

Utah Crop Insurance September 19, 2002

Risk Management Agency

Dale Miller

Davis, California



Overview

- Risk Management Agency
- Review of the Utah programs
- Insurance Cycle
- Crop Insurance programs available to producers in Utah
- Insured's Responsibilities
- Other Policy Provisions

Risk Management Agency/USDA

- Administers the Federal Crop Insurance and Risk Management Education programs for the USDA.
- Write policies, procedures/rules, rates, prices
- USDA subsidizes the insurance premium.
- Program is delivered by Private Insurance Companies through local crop insurance agents.
- RMA and companies share the risks.
- A list of insurance agents is available at the County FSA offices.

Crop Insurance Purpose

- Provide farm producers and owners methods to lower production and revenue risks.
- Strengthen the safety net for Ag producers.

Insurable Crops in Utah

- Apples
- Barley
- Corn (grain & silage)
- Cherries (sweet)
- Dry Beans (pinto)
- Forage (alfalfa)
- Nursery (containers & in ground)
- Oats
- Onions (bulb)
- Safflower
- Wheat

Not available in all counties

Written Agreements

For Crops without Actuarial Tables published in the county

- Allows insurance on all insured crops to all counties
- Apply in writing by sales closing date
- Producer must furnish 3 years of records

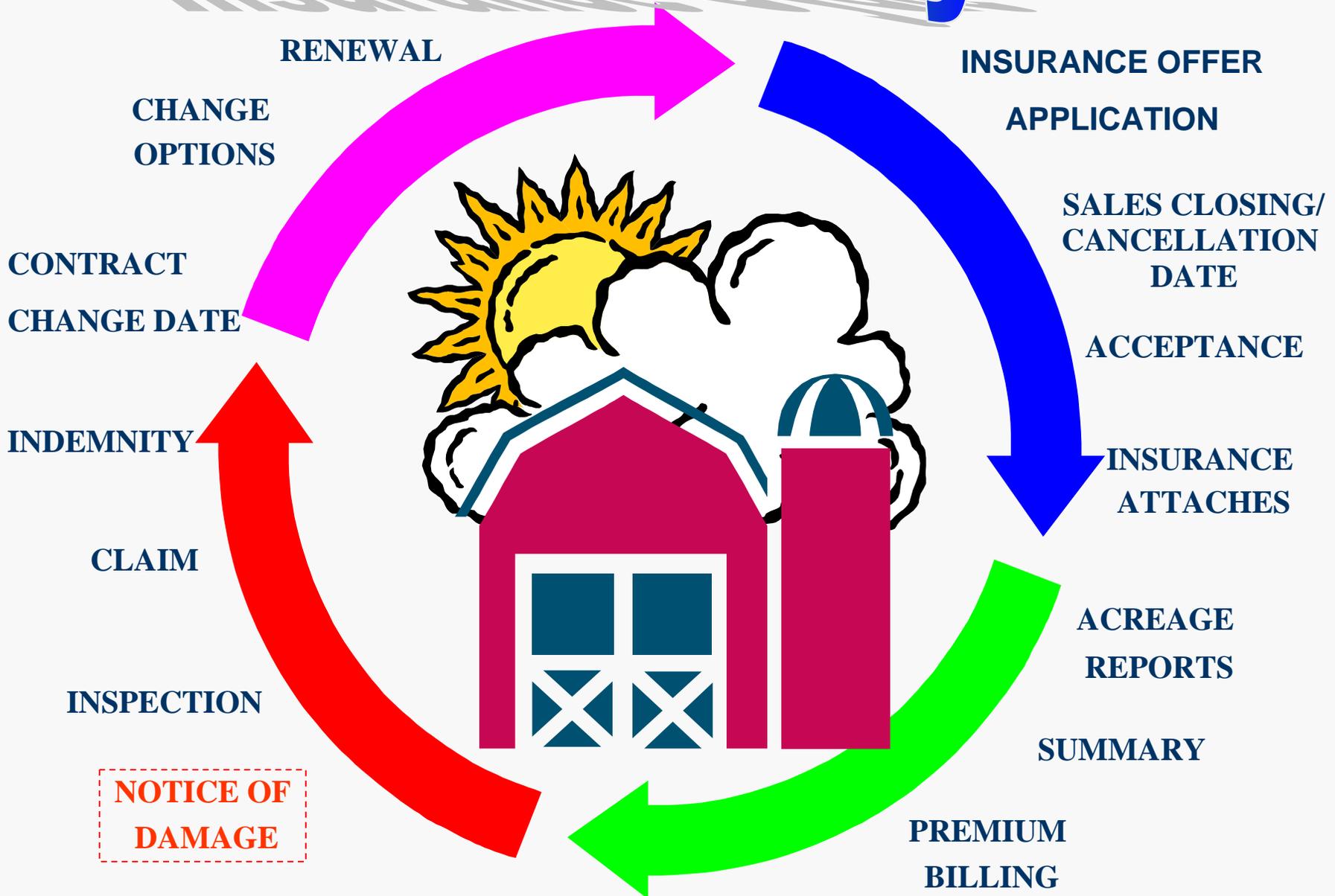
UTAH 2001 Participation

	Policies Sold	Acres Insured	Liability
Apples	33	1,060	\$1.7 m
Barley	109	3,420	\$125,000
D. Beans	60	5,360	\$240,700
Cherries	8	220	\$215,000
Corn	44	3,870	\$330,000
Forage	23	250	\$16,500

UTAH 2001 Participation

	Policies Sold	Acres Insured	Liability	
Oats	26	860	\$22,800	
Onions	11	810	\$630,000	
Safflower	103	7,200	\$192,100	
Nursery	0	0	0	
Wheat	51	14,500	\$973,000	
Peaches	8	240	\$562,000	

Insurance Cycle



Sales Closing Dates 2003 Crop Year

Forage (alfalfa)	Oct 31, 2002
Barley, Wheat	Oct 31, 2002
Apples, Cherries	Nov 20, 2002
Onions	Feb 1, 2003
Corn, Dry Beans	Mar 15 ,2003
Oats, Safflower	Mar 15, 2003
Nursery	May 31, 2003

Acreage Report

- Annual report which contains information including the insured's share of all acreage of an insured crop in the county

Acreage Report Dates

Crop(s)

