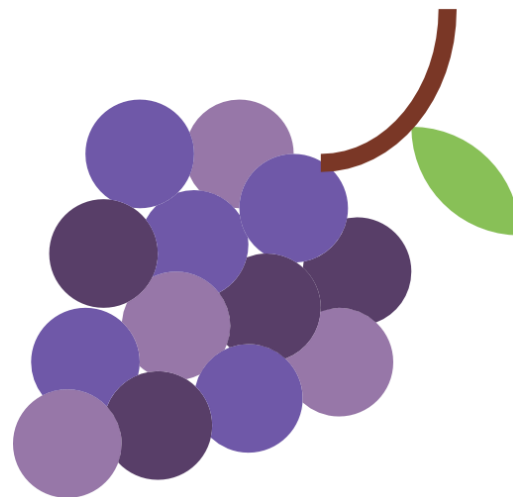




Cornell University
Charles H. Dyson School of
Applied Economics and Management

Crop Insurance for Grape Growers



Ag-Analytics.org





New York Crop Insurance and Risk Management Project

- Part of USDA Risk Management Agency's Targeted States Program to increase crop insurance outreach in states with low usage rates
- Based at Cornell for the first time this year
- In addition to outreach, providing web tools to help farmers better understand crop insurance options



Why Purchase Crop Insurance?

- Protects against catastrophic losses
- Helps to recover after a bad planting or bad harvest (assuming that the cause of losses are beyond a farmer's control)
- Security for operating loans



What are your options?

For Grape Producers (in addition to the FSA programs – NAP and TAP) there are 2 options,

Grape Insurance (APH) based on annual yields – but not available in every county or for every variety

Whole Farm Revenue Insurance – insures farm revenue. Available in all counties.



