

# Grape Insurance Options for Nebraska Producers

2015 Nebraska Winery and Grape  
Growers Forum and Tradeshow

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# Topics

- ▶ What is RMA?
- ▶ Grape Program
- ▶ Written Agreements
- ▶ Whole Farm Revenue Protection
- ▶ Noninsured Crop Disaster Assistance Program

# What is RMA?

## United States Department of Agriculture - Risk Management Agency

- ▶ RMA provides crop insurance to American farmers and ranchers
- ▶ Private-sector insurance companies sell and service the policies
- ▶ RMA develops and/or approves the premium rate, administers premium and expense subsidies, approves and supports products, and reinsures the companies

# Grape Program

- ▶ Insured Crop - grapes grown for wine or juice
- ▶ Grapes insurable in Lancaster County, NE under APH Insurance Plan
  - ▶ APH = Actual Production History
- ▶ 28 varieties currently insurable

# Grape Program: Insurance Coverage

- ▶ Adverse weather conditions
- ▶ Wildlife
- ▶ Earthquake
- ▶ Volcano
- ▶ Failure of irrigation water supply, if caused by an insured peril that occurs during the insurance period
- ▶ 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
- ▶ Fire, unless weeds and other undergrowth have not been controlled or pruning debris has not been removed

# Grape Program: Not Covered

- ▶ Any act by any person that affects the yield, quality, or price of the crop
- ▶ Failure to follow recognized good farming practices of the crop
- ▶ Any cause of loss that occurs outside the insurance period
- ▶ Phylloxera, regardless of cause
- ▶ Inability to market the grapes for any reason other than actual physical damage from an insurable cause

# Grape Program: Requirements

- ▶ Production - must have produced an average of at least 2 tons of grapes per acre in at least 1 of the 3 previous crop years
- ▶ Age - fourth growing season after being set out for Concords. Fifth growing season after being set out for all other varieties
- ▶ Producer's Pre-Acceptance Worksheet (PAW)
- ▶ Perennial Crop Pre-Acceptance Inspection Report (PAIR)

# Grape Program: 2016 Important Dates

- ▶ Sales Closing Date - November 20, 2015
- ▶ Cancellation Date - November 20, 2015
- ▶ Acreage Reporting Date - January 15, 2016
- ▶ Premium Billing Date - August 15, 2016
- ▶ End of Insurance - November 20, 2016



# Grape Coverage and Premium Example

Crop: Grapes			
Practice: Non-Irrigated			
Type: Niagara			
Year	Production	Acres	Yield
2010	25.3	11	2.3
2011	26.4	11	2.4
2012	12.1	11	1.1
2013	31.0	10	3.1
2014	22.0	10	2.2
APH Yield			2.2

2.2 Tons/acre APH Yield

X 0.65 Coverage Level

1.43 Tons/acre Guarantee

X 10.0 Acres

14.3 Tons/unit Guarantee

\$11,440 Amount of Protection

\$2,315 Total Premium

\$779 Producer Premium

\$1,536 Subsidy

# Grape Loss Example

14.3 Tons/unit Guarantee

- 5.1 Tons Harvested Production

9.2 Tons Loss

X \$800 Price Election

\$7,360 Indemnity

# Written Agreement Requirements

- ▶ Submission Deadline is Sales Closing Date - November 20
- ▶ Current year's completed APH
- ▶ Evidence of adaptability from an ag expert
- ▶ Producer's Pre-Acceptance Worksheet (PAW)
- ▶ Perennial Crop Pre-Acceptance Inspection Report (PAIR)
- ▶ Dates the producer and other growers normally harvest the crop

# Written Agreement Requirements

- ▶ Market - name, location of, distance to where grapes will be sold or used
- ▶ If Grapes are irrigated
  - ▶ Water source
  - ▶ Method of irrigation
  - ▶ Amount of water needed
  - ▶ Amount of water available

# Written Agreement Requirements

- ▶ Acceptable verifiable production records
  - ▶ Records of production commercially sold to a disinterested third party must contain the following information
    - ▶ Crop
    - ▶ Quantity of production that can be converted to tons
    - ▶ Name of Insured
    - ▶ Date of Transaction
    - ▶ Name of marketing outlet, processor, buyer, or first handler
    - ▶ Crop year commodity was produced

# Written Agreement Requirements

- ▶ Acceptable verifiable production records continued
  - ▶ FSA or CCC verified documents
    - ▶ The FSA or CCC document must provide production evidence determined and verified by an authorized representative of FSA or CCC
    - ▶ Documents that provide an insured's certification of production or an estimate of production are not acceptable
    - ▶ Many of these documents include the amount of production; however, in most cases, neither FSA or CCC determines or verifies the amount of production

