



United States Department of Agriculture

Risk Management Agency

Federal Crop Insurance Program

Farmer Veteran Coalition

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Agenda

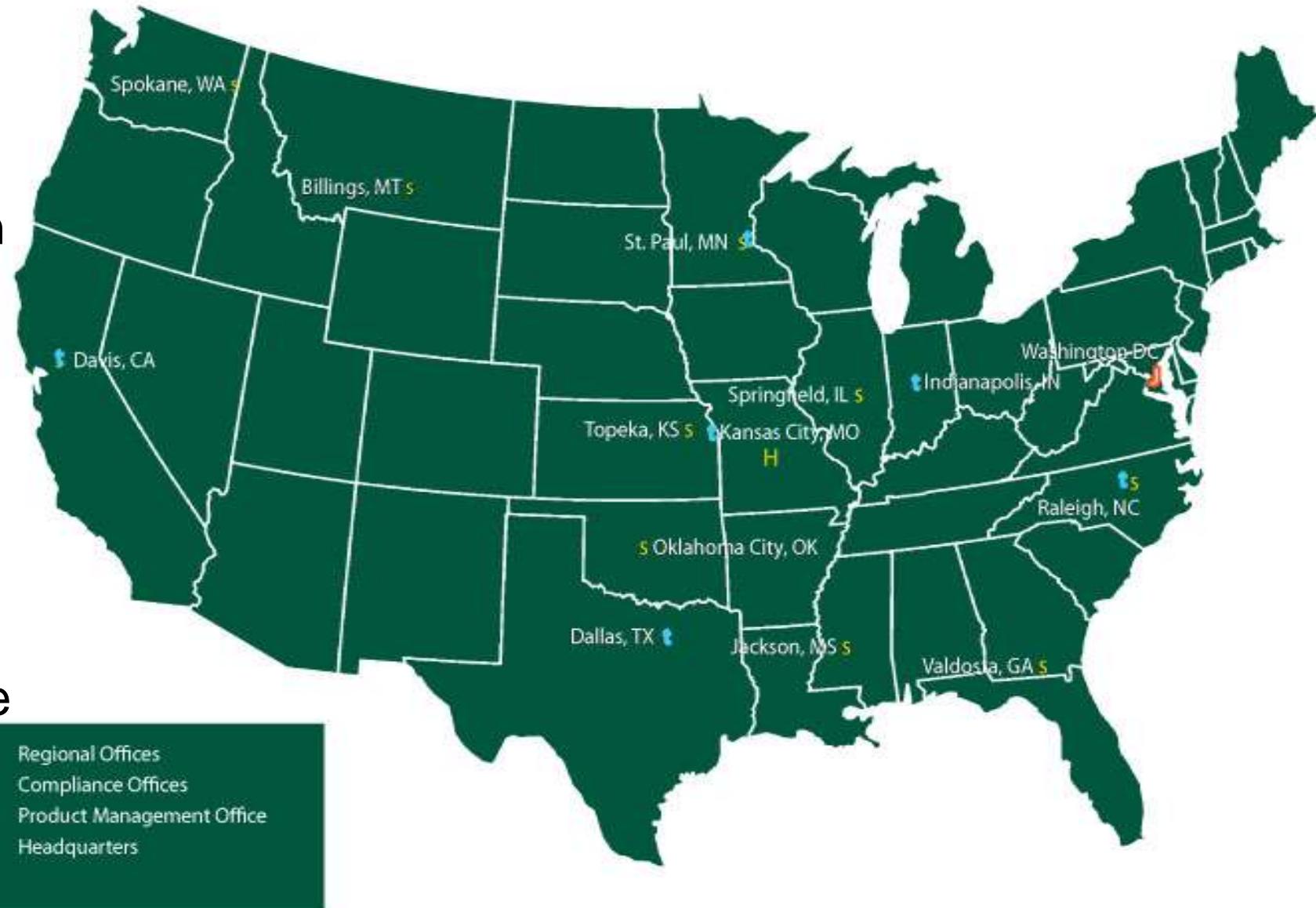
- ✓ About RMA
- ✓ Managing Risk
- ✓ Programs and Policy Highlights
 - Beginning Farmers and Ranchers
 - Organic Expansion
 - Whole-Farm Revenue Protection



About RMA

- Congress created the Federal Crop Insurance program in 1938 to address the needs of farmers as a direct result of the 1930s Dust Bowl
- The Federal Crop Insurance program was expanded in 1994
- The Risk Management Agency (RMA) was created in 1996 to administer Federal Crop Insurance Corporation (FCIC) programs and other non-insurance-related risk management and education programs

- RMA employs approximately 500 people across the nation
- RMA has 16 regional and compliance offices across the U.S. with primary responsibility to oversee RMA programs and program compliance





RMA:

- Develops and approves policy terms, rates, and prices
- Validates premium and loss information; determines underwriting gain or loss; settles with insurance companies
- Reviews new products and program expansion

