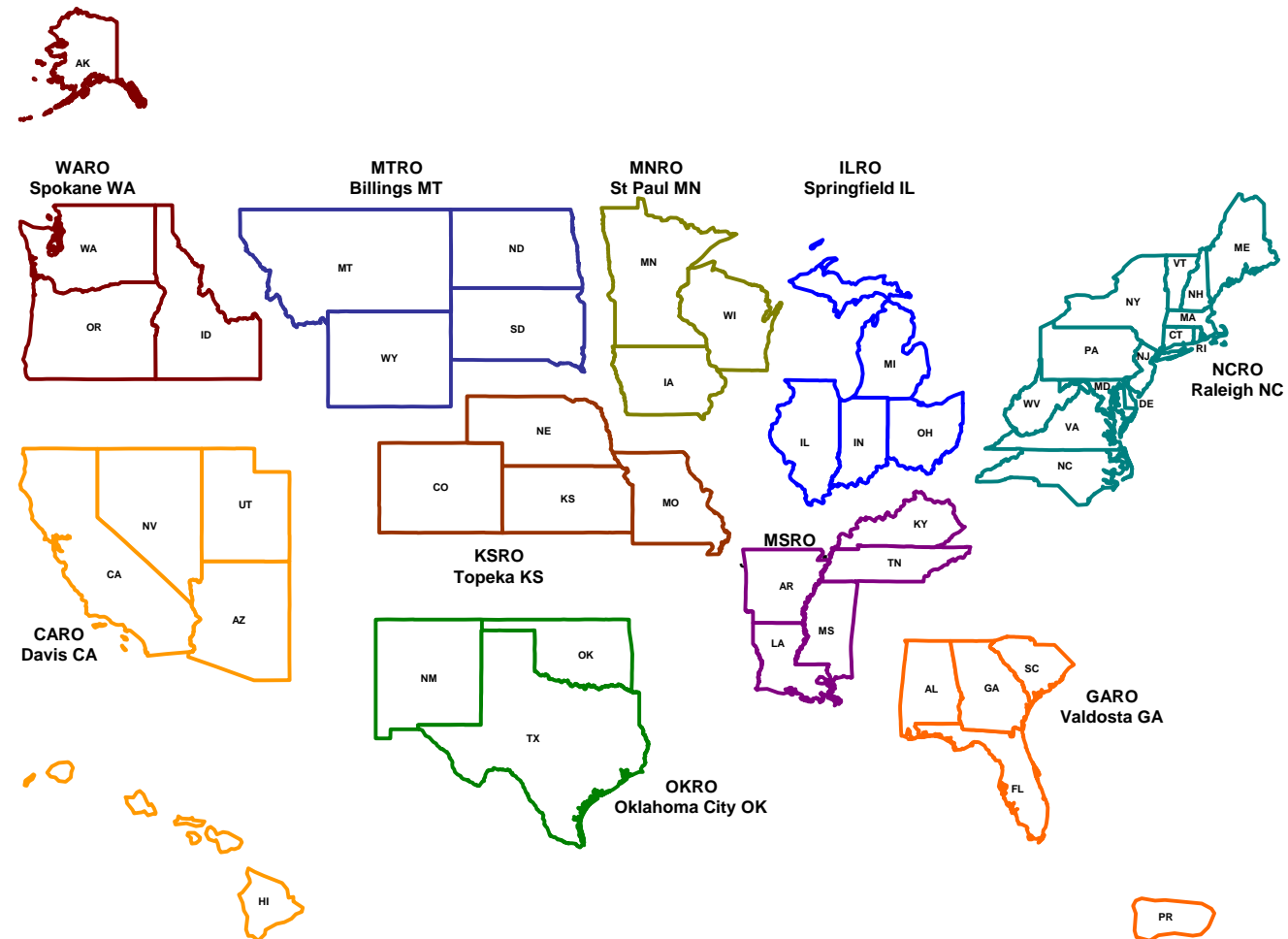


FCIC (Federal Crop Insurance Corp.)
Administered by RMA
Board of Directors (9 Members)

RMA (Risk Management Agency) part of the USDA
10 Regional Offices
6 Compliance Offices
Kansas City Office
Washington DC

16 Insurance Companies Can Write Policies
Over 15,000 Individual Agents

RMA Regions



Roles & Responsibilities

Risk Management Agency

- Develops and approves policy terms, rates, prices
- Oversight - less than 2% improper payment
- Reviews new products and program expansion

Approved Insurance Providers (AIPs)

- Have a contract with RMA
- Standard Reinsurance Agreement (SRA)
- Sell and service the policies to producers



Standard Reinsurance Agreement (SRA)

This Agreement establishes the terms and conditions under which FCIC will provide subsidy and reinsurance on eligible crop insurance contracts sold or reinsured by the private insurance company. This is a cooperative financial assistance agreement between FCIC and the Company to deliver eligible crop insurance under the authority of the Act.