Apples, Cherries

January 15

Winter Wheat

March 1

Forage Production

March 1

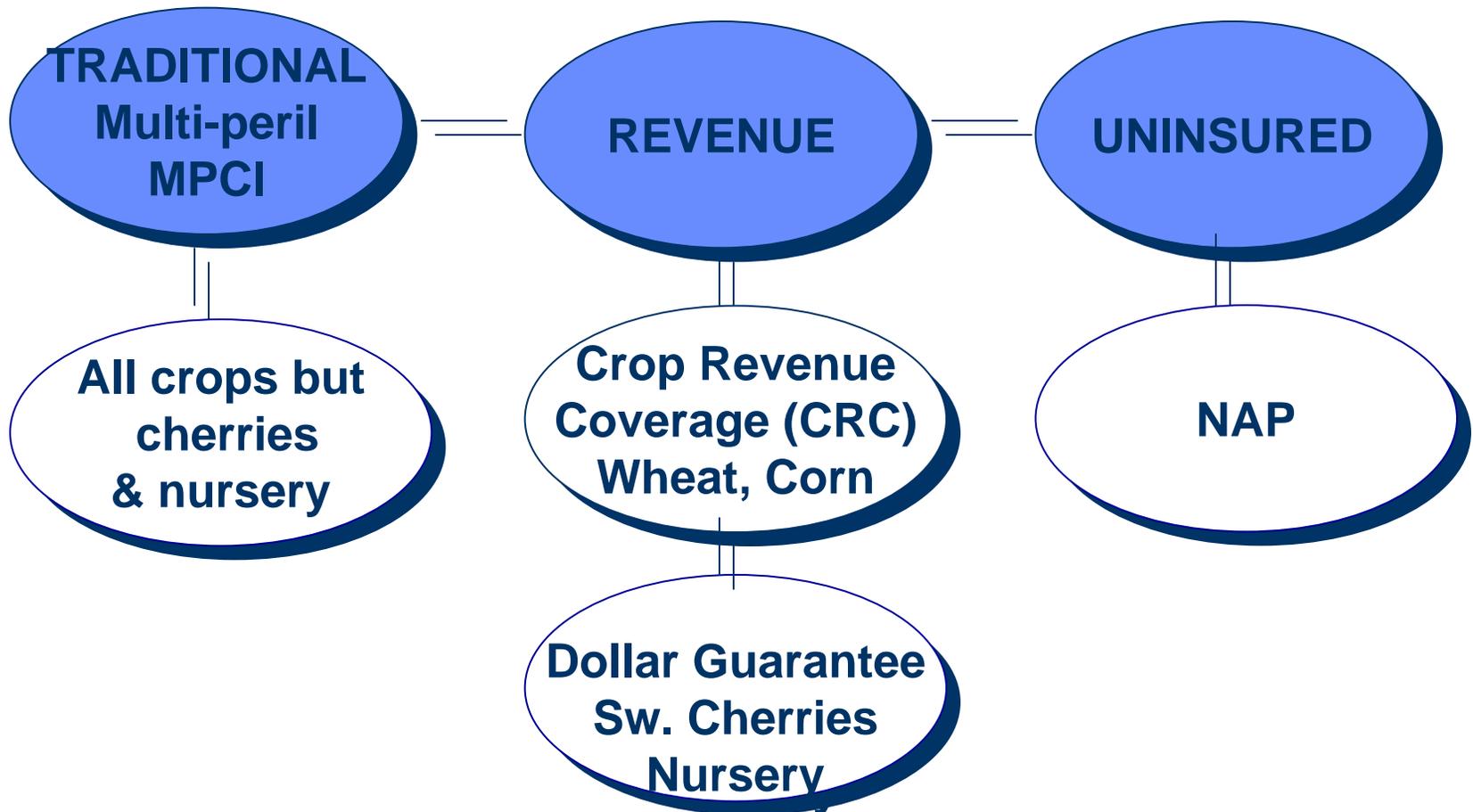
Sp. Wheat, Barley

June 15

Oats, Corn

June 30

Risk Management Tools for UTAH



Multi-Peril Crop Insurance (MPCI)

- Insurance Coverage is based on Actual Production History (APH)
- Applies to Apples, Wheat, Barley, Oats, Corn, Onions, Beans, Alfalfa & Safflower

Multiple Peril Crop Insurance (MPCI) Causes of Loss - Covered

Covered

- Adverse Weather (frost, heat, drought, hail, etc.)
- Fire
- Insects and Disease
- Wildlife
- Earthquake/Volcanic Eruption
- Failure of Irrigation Water Supply

Causes of Loss – Not Covered

Not Covered

- Negligence, wrongdoing
- Poor management and farming practices
- Failure or breakdown of irrigation equipment or facilities

How Much Coverage Can I Buy?

- There are two decisions that determine the amount of protection obtained from MPCl
 - the level of yield coverage chosen (50%-75%)
 - the level of price election chosen (55%-100%)

Coverage Levels

- Coverage Options - from 50% up to 75% of APH
 - For example - assume APH Average Yield of 100 Bu/ac
 - 50% x 100 = 50 bu/ac guarantee (Catastrophic or CAT coverage)
 - 55% x 100 = 55 “
 - 60% x 100 = 60 “
 - 65% x 100 = 65 “
 - 70% x 100 = 70 “
 - 75% x 100 = 75 bu/acre

When production falls below the guarantee loss payments begin

Price Elections

- Producers select a price level at which premiums and losses are paid
- Choice of 55% to 100% of the Maximum Price
- 2002 Maximum Price Election
 - Apples \$4.30/bx
 - Barley \$2.00/bu
