Rutgers
New Jersey Agricultural Experiment Station

GARDEN STATE CROP INSURANCE EDUCATION INITIATIVE

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Crop Insurance Improvements authorized by the Farm Bill

1. More coverage options, SCO, ARC, PLC, NAP

2. Improved NAP protection from FSA

3. Enterprise insurance units authority changed from a temporary to a permanent program; separate enterprise insurance units for irrigated and non-irrigated crops

Crop Insurance Improvements authorized by the Farm Bill

4. Different coverage levels by practice may be selected if producer has both irrigated and non-irrigated production practices

5. Improved Organic Protection
   - Available for more crops
   - Extended for organic price coverage for 16 crops (producer has the option of using organic or conventional prices)
   - RMA has removed the 5% premium surcharge for organic price options

6. New Benefits for Beginning Farmers

Crop Insurance Improvements authorized by the Farm Bill

7. New T-Yield Options (expected for 2016)

8. New improved Whole Farm Revenue Protection

9. Supplement Coverage Option (SCO)

10. Conservation Compliance Certification – By June 1, 2015 must file form w/FSA to be eligible for premium subsidy on crop insurance policies

Beginning Farmer RMA Crop Insurance Advantages

- Beginning Farmers (less than 5 years of farming experience)
- Benefits include:
  - Increased premium subsidy (+10%)
  - Yield adjustment increase to 80% of the T-Yield (up from 65%)
- Exemption from paying the administrative fee for catastrophic and additional coverage policies

New improved Whole-Farm Revenue Protection ($8.5 mil. max. revenue)

- Covers all farm commodities including:
  - Animal and animal products revenue
  - Commodities purchased for resale (limit up to 50% of total expected revenue)
  - No protection for timber forest, forest products and animals for sport, show or pets

- Coverage levels from 50 to 85% of expected revenue

- Covers natural causes of loss and declining market prices within the insurance year

New improved Whole-Farm Revenue Protection ($8.5 mil. max. revenue)

- Premium subsidies vary from 55% to 80%.
- Replanting payments
- Requires 5 previous years of tax records to qualify
- Opportunity to also purchase MPCI Buy-Up policies for selected individual crops

What Is Whole-Farm Revenue Protection (WFRP)?

- Replaces AGR & AGR-Lite due to review of both programs
- WFRP pilot plan provides
  - Improved whole-farm risk management product under one policy
  - Coverage ceiling increased to up to $8.5 million for all commodities produced on farm.
  - Coverage for diversified commodities (crops & livestock)

Replant Coverage?

Replant costs for annual commodities

- Actual cost up to a maximum of 20% of expected revenue for crop
- Record of replant costs required
- Insurance company has approval authority
- Only pays for replant if 20% of crop/20 A of crop needs to be replaced.

What are the features of WFRP?

Coverage levels 50-85%

- 5% increments
- With diversification to 3 commodities (commodity count) can receive 80% and 85% CL
- ***No catastrophic level of WFRP available***

Historic revenue is adjusted to reflect farm expansion

What are the features of WFRP?

All farm revenue is insured together under one policy

- Individual commodity losses are not considered
- The overall farm revenue determines losses

WFRP Subsidies

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+	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 (not typically covered)
- 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 for 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	$

- Covers revenue up to $8.5 million
- Farm/ranch may have up to 35% of expected revenue from
  - Animals and animal products, up to $1 million allowable revenue
  - Greenhouse or nursery crops, up to $1 million allowable revenue

How is the amount of insured revenue determined?

WFRP insured revenue is <u>the lower of</u>:

- Your current year's expected revenue (determined by your farm plan) at the selected coverage level, or
- Your historic revenue adjusted for growth (automatic indexing) at the selected coverage level

Does diversification matter for WFRP? *Commodity Count*

A diversification requirement is used to determine your *Commodity Count*

- Each commodity must provide a calculated percentage of the expected farm revenue to be counted
- Commodities providing

Does diversification matter for WFRP? *Coverage Eligibility Requirements*

The *Commodity Count* determines eligibility requirements for WFRP

- Require 2 Commodities
  - Potato farms
  - Commodities insurable through other FCIC revenue coverage plans
- Requires 3 commodities
  - Eligibility for the 80 & 85% coverage levels

Does diversification matter for WFRP? *Premium Subsidy Level*

The diversification measure also determines the subsidy level

- **1** commodity:
  - Basic premium subsidy
- **2** or more commodities:
  - Whole-farm premium subsidy

‘Produced’ Revenue in Insurance Year

WFRP covers expected revenue of commodities ‘produced’ in the insurance year

- Stored commodity, i.e., not harvested or sold will count as revenue for the year produced
- Commodity grown last year and sold this year will not count as revenue for current insurance year
- 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 insured value will be $1200 of ‘produced’ revenue
- Inventory and Accounts Receivable are used to determine the ‘produced’ revenues

Prices used to value commodities to be grown must

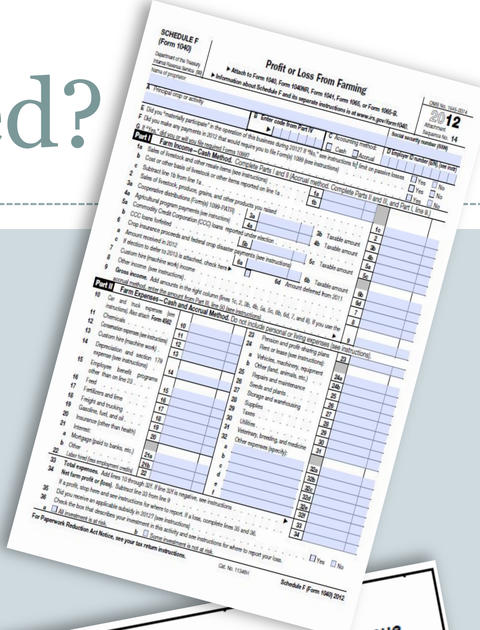
What are Covered Causes a Loss under WFRP?

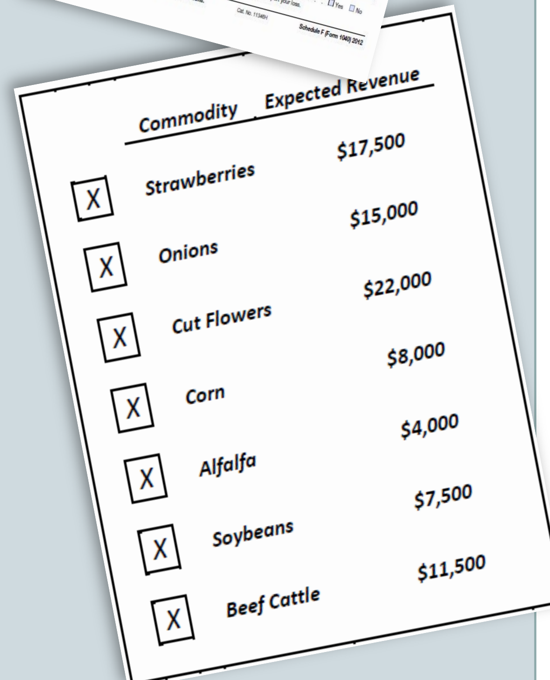
- Natural causes of loss & decline in market price during the insurance year.
- Taxes must be filed for the insurance year before any claim can be made (2015 insurance year requires 2015 year farm taxes to be filed).
- When revenue-to-count for the insurance year is less than insured revenue, a loss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

What will your Agent Need?

Five Years of Farm Tax Forms
- For 2015, requires tax forms from 2009-2013

Type of Tax Filer
- Calendar year tax filer
- Fiscal year tax filer with fiscal year defined, e.g., Oct->Sept





	Commodity	Expected Revenue
X	Strawberries	$17,500
X	Onions	$15,000
X	Cut Flowers	$22,000
X	Corn	$8,000
X	Alfalfa	$4,000
X	Soybeans	$7,500
X	Beef Cattle	$11,500

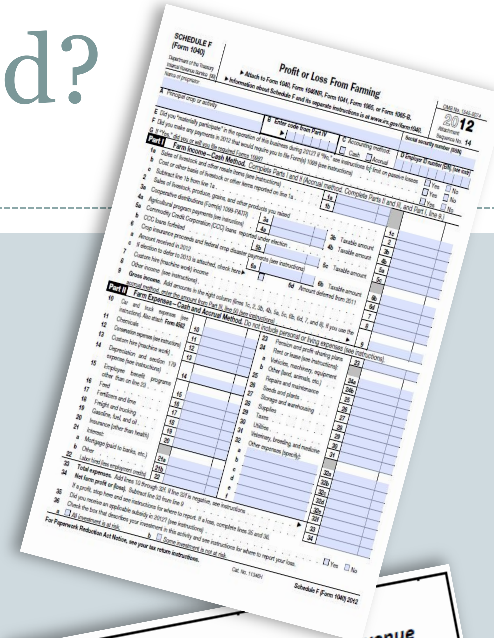
What will your Agent Need?