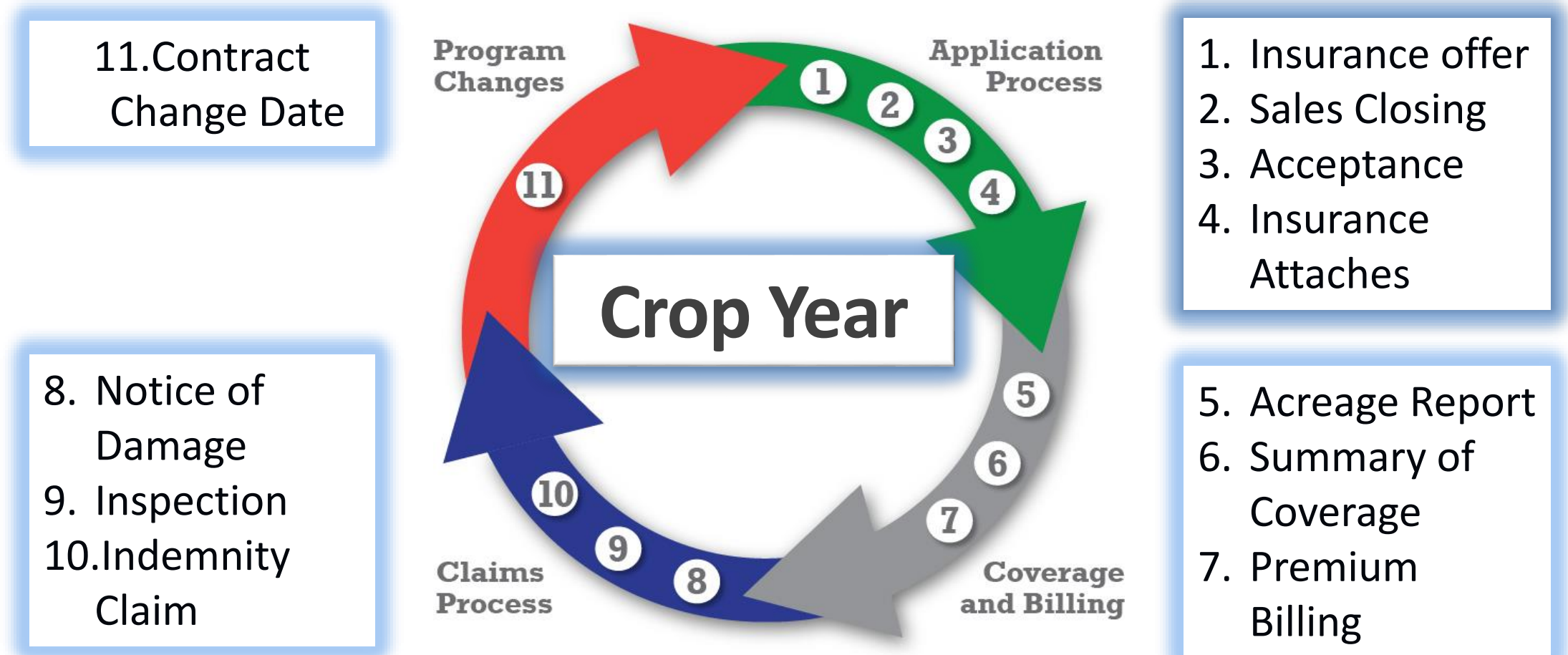
Federal Crop Insurance - How It Works

- Public-Private partnership, RMA and Approved Insurance Providers
- Producers know they're covered, even with disasters
- Private insurers deliver efficient service
- Agents are from the communities they serve



Federal Crop Insurance – Program Delivery

The Insurance Cycle



Causes of Loss

Basis Provisions: insurance covers unavoidable, naturally occurring events.

