CROP INSURANCE
Keeps America Growing

General Farming Edition · 2018

Guide to Agricultural Risk Management

AMERICA RELIES ON CROP INSURANCE

In 2016, farmers invested more than **$3.5 billion** to purchase more than **1.2 million** crop insurance policies, protecting over **130 different crops.**

Crop insurance policies protected **90 percent** of planted cropland in 2016 (290 million acres).

Farmers have spent more than **$48 billion out of their own pockets** to purchase crop insurance since 2000.

Family farms make up **99 percent** of America's **2.1 million** farms and **89 percent** of ag production

It's a Whole New Ballgame

Crop insurance loads the bases

Thanks to a far-reaching expansion in numbers of crops covered, and in innovative new policies, farmers of over 130 crops in all 50 states now rely on crop insurance to manage their production risks and even their marketing risks.

That expansion has been rapid. Anyone whose awareness of crop insurance was shaped even just a few years ago will be astonished when they see how crop insurance has become vital to farmers in every corner of the country.

Swinging for the fences

From almonds, apiculture, and apples to walnuts and wheat, from barley, blueberries, and buckwheat to table grapes, tangelos, and tomatoes, over 130 crops have been researched, pilot tested, and approved for coverage under federally subsidized crop insurance. Ever heard of triticale? Well triticale, a cross between wheat and rye, is now covered in the counties and states where it is most prevalent.

Then there are the new crop insurance policies that take complicated ideas and deliver user-friendly risk management tools. Whole-Farm Revenue insurance does just what its name implies. It is especially useful for diversified farm operations. It allows the farmer to insure some percentage of the farm's average ag revenue, including revenue from animals and even crops that might not be in the more than 130 insurable crops.

Margin Protection allows farmers to take advantage of upswings in the price of their crops as well as protecting them against sudden drops in the price. This policy insures the margin based on expected revenues and input costs. Imagine the quality of financial planning that comes with that, not to mention peace of mind.

PRF (Pasture, Rangeland, and Forage) coverage gives livestock and dairy farmers protection that was never available before. PRF is now available in all of the 48 contiguous states.

The upshot of all this expansion and innovation in crop insurance is that every farmer and rancher in America can have a policy, and price, that is tailored to his or her operation alone. Ninety percent of the planted land in America is already protected by crop insurance.

Conservation Compliance and Crop Insurance

One FSA deadline has nothing to do with crop insurance, and everything to do with crop insurance.

Farmers who do not certify conservation compliance for the reinsurance year by filing an AD-1026 form with FSA may lose their crop insurance premium assistance.

The average premium assistance is about 60 percent so you can see the potential financial setback if you fail to file. “File before FSA’s deadline. Don’t take it lightly,” is the common refrain from crop insurance agents.

For example, if you have a Whole-Farm Revenue policy with 80 percent premium assistance, your premium bill will go up 500 percent if you fail to file your AD-1026 as required by FSA.

When you file your AD-1026 you certify that you will not:

- plant or produce an ag commodity on highly erodible land without following an NRCS approved plan or system;
- plant or produce an ag commodity on converted wetland;
- or convert a wetland which makes the production of an ag commodity possible.

Everyone affiliated with your operation must also be in compliance. The good news is, unless your operation changes, you won’t need to recertify annually and your crop insurance agent and local FSA office will help you work through special circumstances. But the bottom line is that your bottom line is your responsibility.

Report in Common Land Units

You may not have even noticed, but over the last few years measuring your land went from traditional paper maps to updatable electronic versions. Yes, nearly every field in the country has been photographed, creating a digital database that helps farmers in several ways.

First, it will ensure greater accuracy when reporting acreage.

Second, it will permit more detailed tracking of risk (frequency and severity of indemnities), allowing more accuracy when setting premium rates on less risky land.

Third, it will reduce the amount of time farmers spend on acreage reporting.

What is a CLU?

A Common Land Unit (CLU) is the smallest unit of land that has a:

- permanent, contiguous boundary;
- common land cover and land management; and
- common owner.

Your crop insurance agent has your FSA-maintained CLU datasets and the land location information needed for your reporting. If you have any questions about this process, ask your agent for help.

What is an RLU?

A Resource Land Unit (RLU) is equivalent to a CLU. While FSA county offices develop and maintain CLUs, an RLU originates through crop insurance reporting. An RLU is a geospatial boundary often based on your precision farming data (e.g., planter monitor boundaries). Your insurance provider sends RLU boundary coordinates to RMA to establish an official identifier; once accepted, the RLU is ready for use in crop insurance acreage reporting.

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 current year's crop:

   ____

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

    ____

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 multiple peril 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. Others 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.

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, you may pay too much premium. 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 of the insurance company. You don't want to destroy any evidence of a possible claim.

Connect with Crop Insurance

Here are some links to help you learn more about crop insurance.

facebook.com/CropInsuranceInAmerica
youtube.com/ncisamerica
instagram.com/cropinsuranceinamerica
twitter.com/UScropinsurance
pinterest.com/cropinsurance

www.CropInsuranceInAmerica.org
www.ag-risk.org
www.rma.usda.gov

Do you have more questions about crop insurance?

Contact a local crop insurance agent or visit **www.CropInsuranceInAmerica.org** for more information. You can also send your questions to cropinsuranceinamerica@gmail.com.