 - Corn \$1.30/bu
 - Safflower \$0.12/lb
 - Wheat \$3.05/bu
 - Forage Production \$81/ton

Catastrophic Crop Insurance (CAT)

- CAT Coverage is available at the 50% coverage level and 55% maximum price election
- For example
 - Barley = 100 bu/acre APH
 - $100 \text{ bu} \times 50\% = 50 \text{ bu/acre}$ Production Guarantee
 - $\$2.00/\text{bu}$ price election $\times 55\% = \$1.10/\text{bu}$
 - $\$1.10 \times 50 \text{ bu} = \$55/\text{acre}$ total coverage

Approved Actual Production History (APH) Yield

- The yield used to determine the insured's production guarantee
- Generally requires actual records for minimum of 4 years and a maximum of 10 years
- Records must be continuous

Transitional Yields (T-Yields)

- If at least 4 years of records are not available, a T-Yield for each missing year must be substituted.

T-yields are based on the historic county average yield for the past 10 years

Transitional Yields

- The % of T-Yield depends on the number of years of actual records.

<u>Records</u>	<u>Records</u>	<u>Records</u>	<u>Records</u>
NO RECORDS	1 YEAR	2 YEARS	3 YEARS
65% of T	80% of T	90% of T	100% of T

*Unless qualified as a “new producer”

Benefits of Actual/Certified Yields

Assume: Wheat Irrigated
 100 bu/acre Average Yield
 *90 bu/acre 'T' Yield

Yields **Not** Provided: 65% 'T' = 59 bu/acre
75% LEVEL: 75% X 59 bu/acre = 44 bu/acre

Yields **Are** Provided:
75% LEVEL: 75 % X 100 bu/acre (APH) = 75 bu/acre

New crop insurance subsidy levels:

Percent of total premium paid by Federal Crop Insurance Corp.

