



**Crop Insurance Update
And
Prevented Planting**

MN State Tech Committee July 11, 2013

USDA Risk Management Agency
St. Paul Regional Office



Disclaimer

- ❖ For Illustration Purposes Only.
- ❖ This material does not change the content or the meaning of current policy provisions, filed actuarial documents, or approved procedures.
- ❖ Refer to the appropriate Basic Provisions, Crop Provisions, Policy Provisions, Manager Bulletins and the Loss Adjustment Manual.
- ❖ Contact your crop insurance agent.



Federal Crop Insurance Corporation(FCIC)

- “to promote the national welfare ... through a sound system of crop insurance”

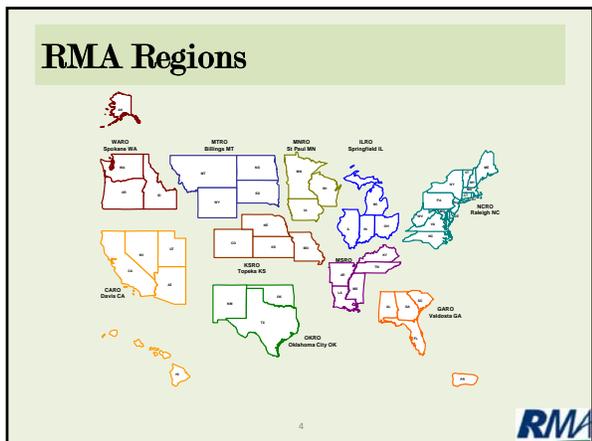
FCIC Act, Section 502(a), February 16, 1938



1938 Farmall F-20

RMA Formed in 1996





The Players



- FCIC (Federal Crop Insurance Corp.)
 - Administered by RMA
 - Board of Directors (9 Members)
- RMA (Risk Management Agency) part of the USDA
 - 10 Regional Offices
 - Kansas City Office
 - **Wash. DC**
- 17 Insurance Companies Can Write Policies
 - Over 15,000 Individual Agents

RMA logo in the bottom right corner.

Standard Reinsurance Agreement (SRA)

- Agreement establishes the terms and conditions under which FCIC will provide subsidy and reinsurance on eligible crop insurance contracts sold or reinsured by the 17 private insurance company.
- This is a cooperative financial assistance agreement under the authority of the Act.



RMA logo in the bottom right corner.

Causes of Loss

- Basis Provisions: insurance covers unavoidable, naturally occurring events.
 - Weather
 - Fire
 - Insects; but not insufficient control measures
 - Plant Disease; but not insufficient control measures
 - Wildlife
 - Earthquake & Volcanic Eruption
 - Failure of Irrigation; only the water supply
 - Revenue Policies; harvest price change from project price

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2012 Crops By Value

	National		Minnesota	
	Liability Billion	% of Total	Liability Billion	% of Total
Corn	\$53.6	45.8%	\$6.1	61.0%
Soybeans	\$25.7	21.0%	\$2.7	27.0%
Wheat	\$10.6	9.0%	\$.3	0.3%
Cotton	\$5.0	4.2%		
Citrus	\$.5	.4%		
Nursery	\$2.0	1.7%		
Almonds	\$1.2	1.0%		
Rice	\$1.1	1.0%		
All Others	\$15.6	15.9%	\$.9	11.7%
Total	\$117.0	100%	\$10.0	100%

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MN Program – All Crops

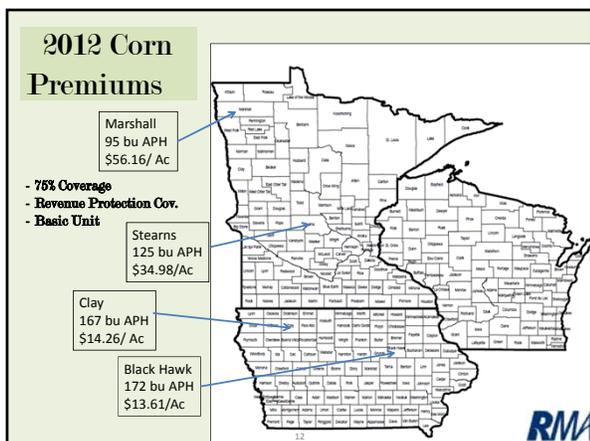
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Premium Rates

