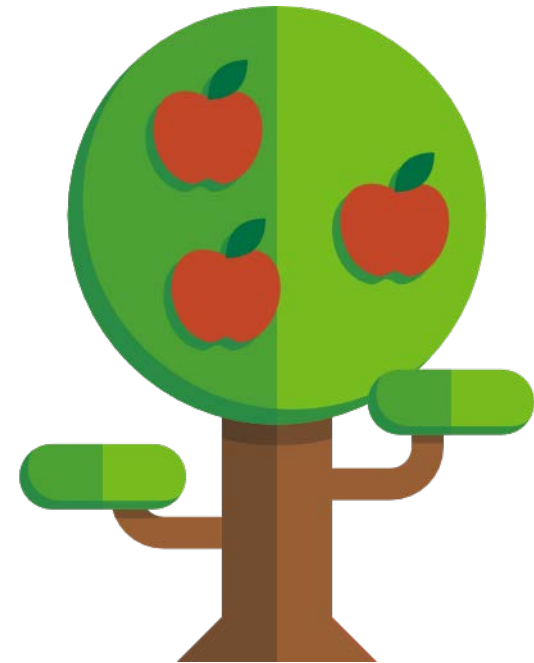




Cornell University
Charles H. Dyson School of
Applied Economics and Management

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



Insurance Programs for Fruits – Lake Ontario Counties

Crop	Product	Counties
Apples	Actual Production History	All
Apricots	NAP	All
Blueberries	NAP	All
Cherries, Sweet	Actual Revenue History	Monroe, Niagara, Orleans, Wayne
Cherries, Tart	Actual Revenue History	Monroe, Niagara, Orleans, Wayne
Nectarines	NAP	All
Pear	NAP	All
Peaches	Actual Production History	Niagara, Orleans
Strawberry	NAP	All



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



Apple APH Unit Structure Options

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

Coverage Level	CAT	50%	55%	60%	65%	70%	75%
Federal Subsidy	100%	67%	64%	64%	59%	59%	55%
Your share of the premium	\$300	33%	36%	36%	41%	41%	45%



Apple 2017 Price Elections

APH:	Maximum	Catastrophic
Fresh:	\$12.90 bushel	\$7.10 bushel
Processing:	\$4.50 bushel	\$2.48 bushel

Varietal Group A (Fresh) : \$49.90/bushel

Honeycrisp

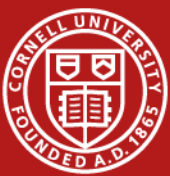
Varietal Group B (Fresh): \$15.25/bushel:

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 with **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



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.)





Estimate your costs

Premium Calculator

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

The screenshot displays the Ag-Analytics website interface. The header includes the Ag-Analytics logo and a navigation menu icon. The main content area is titled "The Crop Insurance Advantage" and contains the following text:

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.

Thinking about insuring your harvest? We have resources to help you understand your options. We are a not-for-profit research group so all of our information and tools are provided for free. Have a look around!

Below the text, there is a circular graphic with a magnifying glass over a bar chart, and two blue buttons: "Crop Insurance Quote Estimator" and "ARC/PLC Calculator".



Sign-up

Fill out your location and yield information based on your production history

The screenshot shows the "Ag-Analytics" web application interface. The header includes the "Ag-Analytics" logo and a menu icon. The main content area is titled "Crop, Location, and Quote Inputs" and "Historical Yield Form". The form contains the following fields:

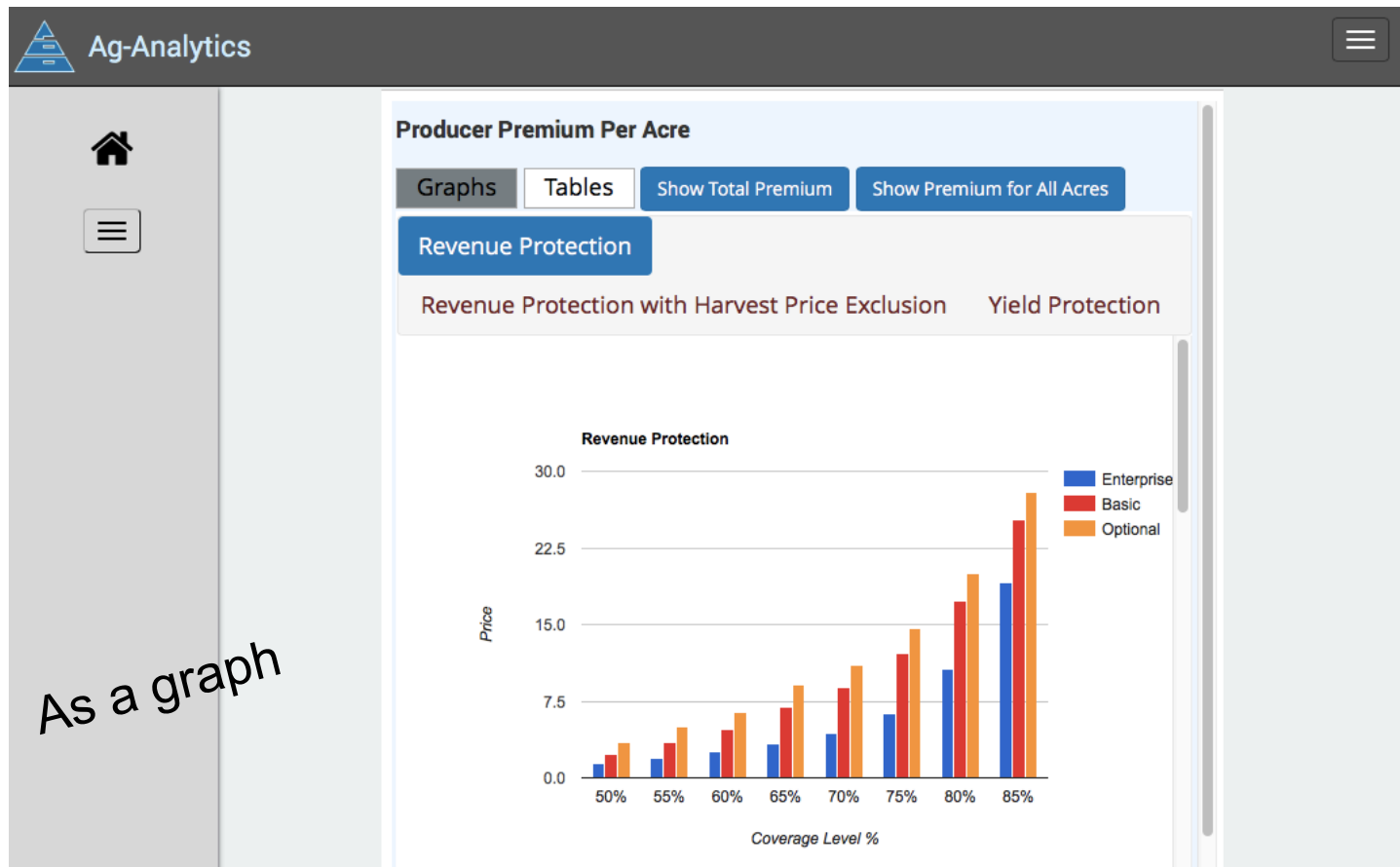
Commodity Year:	2014
Crop:	Corn 41
Location	
State:	New York 36
County:	Tompkins 109
Quote Inputs	
Type: ?	Silage 26
Practice: ?	Non-Irrigated 3
Acres:	100
Approved Yield: ?	16 TON

At the bottom of the form, there is a button labeled "Yield Worksheet".