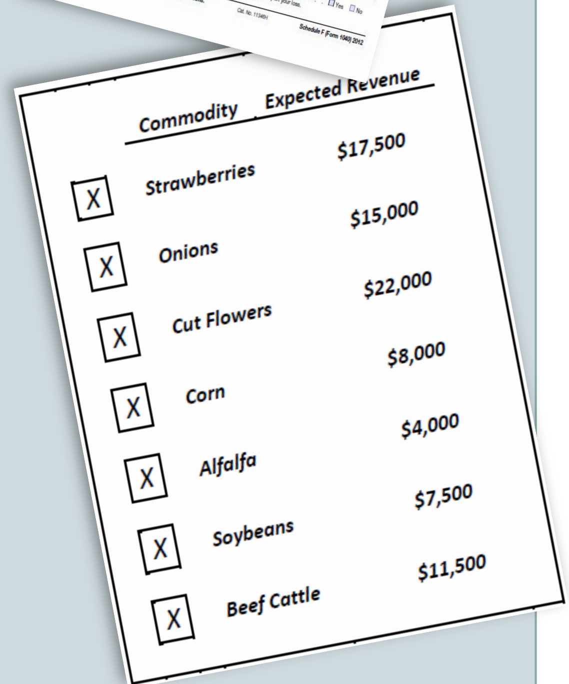
Commodities planted during the insured year

- Used to complete the Intended Farm Operation Report

Other information

- Supporting records, insured's organic certification, inventory or accounts receivable information





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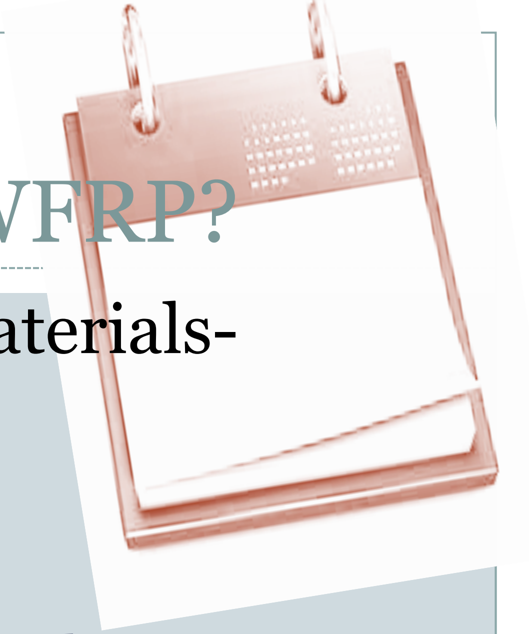
What is the timeline for WFRP?



- Sales-begin upon release of actuarial materials- Nov. 6, 2014
- 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 filers)
  - 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 timely completed, limited to 65% coverage the next year

COMPARISON	AGR-Lite	AGR	WFRP
Liability Limit	$1 Million	$6.5 Million	**$8.5 Million**
Coverage Level	65 ,75, 80* *3 Commodities	65 ,75 , 80* *3 Commodities	**50-85 in 5% increments 3 Commodities for 80 and 85% (no catastrophic level is available for WFRP)**
One Commodity	No Restriction	No Restriction	**No restriction unless only one commodity (using commodity count) and that commodity is potato or has an MPCI revenue product available, then 2 required.**
Payment Rate	75, 90	75,90	None
Animal or Animal Product Limit	None	35 % of Expected Income	**35% of expected revenue up to $1 million (Max)**
Nursery and Greenhouse Limit	None	None	**35% of expected revenue up to $1 million (Max)**
Replant Payments	None	None	**Up to 20% of expected revenue for annual commodity with 20 A or 20% of crop needing replant. Not allowed when insured under MPCI with replant provisions.**
Other Federal Crop Insurance-Underlying Policies	Optional	MPCI required if 50% of expected income from MPCI crops and allowed otherwise	MPCI coverage is optional and may be at any buy-up level. **Farm is not eligible if catastrophic level MPCI policies are purchased.**
Market readiness amounts in insured revenue	No	No	**Yes**
Expanding operations	No	No	**Average allowable historic revenue increased up to 10% if operation physically expanding & approved by AIP. Allows for farm growth that may or may not trigger indexing.**
Cancellation/Termination	31-Jan	31-Jan	**Same as sales closing date for county. (2/28, 3/15)**
Contract Change	31-Aug	31-Aug	31-Aug
Sales Closing Date	March 15 New	31-Jan	In Actuarial Documents-**same as dates for spring crops** for county: **2/28 and 3/15** depending on county

Whole Farm Revenue Protection Example

* 5 year avg. Adj. revenue = $100,000
* 75% coverage level = $75,000 loss trigger
* Revenue produced = $30,000
* Revenue ins. loss = $45,000 loss payment
* Income With Ins. = $75,000
* Income Without Ins. = $30,000

- Revenue for guarantee may include intended commodities to be purchased for resale and minimal preparation for marketing costs.

Using Farm Bill Programs The “Sum of the Parts” = Crop Protection for Your Farm

by
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Farm Bill Safety Nets

- **A farmer can choose:**
  - Crop Insurance or NAP (if crop insurance is not available)
  - ARC Individual or County or
  - PLC (will be default if no choice is made)
    - **SCO (Supplemental Coverage Option may be available to fill the gap between individual crop ins. policy and 85% level)**

- **Detailed information:**

  - NAP, ARC and PLC from FSA; (fsa.usda.gov)

  - Crop Insurance info. from crop ins. agent (www3.rma.usda.gov/apps/agents/)

Disclaimer

- This information is based on our understanding of the 2014 farm bill
- We know there will likely be differences in our interpretation and the final rules and regulations
- This information is intended to be for educational purposes only
- We will provide additional information as it's released

Key Features

- Eliminates direct, counter-cyclical and ACRE programs and replaces with farmer's choice of PLC (Price Loss Coverage) or ARC (Agricultural Risk Coverage). Farmer can choose area (ARC-CO) or individual (ARC-IC).

- Eliminates dairy price supports and MILC payments and replaces with the new Margin Protection Program for Dairy.

- ARC/PLC election will be made for the 2014 crop year in the winter of 2014 and will remain in effect for all crop years through 2018.

- Failure to make or agree to an election for a farm in 2014 will result in the default program designation of "PLC" for the years 2015 through 2018, and eliminate any 2014 payment.

- Choices are made on a commodity-by-commodity basis on a farm, but if choosing ARC-IC, all commodities on the farm must be ARC-IC.

Margin Protection Program

- The MPP administered by the FSA will provide producers an opportunity to choose a threshold margin level between $4.00 and $8.00 in $0.50 increments.
- MPP expected to be available 9/1/2014 per MGR-14-005
- Participation in both LGM & MPP will not be allowed
  - Transition to the MPP-Dairy program may occur in the next available month after all target marketings under LGM-Dairy are completed.
- Search “FarmDoc MPP” and “Understanding Dairy Markets” will provide 2 good resources for information

Policy Changes for Crop Producers

- No more direct, countercyclical or ACRE program payments

- Must choose (1 time for life of farm bill) between:
  - Price loss coverage (PLC, payments when prices fall below a trigger)
  - Agriculture risk coverage (ARC, payments when per-acre revenues fall below a trigger)
  - If producers (landlord and tenant) don't agree, NO payments for 2014 crop and enrolled in PLC for 2015
  - PLC / ARC decision is on a FSA farm basis

- A new crop insurance option (SCO) for PLC participants
  - If producers elect ARC they can't elect SCO

- A new crop insurance option (STAX) for upland cotton producers
  - No ARC or PLC program for cotton
  - But cotton producers get transition payment in 2014 and can get ARC/PLC for other crops grown on the farm

– from FSA

Improved NAP - Up to 65% level and 100% of projected price for most non-insurable crops

New benefits for beginning farmers - A farmer or rancher entity or joint operation, who has not actively operated and managed a farm or ranch for more than 10 years, and materially and substantially participates in the operation; For legal entities to be considered a beginning farmer or rancher, all members must be related by blood or marriage; and all the members must be beginning farmers or ranchers

- The NAP administrative fees do not apply if you meet the definition of a beginning farmer, limited resource farmer, or *socially disadvantaged farmer
- The premium for limited resource, beginning, and "socially disadvantaged" farmers is 50 percent of the premium

***Socially disadvantaged farmer definition –** A farmer or rancher who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. Socially disadvantaged groups include the following, and no others unless approved in writing by the Deputy Administrator:

- (a) American Indians or Alaskan Natives, (b) Asians or Asian-Americans, (c) Blacks or African-Americans, (d) Hispanics or Hispanic-Americans, (e) Native Hawaiians or other Pacific Islanders, and (f) Women.

  * For legal entities requesting to be considered Socially Disadvantaged, the majority interest must be held by socially disadvantaged individuals

Micro-Loans - Expanding eligibility and increasing lending limits to help more beginning and family farmers.

- The borrowing limit is increased from $35,000 to $50,000
- Loan types include: production operations, machinery and breeding stock, farm real estate (purchase and make improvements, and land development to promote soil and water conservation)
- The lending process is simplified;
- Updating required "farming experience" to include other valuable experiences
- Expanding eligible business entities to reflect changes in the way family farms are owned and operated
- Help more people who are considering farming and ranching, or who want to strengthen their existing family operation.

Basic NAP Provisions

- Provides financial assistance to producers of noninsurable crops when low yields, loss of inventory or prevented planting occur due to a **natural disaster**

- AGI cannot exceed $900,000 on average for the three preceding tax years for a producer to be eligible for NAP benefits

Eligible Crops

- Commercially produced commodity for which crop insurance (either CAT or additional coverage) is not available and are any of the following:
  - Crops grown for food, fiber or livestock consumption
  - Crops grown in a controlled environment
  - Specialty Crops
  - Value loss crops
  - Seed crops
  - Sea oats and sea grass
  - Biomass Crops (new for 2015)
  - Sweet Sorghum (new for 2015)

Eligible Natural Disaster

- Any of the following:
  - Damaging weather such as drought, hail, freeze, excessive moisture, excessive wind or hurricane
  - An adverse natural occurrence, such as earthquake or flood
  - A condition related to damaging weather or an adverse natural occurrence
  - Any combination of these

Application for Coverage

- Producers must file an application for coverage and pay the applicable service fee of $250 per crop by the application closing date for each crop
- Service fees are limited to $750 per administrative county, or $1875 (non buy-up) per year
- Applications must be filed in the FSA County office where the producer's farm records are maintained
- Closing dates vary by state, but not by county within the state

Coverage Period

- Coverage begins the later of:
  - 30 days after the date of application and payment of the service fee
  - Date the crop is planted (annual crops only)
- Coverage ends the earlier of:
  - Date harvest is completed
  - Normal harvest date for the crop
  - Date the crop is abandoned or destroyed
  - 10 months from the application closing date (perennial crops only)

Notice of Loss/Application for Payment

- Producers must notify the FSA office where their farm records are maintained and complete the notice of loss timely
- An application for payment must be completed no later than the subsequent crop year acreage reporting date
  - Acceptable appraisal information and production documentation must be provided

New for 2015- Buy-up

- Buy-up coverage, and premium amount, for value loss crops will be based on the maximum dollar value for which the producer requests coverage
- If the application closing date has passed for a 2015 crop prior to buy-up coverage becoming available, producers will have 60 calendar days following publication of the regulations to elect buy-up NAP.

