

Crop Insurance Options for Winegrowers in North Carolina



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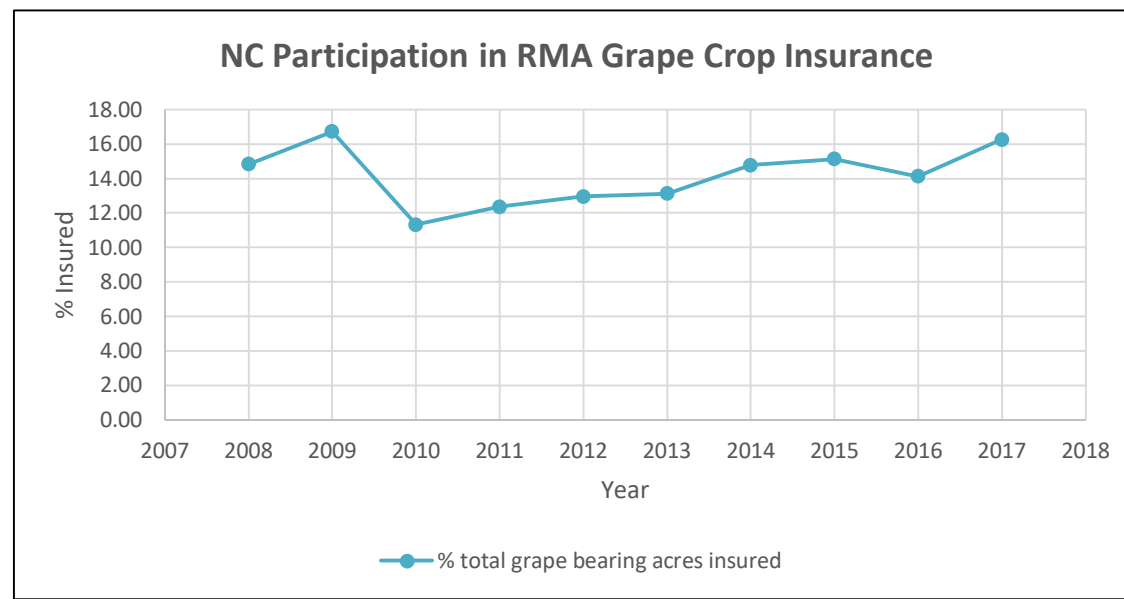
Goals for Today

- Provide a brief overview of available crop insurance options for winegrowers
 - Discuss basic features of these products
- Take-Home Message(s): Issues to consider when thinking about purchasing any of these crop insurance options