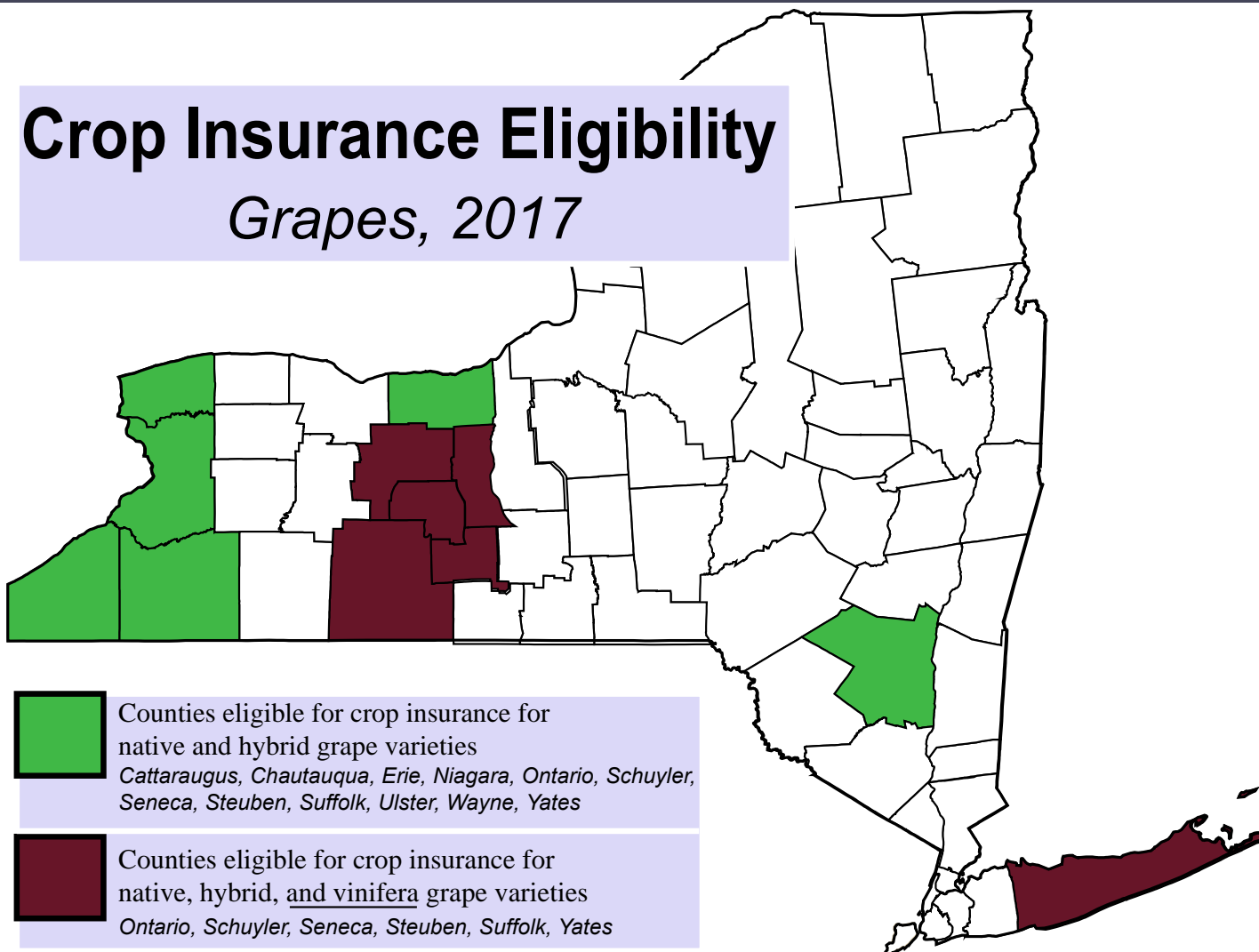
Federal Government Subsidy - APH

Coverage Level	CAT	50%	55%	60%	65%	70%	75%	80%	85%
Federal Subsidy	100%	67%	64%	64%	59%	59%	55%	48%	38%
Your portion of the premium	\$300	33%	36%	36%	41%	41%	45%	52%	62%



Insured Counties (Grape APH)

Crop Insurance Eligibility *Grapes, 2017*





What if I live in a non-insured county?

Grapes in other counties may be insurable by individual written agreement.

Application requires:

- Acreage and production records for the three most recent crop years;
- Confirmation from agricultural experts that the crop can be produced in the county.
- Dates you and other growers in the area normally plant and harvest.
- Name, location and approximate distance to the place the crop will be sold or used.
- The legal description of the land to be covered by insurance.
- Pre-Acceptance Inspection Report (PAIR) and Worksheet (PAW).

Process requires significant lead time.



What is covered?

Adverse Weather Conditions

Insects - but not damage due to insufficient or improper application of pest control measures