Beginning Farmer (BFR)

- A farmer or rancher who has not actively operated and managed a farm or ranch for more than 10 years and materially and substantially participates in the operation. For legal entities, all members must be related by blood or marriage and all of the members must be beginning farmers or ranchers.

Socially Disadvantaged Farmer (SDA)

- A farmer or rancher who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. Socially disadvantaged groups include the following, and no others unless approved in writing by the Deputy Administrator (for legal entities, the majority interest must be held by an SDA individual):
  - American Indians or Alaskan Natives
  - Asians or Asian-Americans
  - Blacks or African-Americans
  - Hispanics or Hispanic-Americans
  - Native Hawaiians or other Pacific Islanders, and
  - Women

Additional FSA Programs

- Micro-loans
  - Borrowing limit increased from $35,000 to $50,000
  - Loan funds may be used for expenses such as: initial start-up expenses; annual operating expenses; family living expenses; purchase of livestock, equipment, and other essential materials; minor farm improvements, irrigation and others
  - Simplified lending process
  - Requires farm, or other valuable, experience
  - Repayment terms vary but may not exceed 7 years

Additional FSA Programs

- Farm Storage Facility Loan Program (FSFL)
  - Eligible crops include fruit and vegetable crops (cold storage facilities), renewable biomass, honey, and other crops
  - Most newly constructed facilities and permanently affixed handling and drying equipment are eligible
  - Renovation of existing facilities is eligible in some cases
  - All facilities must be approved by the COC prior to site preparation or construction beginning
  - Maximum loan amount: $500,000

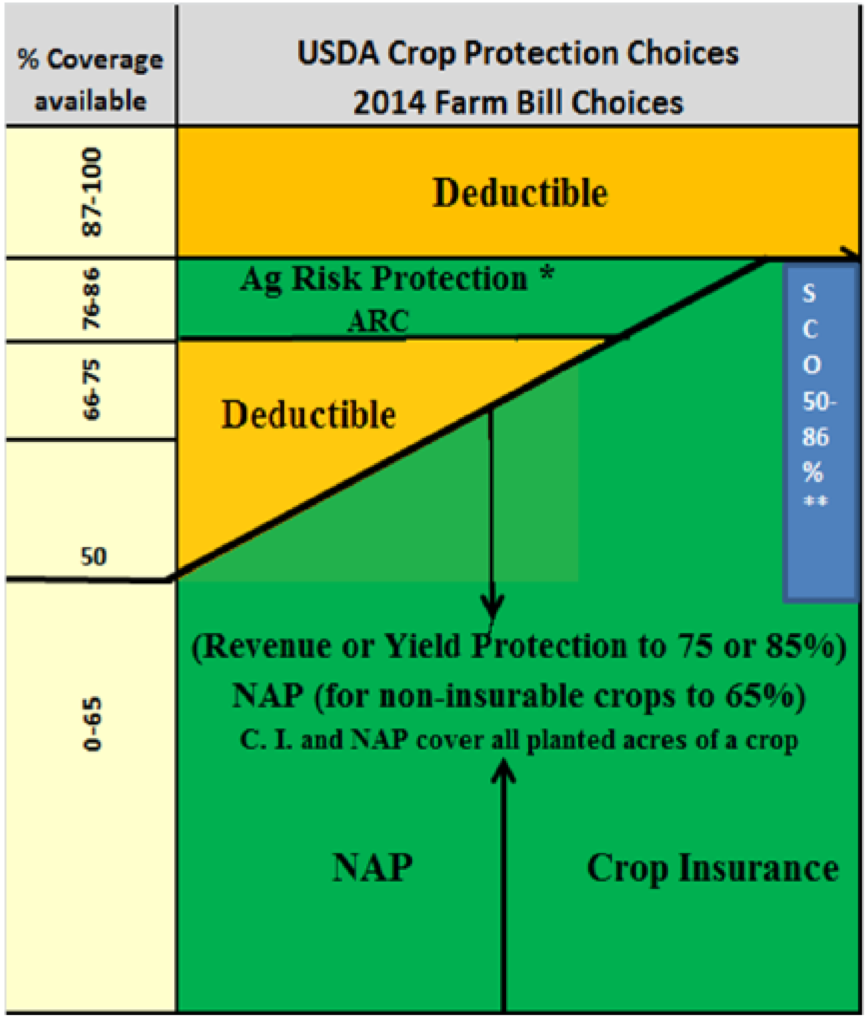
Additional Information

- FSA Website:
  - www.fsa.usda.gov
- Fact Sheets
- County Offices
- State Offices

The "Sum of the Parts" - Protection for YOUR Farm

Each producer is personally responsible to develop a risk management plan for their farm(s) before enrollment deadlines. USDA provides tools for YOUR consideration.

* Price Loss Coverage (PLC) available in lieu of ARC on Program crops with base acres at FSA



** Supplemental Coverage Option (SCO) available on an expanding number of crops (not available on crops enrolled in ARC). SCO provides area loss coverage between 86% and the individual policy coverage @65% premium subsidy.

* Comparison of PLC and CCP Price Support Levels

Covered Commodity	2014 Farm Bill Reference Prices Statutory	2008 Farm Bill Target Prices
Wheat	$5.50	$4.17
Barley	$4.95	$2.63
Oats	$2.40	$1.79
Corn	$3.70	$2.63
Grain Sorghum	$3.95	$2.63
Soybeans	$8.40	$6.00

Is YOUR Risk Management Plan Adequate to Manage a Disaster Related Business Interruption?

Manage *Your* Crop Risks

Information is available from:

Crop insurance Agents

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

http://www.fsa.usda.gov/

Each producer is personally responsible for developing a risk management plan for their farm(s) before the enrollment deadlines.

❖ Protection Plans for general field crops with FSA base acres:

♦ County and Individual Ag Risk Coverage (ARC)

- Provides up to 65% or 85% of revenue losses between 76% and 86% of historical revenue for eligible crop losses for crops with FSA base acres (maximum payment of 6.5% or 8.5% respectively).
- This protection is available at no cost to you.

♦ Price Loss Coverage (PLC)

- Provides protection when market prices are less than reference prices for crops with FSA base acres.
- This foundation protection is available at no cost to you.

Claim Calculation – Yield vs. Revenue Protection for Field Crops
***per acre 100% ownership share illustration for educational purposes**

Yield Protection	Field Crops (barley, grain corn, grain sorghum, soybeans and wheat)	Revenue Protection: Lower Price at Harvest Time	Revenue Protection: Higher Price at Harvest Time
148	Approved Yield	148	148
75%	Coverage % Level	75%	75%
111	←Yield guarantee/		
	Yield base for revenue calculation →	111	111
	Projected Price	$4.60	$4.60
	Revenue Guarantee (minimum)	$510.60	$510.60
	Est. Harvest Time Price **	4	5.05
	Est. Harvest Time Guarantee **	N/A	560.55
40	Yield Produced	40	40
71	Yield Loss		
$4.60	←Projected Price/		
	Value of Yield Produced →	$160.00	$202.00
$326.60	Estimated Loss Payment	$350.60	$358.55

** Harvest time typically determined from the monthly average of the daily closing prices from the appropriate Board of Trade harvest time contract, just prior to the harvesting completion of the crop, see insurance policy for details.

Information Sources: FSA and RMA Fact Sheets

❖ Protection Plans for almost all crops and some livestock:

- Provide protection not covered by the ARC or PLC programs.
- Can significantly reduce risk exposures to manageable levels to minimize financial interruptions when disasters occur.
- Provided with federal cost sharing to make the protection more affordable.

♦ Crop Insurance Protection is available

- For up to 75% of your yield history (85% for some crops) on many crops and some livestock.
- Whole Farm Revenue Protection also available.
- New Farm Bill has added improvements, including benefits for new/beginning and organic producers.

♦ Non-insured Crop Assistance Program (NAP)

- New Farm Bill has added improvements
- Provides similar protection as crop insurance for most crops, at up to 65% of your yield history when a crop insurance policy is not available. (NAP coverage is available from your county FSA office.)

Claim Calculation Illustration
***per acre 100%ownership share for educational purposes**

Yield Protection	Hybrid Tomatoes
170	Approved Yield – Cwts
65%	Coverage % Level
110.50	Yield Guarantee
10.75	Yield Produced
99.75	Yield Loss
$78.00	Projected Price
100%	Price Percentage
$7,780.50	Loss Payment

Information Sources: FSA and RMA Fact Sheets

USDA

"This institution is an equal opportunity provider."

