

Options for Insuring Your Apple Crop



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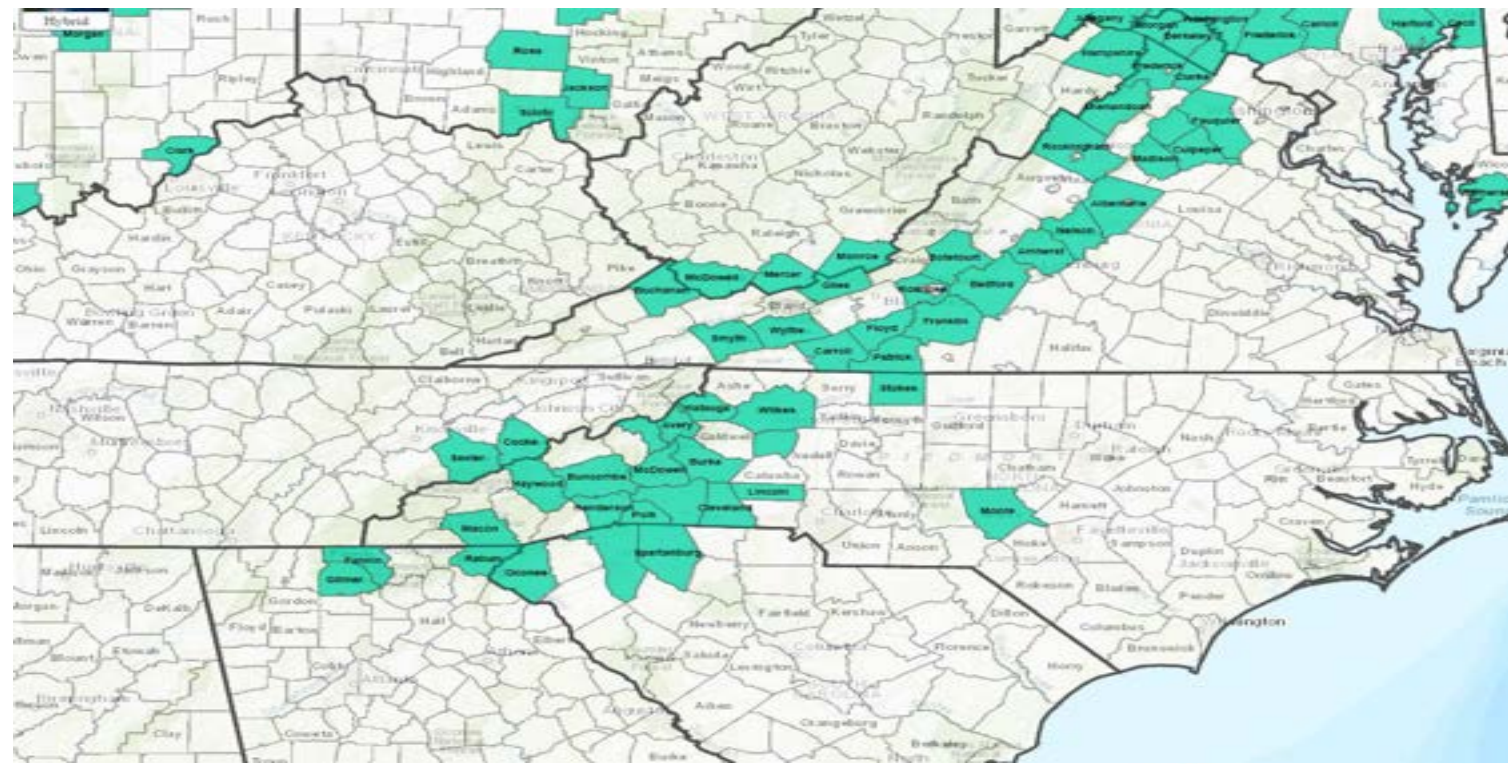


Goals for Today

- Yield Protection (YP) Insurance for Apples
 - Optional Coverage for Quality Adjustment
 - Yield Exclusion
 - Supplemental Coverage Option (SCO)
- Whole Farm Revenue Protection (WFRP)
- Take-Home Message(s)

Yield Protection (YP)

- Availability of Apple YP insurance in the SE:



Yield Protection (YP)

- Traditional “yield loss” policy
 - Also called the “Apple APH policy”
- Protects against **yield shortfalls** due to an insurable cause of loss:
 - Adverse weather (i.e. hail, drought, flood), fire, insects, plant disease, etc.
- Coverage levels:
 - 50% to 75% (in 5% increments)
 - Premium subsidies increasing from 67% for a 50% coverage level to 55% for a 75% coverage level
 - CAT coverage fully subsidized

Yield Protection (YP)

- Price Election – determines insured value
 - Set by RMA
 - Compared to WFRP where value depends on your actual price received (since coverage based on actual revenues)
- 2018 Processing Price: \$4.80/bu
- 2018 Fresh Price (by Var. Group):
 - Group A: \$51.50/bu
 - Group B: \$15.60/bu
 - Group C: \$11.40/bu

Varietal Groups Are Defined As:

- Varietal Group A - Honeycrisp and Pazazz;
- Varietal Group B - Cortland, Empire, Fuji, Gala, Jonagold, Macoun, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink Lady), Red Rome, and Zestar; and
- Varietal Group C - All other apple varieties not specified in Varietal Group A or Varietal Group B.

