



United States Department of Agriculture

Risk Management Agency

# Crop Insurance for California Farmers & Ranchers

Ski Allender– Risk Management Specialist  
USDA - Risk Management Agency  
530-792-5870  
[www.rma.usda.gov](http://www.rma.usda.gov)

# Risk Management Agency

- ▶ Nationwide – Ten Regional Offices
  
- ▶ Davis Regional Office
  - Serve Arizona, California, Hawaii, Nevada, Utah
  
- ▶ Provide:
  - Agricultural producers with the opportunity to achieve financial stability through effective risk management tools.
  
  - Educational opportunities to help producers choose appropriate risk management tools.



# Crop Insurance in California - 2016

- ▶ Crop insurance protected **\$9.9 Billion in liability**.
- ▶ There were **6.8 million acres insured**.
- ▶ In 2015 over **\$623 million was paid** to farmers in indemnities for production and/or revenue losses.

CROP	LIABILITY
Almonds	\$3,522,062,547
Grapes	\$1,228,937,234
Pistachios	\$876,280,598
Tomatoes	\$548,126,949
Rice	\$485,921,068
Table Grapes	\$310,439,025
Walnuts	\$300,730,276
Oranges	\$282,703,336
Whole Farm Revenue	\$270,649,963
Raisins	\$242,579,112
Mandarins/Tangerines	\$222,058,901
Cotton Ex Long Staple	\$200,609,195
Cherries	\$164,057,948
Lemons	\$132,388,653
Prunes	\$114,495,031



# Insurable Crops in California

- ▶ ALFALFA
- ▶ ALMONDS
- ▶ APICULTURE
- ▶ APPLES
- ▶ AVOCADOS
- ▶ BLUEBERRIES
- ▶ CHERRIES
- ▶ CITRUS
- ▶ CORN
- ▶ COTTON
- ▶ DRY BEANS
- ▶ FIGS
- ▶ FORAGE PRODUCTION

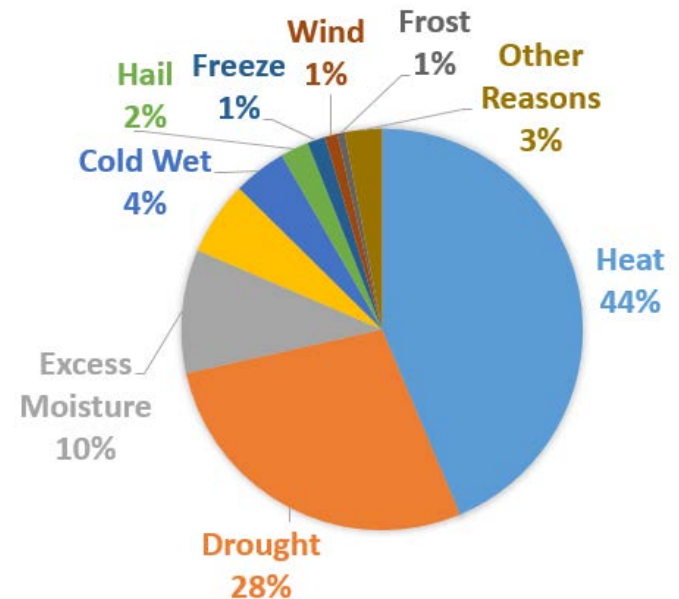
- ▶ GRAIN SORGHUM
- ▶ GRAPEFRUIT
- ▶ GRAPES
- ▶ LIVESTOCK  
(Dairy Cattle, Fed Cattle,  
Feeder Cattle, Lamb, Swine)
- ▶ MINT
- ▶ NURSERY (FG&C)
- ▶ OATS
- ▶ OLIVES
- ▶ ONIONS
- ▶ PASTURE, RANGELAND,  
FORAGE
- ▶ PEARS
- ▶ PECANS
- ▶ Pistachios
- ▶ POTATOES

- ▶ PRUNES
- ▶ RAISINS
- ▶ RICE/WILD RICE
- ▶ SAFFLOWER
- ▶ SUGAR BEETS
- ▶ TABLE GRAPES
- ▶ TOMATOES
- ▶ WALNUTS
- ▶ GRAINS  
(Wheat, Barley, Oats)
- ▶ STONE FRUITS (Apricots,  
Peaches, Nectarines, etc.)
- ▶ STRAWBERRIES
- ▶ **WHOLE FARM  
REVENUE (Veggies &  
Other)**

# Insurable Causes of Loss

- ▶ Most policies protect against the following:
  - Adverse weather conditions
  - Earthquake
  - Failure of irrigation water supply, if caused by an insured peril during the insurance year (drought)
  - Fire
  - Insects or plant disease, but not damage due to insufficient or improper application of control measures
  - Wildlife.