Weather

Fire

Insects; but not insufficient control measures

Plant Disease; but not insufficient control measures

Wildlife

Earthquake & Volcanic Eruption

Failure of Irrigation; only the water supply

Revenue Policies; harvest price change from project price

89% of America's principle croplands are federally insured

Market Penetration for Principle Crops



Top 10 Crops by Liability

2016 Rank	Commodity	Liability (Billions)	Percent of Total
1	Corn	\$39.6	39.4%
2	Soybeans	\$22.2	22.0%
3	Wheat	\$6.8	6.7%
4	Almonds	\$3.6	3.6%
5	Cotton	\$3.3	3.3%
6	WFRP	\$2.3	2.3%
7	Rice	\$1.7	1.7%
8	Grapes	\$1.5	1.4%
9	PRF	\$1.4	1.4%
10	Nursery	\$1.4	1.4%
	All Other	\$16.9	16.8%
	TOTAL	\$100.5	

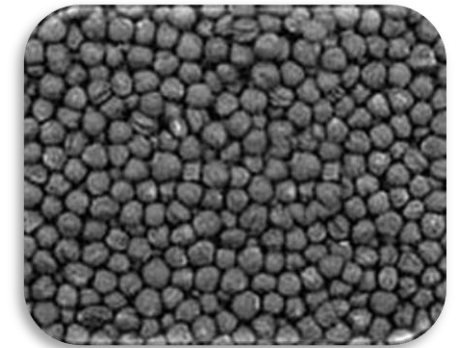
2017* Rank	Commodity	Liability (Billions)	Percent of Total
1	Corn	\$39.0	37.4%
2	Soybeans	\$28.1	26.9%
3	Wheat	\$5.8	5.6%
4	Cotton	\$4.8	4.6%
5	WFRP	\$2.7	2.5%
6	Almonds	\$2.6	2.5%
7	PRF	\$1.8	1.7%
8	Grapes	\$1.5	1.4%
9	Apples	\$1.3	1.2%
10	Nursery	\$1.2	1.2%
	All Other	\$15.7	15.0%
	TOTAL	\$104.4	

*Data as of September 4, 2017 and are subject to change.

Minnesota Canola Insurance Experience

Year	Liability	Indemnity	Loss Ratio
2008	\$ 5,211,451	\$ 409,486	0.35
2009	\$ 3,616,731	\$ 1,647,043	1.58
2010	\$ 7,126,775	\$ 829,336	0.45
2011	\$ 7,521,922	\$ 999,923	0.57
2012	\$ 6,425,602	\$ 514,105	0.39
2013	\$ 4,170,766	\$ 548,111	0.58
2014	\$ 2,936,195	\$ 438,484	0.70
2015	\$ 3,652,180	\$ 344,026	0.45
2016	\$ 4,380,309	\$ 337,018	0.35
2017*	\$ 5,861,662	\$ 148,394	0.12

*2017 date incomplete



Changes for 2018

Prevented Planting Coverage Level for Canola

- Changed from 60% to 55%

Basic Provisions updated to remove Prevented Planting +10%

Types / Practices					
Unit Structure					
Prices					
T-Yield					
Yield Exclusion					
Dates					
Rates					
Maps					
Subsidy Factors					
Prevented Planting Coverage Level					
Special Provisions					
SCO Prices and Yields					
SCO Rates					
SCO Subsidy Factors					
Links					
1 of 1					
Find Next					
Prevented Planting Coverage Level					
Selection Criteria					
Year: 2018		Commodity: Canola (0015)		State: Minnesota (27)	
Data: Released		Plan: Revenue Protection (02)		County: Roseau (135)	
Types / Practices		T/P 01	T/P 02	T/P 03	T/P 04
Type	Practice	Spring Oleic Canola 286 Non-Irrigated 003	Spring Oleic Canola 286 Irrigated 002	Spring High Oleic Canola 384 Non-Irrigated 003	Spring High Oleic Canola 384 Irrigated 002
Prevented Planting Coverage Level - Base County					
Prevented Planting Coverage Level		0.550	0.550	0.550	0.550
Prevented Planting Coverage Level - Options					
Insurance Option					
(PF) Prevented Planting +5%		0.600	0.600	0.600	0.600

Whole Farm Revenue Protection



FEDERAL CROP INSURANCE CORPORATION PILOT INSURANCE PROGRAM
RISK MANAGEMENT AGENCY

Whole-Farm Revenue Protection (WFRP)

What is it?

- The Agricultural Act of 2014 (Farm Bill) instructed RMA to develop a whole-farm diversified risk management plan of insurance
- Since 2015, WFRP has provided coverage for all revenue produced on a farm
- Includes farms with specialty or organic commodities (crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets
- The first crop insurance product available nationwide, in every county in the United States
- Currently there is more than \$2.6 billion in WFRP liabilities nationwide, with 2,792 WFRP policies sold (as of 9/4/2017)

What does WFRP cover?



