Guide to Agricultural Risk Management

CROP INSURANCE
Keeps America Growing
2022




Crop Insurance Options for Livestock Farmers

Do you know what Federal livestock policies have to offer you? You might want to take a look. Over the past few years, coverage has expanded to provide more custom options and flexibilities. Three insurance plans are now available to large and small dairies, fed and feeder cattle operations, and swine growers. Depending on the insurance plan, coverage is available for purchase each business day or week.

Review these options annually with your crop insurance agent to determine which program best suits your risk management needs.

Dairy Revenue Protection (DRP) is designed for dairy operations. Available in all states, DRP insures against unexpected declines in quarterly revenue from milk sales relative to a guaranteed coverage level. The DRP expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer. The covered milk production is indexed to the state or region where the dairy is located. DRP does not insure against death or other loss or destruction of dairy cattle.

To tailor DRP coverage to their end products, dairy operations can choose a Class Pricing Option (liquid milk) or a Component Pricing Option (solid products, such as cheese and butter).

If the final revenue guarantee is less than the actual milk revenue, no indemnity is received. If the final revenue guarantee is greater than the actual milk revenue, an indemnity may be received.

Livestock Gross Margin (LGM) protects against a loss of gross margin caused by a decline in livestock or milk market value or an increase in set input costs (for example, livestock or milk value minus feed or feeder cattle cost). LGM programs cover cattle, swine, and dairy cattle (milk), with the cattle program available in 20 states and swine and dairy in all states.

LGM prices are based on simple average futures contract daily settlements, and the derived LGM prices are used to determine the expected gross margin and actual gross margin. These prices do not consider the amounts an individual producer receives at market, and LGM does not insure against death or any other loss or damage to livestock or milk production.

LGM coverage is purchased for a selected insurance period, and any indemnity due at the end of that insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin.

Livestock Risk Protection (LRP) is designed to insure against declining market prices. Available in all states, coverage is for feeder cattle, fed cattle, or swine the insured has a share in as an owner as defined by the LRP policy.

A producer may choose from a variety of coverage prices and insurance period lengths. For feeder cattle, the end date of the selected insurance period should align with marketing those feeder cattle to a finishing producer or feedlot (NOTE: Cattle can be retained by the current owner). For fed cattle or swine, the end date of the selected insurance period should align with when the insured market weight cattle or swine would typically be sold for slaughter. Coverage is also available for unborn calves or piglets born by the end of the selected insurance period.

At the end of an insurance period, if the actual ending value is below the coverage price, an indemnity is paid for the difference between the coverage price and the actual ending value.

Crop Insurance and Conservation Work Together

Conservation practices such as no-till, cover crops, barrier strips, and others are important to maintaining soil health and have become a large part of many farming operations.

Crop insurance must be flexible enough to embrace the newest tools, technologies, and techniques being used to improve the land, conserve resources, and mitigate risk. Conversely, recent conservation efforts must be consistent with the economics that underpin crop insurance as a successful risk management strategy.

America's farmers are the most efficient and productive in the world. They are determined to take care of the land that takes care of them. And they do the job right. This is officially known as Good Farming Practices (GFPs), defined by the USDA's Risk Management Agency and required as a condition of insurance.

GFPs help ensure the production methods do not adversely affect the quantity or quality of production. To keep up with the latest science and technology, they are continually monitored and improved.

Flexibility within the crop insurance system helps expand the list of GFPs as farmers look to new proven technologies and techniques to improve conservation practices, land management, soil health, water conservation, tackle climate change and any challenges tomorrow brings.

No one is closer to the earth than farmers, and they work hard to keep the land and soil healthy now and for future generations.

Risk Management Checklist

Crop, Revenue, and Livestock Insurance Deadlines

File your AD-1026 Conservation Compliance form with FSA on time or you may risk losing all of your crop insurance premium assistance!

1. **Do I know all critical dates and sign-up deadlines?**

   ____

   ____

2. **Sales closing date**–last date to apply for coverage is:

   ____

3. **Cancellation date**–last date to give notice if I do not want insurance next year:

   ____

4. **Production reporting date**–actual production history must be reported by:

   ____

5. **Final planting date**–if unable to plant, I must contact my agent by:

   ____

6. **Acreage reporting date**–I must report my acreage planted to my agent by:

   ____

7. **Payment due date**–interest charges begin to incur after:

   ____

8. **Final date to file notice of crop damage**–any perceived damage I must report no later than:

   ____

9. **End of insurance period**–latest date of coverage for the current year's crop:

   ____

10. **Debt termination date**–insurance coverage for next year will be canceled if payment is not made by:

    ____

New Crop Insurance Products Available

There are several new crop insurance products available that could provide the protection you are looking for:

Enhanced Coverage Option.

Enhance Coverage Option (ECO) provides area-based coverage for a portion of the policyholder's underlying policy deductible. ECO is sold as an optional endorsement to individual coverage plans, so you must purchase a crop insurance policy to utilize this option. ECO covers a band from 86 percent up to 90 or 95 percent of expected crop value.

Expected final yields are based on the Risk Management Agency data, not individual farmer yields. The indemnity is paid in the summer following the crop year.

ECO is available on more than 30 crops, including wheat, corn, soybeans, canola, sugar beets, peanuts, cotton, dry beans, and many others.

