Crop Insurance for Fruit Growers

Ag-Analytics.org
Why Purchase Crop Insurance?

• Crop insurance helps producers manage risk.

• In exchange for annual premiums, crop insurance plans provide payments called "indemnities" when yields or revenues fall below covered levels.

• On average, over the past five years, New York producers received $2.39 in indemnities for every $1 they paid in premiums.
Insurance Options for Fruits – Lake Ontario Counties

Policies via Private Insurers:
• APH, Actual Production History
• ARH, Actual Revenue History
• WFRP, Whole Farm Revenue Protection

USDA/FSA:
• NAP, Non-Insured Crop Disaster Assistance Program
<table>
<thead>
<tr>
<th>Crop</th>
<th>Product</th>
<th>Counties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples</td>
<td>Actual Production History</td>
<td>All</td>
</tr>
<tr>
<td>Apricots</td>
<td>NAP</td>
<td>All</td>
</tr>
<tr>
<td>Blueberries</td>
<td>NAP</td>
<td>All</td>
</tr>
<tr>
<td>Cherries, Sweet</td>
<td>Actual Revenue History</td>
<td>Monroe, Niagara, Orleans, Wayne</td>
</tr>
<tr>
<td>Cherries, Tart</td>
<td>Actual Revenue History</td>
<td>Monroe, Niagara, Orleans, Wayne</td>
</tr>
<tr>
<td>Nectarines</td>
<td>NAP</td>
<td>All</td>
</tr>
<tr>
<td>Pear</td>
<td>NAP</td>
<td>All</td>
</tr>
<tr>
<td>Peaches</td>
<td>Actual Production History</td>
<td>Niagara, Orleans</td>
</tr>
<tr>
<td>Strawberry</td>
<td>NAP</td>
<td>All</td>
</tr>
</tbody>
</table>
APH and ARH Policy Basics:

- Available for certain fruit crops
- Private insurers offer a standardized product
- Grower and USDA share premiums
- There are various levels of coverage
- Policies are generally based on either a farms’ production history or revenue history
Apples and APH

- Apples are the #1 crop insured in Lake Ontario region
- Several options available to accommodate producers various markets and risk tolerances
  - Both fresh and process varieties can be insured
  - Fresh can be insured as one category or three variety based categories
  - Production (yield) protection available for process and fresh
  - Optional quality adjustment coverage available for fresh
  - Coverage available up to 75% of APH and 100% of price election
- For acreage to qualify: apples grown on tree varieties that are adapted to the area and has produced at least 150 bushels per acre in one of the past 4 years.
Apple APH Perils Insured Against

- Adverse Weather Conditions
- Insects (but not damage due to insufficient or improper application of pest control measures)
- Plant disease (but not damage due to insufficient or improper application of disease control measures)
- Wildlife, Fire, Earthquake, Failure of Irrigation Water Supply and all other natural causes of loss that cannot be prevented
Optional units may be established by:

- Non-contiguous land
- Farm Serial Numbers
- Irrigated and Non-irrigated practices
- Type: Varietal Groups A, B and C
- Type: Fresh and Processing

(Not Available With CAT Coverage)

Take Away: The use of multiple units where possible may be beneficial to the producer.
Apple APH Federal Government Subsidy

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>CAT</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Subsidy</td>
<td>100%</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
</tr>
<tr>
<td>Your share of the premium</td>
<td>$300</td>
<td>33%</td>
<td>36%</td>
<td>36%</td>
<td>41%</td>
<td>41%</td>
<td>45%</td>
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</table>
Apple 2017 Price Elections

<table>
<thead>
<tr>
<th></th>
<th>APH:</th>
<th>Maximum</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh</td>
<td>$12.90 bushel</td>
<td>$7.10 bushel</td>
<td></td>
</tr>
<tr>
<td>Processing</td>
<td>$4.50 bushel</td>
<td>$2.48 bushel</td>
<td></td>
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</tbody>
</table>

**Varietal Group A (Fresh): $49.90/bushel**
Honeycrisp

**Varietal Group B (Fresh): $15.25/bushel**
Cortland, Empire, Fuji, Gala, Jonagold, Macoun, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink Lady) and Red Rome

**Varietal Group C: $11.15/bushel**
All other varieties not specified in Group A or B

A contract price is available for certified organic production if certain requirements are met.
Fresh Fruit Option Loss Example

Acres: 40 (1 Unit)
Production History: 20,000 bushels
Coverage Level: 60%
Guarantee: 12,000 bushels

Orchard experienced 50% hail damage and fruit will not grade U.S. Fancy.