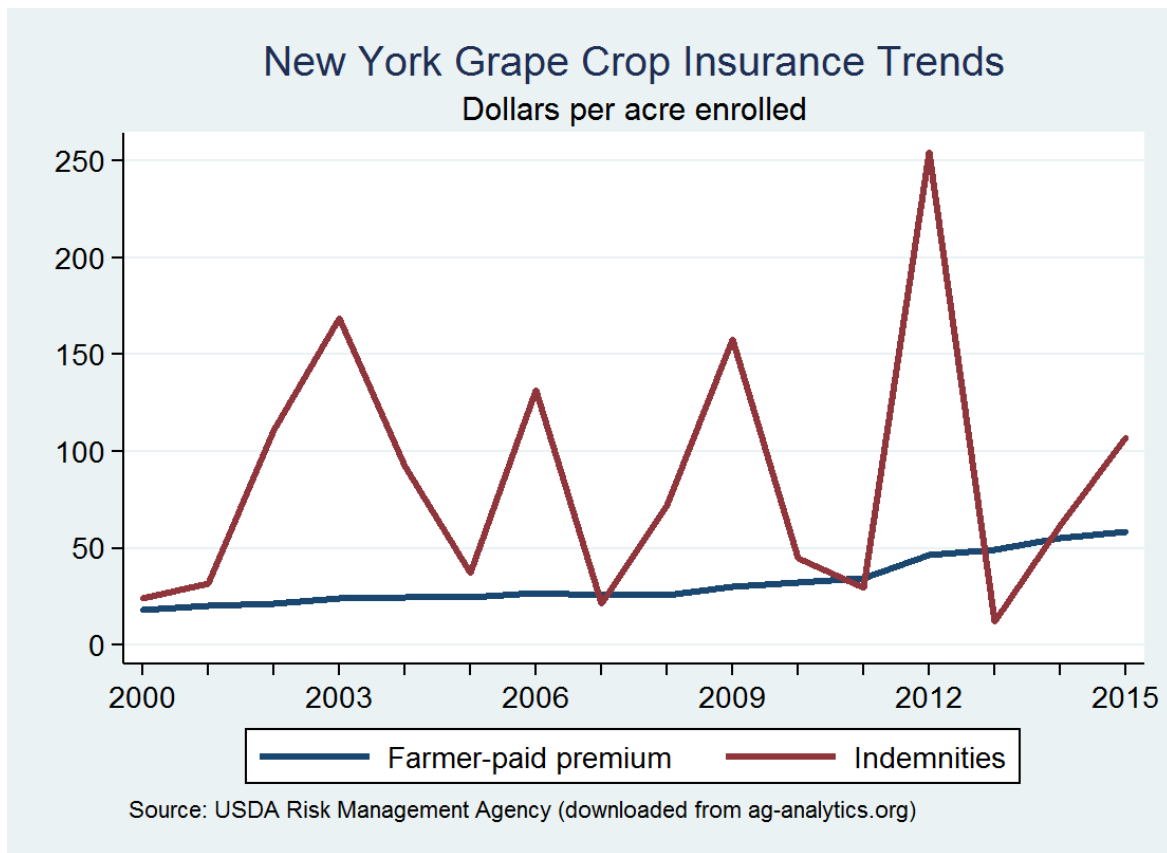
Plant disease - but not damage due to insufficient or improper application of disease control measures

Wildlife - unless control measures have not been taken

Others: Fire, Earthquake, Volcanic Eruption, Failure of irrigation water supply



How has grape crop insurance worked in NY?



Over 20,000 acres have been enrolled annually in New York since 2010



Special requirements for insuring grapes

Grape varieties grown for wine or juice are insurable if the vines have:

- Reached the fourth growing season for all Native and Hybrid varieties
- Reached the fifth growing season for all Vinifera varieties
- Produced an average of 2 tons per acre in at least one of the three most recent crop years unless we inspect and allow insurance on acreage that has not produced this amount.



Insurable Age of Vinifera Vines

Written Agreement requests may be considered by the Raleigh Regional Office for blocks of grapes added to an existing unit of the same variety with vines less than seven growing seasons if the inspection is favorable.



Causes of Loss Not Covered

Market: Inability to market the grapes other than damage from an insurable cause.

Phylloxera, regardless of cause.



Cause of Loss

Freeze is not a cause of loss for vinifera grapes if recognized cultural practices are not followed to prevent trunk injury or death.

For example:

- Hilling-up of graft unions in the Fall and de-hilling in the Spring.
- Maintaining two or three trunks, as opposed to a one trunk training system.



Key concept: basic unit



FSN – FSA farm serial number



Key concept: optional units

A Basic Unit may be divided into Optional Units if you meet one of the following:

- Each Optional Unit is located in a separate FSA Farm Serial Number (FSN), or by written agreement as sectional equivalents
- Optional Units may be based on irrigated and non-irrigated acreage
- Acreage of the insured crop grown under organic farming practices

Optional units are not available for crops insured under a Catastrophic Risk Protection Endorsement (CAT)



Optional Units (3)

Own FSN 101, Rent FSN 102 & 103

FSN 101

FSN 102

FSN 103



Loss Example-Grapes

This example assumes 65% coverage level, Vidal Blanc variety, average yield of 4 tons per acre and a 2017 production of 1 ton per acre:

Premium of \$32 per acre (basic units)

4 tons X .65 coverage level = 2.6 tons guarantee

2.6 tons guarantee – 1 ton produced = 1.6 tons per acre loss

1.6 tons X \$620 Price Election = \$992.00
indemnity payment per acre



Quality Adjustment

- Grapes qualify if, due to insurable causes, damaged grapes have a value less than 75% of the average market price of undamaged grapes of the same or similar variety.
- Undamaged grape price determined by averaging the prices of undamaged grapes during the week that damaged grapes were valued.
- Value of damaged grapes, and the average market price of undamaged grapes are determined the earlier of the date the grapes are sold, or the date of final inspection for the unit.