<u>Coverage Level</u>	<u>Subsidized Amount</u>
50 (CAT)	100%
50	67%
55	64%
60	64%
65	59%
70	59%
75	55%

MPCI Coverage and Premium Calculation -- Wheat

- Example --
 - Box Elder County
 - 1 Acres, 1 Basic Unit , Irrigated
 - 100 Bu/ac average history (APH)
 - 70% Coverage Level
 - 100% Price Election (\$3.05/bu)
 - 100% Share

MPCI Coverage & Premium Calculation - Wheat

CY 2002	<u>Per Acre</u>
● Prod. Guarantee- 100bu/ac X 70%	● 70 bu
● Liability – 70 bu/ac X \$3.05	● \$213.50
● Premium - \$213.50/ac X 7% rate	● \$14.95
● Subsidy (59%)	● \$8.82
● Producer premium/acre	● \$6.13
● Adm. Fee	\$30

MPCI Loss Example - Wheat

- Wheat Loss determination

100	BU / Acre APH
<u>x .70</u>	Coverage Level
70	Bu / Acre Guarantee
50	Bu / Acre Production harvested
20	Bu/ Acre Loss
<u>x 3.05</u>	Price Election
\$ 61.00	Indemnity / Acre

Unit

- Each parcel of land considered separately in determining an amount of insurance and any subsequent loss
- It is possible to be hailed out on one unit and receive a loss payment, while other units on the same farm produce a record crop

Basic Units

- Each insurable crop is separate
- All tracts of land owned or cash rented within a county
- Land share rented with a different landlord

Optional Units

- Basic Units can be further divided into Optional Units
 - Annual Crops
 - Section - Legally Identifiable
 - Practice - Irrigated / Non-Irrigated
 - Type – Winter and Spring Wheat
 - Tree Crops
 - Noncontiguous tracts
- Separate records of production and acreage required for each Optional Unit

2 SECTIONS ONE CROP WITH RECORDS

<p>OWNER/OPERATOR SEC. 35 00101</p>	<p>CASH RENT SEC. 36 00102</p>
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2 OPTIONAL UNITS

Revenue Products

- 1. Crop Revenue Coverage (CRC) –
Corn, Wheat**
- 2. Dollar Plan - Cherries**

Revenue Products

Crop Revenue Coverage (CRC)

Available for corn and wheat

Protection Against

- **Yield Losses**
- **Price Losses**
- **Combination of both**

Producer chooses the Coverage Level

- **50% - 75% of the APH Yield**

Crop Revenue Coverage

Wheat Prices

**Base Price – Chicago Board of Trade
2002 Aug 15-Sept 14 Average Price**

**Harvest Price – Portland Gr. Exchange
2003 August Average Price**

- **Guarantees an amount of revenue based on the higher of the Base Price or Harvest Price**

CRC Crop Revenue Coverage Wheat

INDEMNITY EXAMPLE

Wheat – 1 acre

APH yield = 100 bu/acre

70% Coverage = 70 bu/ac guarantee

Base Market Price = \$2.40 Harvest Price \$2.00

Harvested = 70 bushels

CRC - Wheat

Indemnity Example (cont.)

Guarantee = 70 bu x \$2.40/bu = \$168

Harvested = 70 bu x \$2.00/bu = \$140

Indemnity Claim = \$168 - \$140 = \$28

Revenue Insurance – Dollar Plan

CHERRIES

- No APH
- Maximum Dollar Amounts of Coverage
\$1,500/acre
- Producer Chooses Level - 50% to 75% of Maximum
- Example CAT= \$413/acre
 - 50% = \$750/acre
 - 65% = \$975/acre
 - 75% = \$1,125/ ac

CHERRY Revenue Example

- **Premium** - 1 acre of cherries
- @ 65% level = \$975/ac
- \$975 x .095 (premium rate) = \$93/ac
- \$93/ac x .41 (subsidy) = \$38/ac

- **Indemnity (claim)**
- Coverage = \$975/ac
- Revenue from sold production = \$600
- \$975 - \$600 = \$375/ac payment

Insured Responsibilities (If crop damaged)

- Protect crop from further damage
- Give notice of damage to insurance agent
- Confirm with written notice
- If not going to harvest, can leave representative rows in field (will be appraised)
- If want to destroy or abandon crop, obtain consent from insurance company
- If harvested, provide total production
- With loss adjuster, submit claim for indemnity

Other Policy Provisions

- Replant Payments (corn, safflower, beans, onion)
 - Must be practical to replant
 - Actual cost or pre-set in crop policy
- Late Planting (corn, safflower, beans, onions)
 - Partial coverage for acreage planted after final planting date
- Prevented Planting (corn, saff, beans, onions, wheat)
 - Unable to plant crop due to weather conditions