Introduction

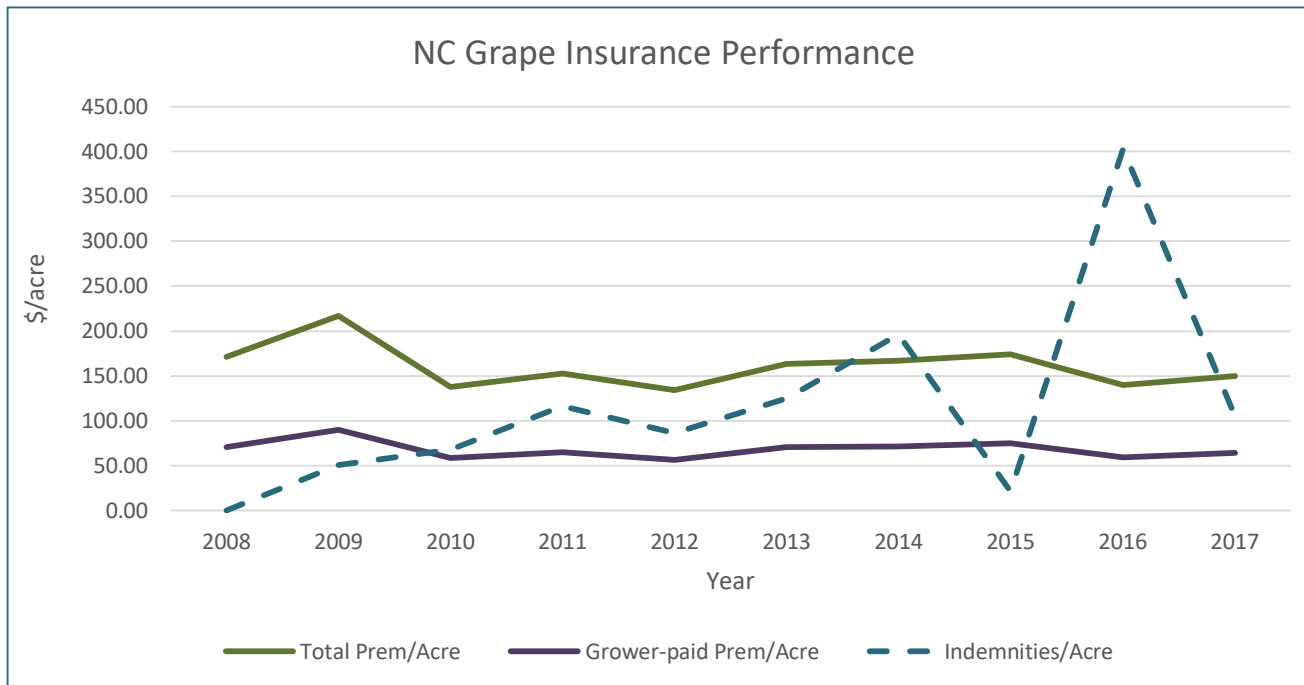
- Crop insurance is one of the most **important tool for managing risk** in U.S. agriculture
 - Center-piece **safety-net** policy for U.S. farmers
- Why purchase crop insurance?
 - Protects against catastrophic losses
 - Helps to recover after a bad harvest
 - Security of operating loans
 - Peace of mind

Participation in NC



- Grape insurance participation in NC ~14%
 - 86% for corn, 89% for soybeans, 86% for apples

NC Actuarial Performance



- Indemnities > grower-paid premium in 7 out of 10 years

Crop Insurance Options

- Grape Yield Protection (YP) Insurance
 - Standard Grape YP insurance offering
 - Selected NC counties & grape varieties
 - Grape YP Written Agreement
- Whole-Farm Revenue Protection (WFRP)
- Non-insured Crop Disaster Assistance Program (NAP)
 - Administered by FSA rather than RMA

Standard Grape YP Insurance

- Standard YP (or APH) offering in NC
 - Protects against **yield losses** due to a valid cause of loss
 - Adverse Weather (hail, freeze, frost, wind, drought, floods)
 - Insects, Plant Disease, & Wildlife (except for insufficient or improper application of control measures)
 - Others (Fire, earthquake, failure of irrigation supply)
 - Coverage from 50% to 85% of average yield history (in 5% increments)
 - “Base” Price set by RMA yearly
 - Catastrophic (CAT) coverage – 50% coverage level at 55% of price

Standard Grape YP Insurance

- Premiums are subsidized!

Coverage level	50%	55%	60%	65%	70%	75%	80%	85%
Subsidy	67%	64%	64%	59%	59%	55%	48%	38%
Grower premium	33%	36%	36%	41%	41%	45%	52%	62%

- CAT coverage (\$300 admin fee, per county)
- Example: 2016 Concord variety in Surry county
 - Est. grower paid premium is \$27/ac (at 65% coverage level, 5.6 tons/ac APH, basic units)

Standard Grape YP Insurance

- Loss example:
 - **APH Guarantee:** 5.6 tons/ac x 0.65% coverage level = 3.64
 - **Price election** (100%) = \$280/ton
 - **Actual Yield** = 3 tons/ac (< 3.64 guarantee)
 - **Indemnity** = (3.64 – 3) = 0.64 x \$280 = \$179.2/ac
 - **Net indemnity** = \$179.2/ac – \$27/ac grower paid premium = \$152.2/ac