- Based on County Historical Loss Experience.
 - Credible County is:
 - 50,000 Ac in last 20 years
 - Continuous crop history in last 6 years
 - Some indemnity in last 6 years

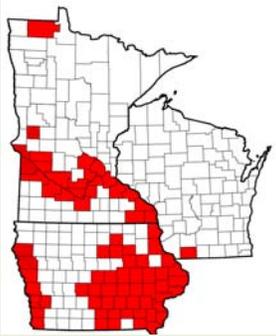
94% of MN Corn & Soybean Insured



High Risk & Unrated Areas

Part of a county has higher risk.

- Flood prone
- Muck or sandy soil
- Impounded Water

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2012 Corn Loss Example

Projected Price \$5.68 Harv. Price \$7.50

	Yield Protection		Revenue Protection HPE	Revenue Protection	
APH	175	APH	175	175	
Coverage	80%	Coverage	80%	80%	
Bu Guarantee	140	Bu Guarantee	140	140	
		Projected Price	\$5.68	\$7.50	Higher Of Proj or Harv.
		Guarantee	\$795.00	\$1,050.00	
Actual Yield	130	Actual Yield	130	130	
Guarantee Yield	140	Harvest Price	\$7.50	\$7.50	
Yield Loss	20	Revenue	\$900.00	\$900.00	
Projected Price	\$5.68	Guarantee	(\$795.00)	(\$1,050.00)	
Indemnity	\$118.60	Indemnity	\$0.00	\$150.00	

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Program Highlights



Livestock Insurance



- 1) Livestock Gross Margin (LGM):
Fed Cattle, Dairy, and Swine
 - Insures Margin of live animal value to feed Value
- 2) Livestock Risk Protection (LRP):
Feeder & Fed Cattle, Lamb and Swine
 - Insures against decline in Market Prices

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Livestock Gross Margin-Dairy

- Milk Values, average prices on the final 3-days trade for the Class III milk futures.
- Feed Costs, simple average of settlement prices on the final 3-days trade for the corn & soybean meal futures contract for the month.

\$4.6 Mill. of \$14.9 Million underwriting capacity made available Oct 26, 2012 was used.

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Written Agreement

- One-Year Document to Alter terms of a Crop Policy When Coverage or Rates are not Available.
- Request made and Issued by Regional Office.
 - Agent completes request by sales closing date.
- Only if Provided for in Existing Policy.



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Written Agreement (WA)

- Must Prove Ability to Produce Crop and Supply Documentation.
 - Need 3 Years of APH or Verifiable Records
- Agreement for:
 - Rotation Exceptions (Potatoes)
 - Special Purpose Corn (Blue Corn, High Amylose Corn)
 - Unrated Land or High Rated Land
 - County Without Program For Crop
 - New Breaking and Added Land




Fire

- Basis Provisions: insurance covers unavoidable, naturally occurring events.
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Further Interpretation

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Fire

- Lightning cause is covered, combine fire is not.
 - Cause of loss is not from a natural event.
- Oct 2011 a new interpretation
 - FAD-80 says; if it's not a natural cause and an expert determines at some point the fire beyond the ignition source is naturally occurring - loss beyond the source it's covered.
 - Example of 80 Ac combine fire; 5 ac not covered 75 ac covered because drought and high wind is a natural cause.




2012 Drought Concern

- Insurance Company Financial Health
 - American Grower insolvency in 2002 was a wake-up event.
 - Standard Reinsurance Agreement (SRA) requires levels of solvency and cash reserves.
 - Quarterly audit on each company; ratios and reserves.



Re-insurance Sources and FCIC

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Prevented Planting Cont.