Hurricane Insurance Protection-Wind Index Endorsement (HIP-WI).

HIP-WI insures crops (including tomatoes, peppers, and citrus) against losses due to tropical storms or named hurricanes. The endorsement covers a portion of the deductible of the underlying crop insurance policy when the county, or adjacent county, is within the area of sustained hurricane-force winds.

It provides coverage for more than 70 different crops. It is available in all counties in the vicinity of the Gulf of Mexico, the Atlantic, and Hawaii.

Hemp.

A pilot hemp insurance program, available in select counties, provides coverage against loss of yield because of insurable causes of loss for hemp grown for fiber, grain, or cannabidiol (CBD) oil.

Revenue protection for hemp is offered nationwide under the Whole-Farm Revenue Protection plan of insurance.

Also, hemp is insurable under the Nursery crop insurance program and the Nursery Value Select pilot crop insurance program, if grown in containers and in accordance with Federal regulations, any applicable state or tribal laws and terms of the crop insurance policy.

Nursery Value Select.

Nursery Value Select (NVS) allows nursery producers to select the dollar amount of coverage that best fits their risk management needs. This simplified program makes the application, renewal, reporting, and loss adjustment process more manageable. It also tailors program dates to better suit nursery industry management practices.

The NVS pilot program is available in select counties in Alabama, Colorado, Florida, Michigan, New Jersey, Oregon, Tennessee, Texas, and Washington.

The crop insurance industry continuously expands the policies and products available to farmers of all crops. Other new products include a production and revenue history program for strawberries, development of various tree crop policies, including California citrus trees, Florida fruit trees, and apple trees. Other such enhancements include changes to the livestock programs, Whole-Farm Revenue Protection (WFRP), and the Pasture, Rangeland, and Forage (PRF) product.

Get Acreage Reporting Right. It Saves You Money.

Why is Acreage Reporting so Important?

You have a lot at stake in making sure your crop insurance acreage reporting is accurate and timely. If you fail to report on time, you may not be protected. Overreport your acreage and you may pay too much premium. If you underreport your acreage, you may recover less when you file a claim. Crop insurance agents often say that mistakes in acreage reporting are the easiest way for farmers to have an unsatisfactory experience with crop insurance.

The acreage report shows: the crops you have planted; acreage prevented from planting; what share you have in those crops; where the crops are located; how many acres you planted; the dates you planted them; what insurance unit they are located on, and the cultural practice followed (i.e. irrigated, double cropped, etc.). This report cannot be revised after the acreage reporting date.

Remember

- **Acreage reporting is your responsibility. Doing it right will save you money.**
- **It is your responsibility to report crop damage to your agent within 72 hours of discovery for most crops.**
- **Never put damaged acreage to another use without prior written consent from the insurance company. You don't want to destroy any evidence of a possible claim.**

How to Evaluate Crop-Hail Insurance

Hail is the one catastrophe that is most likely to destroy a part of your crop and leave the rest looking fine. The portion of your acres that hail destroys may well be less than the deductible of your Federal crop insurance policy or it may not impact your yield enough to generate a revenue loss.

Crop-Hail insurance can fill that gap.

While Federal policies protect you against losses severe enough to significantly drop the yield per insured unit, Crop-Hail insurance gives you acre-by-acre protection that can be up to the actual cash value of the crop. If you buy a 65/100 (65 percent of yield and 100 percent of price) or greater crop insurance policy, you can, under many policies, delete the hail coverage and replace it with private hail coverage. Some farmers find it more effective to leave the hail coverage provided by the Federal policy in place and get a companion Crop-Hail policy to cover their crop insurance policy deductible.

Crop-Hail is especially important to those with Area Risk Protection Insurance (ARPI) policies that leave individuals exposed to spot losses due to hail. You can also buy additional Crop-Hail coverage during the growing season (prior to damage) to protect added profit potential from bumper crop yields or higher-than-normal crop values.

Even if your frequency of hail damage is low, remember that Crop-Hail coverage is rated for your area. It is an inexpensive way to protect against hail damage.

America Relies on Crop Insurance

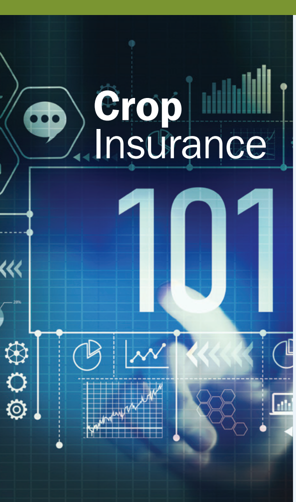
In 2021, farmers invested more than **$5 billion** to purchase **1.1 million** crop insurance policies, protecting more than **130** different crops.

Crop insurance policies protected more than **90 percent** of planted cropland in 2021.

Since 2000, farmers have spent more than **$61 billion out of their own pockets** to purchase crop insurance.

Family farms make up **98 percent** of America's **2.1 million** farms.

Get the answers to your crop insurance questions.



It is important to contact a local crop insurance agent to get policy information specific to your farming operation. There are deadlines that must be met to ensure your policy is in force so visiting with an agent early and often is strongly recommended.

To learn more about the importance of crop insurance, please visit any of these websites:

CropInsuranceInAmerica.org
CropInsurance101.org
CropInsuranceInMyState.org
RMA.USDA.gov

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Additional links to help you learn more about crop insurance.

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