Grape Insurance Options for Nebraska Producers

2015 Nebraska Winery and Grape Growers Forum and Tradeshow

Casey Collins - Risk Management Specialist
Patrick Laird - Risk Management Specialist
USDA/RMA Topeka, KS
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Acres</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>25.3</td>
<td>11</td>
<td>2.3</td>
</tr>
<tr>
<td>2011</td>
<td>26.4</td>
<td>11</td>
<td>2.4</td>
</tr>
<tr>
<td>2012</td>
<td>12.1</td>
<td>11</td>
<td>1.1</td>
</tr>
<tr>
<td>2013</td>
<td>31.0</td>
<td>10</td>
<td>3.1</td>
</tr>
<tr>
<td>2014</td>
<td>22.0</td>
<td>10</td>
<td>2.2</td>
</tr>
</tbody>
</table>

- **2.2 Tons/acre APH Yield**
- **$0.65 Coverage Level**
- **1.43 Tons/acre Guarantee**
- **$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

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

- 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?
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:
Noninsured Crop Disaster Assistance Program

- Available through USDA FSA
For questions, contact the Topeka Regional Office at:

Call - 785-228-5512
Fax - 785-228-1456
E-mail - rsoks@rma.usda
Write - 2641 SW Wanamaker Rd, Suite 201
Topeka, KS 66614