2015 Losses

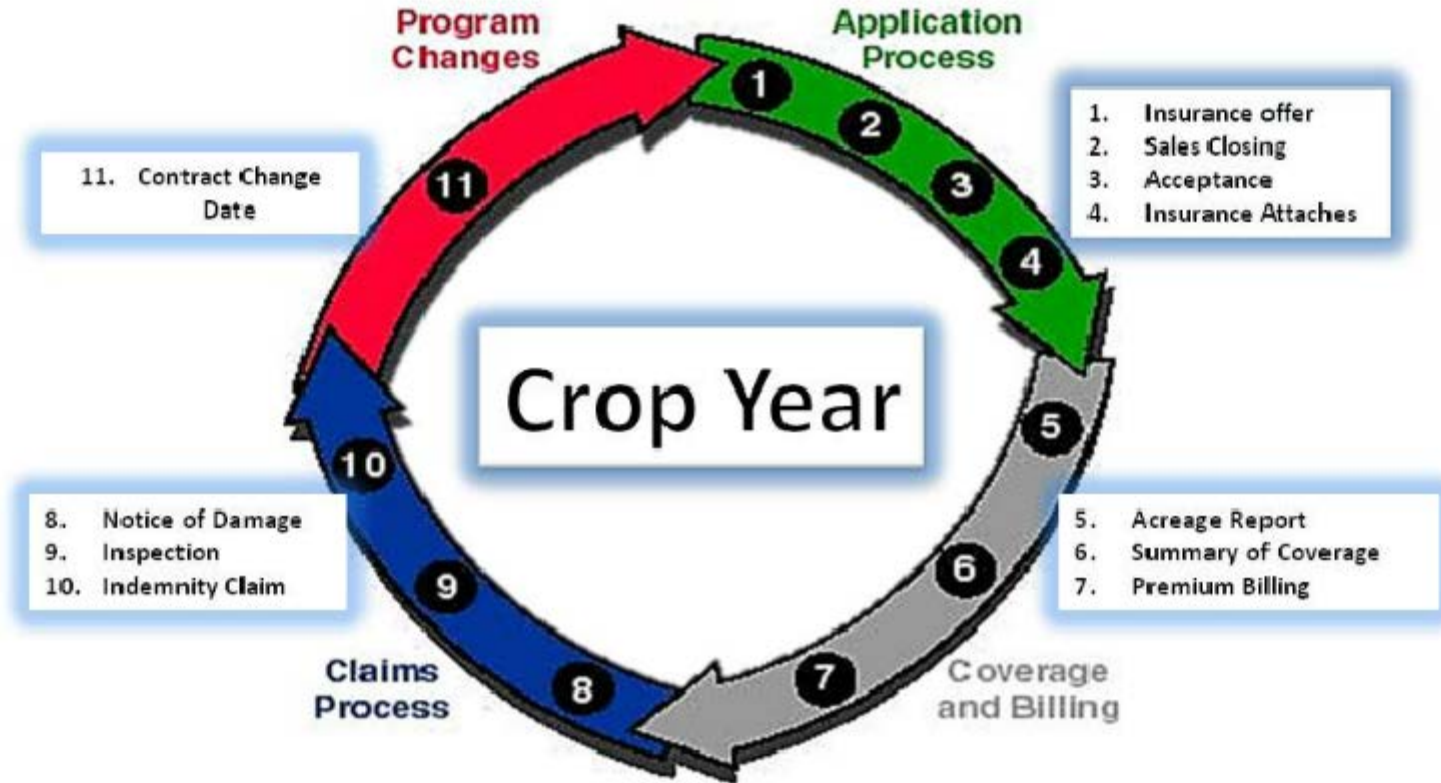


# Insurance Period

- ▶ You must apply for insurance before the final purchase (sales closing) date.
- ▶ The insurance coverage begins when the crops are planted (annuals) or on a specified date in the policy (perennials).
- ▶ Insurance coverage ends for the crop soon after harvest or by other events specified in the policy.

<b>Dec 31 &amp; Jan 31</b>
Perennials
Spring Crops
<b>Feb 28</b>
Whole Farm Revenue
<b>March 15</b>
Mint
Oats
Potatoes
Wheat
<b>May 1</b>
Nursery (FG&C)
<b>May 31</b>
Potatoes

# The Insurance Cycle



# Coverage

- ▶ Policies can cover against losses due to low production, revenue, or a combination of both.
  - **Actual Production History (APH)** policies insure producers against yield losses.
  - **Actual Revenue History (ARH)** plan of insurance has many parallels to the APH plan of insurance, with the primary difference being that instead of insuring historical yields, the plan insures historical revenues.