Sign-up

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

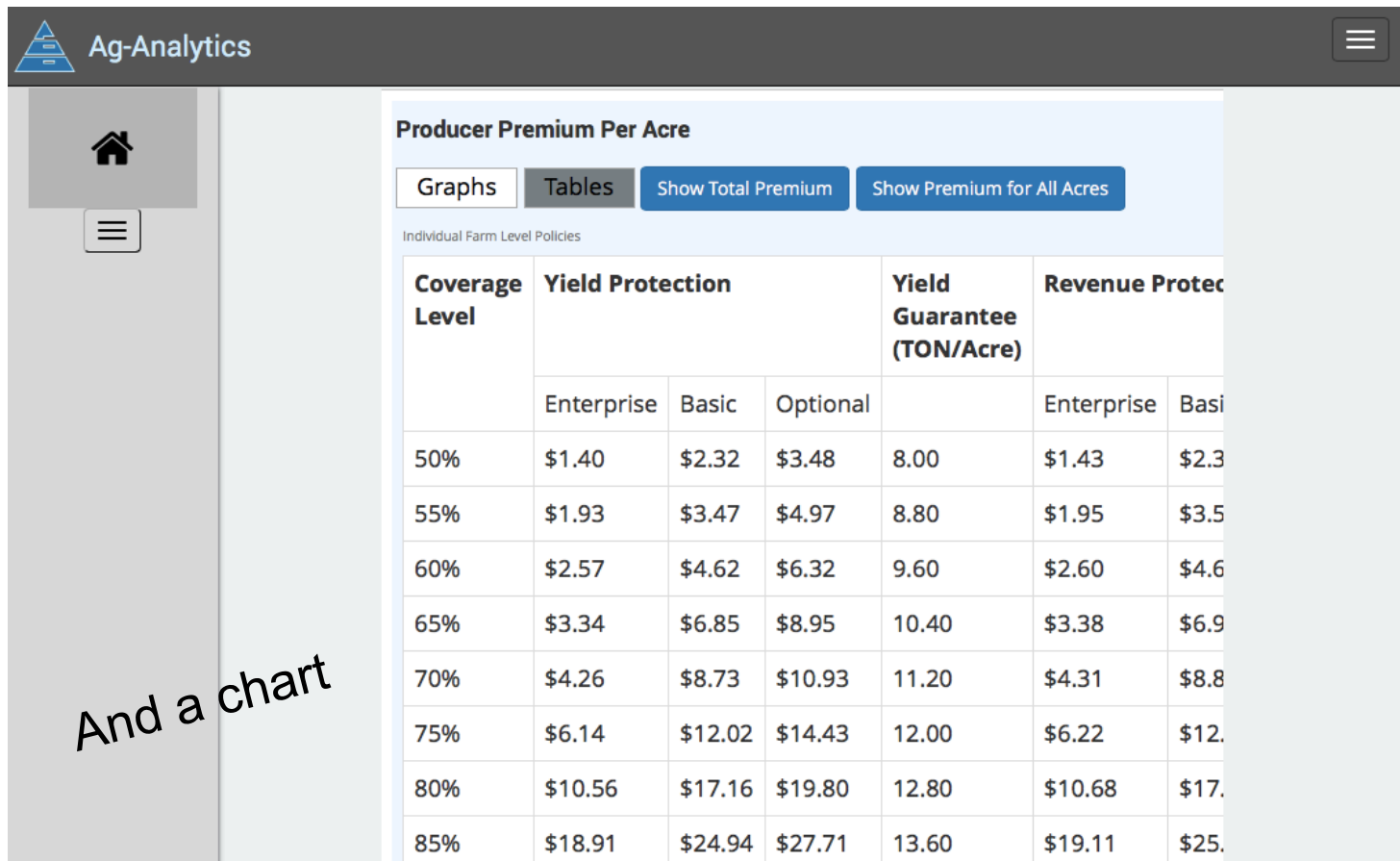


As a graph



Sign-up

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



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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

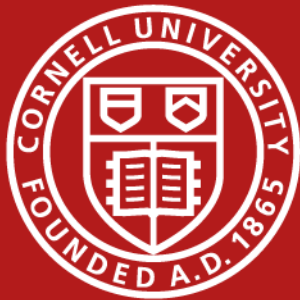
www.rma.usda.gov/tools/agent.html

Whole Farm Revenue Program

<http://www.rma.usda.gov/pubs/rme/wfrpfactsheet.pdf>

NAP-Noninsured Crop Disaster Assistance Program

https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2016/NAP_for_2015_and_Subsequent_Years.pdf



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