Irrigation Issues

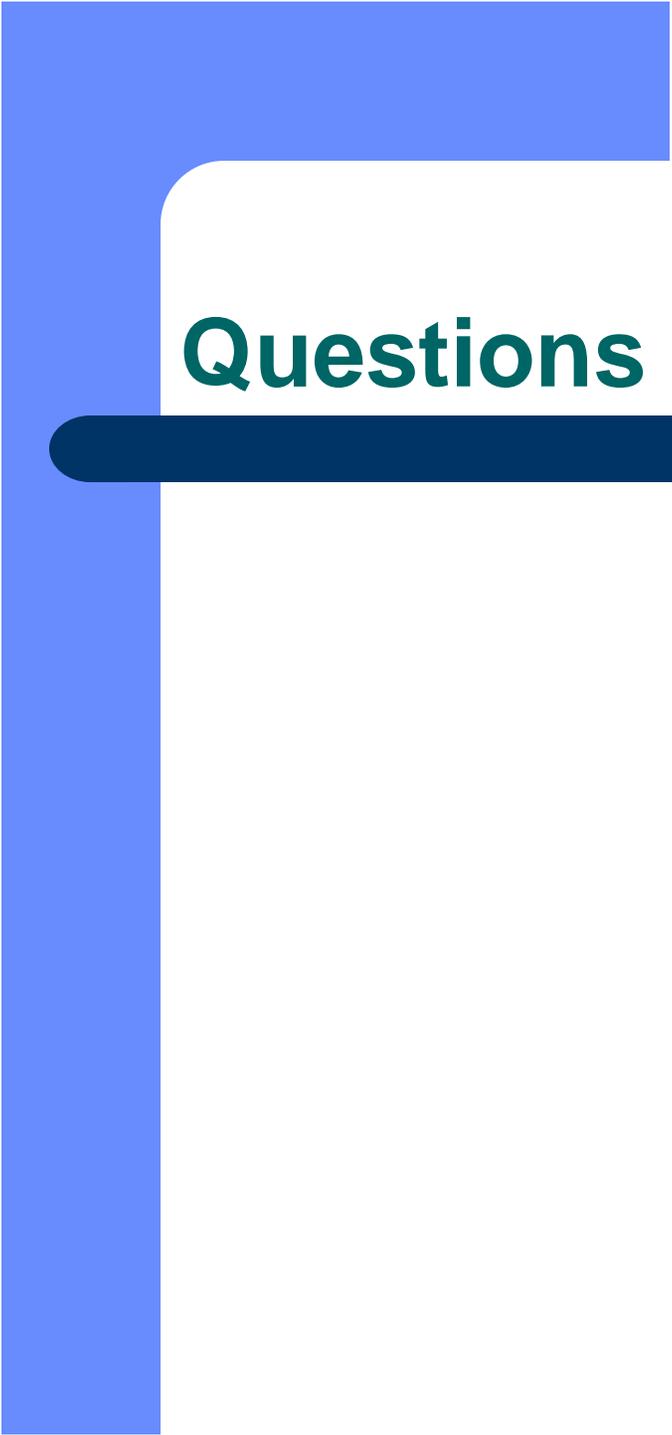
- Policy States: only that acreage for which there exists adequate facilities and water at the time insurance attaches, or the reasonable expectation of receiving adequate water, is insurable under an irrigated practice.

Prevented Planting

- Acreage historically grown under an irrigated practice for which the insured had no reasonable expectation of adequate irrigation water on the final planting date (or within the late planting period, if applicable) may be eligible for an irrigated prevented planting payment even if the acreage could have been planted with a non-irrigated practice and the producer elected not to plant.

Drought and Prevented Planting

- Must:
- Have insufficient soil moisture for germination of seed;
- Have a prolonged period of dry weather that is general to the area; and,
- Be located in an area where other producers with acreage with similar characteristics are also prevented from planting the crop.



Questions & Answers



USDA's Risk Management Agency

www.rma.usda.gov/

www.agrisk.umn.edu

<http://pnw-ag.wsu.edu/risk/>

Davis Regional Office

430 G Street, #4168

Davis, CA 95616-4168

(530) 792-5870

(530)792-5893 FAX

E-Mail: rsoca@rm.fcic.usda.gov

DISCLAIMER

The purpose of the following material is to promote awareness of risk management concepts and to highlight USDA's risk management products, features, benefits and availability. This material does not change the content or the meaning of current policy provisions, filed actuarial documents or approved procedures.



See your insurance agent for details.