Yield Protection (YP)

- Additional YP Coverage Options:
 1. Optional Coverage for Quality Adjustment
 2. Yield Exclusion
 3. Supplemental Coverage Option (SCO)

Quality Adjustment

- **Optional Coverage for Quality Adjustment**
 - Additional protection for loss of quality when fresh apples do not grade US Fancy or better
 - Adjust production-to-count downwards if there is quality loss
 - Only for apples intended to be sold as fresh
 - Requires additional premium payment
 - Option not available for CAT coverage
 - Requires same record reporting requirement when wanting to insure apples as fresh
 - At least 50% of reported fresh acreage was sold as fresh apples in 1 or more of the recent 4 years

Yield Exclusion (YE)

- **Yield Exclusion (YE)**
 - Allows you to exclude yields in exceptionally bad years when calculating the APH (for which insurance coverage is based on)
 - Effectively increases APH and guarantee amount
 - Have premium rate implications
 - Available for certain counties and years (as determined by RMA)
 - Example: Henderson County, NC
 - Can exclude 3 years of historical yields in APH Calculation: 2007, 2012, and 2014

SCO

- **Supplemental Coverage Option (SCO)**
 - Provides additional coverage for a portion of your underlying crop insurance policy deductible
 - Triggers based on county performance
 - Endorsement to the YP Apple policy
 - Have to pay additional premium for SCO coverage (65% premium subsidy)
 - Only available for selected counties

SCO

- SCO for Apples
 - Indemnity payment begins if actual county yield falls below 86% of County APH
 - Max payout if actual county yield below chosen coverage level

Grower purchases an individual YP policy, 60% coverage level

SCO Coverage		
Percent of Expected Yield	Individual Loss	Area-Based Loss
100%		
95%		
90%		
86%		SCO Revenue (86% to 60%)
80%		
75%		
70%		
65%		
60%		
55%	Individual Revenue Policy (60% coverage)	
50%		
45%		
40%		
35%		
30%		
25%		
20%		
15%		
10%		
5%		
0%		

WFRP

- **Whole Farm Revenue Protection (WFRP)**
 - All farm revenue is insured together under one policy
 - Includes revenues from all commodities produced on the farm (for example, revenues from both apple and strawberries)
 - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
 - 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

WFRP 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%

- WFRP subsidy - % total premium paid by government
- Line 1 – Basic Subsidy
- Lines 2 & 3 – Whole-Farm Subsidy

WFRP Qualification Limits

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	\$10,000,000
80	3	\$10,625,000
75	1	\$11,333,333
70	1	\$12,142,857
65	1	\$13,067,923
60	1	\$14,166,167
55	1	\$15,454,545
50	1	\$17,000,000

- WFRP available in every county in the US
- But there are limits:
 - Only covers up to **\$8.5 million of revenue**
 - Only producers with up to **\$1 million in expected revenue from: (a) animals & animal products, and (b) greenhouse/nursery** may qualify

WFRP

- How is insured revenue determined?
 - WFRP insured revenue (or liability amount) is the lower of:
 - Your **current year's expected revenue** (as determined by your farm plan) **at the selected coverage level**, or
 - Your **historic revenue** adjusted for growth at the selected coverage level

WFRP

- What will my agent need?
 - What you plan to produce for insured year (farm plan)
 - Complete **Intended Farm Operation Report**
 - Five years of farm tax forms (Schedule F)
 - For 2018, from 2012-2016
 - Need to know if you are:
 - Calendar year tax filer
 - Fiscal year filer (and your fiscal year)

WFRP

- Attractive (or viable) option for apples if:
 - **Diversified** (apples plus other crops or livestock)
 - **YP is not offered in your county** (even if single commodity apple farm, may still be worth it)
 - **YP prices is not consistent with what you actually receive** for your apples
 - WFRP coverage based on historical revenues may better reflect value of insured apples
- Common concerns:
 - Program complexity, paperwork requirement
 - Agents sometimes not familiar with & not service WFRP

Take Home Message(s)

- Main insurance options for SE apples: **YP** & **WFRP**
- **YP** covers yield losses
 - Value based on prices set by RMA
 - Consider additional options: Quality Adj., YE, SCO
- **WFRP** covers “all-farm” revenue losses
 - Multi-commodity, but value based on actual prices
 - Requires tax forms and farm plan (lots of paperwork!)
 - Sales closing date: Feb 28
- **Talk to your crop insurance agent!**

Thank you!

- **Questions?**

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- **NCSU Ag. Policy, Risk Mgt., & Crop Insurance Resources**

- <https://ag-econ.ncsu.edu/agricultural-policy-risk-management-and-crop-insurance-resources/>