- Acreage eligible for Prevented Planting indemnity.
 - Must meet policy definition of insurable acreage;
 - Must be available for planting in normal period;
 - Must have an insured cause of loss occur within the insurance period.



Prevented Planting Cont.

Planted, Insured and harvested in 1 of past 4 years?



Prevented Planting: What can be done?

1. Plant the insured crop during the late planting period.
1%/ day less guar. up to 25%
2. Plant the insured crop after the late planting period, in which case the insurance guarantee will be the same as the insurance guarantee provided for prevented planting coverage.
60% and can buy-up to 70% or 75%
3. Leave the acreage idle and receive a full prevented planting payment.



Prevented Planting Cont.

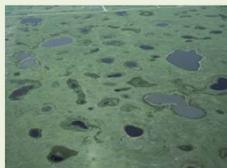
4. Plant a cover crop and receive a full PP payment, and not hay, graze or otherwise harvest this cover crop before November 1.
5. Plant a second crop after the late planting period. You may also hay or graze a cover crop after the end of the late planting but before November 1. You may also harvest the second crop at any time, and receive a prevented planting payment equal to 35% of the PP guarantee.



Prevented Planting Cont.

Land coming out of CRP **is not eligible** for PP.

- Acreage has not be planted, insured and harvested in one of the past four years.
- Applies to states in Prairie Pothole Area:
MN, IA, SD, ND, MT



New Things for 2013

- Cover Crop: 2014
- Some Date Changes: 2013
- Organic Coverage Changes: 2014
- Broadcast Soybeans: 2014



RMA

Cover Crop Definition




From Basic Provisions

Cover crop – "A crop generally recognized by agricultural experts as agronomically sound for the area for erosion control or other purposes related to conservation or soil improvement. . . ."

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2013 Cover Crop Rules

Not insurable if planted crop on acreage from which, in the same calendar year:

1. A crop (other than a cover crop) reaches the headed or budded stage prior to termination; or
2. A crop, including a cover crop, is hayed, grazed or otherwise harvested past May 10; or *May 22 for 2013*
3. A crop, including a cover crop is not terminated prior to planting.

For purposes of insurability a cover crop is one that planted within the last 12 months.

Termination means growth has ended.

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Proposed 2014 Cover Crop Rules

Insurance shall attach to a crop following a cover crop when the cover crop meets the definition provided in the Basic Provisions, was planted within the last 12 months, and is managed and terminated according to NRCS guidelines. If growing conditions warrant a deviation from the guidelines, producers should contact either Extension or the local NRCS for management guidance. For information on cover crop management and termination guidelines, refer to the Cover Crop [Termination Guidelines published at http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/landuse/crops/](http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/landuse/crops/).



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Date Change

- Acreage Reporting Date
 - Spring Crops July 15
 - Was June 30
 - Fall Planted Crops Dec 15
 - Was Nov 15
-
- Billing Date Aug 15
 - Prem. Due Date Sept 15
 - 2008 Farm Bill moved the dates
 - Interest starts to accrue Oct 1.



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Acreage Reporting Date

- Early Steps of Coordinating with FSA
- Acreage/Crop Reporting Streamlining Initiative (ACRSI)

	<u>WAS</u>	<u>NEW</u>
• Spring Plant Crop	6/30	7/15
Corn, Soybeans, Sp. Wheat		
• Fall Plant Crop	11/15	12/15
Forage Prod., Fall Wheat		

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Organic Coverage: 2014

- The 5% surcharge removed.
- Organic county average yield (T-yield) is factor of the conventional crops.
- Contract price can be used if there is a contract.




Broadcast Seeding Soybean

- Practice allow in 21 southern counties
- 2013 and before; Could only use a boom-type spreader and must be incorporated.
 - No airplane or fan spreader.
- 2014; any method of seeding, but still must be incorporated.




http://www.rma.usda.gov



The screenshot shows the RMA website homepage. A blue arrow points to the search bar at the top right. Another blue arrow points to the 'Area Risk Protection Insurance (ARPI)' article in the main content area. The website includes a navigation menu, a 'Popular Topics' section, and various quick links.