- Revenue from all commodities produced on the farm:
 - Including animals and animal products
 - Commodities purchased for resale (up to 50% of total)
 - Excluding timber, forest, forest products, and animals for sport, show or pets
- Replant costs (with approval)

How is the amount of insured revenue determined?

- WFRP insured revenue is **the lower of:**
 - Your current year's expected revenue (determined by your farm plan) at the selected coverage level, or
 - Your historic revenue adjusted for growth at the selected coverage level
 - Automatic indexing process accounts for farm growth historically
 - Expanding operations provision allows for up to 35% growth over historic average with insurance company approval



Does diversification on my farm matter for WFRP?

Yes!



The number of commodities produced are counted toward the diversification requirement within WFRP

- The WFRP commodity count is a calculation rather than simply a count of commodities produced.
- Each commodity must provide a calculated percentage of the expected farm revenue to be counted
- Commodities providing small amounts of revenue may be grouped to meet the qualification

Commodity Count

Where is this Commodity Count number used?

Commodity Count

Where is this Commodity Count number used?

1. Coverage Levels

Coverage Levels

- Coverage levels range from 50-85%
 - 5% increments
 - Diversification of 3 commodities (commodity count) required for 80% and 85%
 - No catastrophic level of WFRP available



Commodity Count

Where is this Commodity Count number used?

1. Coverage Levels
2. Premium Subsidy

WFRP Premium Subsidy

Basic Subsidy for Commodity Count = 1

Whole Farm Subsidy for Commodity Count of 2 or more

WFRP Subsidy: Percentage of Total Premium Paid by Government

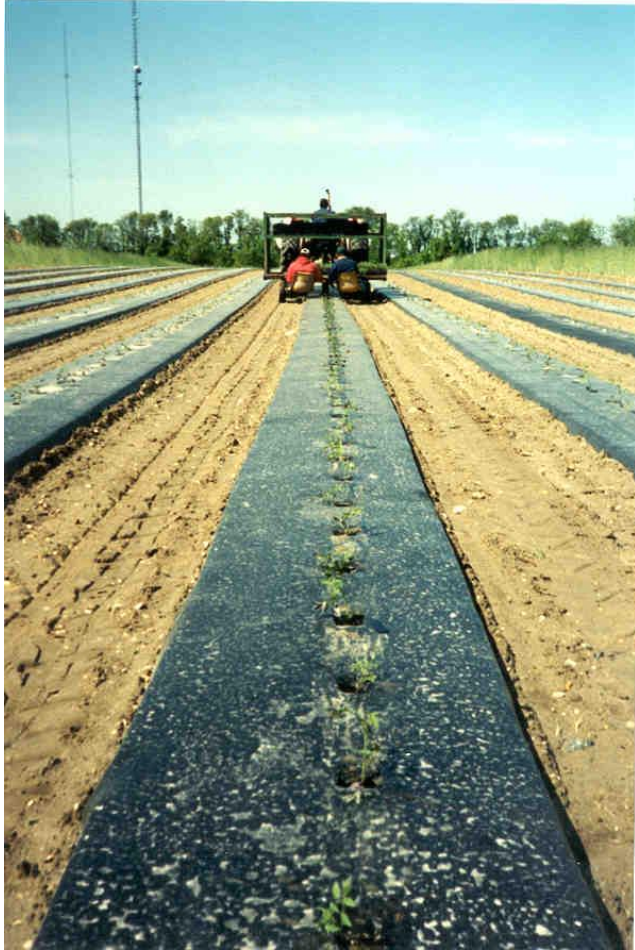
Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy-Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

Commodity Count

Where is this Commodity Count number used?

1. Coverage Levels
2. Premium Subsidy
3. Eligibility

Eligibility



Eligibility for WFRP

- Commodities insurable with other revenue coverage must have 2 commodities
- Potato farms must have 2 commodities

Commodity Count

Where is this Commodity Count number used?

1. Coverage Levels
2. Premium Subsidy
3. Eligibility
4. Premium Discount
 - A 'diversification discount' gets applied to premium and increases with the number of commodities, up to 7.