Comparative Reference Table:
Key Parameters by Crop Program Option, 2014 U.S. Farm Bill

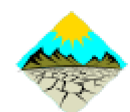
Item	PLC (Price Loss Coverage)	County ARC (Ag Risk Coverage)	Individual ARC (Ag Risk Coverage)
Decision Framework	***Same For All 3 Options:*** (1) One option elected for 5 years covering 2014 -18 crop years; (2) Election made in 2014; (3) All FSA farm payment entities must make same choice or lose payment for 2014 crop and forced into PLC in 2015		
Decision Unit	individual program crop on individual FSA farm	individual program crop on individual FSA farm	all program crops on an individual FSA farm
Payment Acres (generic base is former cotton base)	85% of program crop base acres on a FSA farm plus generic base acres planted to program crop	85% of program crop base acres on a FSA farm plus generic base acres planted to program crop	65% of all program crop base acres on all FSA farms the payment entity elected for individual ARC in the state plus generic base acres planted to any program crop
Base Acres	***Same For All 3 Options:*** *participants may reallocate base acres and update yield*		
Payment Made When	for a program crop, U.S. market year average price is less than reference price	for a program crop, actual revenue is less than ARC revenue guarantee	for whole program crop farm of payment entity, actual revenue is less than all farm ARC revenue guarantee
Payment Yield	FSA farm current counter- cyclical yield OR 90% of FSA farm average plant yield for 2008-12 crops	XXXXXX	XXXXXX
Reference Price	(see table 1)	XXXXXX	XXXXXX
Revenue Guarantee	XXXXXX	86% of program crop revenue benchmark [equals prior 5 year Olympic average (remove high and low) of county yield times prior 5 year Olympic average US crop year price x 85% x 10%]	86% of whole program crop farm revenue benchmark [equals sum of revenue benchmark for each program crop on all FSA farms in the state of operator weighted by crop's share of total program acres x 65% x 10%]
Payment Range	reference price minus loan rate	Maximum of 10% of program crop revenue benchmark	Maximum of 10% of whole program crop farm revenue benchmark
Loan Rate	**Same For All 3 Options:** current rates (see table 1)		
Supplemental Insurance Coverage Option	SCO if available is option to buy county insurance to cover yield or revenue loss between 86% and coverage of individual policy; 65% subsidy (covers all planted acres/no payment limitation)	SCO not available	SCO not available
Payment Limit	***Same For All 3 Options:*** $125,000 per legal entity; $250,000 for person and spouse; limit excludes gains from forfeiting nonrecourse loans; separate limit for peanuts		
AGI Limit	***Same For All 3 Options*** : benefits denied to payment entities with an AGI (adjusted gross income from farm and nonfarm sources) over $900,000		

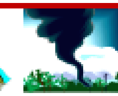
Information Source: http://farmdocdaily.illinois.edu/2014/02/2014-crop-safety-net-decision-key-considerations.html

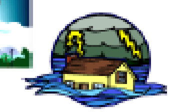
Table 1. Comparison of CCP and PLC Price Support Levels

Covered Commodity	2014 Farm Bill Reference Price	2008 Farm Bill CCP Target Price
Wheat	$5.50/bu	$4.17/bu
Corn	$3.70/bu	$2.63/bu
Grain Sorghum	$3.95/bu	$2.63/bu
Barley	$4.95/bu	$2.63/bu
Oats	$2.40/bu	$1.79/Bu
Soybeans	$8.40/bu	$6.00/bu

Information Source: http://farmdocdaily.illinois.edu/2014/02/2014-crop-safety-net-decision-key-considerations.html







Is Your Risk Management Plan Adequate to Manage a Disaster?

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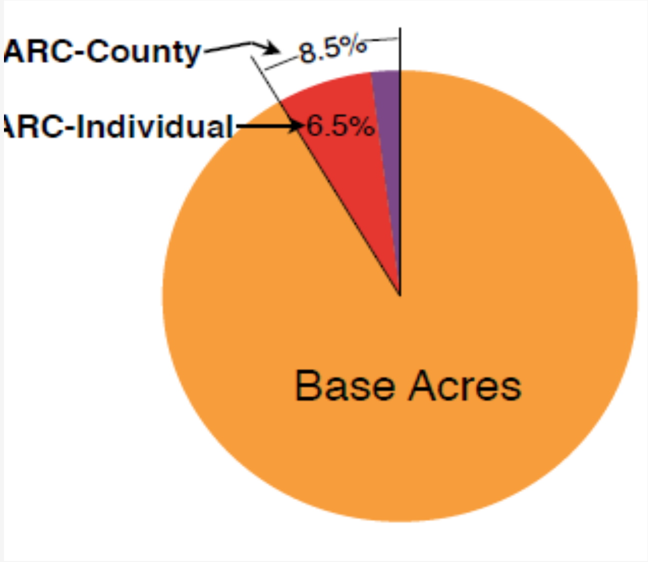
"This institution is an equal opportunity provider."

How much crop value and risk are covered by ARC?

Percent of expected crop value protected by ARC

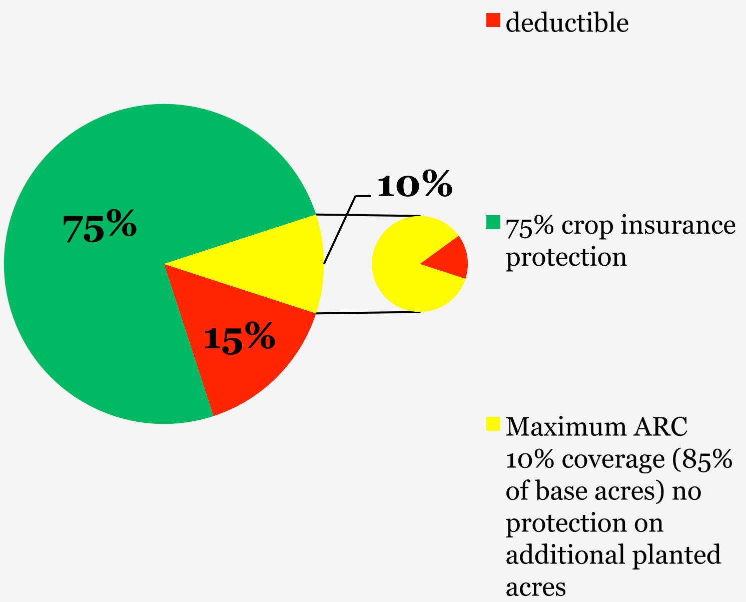
ARC assumes base and planted acres are the same



Safety Net

Crop Insurance and County ARC

ARC County trigger
assumes base and planted acres are the same



Most Producers will need more Protection than ARC

If farmers think ARC will replace their crop insurance coverage revenue protection (RP), then they are missing the point.

Farmers who drop their crop insurance coverage and depend on ARC will have about 92.5% of their expected revenue uninsured.

The amount of their uninsured crop revenue will increase if the harvest time price increases.

Also, **if farmers have crop acres with no base or planted in excess of base, then ARC coverage is also reduced compared to RP, because RP covers all planted acres, not just the base acres.**

Dr. Art Barnaby, Extension Economist, Kansas State University

Producers Crop Safety Net Worksheet

By utilizing the table we are getting a handle on the information needed to respond to the following questions:

How much risk exposure do I have?

What should my ideal safety net accomplish?

- * Cover production costs?
- * Cover preharvest sales contract?
- * Replace livestock feed?
- * Make a rent or mortgage payment?
- * Contribute to family living expenses?
- * Secure Ag Loans?
- * Other?

How much protection do I need?

Do I prefer revenue protection or yield protection?

At what percentage of crop loss should my payment trigger?

Obtain Farm Bill Safety Net Options and advice from crop insurance agents, your county Farm Service Agency office, NRCS Representatives and Penn State Extension Ag Educators.

Crops I Plan to Grow	Estimated Input Costs	Estimated Expected Revenue	Protection Choices Available	Protection Choice I'm Considering	Notes
Am I likely to enroll in: ARC - County Loss Trigger, ARC - Individual Farm loss trigger or PLC Price Protection Program (binding 5 year commitment for crops with FSA base acres)?					

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Is MY Risk Management Plan Adequate to Avoid a Disaster Related Business Interruption?

How Good is your Risk Management Plan ?

What do you want your
Crop Insurance Based
Risk Management Plan
to do For YOU
when disasters occur?

- Protect crop value $? A.
- Protect input cost $? A.
- Protection to secure operating loan (security) $?
- $$ To replace livestock feed $?
- $$ Buy-out preharvest sales contracts $?
- Strengthen the business plan and avoid an income interruption $?

At what percent of crop damage do you need a loss claim to trigger?______%

Risk Management Check Up

Will <u>YOUR 2015</u>
Risk Management Plan be
Adequate to Manage
2015 Risks?

(Increasing Input Costs, Prices & Weather Volatility)

Individual farm details available from crop ins. agents, list available at: www3.rma.usda.gov/apps/agents/

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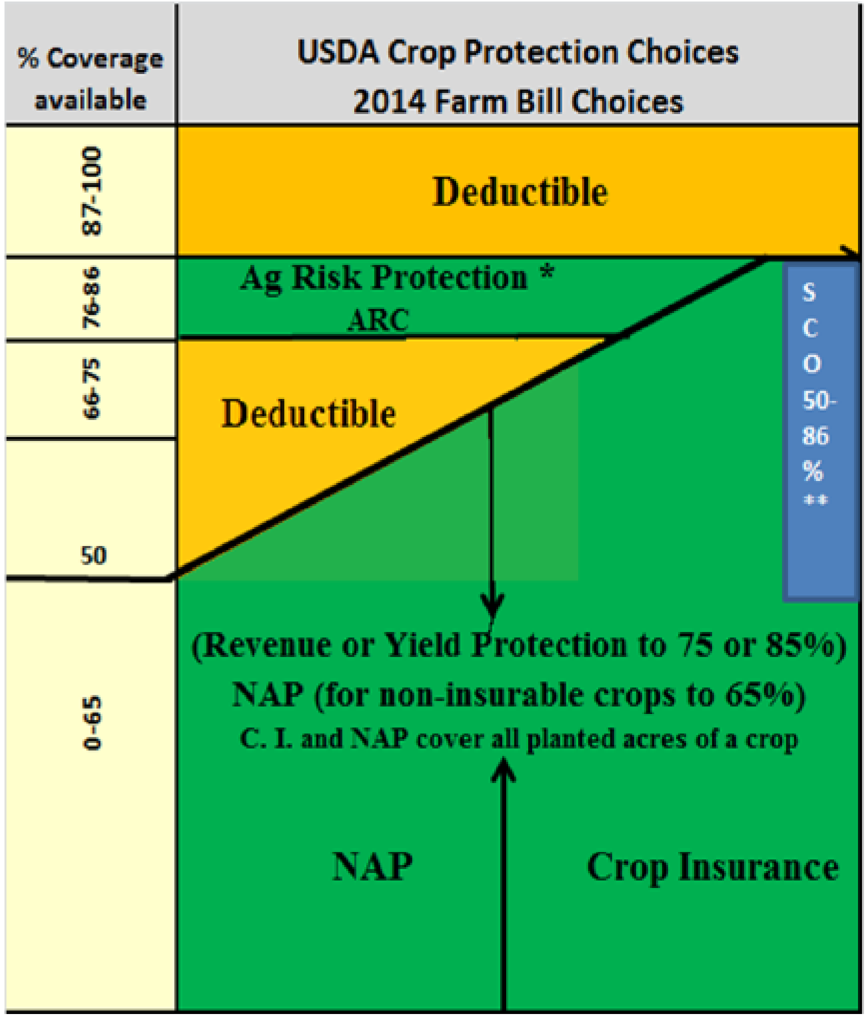
The "Sum of the Parts" - Protection for YOUR Farm

Each producer is personally responsible to develop a risk management plan for their farm(s) before enrollment deadlines. USDA provides tools for YOUR consideration.