# Coverage

- **Revenue Protection** policies insure producers against yield losses and revenue losses caused by a change in the harvest price from the projected price.
- **Whole Farm Revenue Protection** policies insure revenue of the entire farm rather than an individual crop by guaranteeing a percentage of average gross farm revenue, including a small amount of livestock revenue. The policies use information from a producer's Schedule F tax forms, and current year expected farm revenue, to calculate policy revenue guarantee.



# Coverage Levels and Premium Discounts

- ▶ Individual insurance amounts are based on your **historical production** (revenue). You will need to provide records from which your average yield (revenue) can be calculated.
- ▶ Coverage levels range from **50 to 75 percent** (85 for some) of your approved yield (revenue) .
- ▶ Catastrophic Risk Protection (**CAT**) coverage is our lowest coverage level, **fixed at 50 percent of your approved yield and 55-percent of the price election.**
  - CAT is 100-percent subsidized with no premium cost to you. There is, however, an administrative fee of **\$300 per crop per county**, regardless of the acreage.

Item	Percent						
Coverage Level	CAT 50	50	55	60	65	70	75
Premium Discount	100	67	64	64	59	59	55
Your Premium Share	\$300	33	36	36	41	41	45

- ▶ Crop insurance premiums are subsidized as shown in the table. For example, if you choose the 65-percent coverage level, your premium cost would be 41 percent of the total crop insurance cost.

# Guarantee

- ▶ Typical insurance guarantee amounts depend on the total number of production/revenue records you provide and the coverage level you select.
- ▶ A simple example:

Year	Acres	Production	Yield
2013	18	41,178	2,288
2014	18	39,000	2,167
2015	18	41,535	2,308
2016	18	43,000	2,389
<b>Average Production</b>			2,288
<b>Gurantee</b>	<b>(Coverage Level x Yield)</b>		<b>1,716</b>
	(.75 x 2,288)		



# Loss Example

- **Fresh apples**, 100 percent price election of \$13.30 per box, an **average yield of 500 boxes** per acre, **65 percent coverage**, and 100 percent share.

	500	Boxes per acre average yield (APH)
x	<u>.65</u>	Coverage level percentage
	325	Boxes per acre guarantee
-	<u>200</u>	Boxes per acre actually produced
	125	Boxes per acre loss
x	<u>\$13.30</u>	Price election
	\$ 1,663	Indemnity per acre

Coverage	Indemnity
50%	\$663
55%	\$994
60%	\$1,325
70%	\$1,988
75%	\$2,319

# Cost

- ▶ Cost depends on your selected options, coverage levels, and rate for the crop in the county.
  
- ▶ In 2016 producers in California paid an average \$28 per acre (\$0.70 - \$320).

Popular Crops	Average Cost/Acre
Almonds	\$54
Rice	\$16
Grapes	\$32
Tomatoes	\$20
Cotton ELS	\$69
* Wheat	\$4.61
Corn	\$5
Walnuts	\$21
* Oranges	\$52
Forage Production	\$0.96
Pistachios	\$49
Table Grapes	\$34
Cotton	\$16
Prunes	\$212
Safflower	\$1.35
* Lemons	\$69
* Mandarins/Tangerines	\$167
* Avocados	\$37

# Benefits for Beginning Farmers and Ranchers

- ▶ Beginner - You must not have actively operated and managed a farm or ranch anywhere, **for more than 5 crop years.**
- ▶ These benefits include:
  - **Exemption** from paying the **administrative fee** for catastrophic and additional coverage policies;
  - **Additional 10 percentage points** of premium subsidy for additional coverage policies that have premium subsidy;
  - **Use of the production history** of farming operations that you were previously involved in the decision making or physical activities; and
  - An increase in the **substitute Yield Adjustment**, which allows you to replace a low yield due to an insured cause of loss, from 60 to **80 percent** of the applicable transitional yield (T-Yield).



## Updated Revenue Program

### Whole Farm Revenue Protection

- One policy that insures the entire farm rather than an individual crop, including a small amount of livestock revenue.
- Insures against the loss of revenue from the sale of ag commodities produced during the insurance year due to:
  - Unavoidable natural disasters
  - Market fluctuations during the insurance year
- Up to \$8.5 million in liability.

***Commodity – Any agricultural product established or produced on your farm operation, except timber, forest and forest products, animals for sport, show or pets.***



# Whole Farm- Timeline

**SALES PERIOD**

**Feb 28, 2017**

**CALENDAR YEAR**

**INSURANCE YEAR**

**CLAIMS**

**JAN 1, 2017**

**DEC 31, 2017**

**JUL 1, 2017**



# Whole Farm - Requirements

- ▶ The entity must have tax returns for the last 5 consecutive years (Schedule F)
  - USDA-qualified **Beginning Farmers and Ranchers (BFR)** may qualify with 3 historic years of taxes records.
  
