

Crop Insurance for Hemp



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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



News Release

Hemp Crop Insurance Coverage Available for 2020

WASHINGTON, August 27, 2019 — Certain industrial hemp growers will be able to obtain insurance coverage under the Whole-Farm Revenue Protection (WFRP) program for crop year 2020. USDA's Risk Management Agency (RMA) today announced coverage for hemp grown for fiber, flower or seeds, which will be available to producers who are in areas covered by USDA-approved hemp plans or who are part of approved state or university research pilot programs.

"Numerous producers are anxious for a way to protect their hemp crops from natural disasters," said RMA Administrator Martin Barrett. "The WFRP policy will provide a safety net for them. We expect to be able to offer additional hemp coverage options as USDA continues implementing the 2018 Farm Bill."

Producers can obtain WFRP coverage for hemp now if they are part of a Section 7606 state or university research pilot as authorized by the 2014 Farm Bill. Other producers cannot obtain coverage until a USDA approved plan is in place.

WFRP allows coverage of all revenue for commodities produced on a farm up to a total insured revenue of \$25 million. It is popular for specialty crops, organic commodities and non-traditional crops.

The 2018 Farm Bill amended the Controlled Substances Act to address how industrial hemp is to be defined and regulated at the federal level, and those modifications cleared the way for the Federal Crop Insurance Corporation to offer policies for it. The Farm Bill defines hemp as containing 0.3 percent or less tetrahydrocannabinol (THC) on a dry weight basis.

Policy Requirements

RMA has started addressing the changes by offering hemp coverage under WFRP for the 2020 crop year. To be eligible, among other requirements, a hemp producer must comply with applicable state, tribal or federal regulations for hemp production and have a contract for the purchase of the insured industrial hemp.

WFRP provisions state that hemp having THC above the compliance level will not constitute an insurable cause of loss. Additionally, hemp will not qualify for replant payments under WFRP.

Hemp Plans

USDA's Agricultural Marketing Service (AMS) is formulating regulations that will include specific details for both a USDA plan for the production of hemp and a process for submission of state, tribal or tribal plans to USDA. AMS is developing the regulation now, which is anticipated to post to the *Federal Register* later this year.

Once rulemaking is complete, RMA, the Farm Service Agency (FSA), the Natural Resources Conservation Service and other USDA agencies will share eligibility information on their programs, which include safety net, conservation, farm loan and disaster assistance programs. This includes FSA looking at additional coverage options through its National Crop Disaster Assistance Program and through RMA-administered crop insurance.

More Information

For more information on the Hemp Production Program, visit the [AMS Hemp Production webpage](#) and these [questions and answers](#).

For more information on WFRP coverage, visit the [Hemp and Farm Bill Programs webpage](#) on [farmers.gov](#). RMA will publish a bulletin with additional information for approved insurance providers on Aug. 30.

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

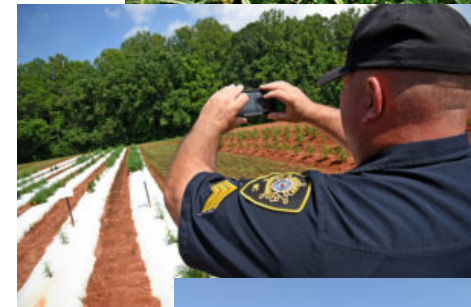
- 2018 Farm Bill fast tracked development of other potential hemp crop insurance products
 - 508(h) submissions to RMA
- How might other hemp insurance products look like?
 - Individual **yield-** or **revenue-loss** triggered product
 - Like existing YP and RP products
 - Challenges: No or limited actual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