* Price Loss Coverage (PLC) available in lieu of ARC on Program crops with base acres at FSA

** Supplemental Coverage Option (SCO) available on an expanding number of crops (not available on crops enrolled in ARC). SCO provides area loss coverage between 86% and the individual policy coverage @65% premium subsidy.

* Comparison of PLC and CCP Price Support Levels

Covered Commodity	2014 Farm Bill Reference Prices Statutory	2008 Farm Bill Target Prices
Wheat	$5.50	$4.17
Barley	$4.95	$2.63
Oats	$2.40	$1.79
Corn	$3.70	$2.63
Grain Sorghum	$3.95	$2.63
Soybeans	$8.40	$6.00

Is YOUR Risk Management Plan Adequate to Manage a Disaster Related Business Interruption?

RMA's MPCI Insurable Crops in New Jersey

- Apples
- Peaches
- Blueberries
- Cranberries
- Fresh market sweet corn
- Potatoes
- Processing beans
- Processing tomatoes
- Corn
- Soybeans
- Grain sorghum
- Oats
- Wheat
- Barley
- Forage production/seeding
- Nursery
- Dairy

Insurable crops may vary by county***

Causes of Loss

- Adverse weather conditions
- Failure of irrigation water supply
- Fire
- Insects/plant disease**
- Wildlife

Not Covered

- Negligence
- Mismanagement/wrongdoing
- Crop abandonment
- Theft or vandalism
- Inability to market commodities due to quarantine, boycott, etc.
- Lack of labor
- Failure of buyer to pay for commodities

Actual Production History (APH) Indemnity Payment Calculation Example:

Assume an average yield (APH) of 260 hundredweight per acre of potatoes and a 65% coverage level. By choosing a 65% coverage level your per acre guarantee is 169 hundredweight, but due to an insurable cause of loss you only harvested 89 hundredweight of potatoes. With a $11.50 price election per hundredweight and a per acre loss of 80 hundredweight your gross indemnity per acre would be $920.

260 Cwt. Per Acre Average Yield
x
65% Coverage Level

---

169 Cwt. Per Acre Guarantee
–
89 Cwt. Per acre Production

80 Cwt. Per acre Loss
x
$11.50 Price Election

$920 Indemnity per acre

Duties in the event of damage or loss

- Protect the crop from further damage by providing sufficient care
- Notify your agent within 72 hours of your initial discovery of damage
  - no later than 15 days after the end of the insurance period
- Leave representative samples intact
  - Do not destroy any damaged crop

Actual Production History (APH)

- Most common plan of insurance under the MPCI policy
- Coverage guarantee is based on farmers own production history
- Coverage is available from 50%-75% and up to 85% in select states

CAT Coverage

- Lowest amount of coverage you can get
- Coverage is 50% of avg yield and 55% of the price election
- CAT is100% subsidized with no premium cost except an administrative fee of$300 per crop regardless of acreage
- Won’t provide adequate protection for most growers

Actual Production History (APH)

- Provides comprehensive protection against:
  - Weather related causes of loss
  - Unavoidable perils resulting in:
    - Low yields
    - Poor quality
    - Late planting
    - Replanting
    - Prevented planting
- Subsidized partially by the government

Actual Production History (APH) Indemnity Payment Calculation

Per Acre Average Yield
x
Coverage Level %

Per Acre Guarantee
–
Per acre Production

Per acre Loss
x
Price Election

Indemnity per acre

Apple Loss Example

Loss Example

Assume fresh apples with an approved yield of 600 bushels per acre, 65-percent coverage level, Non-irrigated, 100 percent share and a one-acre basic unit.

600	Approved Yield per acre
x 0.65	Coverage level
390	Acre guarantee
– 100	Production-to-Count
290	Loss per acre
x $22.50	Price election (fresh)
$6,525	Indemnity per acre
– $505	Estimated premium
$6,020	**Indemnity/acre**

Premium Subsidies

Apple Subsidies:

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Written Agreements

- If a policy exists for your crop in another county in any state, your insurance agent can adapt it for your conditions, providing that you have at least 3 years of production records for the crop or a similar crop

- RMA website has list of insurable crops by state

Crop Insurance for Grains

- Choose <u>Yield Protection</u> (like APH) or <u>Revenue Protection</u>

- Revenue Protection incorporates PRICE into your guarantee
  - Can choose Revenue Protection with Harvest Price Exclusion
  - Can choose Revenue Protection which incorporates the higher of the projected price at planting or harvest price

Crop Insurance for Grains-Yield Protection

- Approved Yield X Coverage level gives you your per acre guarantee

- When your actual production falls below this guarantee you have a "loss" and will receive an indemnity payment

Yield Protection

	90	Approved yield per acre
x	0.75	Coverage level
	67.50	Acre guarantee
x	$5.65	Projected price
	$381.38	Insurance guarantee
	40	Bushels produced
x	$5.65	Harvest price
	$226.00	Production-to-count value
	$381.38	Insurance guarantee
-	$226.00	Production-to-count value
	$155.38	**Indemnity per acre**

- RMA numbers used for this example

Grain- Revenue Protection with Harvest Price Exclusion

Revenue Protection with Harvest Price Exclusion

- Does not use *Harvest Price* for guarantee
- $Revenue Guarantee calculated ONCE using *Projected Price*
- Actual Revenue = Actual Yield x *Harvest Price*

Revenue Protection Example-Corn

- APH = 100 bu/acre
- Coverage level= 65%
- Base Price (Feb 2014)= $4.62
- Minimum Guarantee = 100 x 65% x $4.62 = **$300.30/acre**
- **Your final guarantee = $300.30/acre**

After Harvest…

Your actual yield = 60 bu/acre

Your actual revenue = 60x $3.49 =$209.40/acre

Indemnity payment = **$300.30** – $209.40 =

$90.90/acre

- Actual Revenue = Actual Yield x *Harvest Price*
- **$3.49 is the harvest price*

Grain- Revenue Protection

- APH (bu/acre) x Coverage Level x **$Price** = $Revenue Guarantee ($/acre)

- $Price = Higher of
  - *Projected Price* at planting, or
  - *Harvest Price*
    - Both from Chicago Board of Trade

- Protects yield AND revenue

Revenue Protection Example-Corn

- APH = 100 bu/acre
- Coverage level= 65%
- Base Price (Feb 2014)= $4.62
- Minimum Guarantee = 100 x 65% x $4.62 = **$300.30/acre**
- Harvest Price (Oct 2014) = $3.49
- Harvest Guarantee = 100 x 65% x $3.49 = **$226.85/acre**
- **Your final guarantee = $300.30/acre**

After Harvest…

Your actual yield = 60 bu/acre

Your actual revenue = 60x $3.49 =$209.40/acre

Indemnity payment = **$300.30** – $209.40 =

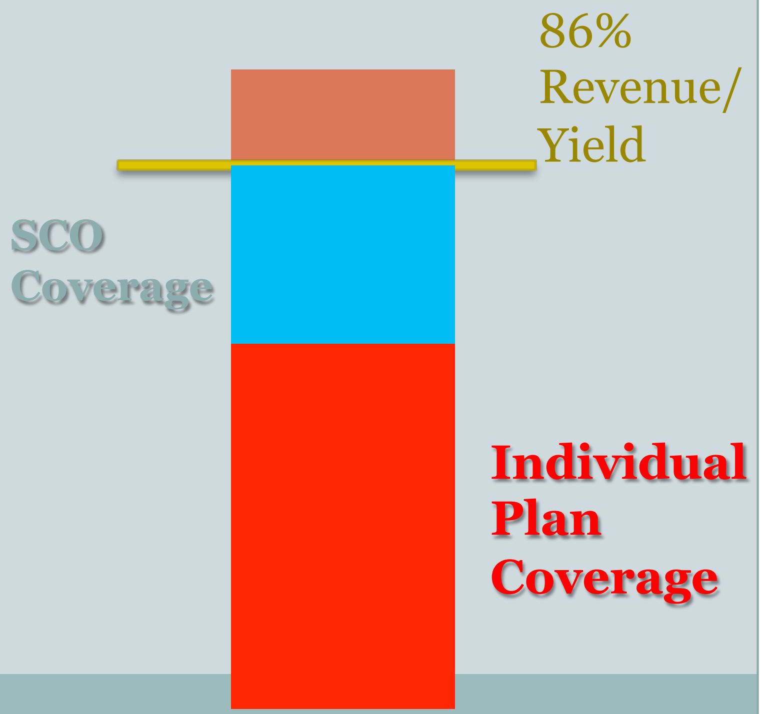
$90.90/acre

- Actual Revenue = Actual Yield x *Harvest Price*

RMA's Supplemental Coverage Option (SCO)