✓ Helps producers manage their business risks

- Using effective, market-based risk management solutions

✓ RMA's mission is to

- Promote, support, and regulate sound risk management solutions
- Preserve and strengthen the economic stability of America's agricultural producers
- Operate and manage the Federal Crop Insurance Corporation (FCIC)



RMA Summary of Business Data

Top 10 Commodities Nationwide by Liability

Rank	Commodity	2016 Liability	Percent of Total
1	Corn	\$39.6 Billion	39.4%
2	Soybeans	\$22.1 Billion	22.1%
3	Wheat	\$6.8 Billion	6.7%
4	Almonds	\$3.6 Billion	3.6%
5	Cotton	\$3.3 Billion	3.3%
6	Whole-Farm	\$2.3 Billion	2.3%
7	Rice	\$1.7 Billion	1.7%
8	Grapes	\$1.4 Billion	1.4%
9	Pasture, Rangeland and Forage	\$1.4 Billion	1.4%
10	Nursery (FG&C)	\$1.4 Billion	1.4%
	All Others	\$16.8 Billion	16.8%
	TOTAL	\$100.4 Billion	

RISK = THE CHANCE OF
SOMETHING BAD HAPPENING?

Risk Management = Reducing the
cost or degree of the risk.



Risk Management is about...

- ✓ Knowing where you are financially
- ✓ Knowing your cost of production
- ✓ Understanding your markets
- ✓ Knowing what RM tools are available and how they work
- ✓ Seeking input and communicating with family, employees, loan officers, and insurance agents
- ✓ Setting goals, developing a plan, and transitioning farms from one generation to another





- ✓ **Market:** Risk that prices will drop
- ✓ **Financial:** Chance that returns from production are not sufficient to stay in business
- ✓ **Legal:** Risk that legal issues will threaten cash income from farm or ranch
- ✓ **Human Resource:** Chance that health, labor or management will disrupt the operation
- ✓ **Production:** Risk that crop yields are lower due to weather or other perils



Purpose of Crop Insurance

- Provide farm producers and owners various methods to mitigate production and revenue risks
- Strengthen the safety net for Ag producers
- Help to maintain a durable rural economy



- ✓ **FCIC encourages the sale of crop insurance through licensed private agents and brokers**
 - FCIC provides, through the U.S. Treasury, reinsurance and subsidies on crop insurance contracts sold by approved insurance providers (AIPs)
- ✓ **All policies are sold and serviced by the private insurance industry**
 - A contract of insurance exists between insured farmers and their commercial insurance providers
- ✓ **All Risk Management Agency insurance programs are subsidized**
 - Subsidy ranges from 38% to 100%
 - The average subsidy is 63%



Crop Insurance Policy

- A commitment between insured producers and their insurance provider
- The producer agrees to insure all eligible acreage of a crop planted in a particular county
- The insurance company agrees to cover the producer against natural losses that occur during the crop year and covered by the policy

Insured Causes of Loss

Covered

- Adverse Weather (frost, heat, drought, hail,)
- Failure of Irrigation Water Supply
- Fire
- Insects and Disease
 - If proper control measures are used, and
 - Accepted good farming practices
- Wildlife
- Price fluctuation





Why are they important?

- An agent is the link between the producer and the Federal safety net for agriculture
- Crop insurance is only available from private insurance agents. They must be licensed by the state, receive federally mandated training, and pass a competency exam



Insurance Coverage Levels

- **Buy up**
 - **All coverage levels greater than CAT**
 - Producer chooses the amount of average yield to insure; Coverage levels range from 50 – 90 percent
 - Producer also chooses the percent of RMA's established price to insure; 60 – 100 percent
 - 65 to 70 percent yield or revenue guarantee most popular
 - Up to 90 percent coverage available for some crops
 - **The premium is subsidized based on the crop type and coverage level.**



NEW FARMERS ▾ | WOMEN IN AG ▾ | YOUNG FARMERS ▾ | VETERANS ▾ | A NEW GENERATION ▾ | DISCOVERY TOOL

New Farmers

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Beginning Farmers and Ranchers

www.usda.gov/newfarmers



Beginning Farmers and Ranchers

- Who: An individual who has **not actively operated and managed** a farm or ranch with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper **for more than 5 years.**
 - This includes an insurable interest as an individual or as a substantial beneficial interest holder (10 percent or more) in another person who has an insurable interest in any crop or livestock.
 - May exclude crop years:
 - when the beginning farmer/rancher was under the age of 18
 - enrolled in post-secondary studies (not to exceed 5 crop years), or
 - on active duty in the U.S. military



Beginning Farmers and Ranchers

- Benefits include:
 - Exempt from paying admin fees for catastrophic (CAT) and additional coverage (buy up) level policies
 - Additional 10 percentage points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy
 - Use of the production history of farming operations where beginning farmers and ranchers were previously involved in the decision making or physical activities
 - An increase in the substituted yield for yield adjustment, which allows a replacement of a low yield due to an insured cause of loss, from 60 to 80% of the applicable transitional yield (T-Yield) for the crop in the county
- More Information / How to Apply
 - Contact your crop insurance agent