# Written Agreement Requirements

- ▶ Acceptable verifiable production records continued
  - ▶ Pick Records - must be legible and include all of the following
    - ▶ Name of the individuals paid by the grower
    - ▶ Price paid, per volume picked, for picking the crop. Price paid must be on the basis unit of measure, tons
    - ▶ Be accompanied by verifiable proof of payment to the pickers
      - ▶ Photocopy of cancelled checks to picker showing the banking institutions stamp of payment
      - ▶ Photocopy of payments made to SSA for tax payments made on behalf of picker
    - ▶ Include the calculations used to determine the total production certified by the insured

# Written Agreement Requirements

- ▶ Acceptable verifiable production records continued
  - ▶ Tax Records



# Whole Farm Revenue Protection

Federal Crop Insurance Corporation  
Pilot Insurance Program Risk  
Management Agency

## 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

# What does WFRP cover?

- Replant costs for annual commodities
  - Actual cost up to a maximum of 20% of expected revenue for the crop
  - Record of replant costs required
  - Insurance company has approval authority
  - Payable after loss of 20% of the crop or 20 acres

# What are the features of WFRP?

- Coverage levels 50-85%
  - 5% increments
  - Diversification of 3 commodities (commodity count) required for 80% and 85%
  - No catastrophic level of WFRP available
- Historic revenue is adjusted to reflect farm expansion
  - Automatic indexing process accounts for farm growth historically
  - Expanding operations provision allows for 10% growth over historic average with insurance company approval

# What are the features of WFRP?

- Costs for market readiness operations may be left in the approved revenue
  - Minimum required to make commodity market ready
  - On farm, in-field or close proximity to field
  - No added value costs may be included
- You may also purchase other Federal crop insurance policies covering individual commodities
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP

# What are the features of WFRP?

- All farm revenue is insured together under one policy
  - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
- Premium subsidy is available and depends on farm diversification
  - Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
  - Farms with 1 commodity receive basic premium subsidy

# WFRP Premium Subsidy

**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%

# What kinds of farms can benefit from WFRP?

- Well-suited for:
  - Highly diverse farms
  - Farms with specialty commodities
  - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
- Available to all farms or ranches that qualify
- There are some limits for qualification



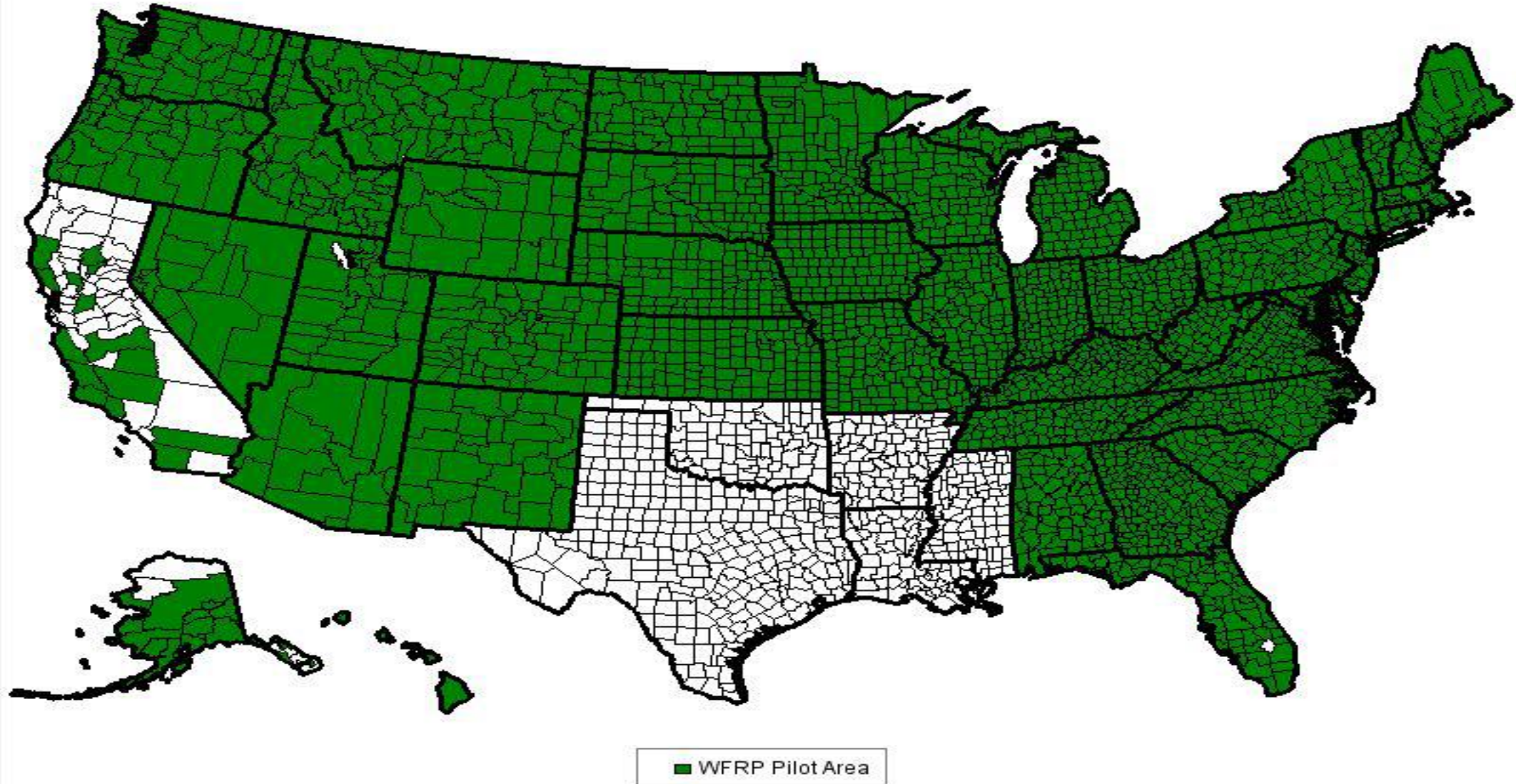
# WFRP Limits of Qualification:

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	\$10,000,000
80	3	\$10,625,000
75	1	\$11,333,333
70	1	\$12,142,857
65	1	\$13,067,923
60	1	\$14,166,167
55	1	\$15,454,545
50	1	\$17,000,000

- Covers up to \$8.5 million of revenue
- Farm/ranch may have up to 35% of expected revenue from animals and animal products up to \$1 million
- Farm/ranch may have up to 35% of expected revenue from greenhouse/nursery up to \$1 million

# Where is WFRP Available?

Whole Farm Revenue Protection Pilot Area



# 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

# Does diversification on my farm matter for WFRP?

Yes!

- A diversification requirement is used to determine the number of commodities on your farm
  - 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

# Does diversification on my farm matter for WFRP?

Yes!

- The commodity count measured by the farm diversification determines:
  - Eligibility for WFRP
  - Potato farms must have 2 commodities
  - Commodities insurable with other revenue coverage must have 2 commodities
- Eligibility for the 80 & 85% coverage levels
- Requires 3 commodities

# Does diversification on my farm matter for WFRP? Yes!

- The diversification measure also determines:
  - The amount of the diversification discount to the premium rate
  - Whole-farm premium subsidy for farms with 2 or more commodities

## Other facts to understand about WFRP:

- WFRP covers revenue ‘produced’ in the insurance year
  - A commodity not harvested or sold will count as revenue
  - A commodity grown last year and sold this year will not be covered
  - For commodities that grow each year, like cattle, only the growth for the insurance year counts.
    - Example: Calves worth \$800 at beginning of the year and to be sold at \$2000, the value insured will be \$1200
  - Inventory and Account Receivable are used to get to the ‘produced’ amounts
- Prices used to value commodities to be grown must meet the expected value guidelines in the policy

# What causes a loss payment under WFRP?

- Natural causes of loss and decline in market price during the insurance year
- Taxes must be filed for the insurance year before any claim can be made (2015 insurance year requires 2015 year farm taxes to be filed)
- When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be



# What will my agent need from me?

- Five years of farm tax forms
  - For 2015, requires tax forms from 2009-2013
- 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
  - County specific date-Feb 28 or March 15
  - 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)
  - By end of first 30 days of fiscal year for August, September, October fiscal years
  - By Oct 31 for November and December fiscal years

# What is the timeline for WFRP?

- **Billing dates**
  - August 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)
  - December 1 for Late Fiscal Filers (August-December 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

# How do I buy WFRP protection?

- Purchase through a Crop Insurance Agent:
  - The agent locator tool on RMA's website:  
<http://www.rma.usda.gov/tools/agent.html>

# Noninsured Crop Disaster Assistance Program

- Available through USDA FSA

# For questions, contact the Topeka Regional Office at:

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