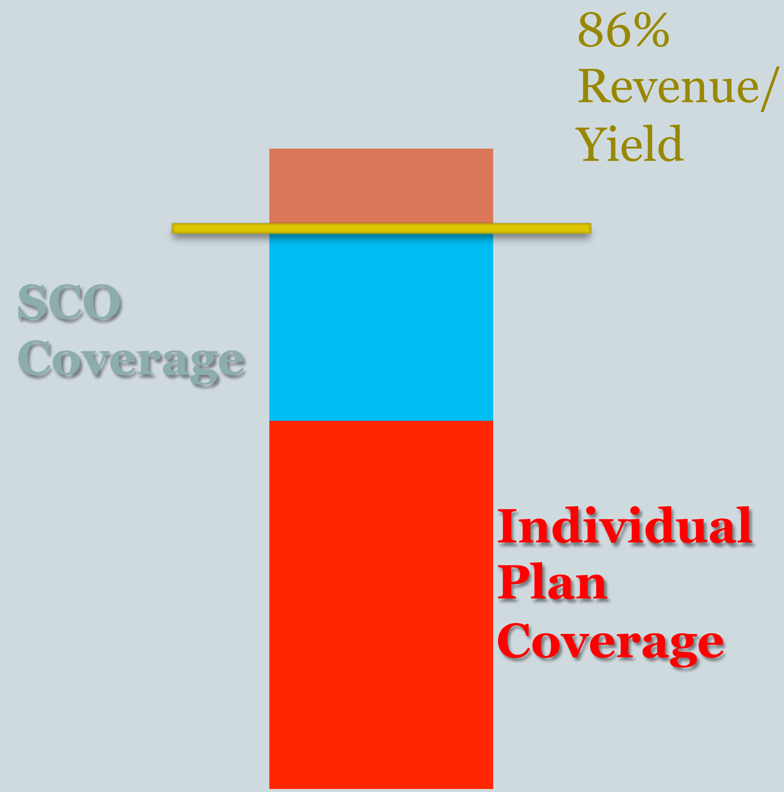
The Supplemental Coverage Option (SCO) Available for Corn & Soybeans in most NJ Counties

- SCO is a separate insurance policy stacked on top of the MPCI Policy
- SCO increases the level of coverage from the level of the MPCI base policy to 86% of the producer's APH Yield & the selected MPCI Price election
- A premium and policy fee result ($30)
  - the premium subsidy is 65% (producer is responsible for the other 35%)
- Only available for crops not in ARC
  - Thus producer must consider SCO when deciding between PLC and ARC



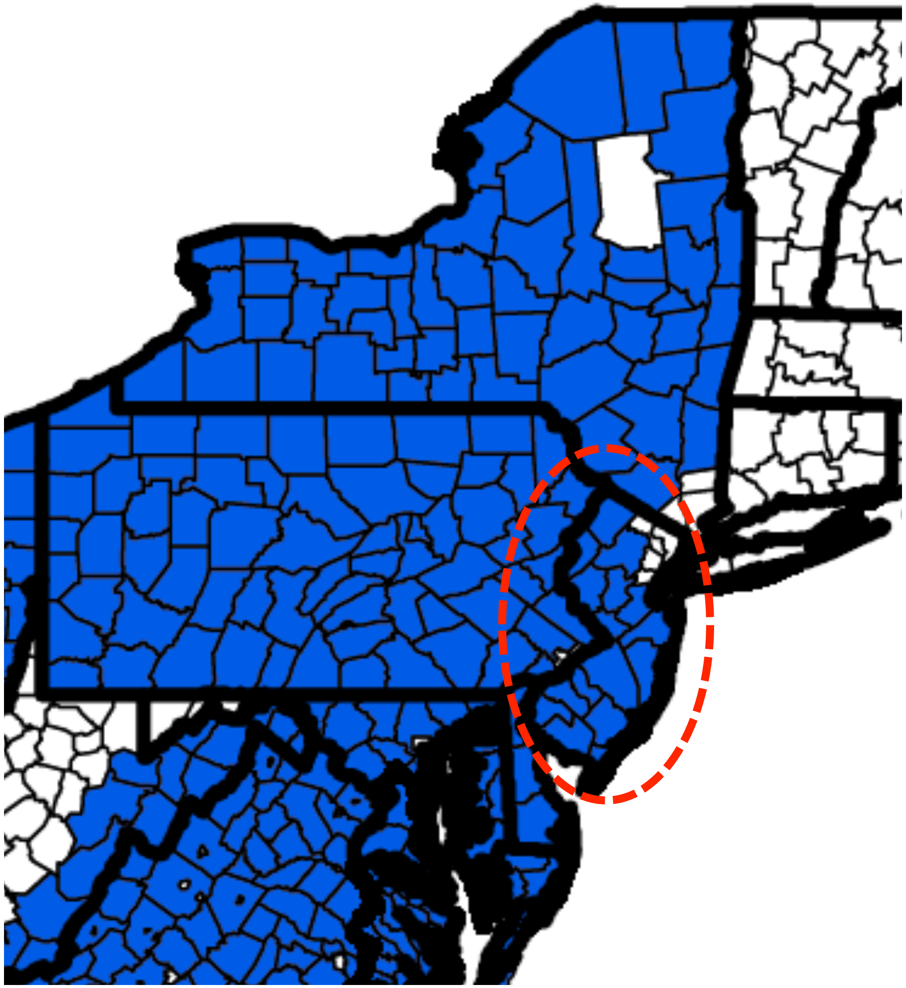
The Supplemental Coverage Option (SCO) Available for Corn & Soybeans in most NJ Counties

- A SCO claim is paid if the actual area (county) average yield is less than 86% of the expected yield/revenue, regardless whether a crop loss occurred on your farm
- SCO covers all planted acres of the crop
- There no producer payment limits with crop insurance
- No waiting for market year prices
- Replanting and prevented planting are covered by base MPCI policy and do not affect SCO