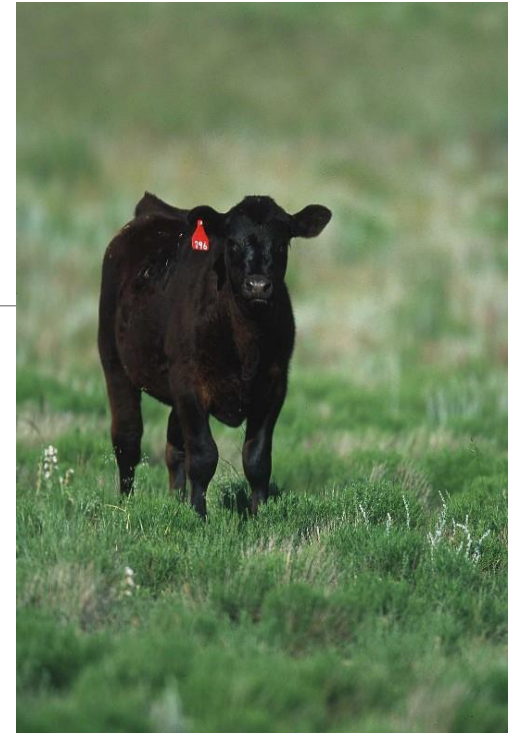
What causes a loss payment under WFRP?



- Natural causes of loss and decline in market price during the insurance period
- When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be paid
- Taxes must be filed for the insurance year before any claim can be made (2017 insurance year requires 2017 farm taxes to be filed)

What will my agent need from me?

- Five years of farm tax forms
 - For 2018, requires tax forms from 2012-2016
 - Exceptions are made for Beginning Farmers and Ranchers, Qualifying persons not required to file US Tax Return (Tribal Entities), and producers that were physically unable to farm one year.
- Needs to know if you are a:
 - Calendar year tax filer
 - Fiscal year tax filer and what your fiscal year is
- Information about what you plan to produce on the farm during the insured year
 - Used to complete the Intended Farm Operation Report
- Other information as applicable
 - Such as supporting records, your organic certification, inventory or accounts receivable information...



What is the timeline for WFRP?

Sales-begin upon release of actuarial materials

Last day to purchase: Sales Closing Date

- Intended Farm Operation Report is completed

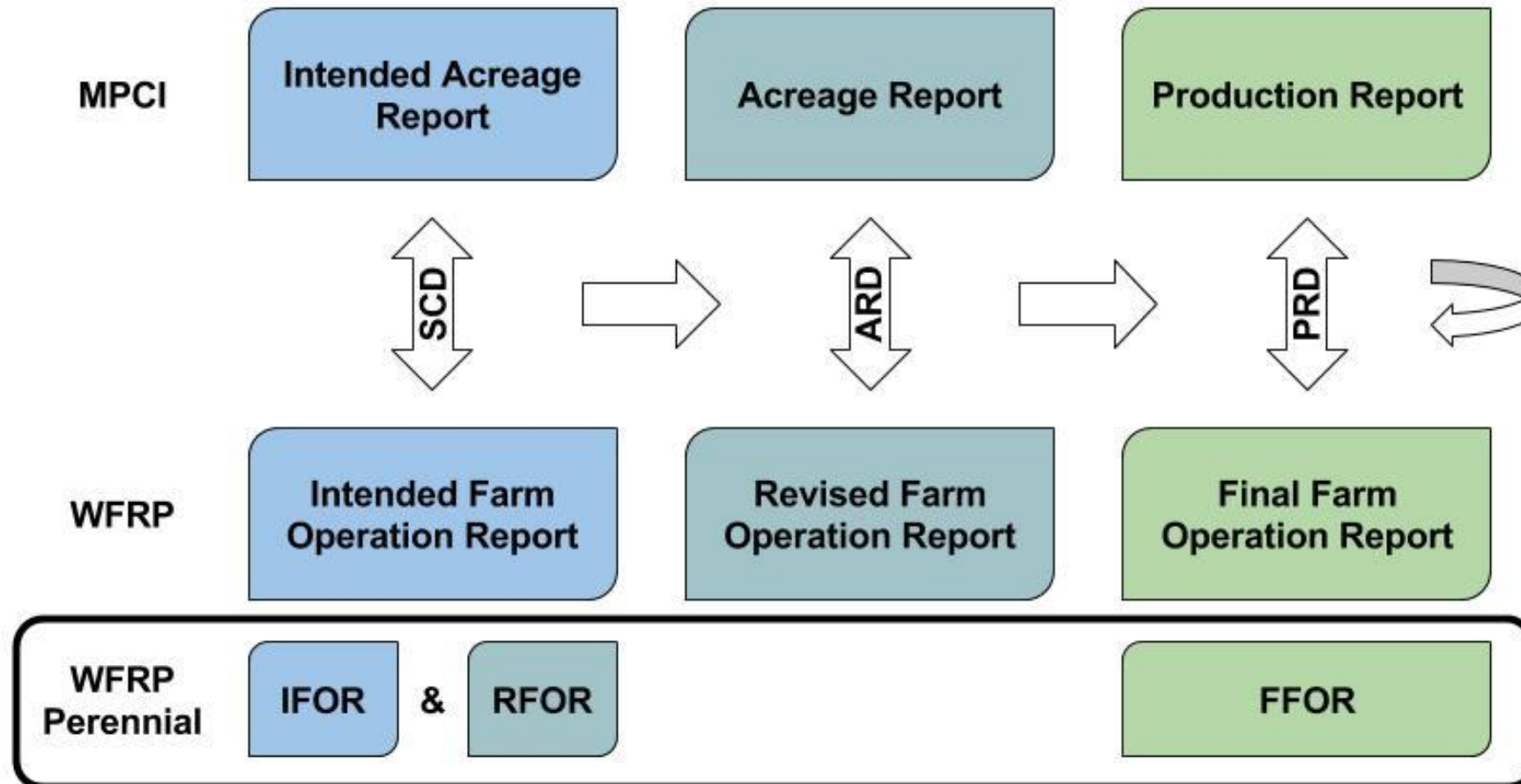
Revised Farm Operation Report Due (like an acreage report)