- ▶ Guarantee will be based on the lower of:
  - The expected revenue; **OR**
  - Your whole-farm historic average rate based on your last five years of tax records.

# How Whole Farm Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Approved Revenue is ***“the lower of”***:

(1) The Whole-Farm Historic Average Revenue  
(\$109,340)

**OR**

(2) Expected Crop Revenue Intended  
Commodity Report  
(\$101,225)

In this example:

**Approved Revenue = \$101,225**

# How Whole Farm Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$101,225	Approved Revenue
x <u>85%</u>	Coverage level
\$86,041	Insured Revenue (Asset protection)
	<i>(maximum amount of loss payable)</i>



# How Whole Farm Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

**Actual 2016 revenue determined**

\$48,040

# How Whole Farm Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$ 101,225	Approved Revenue
x <u>85%</u>	Coverage level
<b>86,041</b>	<b>Insured Revenue</b>
- <u>48,040</u>	2016 Revenue to Count for insurance year
<b>\$ 38,001</b>	<b>Revenue Loss (Indemnity payment)</b>



# Whole Farm - Cost

- ▶ Depends:
  - County
  - Number and diversity of crops
  - Type of crop insured

## Premium Discount

Coverage Level	50	55	60	65	70	75	80	85
Basic One Commodity	.67	.64	.64	.59	.59	.55		
2 Commodity Count	.80	.80	.80	.80	.80	.80		
3 Plus Commodity Count	.80	.80	.80	.80	.80	.80	.71	.56



# Whole Farm Example

<b>1 commodity</b>	<b>Total Premium Cost:</b>	<b>\$9,723</b>
	<b>USDA Discount:</b>	<b>56% Discount</b>
	<b>Producer Premium:</b>	<b>Cost: \$4,278</b>
<b>3 commodities</b>	<b>Total Premium Cost:</b>	<b>\$6,529</b>
	<b>USDA Discount:</b>	<b>80% Discount</b>
	<b>Producer Premium:</b>	<b>Cost: \$1,306</b>



# Where to Purchase Crop Insurance

- ▶ Crop insurance is available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at:  
[www3.rma.usda.gov/apps/agents/](http://www3.rma.usda.gov/apps/agents/)
- ▶ Crop policy becomes a contract between **you** and the **insurance provider** (not the USDA).





### Popular Topics

- ▶ Appendix III/M-13
- ▶ Bulletins and Handbooks
- ▶ Crop Policies and Pilots
- ▶ Federal Crop Insurance Corp
- ▶ Field Offices: ROs | COs
- ▶ Frequently Asked Questions
- ▶ Information Browser
- ▶ Laws and Regulations
- ▶ Livestock Policies
- ▶ Reinsurance Agreements



Tuesday 9/6/2016

### State of Crop Insurance

Protecting America's Diverse Agricultural Production

Discover How Crop Insurance Strengthens Rural Communities

Learn About Expanded Options and Availability

#### RMA Map Viewer

RMA expanded Actual Production History Yield Exclusion and Supplemental Coverage Option to include more crops and more counties for 2016.

#### STAX/SCO Cotton Production Area Definitions

Maps illustrating production areas defined for STAX and SCO cotton are now available.

#### RMA clarifies prevented plantings standards in the Prairie Pothole Region

Visit your crop insurance agent for more information.

#### Quick Links

[Agent/company locator](#)

[Calendar events](#)

[Cost estimator](#)

[Crop indemnity maps](#)

[Crop Insurance Decision Tool \(CIDT\)](#)

[Price Discovery](#)

[Rainfall-Veg Indices](#)

[Summary of Business](#)

#### RMA's Priorities

[Bulletins and Handbooks](#)

[County Crop Programs](#)

[Fact Sheets](#)

[Farm Bill](#)

[Opportunities](#)

[Partnership Agreements](#)

[Policies](#)

[Publications](#)

[State Profiles](#)



Beginning Farmers and Ranchers



Civil Rights



Farm Risk Plans



Organic Crops



Prevented Planting



SRA



Whole-Farm



# Contact Information

USDA - Risk Management Agency  
Davis Regional Office  
430 G St., Suite 4168  
Davis, CA 95616

Email: [rsoca@rma.usda.gov](mailto:rsoca@rma.usda.gov)

Phone: 530-792-5874

California Regional Office:

[http://www.rma.usda.gov/aboutrma/fields/ca\\_rso/ca/](http://www.rma.usda.gov/aboutrma/fields/ca_rso/ca/)

RMA Website: [www.rma.usda.gov](http://www.rma.usda.gov)

Ski Allender – Risk Management Specialist