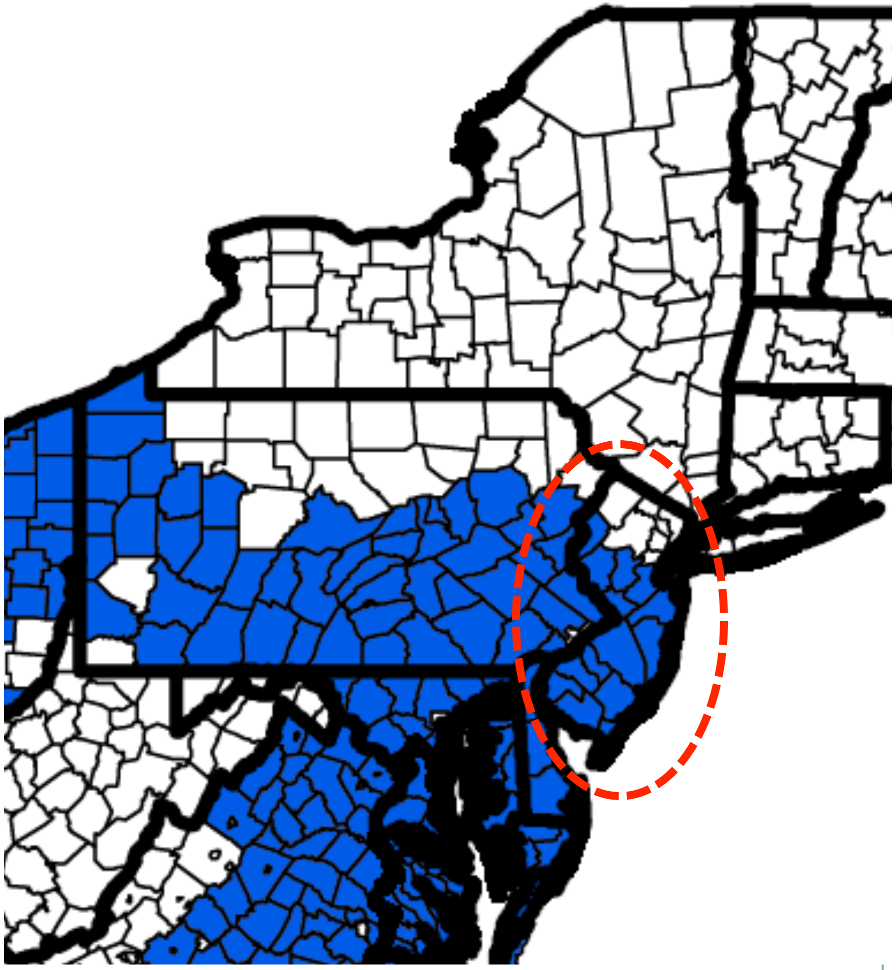


2015 Supplemental Coverage Option Availability

Corn



Soybeans

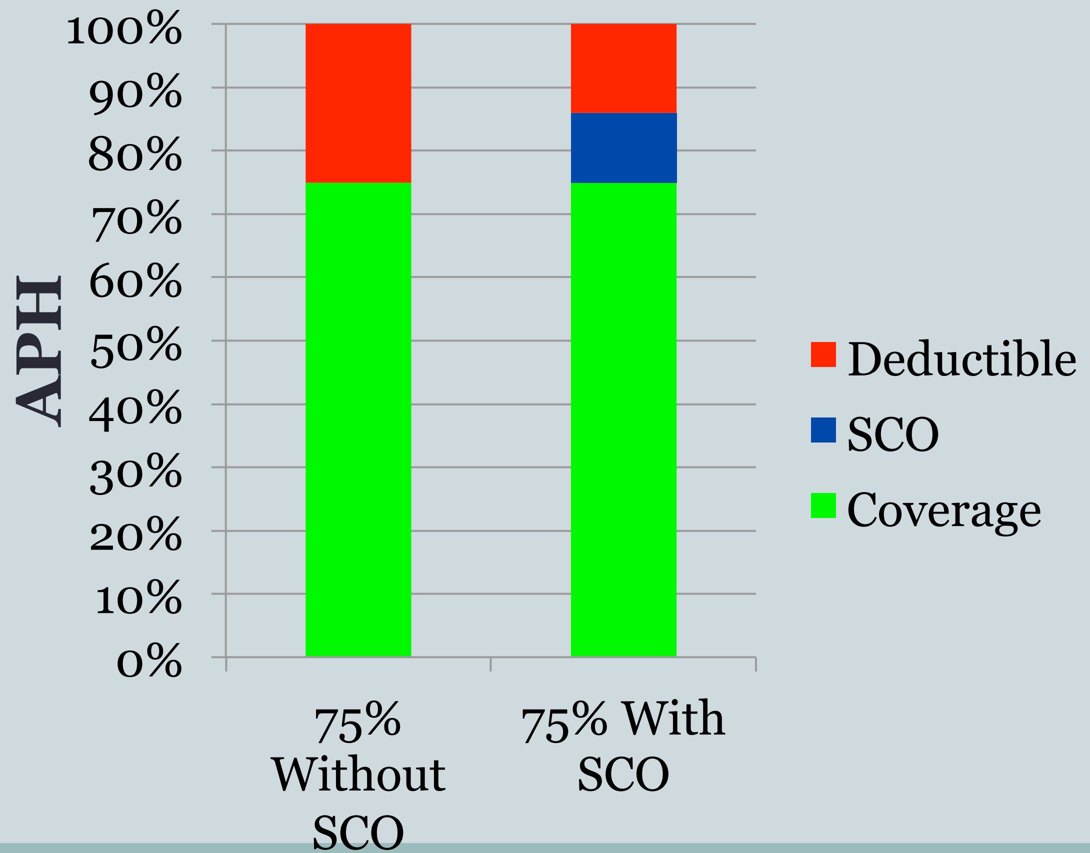


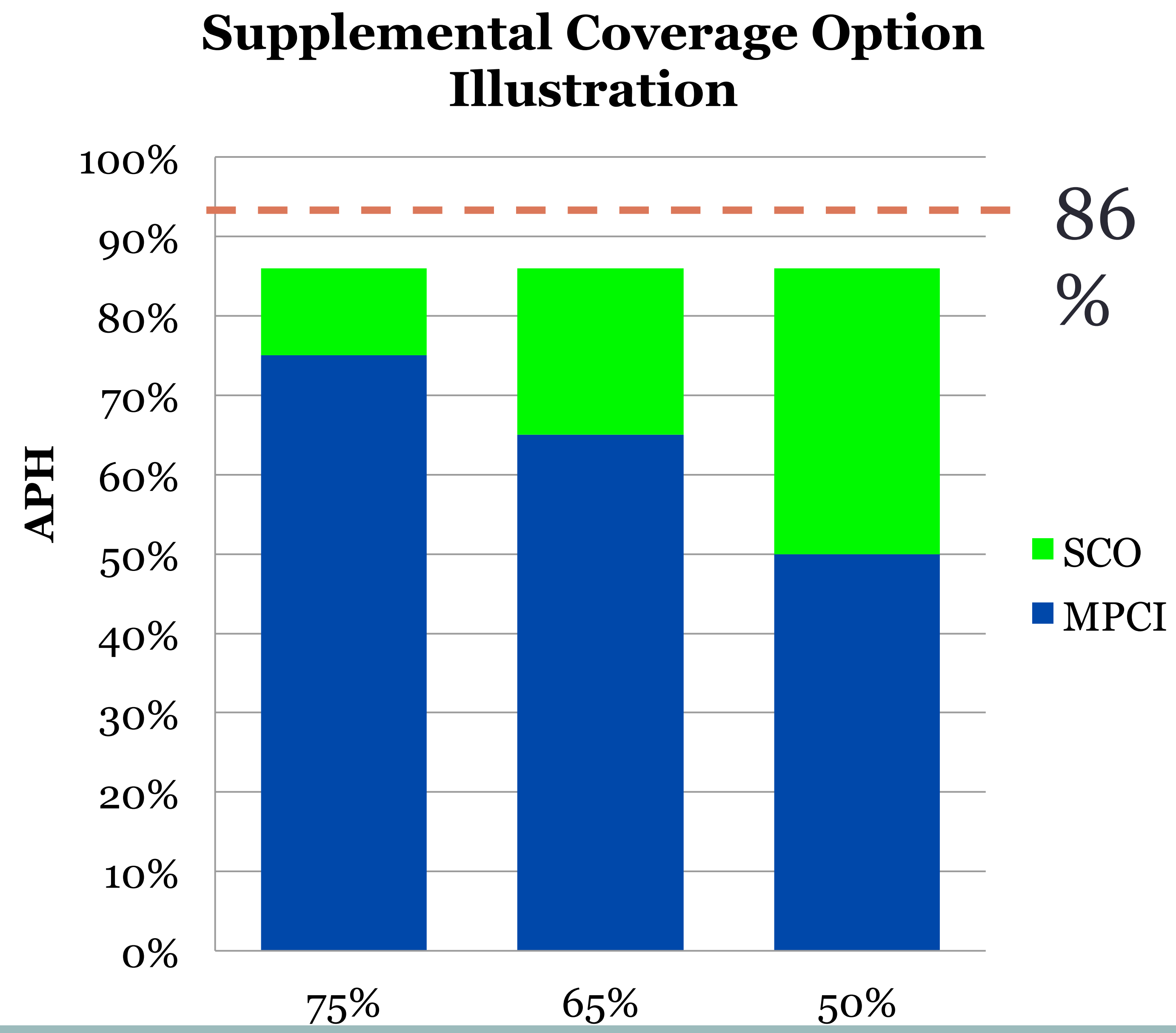
Supplemental Coverage Option (SCO)

- **Covered crops:** corn, and soybeans
- On top of regular individual coverage (must have individual policy)
- Area-based insurance for range between 86% and individual coverage level
- 65% subsidized
- Only available for crops not in ARC
  - Thus producer must consider SCO when deciding between PLC and ARC
- **Payment Factor:** Based on county performance; uses expected county yield

What is SCO?

- SCO provides area-based coverage for a portion of your insurance deductible



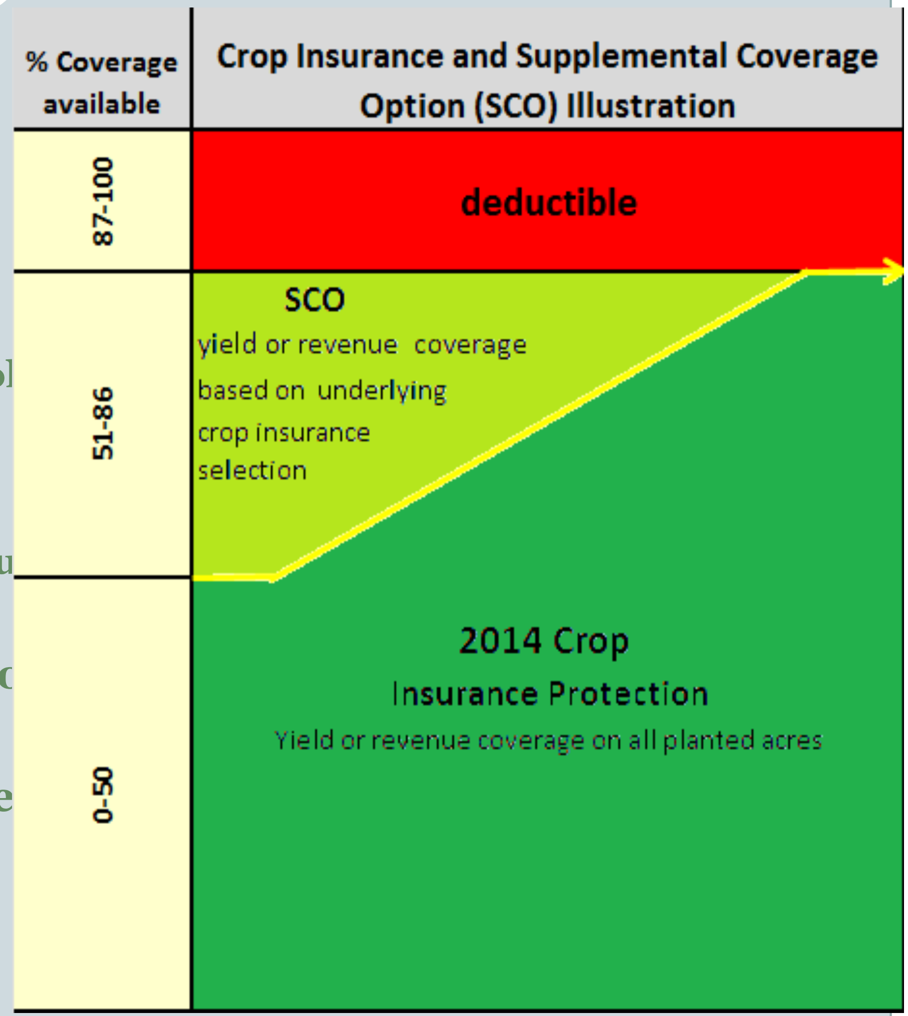

Supplemental Coverage Option
Illustration
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
APH
86
%
SCO
MPCI
75%
65%
50%