Gross Production: 18,000 bushels (U.S. NO. 1 Processing or Better) Harvested and/or Appraised
Apple Quality Option Adjustment Table

• If more than 20% of your apples do not grade U.S. Fancy due to a covered peril, a quality adjustment will be made to your apple production.

• If 40% of your apples do not grade U.S. Fancy due to a covered peril, it is a 40% loss.

• If 50% of your apples do not grade U.S. Fancy due to a covered peril, it is a 70% loss.

• If 65% of your apples do not grade U.S. Fancy due to a covered peril, it is a 100% loss.
Indemnity Calculation:

Average Hail Damage: 50%
Adjusted Damage: 70%

18,000 bu. X 70% = 12,600 bu. Insured Damage
18,000 bu. – 12,600 bu. = 5,400 Net Bushels
5,400 bu. = Undamaged Production to Count
12,000 bu. – 5,400 bu. = 6,600 Bushels Deficient
6,600 bu. X $12.90 = $85,140 Indemnity Payment

Take Away: You must discuss what you can do with the fruit after it has been adjusted for this option. Failure to do so can adversely affect the outcome of the claim.
Apple APH Notice of Claim and Appraisals

- Producers must notify agent within 72 hours of initial discovery of damage (perceived crop loss from frost, hail, wind storm etc.)
- Quality and production appraisals will be completed at fruit maturity for each variety.
  - Early season appraisals are not allowed
  - Multiple appraisals will occur during the season
Good Record Keeping is Critical

Picking Records:
• Records by picker, by unit
• Records of price paid and payments
• Must be able to calculate production

Sales Records:
• Individual Receipts (packing shed, processor, cooperative, sales broker etc.)
• Must show total marketable production in bushels, bin counts or weight by variety

These records must be provided for each insured unit.
Apple APH Important Crop Insurance Dates

Sales Closing, Policy Change, Cancellation, and Termination Date........ November 20, 2016

Production Report Due Date............................ January 15, 2017

Acreage Report Due Date.............................. January 15, 2017

Premium Billing Date.................................. August 15, 2017

Notice of Loss:

  If Harvesting........................................ 15 days prior to Harvest
  Once Loss Occurs................................. Within 72 hours of Discovery
  No Harvest................................. 3 days prior to when harvest should have started

End of Insurance Period................................. November 5, 2017
WFRP Basics

- Revenue-based option for diversified farms
  - Premium subsidies may be higher for more diversified farms (cost is lower)
- Available for all NY counties and some crops and livestock not currently available under single-crop policies
- Flexibility in setting prices (expected prices)
- Flexibility and additional benefits for beginning farmers and ranchers
- 5 years of revenue history (schedule F) required, with some exceptions
NAP Basics:

• Available for commercially produced crops in which crop insurance is not available

• Eligible causes of loss: damaging weather (drought, freeze, hail, excessive moisture, excessive wind)

• NAP basic coverage equivalent to the CAT level protection plan of insurance coverage (Loss exceeding 50% of expected production at 55% of the average market price)

• NAP now offers levels of coverage up to 65% production and 100% of market price
NEW: Supplemental Coverage Option (SCO)

• SCO is an option that provides additional coverage for a portion of your underlying crop insurance deductible.

• It must be purchased as an “endorsement” to yield or revenue policies.

• The Federal Government pays 65 percent of the premium cost for SCO.

• SCO increases the level of coverage to 86% of Producer’s APH Yield
  • Payments begin if area yield is less than 86% of historic levels, farm yield relative to county yields should be taken into account in purchase decision

• SCO results in additional premium and an additional administrative fee
Call to Action!

Research the available programs & options (CAT, Buy-Up, Fresh Option, Whole Farm Revenue Protection, etc.)

Contact a crop insurance agent to assist you in creating your risk management plan.

Evaluate the risk exposure on your farm (production, revenue, quality, etc.)

Identify the plan that fits your needs.
Estimate your costs

Premium Calculator

- Estimate your annual premium costs using the Crop Insurance Premium Calculator tool at Ag-Analytics.org/CropInsurance
Sign-up

Fill out your location and yield information based on your production history.
Sign-up

Then the tool will show you premium estimates for different levels of coverage…

As a graph
Then the tool will show you premium estimates for different levels of coverage…

And a chart
Summary

• Good deal
• Good records
• Investigate the options and compare premium/indemnity ratio
• Need slide showing – Fact sheets
Additional Information

Crop insurance information and web tools, including quote estimator

www.ag-analytics.org/cropinsurance

USDA Risk Management Agency (RMA)
To find a crop insurance agent, go to

www.rma.usda.gov/tools/agent.html

Whole Farm Revenue Program


NAP-Noninsured Crop Disaster Assistance Program
