

# Crop Insurance for Hemp



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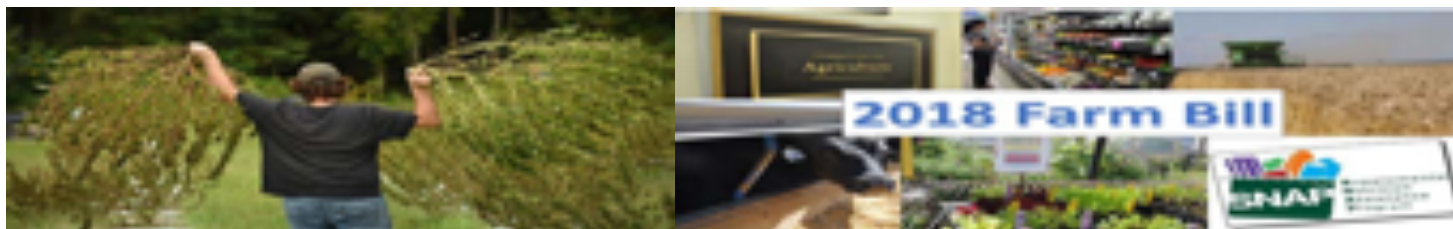
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# Goals for Today

- Crop Insurance for Hemp
  - Background from 2018 Farm Bill
  - Hemp crop insurance coverage through the **Whole Farm Revenue Protection (WFRP)**
    - WFRP Basics
  - Other potential hemp insurance coverage in the future



# 2018 Farm Bill

- Agriculture Improvement Act of 2018 signed into law on December 20, 2018
- Legalization of hemp production is one of the more popular new provisions
  - Through the efforts of Sen. McConnell (R-KY)



# What is hemp?



- Defined in the Farm Bill as:
  - “The plant **Cannabis sativa L.** and any part of that plant, including seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a **delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.**”

# Crop Insurance for Hemp



- Title XI, recognize hemp as an **“agricultural commodity”** and makes it eligible for crop insurance
  - Also allow bankers & other businesses to legally transact with hemp producers
- Facilitates development of hemp crop insurance product(s)
  - Waived viability & marketability requirement in product development

# Hemp Coverage Available in 2020

- RMA-administered crop insurance for hemp will be available in 2020 through the **Whole Farm Revenue Protection (WFRP)** policy
  - Note: Details not yet publicly available
- Likely NC Sales Closing Date: Feb. 28, 2020
  - For calendar/fiscal year filers



# WFRP Eligibility for Hemp

- Grow hemp for **fiber, flower or seed**
- Must be part of a valid State pilot program as authorized in the 2014 Farm Bill
  - In compliance with applicable state and federal regulations (i.e., must be **licensed & in compliance with all NC hemp laws**)
- Must have a **contract** for the purchase of the insured industrial hemp

# How does WFRP work?

- All farm revenue is insured together under one policy
  - Individual commodity losses are **not** considered, it is the **overall farm revenue** that determines losses
- Coverage levels available: **50% to 85%**
  - In 5% increments
  - Diversification requirement at 80% and 85% coverage: **at least 3 commodities** (commodity count)
  - No catastrophic coverage level for WFRP



# How does WFRP work?

- Premium subsidies are available & 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

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

# How does WFRP work?

- Insurable revenue is mainly based on **tax records**
- Your agent will need:
  - Five years of farm tax forms (Schedule F)
  - Need to know if calendar year or fiscal year filer
  - Intended Farm Operation report
    - What you plan to produce for the insured year
  - Other information such as supporting sales records, organic certification, etc.
- Maximum insurable revenue: \$8.5 million

# When will WFRP pay out?

- When **revenue-to-count for the insurance year is lower than insured revenue**, a loss payment will be made
  - Only **natural causes of loss and decline in market price** are valid causes of loss
  - Taxes must be filed for the insurance (loss) year before any claim can be made
  - For hemp, **having THC above compliance level not valid cause of loss**

# Other Hemp Crop Insurance

- 2018 Farm Bill fast tracked development of other potential hemp crop insurance products
  - 508(h) submissions to RMA
- How might other hemp insurance products look like?
  - Individual **yield-** or **revenue-loss** triggered product
    - Like existing YP and RP products
    - Challenges: No or limited actual production history, no futures markets to establish planting and harvest prices

# Other Hemp Crop Insurance

- How might other hemp insurance products look like?
  - **Actual Revenue History (ARH)**
    - Establish ARH and triggers if revenue-to-count is less than guarantee
  - **Noninsured Crop Disaster Assistance Program (NAP)**
    - Through FSA
    - Typically available for crops not insurable through RMA
    - Coverage likely to come after USDA AMS establish/approve hemp production rules (likely a year or more away)

# Take Home Message(s)

- 2018 Farm Bill legalized hemp production and made it eligible for crop insurance
- Coverage available in 2020 through the **WFRP** policy
  - WFRP is a product that insures **whole-farm revenue** based on **tax records**
  - Sales closing date: Feb. 28, 2020
  - **Contact your agents soon!** WFRP requires a lot of paperwork



# Resources

- **Website:**

- Agricultural Policy and Farm Bill Extension Website at NC Dept. of Ag. & Resource Economics:

- <https://cals.ncsu.edu/are-extension/policy-and-regulation/agricultural-policy-and-farm-bill/>

- RMA WFRP Information portal

- <https://www.rma.usda.gov/en/Policy-and-Procedure/Insurance-Plans/Whole-Farm-Revenue-Protection>

- NC State Industrial Hemp Extension Page

- <https://industrialhemp.ces.ncsu.edu/>

# Thank you!

- **Questions?**

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