Quality Adjustment

Divide the value per ton of the damaged grapes by the value per ton for undamaged grapes (the value of undamaged grapes will be the lesser of the average market price or the maximum price election for such grapes).

Multiply this result by the tons of damaged grapes.



Quality Loss Example

Vidal Blanc variety, 4 tons per acre average yield, 65% coverage level, produced 4 tons per acre in 2017 with a value of \$124 due to an insurable cause.

$\$124/\$620 = 0.2$ Adjustment factor

$0.2 \times 4 \text{ tons} = 0.8$ Adjusted Production

$2.6 \text{ tons guarantee} - 0.8 = 1.8 \text{ ton loss}$

$1.8 \text{ tons} \times \$620 \text{ Price Election} = \$1,116$ indemnity payment per acre

$\$1,116 \text{ indemnity} + \$496 \text{ grape receipts} = \$1,612$ total revenue per acre



Non Insured Agricultural Product (NAP) Basics:

Available from USDA-FSA for commercially produced crops in which crop insurance is not available – all tree fruit except apples and peaches in covered counties

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



Non Insured Agricultural Product (NAP) Basics:

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

However

NAP now offers levels of coverage up to 65% production and 100% of market price



NAP Basic Coverage

No premium, Fees are \$250 per crop or \$750 per producer (in one county)

Maximum payment \$1,875 if you farm in multiple counties

10 acres Bosc Pears in Rensselaer County, NY
Basic coverage – Fee \$250



NAP Additional Coverage Premium

50% - 65% coverage full market value
10 acres Bosc Pears in Rensselaer County, NY

- The producer's share of the crop; (100%) X
- The number of eligible acres devoted to the crop; (10) X
- The approved yield per acre; (7) X
- The coverage level; (65%) X
- The average market price; (\$610.33) X
- A 5.25 percent premium fee. (5.25%) =

Premium = \$1,457.93



NAP Additional Coverage Premium

Basic Payment

Yield	Payment	Revenue
7	(\$250)	\$42,723.33
5.60	(\$250)	\$34,178.67
4.20	(\$250)	\$25,634.00
3.50	(\$250)	\$21,361.67
3.15	\$924.89	\$19,225.50
2.10	\$4,449.57	\$12,817.00
0	\$8,914.15	\$0.00

65% Coverage Payment

Yield	Payment	Revenue
7	(\$1,457.93)	\$42,723.33
5.60	(\$1,457.93)	\$34,178.67
4.20	\$678.23	\$25,634.00
3.50	\$4,950.57	\$21,361.67
3.15	\$7,086.73	\$19,225.50
2.10	\$15,631.40	\$12,817.00
0	\$20,523.54	\$0.00



Whole Farm Revenue Program 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



Beginning Farmers

Beginning farmers (no more than 5 years of operating a farm) qualify for additional benefits:

- Exempt from paying admin fees
- Higher premium subsidy levels may be available
- Use of production history from a farm where the beginning farmer previously worked (but did not manage)