- July 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)

Final Farm Operation Report completed earlier of:

- Time of loss determination
- By next year's Sales Closing Date
- If not completed-limited to 65% coverage the next year

The WFRP Farm Operation Report



Other Federal Crop Insurance Policies:

Other Federal crop insurance policies covering individual commodities may be purchased

- Must be at buy-up coverage levels
 - If other crop insurance is purchased at the CAT level, the farm is not eligible for WFRP
- Any indemnities from these policies will count as revenue earned under WFRP
- For premium calculation purposes only, your insured revenue will be adjusted to reflect these purchases.
- Total liability amount of all other policies that are issued under the authority of the Act, up to half of total WFRP insured revenue, will be subtracted from total insured revenue used in determining premium calculation.

WFRP & MPCl Comparison

Indemnity not paid until after taxes are filed

Can not cancel Whole Farm policy after accepted, even if it's before Sales Closing Date

No CAT coverage available

Can use prices you actually receive, including organic prices, using your sales records. Not limited to using prices based on speculative markets or USDA data.

Provides revenue coverage for commodities that currently only have an APH policy

Subsidy levels up to 80%, and premium discounts based on diversification levels



Additional Information

You can find more about WFRP at our website, www.rma.usda.gov

USDA Risk Management Agency
United States Department of Agriculture

About RMA | Field Offices | Contact Us | ¡En Español!

What's New | Newsroom | Programs | Blog

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Popular Topics

- Appendix III/M-13
- Bulletins and Handbooks
- Crop Policies and Pilots
- Federal Crop Insurance Corp
- Field Offices: ROs | COs
- Frequently Asked Questions
- Information Browser
- Laws and Regulations
- Livestock Policies
- Reinsurance Agreements

Keeping the Rural Economy Strong and Sustainable

Crop Insurance Helps the Rural Economy

Risk Management for Beginning Farmers and Ranchers

Find a Crop Insurance Agent to Discuss Available Options

Quick Links

- Agent/company locator
- Calendar events
- Cost estimator
- Crop Indemnity Maps
- Crop Insurance Decision Tool (CIDT)
- Price Discovery Report
- Rainfall-Veg Indices
- Summary of Business

RMA's Priorities

- Bulletins and Handbooks
- County Crop Programs
- Fact Sheets
- Farm Bill
- Opportunities
- Partnership Agreements
- Policies
- Publications
- State Profiles

Beginning Farmers and Ranchers

Civil Rights

Farm Risk Plans

Organic Crops

Prevented Planting

SRA

Whole-Farm

RMA Map Viewer
RMA expanded Actual Production History Yield Exclusion and Supplemental Coverage Option to include more crops and more counties for 2016.

STAX/SCO Cotton Production Area Definitions
Maps illustrating production areas defined for STAX and SCO cotton are now available.

RMA clarifies prevented planting standards in the Prairie Pothole Region
Visit your crop insurance agent for more information.

THE FARM BILL

Risk in Agriculture

Associated Agencies and Organizations with MOIs

Questions?

www.rma.usda.gov