Standard Grape YP Insurance

- **Timeline:**
 - Sales Closing Date: Nov 20
 - Nov 20, 2018 for 2019 crop year
 - Coverage Begins: Nov 21
 - Acreage/Production Reporting Date: Jan 15
 - Premium Billing Date: Aug 15

Standard Grape YP Insurance

- Special requirements for insuring grapes in NC:
 - Only grape varieties grown for **wine** or **juice** are insurable:
 - Also:
 - Reached the fourth growing season after being set out for all Muscadine, native, and hybrid varieties
 - Produced an average of **two tons per acre** in **at least 1 of the 3 most recent crop years.**

Standard Grape YP Insurance

- Availability in NC:
 - Muscadine grapes in Bladen and Sampson counties
 - Native and hybrid varieties in Surry county
 - Native insurable varieties: Muscadine, Niagara, Concord, Catawba, Elvira, Dutchess, Isabella, Diamond, Delaware, Ives, Golden Muscat, Labrusca, and all other natives.
 - Hybrid insurable varieties are Chambourcin, Traminette, Baco Noir, Geneva Red 7, Dechaunac, Rosette, Seyval Blanc, Vignoles, Aurore, Cayuga White, Vidal Blanc, Vincent, Chardonel, Cascade, Leon Millot, Chancellor, Valvin Muscat, Castel, Colobel, Rougeon, Villard Blanc, Melody, Noiret, Chelois, St Vincent, Marechal Foch, Corot Noir, Landot Noir, and all other hybrid.

Written Agreements

- Option if standard YP not available in your county or grape variety grown not covered
 - Example: Vinifera grapes are insurable by written agreement if specific criteria are met. Need some lead time if considering this.
- Written agreement is structured as YP
- Administered through Raleigh RMA Regional Office

Whole Farm Revenue Protection

- Main features of WFRP:
 - All **farm revenue is insured together** under one policy
 - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
 - Designed for diversified operations
 - Coverage levels: 50%-85% (in 5% increments)
 - No CAT coverage
 - Premiums subsidized (up to 80% if one grows 2+ commodities)
 - Need **5 years of revenue history** from Schedule F

Whole Farm Revenue Protection

- Main features of WFRP (continued):
 - Only covers up to a **maximum of \$8.5M in revenue**
 - If wanting to insure at 85%, then maximum revenue is \$10M
 - Can still purchase other Federal crop insurance policies covering individual commodities
 - Must be at buy-up coverage levels
 - Any indemnities from these individual policies will count as revenue earned under WFRP
 - May reduce WFRP premium subsidy
 - WFRP Sales Closing Date in NC: **Feb 28**
 - For calendar year and early fiscal filers

WFRP or Grape YP not for you?

- **NAP** Program
 - For individual crops or livestock not insurable through RMA policies
 - Structured as YP plan
- Provides CAT & 50%-65% coverage (in 5% increments) at 100% of average market price
- To be eligible:
 - AGI cannot exceed \$900k and total payments cannot go over \$125k

Take Home Message(s)

- Standard Grape YP, Written Agreements, WFRP, and NAP are the insurance options for winegrowers in NC
 - Call your insurance agent/FSA to explore these options
- Consider at least CAT coverage (YP or NAP)
- Consider WFRP if: diversified, price received higher than YP price, have good records
- Think about variability in yields & prices
 - Weigh against premiums (and ability to withstand loss)

Additional Resources

- YouTube video on Standard Grape YP Insurance:
 - URL: <https://www.youtube.com/watch?v=j65HYb8dfnk>
- Standard Grape YP, WFRP & NAP Factsheets:
 - Grape YP: https://legacy.rma.usda.gov/fields/nc_rso/2018/2018ncgrapes.pdf
 - WFRP: <https://legacy.rma.usda.gov/pubs/rme/wfrpfactsheet.pdf>
 - NAP: https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2017/nap_for_2015_and_subsequent_years_oct2017.pdf

Thank you!

- **Questions?**

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- **Crop Insurance Resources at NC Dept. of Ag. & Resource Economics:**

- <https://cals.ncsu.edu/are-extension/business-planning-and-operations/crop-insurance/>