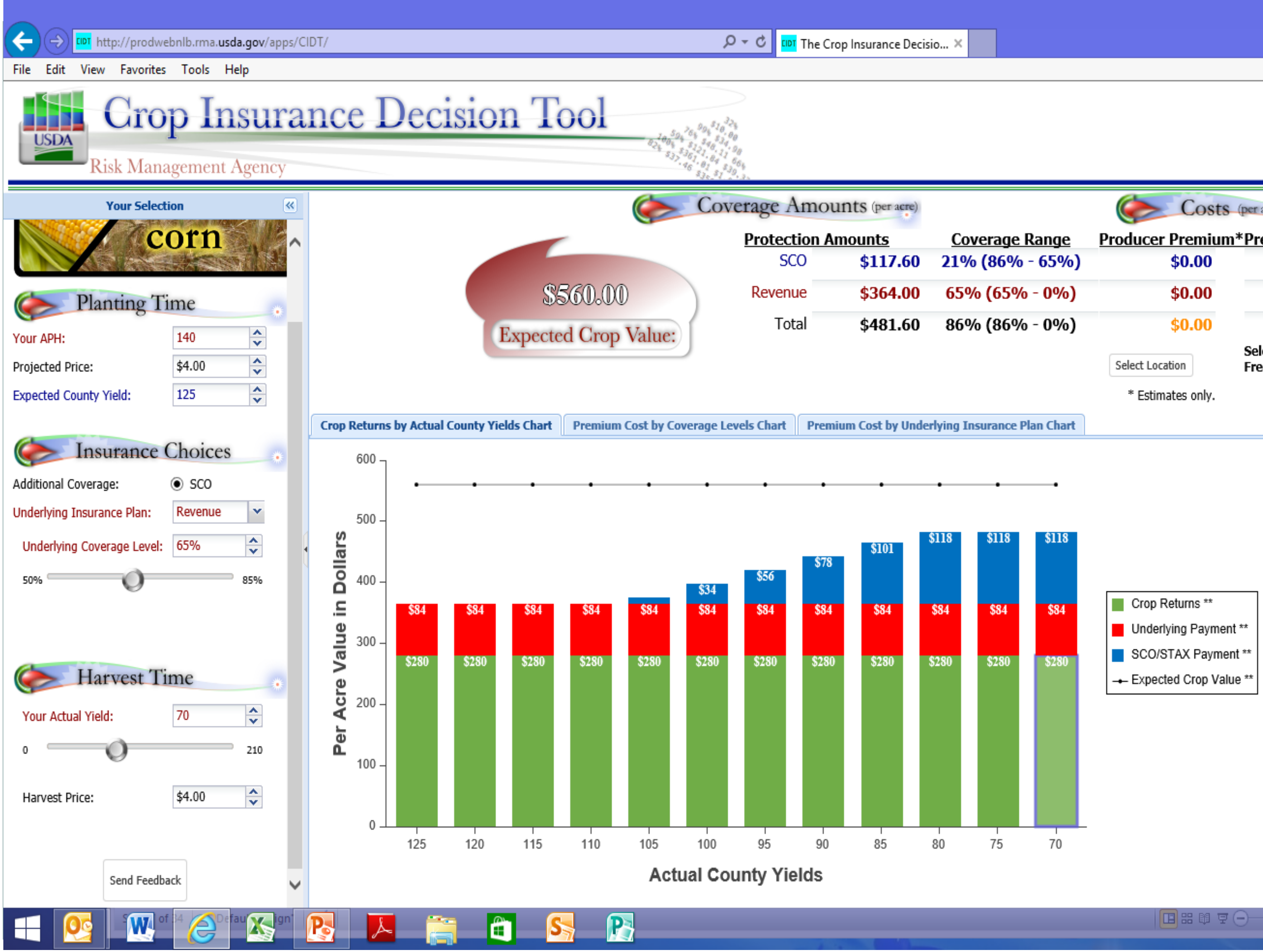
Supplemental Coverage Option (SCO) for insured crops not covered by ARC

(crops covered by PLC are eligible for SCO)

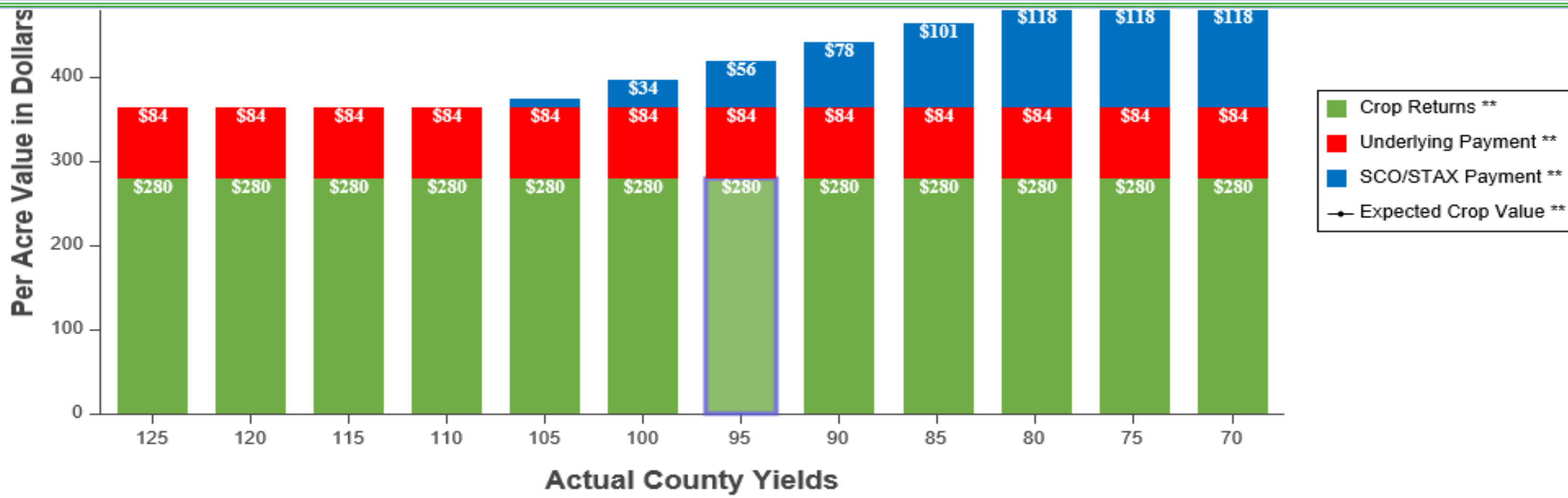
Insured crop acreage not covered by ARC may be eligible for the SCO

- Covers 100% of planted acres
- Provides Area Yield or Revenue protection (same as underlying policy)
- Projected prices (same as underlying pol
- Premiums Subsidized a fixed 65%
- Loss payment within 60 days of claims submission (after NASS annu yield estimate is available)
- No payment or base acre limitations c waiting for the national average farm price for the marketing ye




http://prodwebnlb.rma.usda.gov/apps/CIDT/
The Crop Insurance Decisio...
File Edit View Favorites Tools Help
Crop Insurance Decision Tool
USDA
Risk Management Agency
Your Selection
corn
Planting Time
Your APH: 140
Projected Price: $4.00
Expected County Yield: 125
Insurance Choices
Additional Coverage: SCO
Underlying Insurance Plan: Revenue
Underlying Coverage Level: 65%
50% 85%
Harvest Time
Your Actual Yield: 70
0 210
Harvest Price: $4.00
Send Feedback
Coverage Amounts (per acre)
$560.00
Expected Crop Value:
Protection Amounts
Coverage Range
Producer Premium*
SCO $117.60 21% (86% - 65%) $0.00
Revenue $364.00 65% (65% - 0%) $0.00
Total $481.60 86% (86% - 0%) $0.00
Costs
Select Location
* Estimates only.
Crop Returns by Actual County Yields Chart
Premium Cost by Coverage Levels Chart
Premium Cost by Underlying Insurance Plan Chart
Per Acre Value in Dollars
Actual County Yields
600
500
400
300
200
100
0
125 120 115 110 105 100 95 90 85 80 75 70
$34 $56 $78 $101 $118 $118 $118
$84
$280
Crop Returns **
Underlying Payment **
SCO/STAX Payment **
Expected Crop Value **

ance Decision Tool



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Calculations (per acre)

Actual County Yields	Percent of Expected Yield	Crop Returns	Underlying Payment	SCO Payment	Total Payment	Total Income
125	100%	$280.00	$84.00	$0.00	$84.00	$364.00
120	96%	$280.00	$84.00	$0.00	$84.00	$364.00
115	92%	$280.00	$84.00	$0.00	$84.00	$364.00
110	88%	$280.00	$84.00	$0.00	$84.00	$364.00
105	84%	$280.00	$84.00	$11.20	$95.20	$375.20
100	80%	$280.00	$84.00	$33.60	$117.60	$397.60
95	76%	$280.00	$84.00	$56.00	$140.00	$420.00
90	72%	$280.00	$84.00	$78.40	$162.40	$442.40
85	68%	$280.00	$84.00	$100.80	$184.80	$464.80
80	64%	$280.00	$84.00	$117.60	$201.60	$481.60
75	60%	$280.00	$84.00	$117.60	$201.60	$481.60
70	56%	$280.00	$84.00	$117.60	$201.60	$481.60

SCO Indemnity

- Notice of Loss not needed for SCO
- Payment occurs later than for individual policy
  - Based on when NASS county yield data becomes available
- Indemnities will not be paid on acreage that has been determined to have been solely damaged by causes of loss not insured by the underlying policy

ARC and SCO

- Rule of “Thumb”
  - SCO and crops elected for ARC cannot “play together”
- PLC + SCO → OK
- ARC + SCO Not allowed on same acreage
- SCO eventually may be available for crops for which ARC and PLC do not apply.
- Compliance (if producer enrolls for both SCO & ARC)
  - Databases from FSA and RMA will be compared
  - If both exist for elected ARC crop acreages
    - ARC is in force
    - SCO is “cancelled” and partial premium may be due.

SCO – Detailed Information

- RMA Farm Bill Website
  - http://www.rma.usda.gov/news/currentissues/farmbill/

Supplemental Coverage Option (SCO)

- USDA Releases Additional Supplemental Coverage Option Availability Maps
  - 2015 Crop Year Supplemental Coverage Option (SCO) Maps | 2015 Crop Year Supplemental Coverage Option (SCO) Text
- Crop Insurance Decision Tool (CIDT)
- Supplemental Coverage Option Standards Handbook
- Supplemental Coverage Option Endorsement
- Supplemental Coverage Option Map, PDF | Text
- Fact sheet
- Departmental press release
- Supplemental Coverage Option Training

Noninsured Crop Disaster Assistance Program (NAP)

New for 2015- Buy-up Coverage

- Coverage levels:
  - 50/100, 55/100, 60/100, 65/100

- Crops and grasses intended for grazing are excluded from buy-up coverage

- Premium is charged in addition to the service fee and is equal to the lesser of 5.25% of the guarantee or $6563 (5.25% of the payment limitation)

Additional Benefits for Beginning, Limited Resource and Socially Disadvantaged Producers

- FSA will waive the NAP service fee and reduce the buy-up premium by 50% for Beginning, Traditionally Underserved and Limited Resource Farmers and Ranchers
- Producer must file a form with FSA to receive these benefits

The alternative to having crop insurance

New Jersey Crop Insurance Education

Toll-free hotline:
1-800-308-2449

http://salem.rutgers.edu/cropinsurance

www.rma.usda.gov