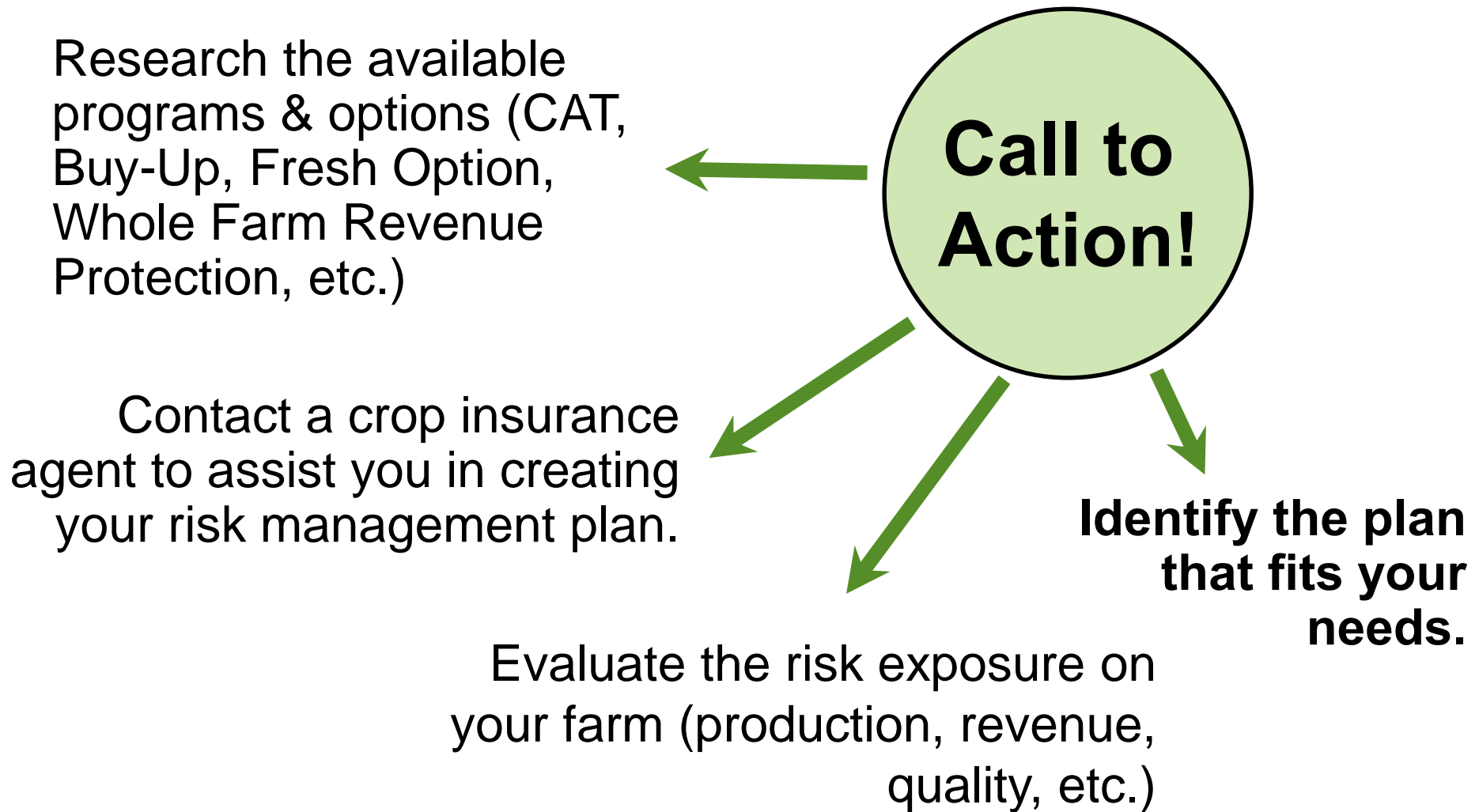


\$150,000 revenue



Apples	\$50K
Blueberries	\$50K
Raspberries	\$25K
Pumpkins	\$15K
Pears	\$10K

50%	65%	75%	85%
75K	97.5K	112.5K	127.5K
80%	80%	80%	56%
\$915	\$1540	\$2318	\$6844





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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

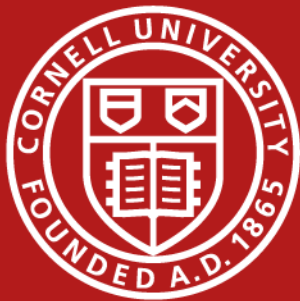
www.rma.usda.gov/tools/agent.html

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/usdafiles/FactSheets/2016/NAP_for_2015_and_Subsequent_Years.pdf



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