Beginning Farmer/Rancher Analysis

Reinsurance Year 2016 Synopsis – All States, as of Jan. 30, 2017

Count of Total RMA Producers	547,953
Count of Primary Producers with BFR	15,435
Count of BFR Crop Policies	57,881
BFR Additional Premium Subsidy	\$13,694,795
Administrative Fees Waived	\$1,950,930
Count of BFR Producers using Yields from Previous Operator	1,924
Count of BFR Policies using Yields from Previous Operator	4,427
BFR Net Acres	3,914,144

Beginning Farmer Rancher Analysis

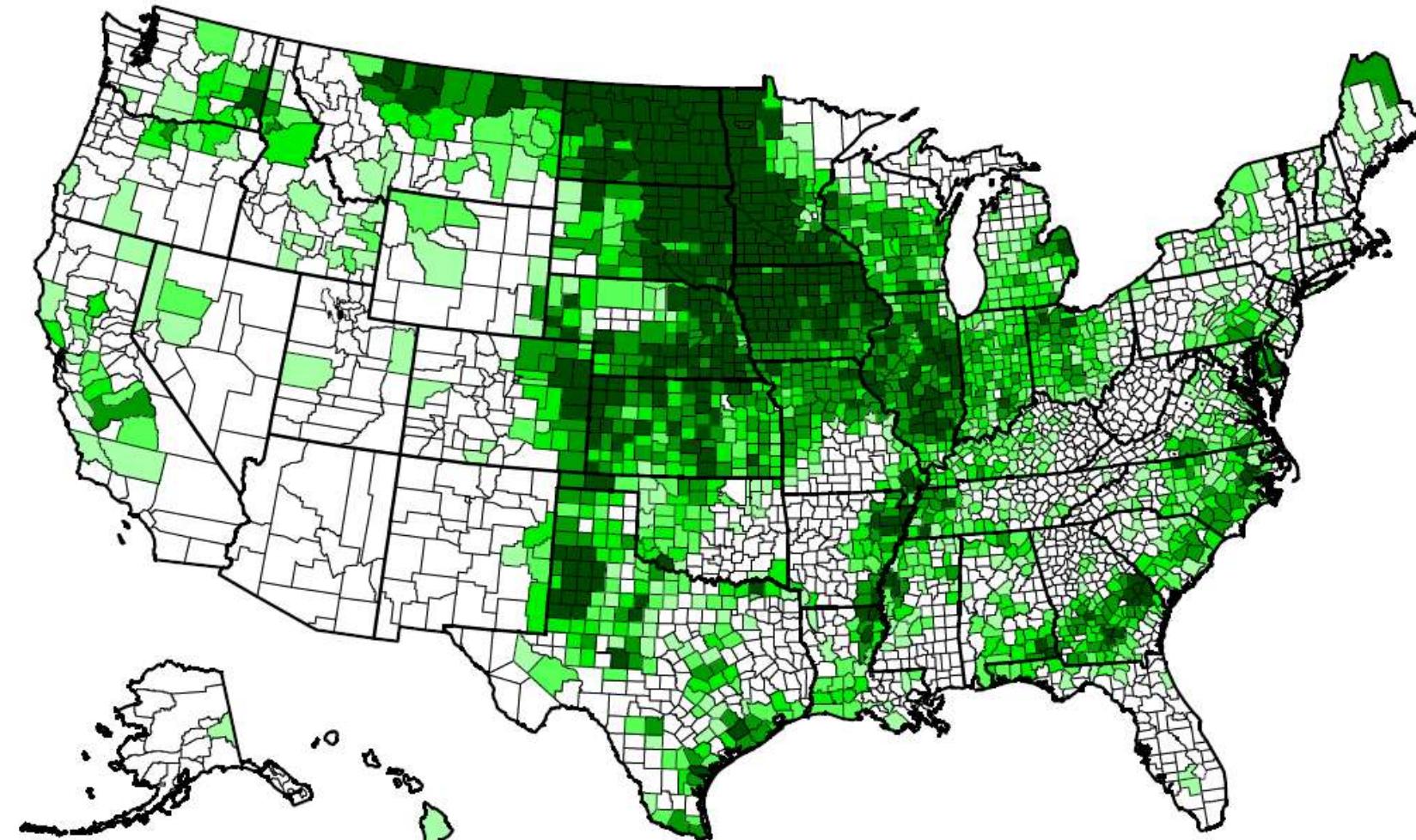
Reinsurance Year 2016 Policies by County

\$15.56
Million
in Producer
Savings

15,405
Producers

57,775
Crop Policies

3.89 Million
Acres



Policy Count: 1 - 3 4 - 9 10 - 22 23 - 47 48 - 641



Organic Farming

- ✓ Fastest growing segment of U.S. Agriculture
- ✓ U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) results from the 2015 Certified Organic Survey showed that **12,818 certified organic farms** in the United States sold a total of **\$6.2 billion** in organic products in 2015, up 13% from \$5.5 billion in 2014
- ✓ RMA recognizes organic farming as a good farming practice
- ✓ We continue to improve the crop insurance program for organic producers and for producers transitioning to organic



Expanding Options for Organic Producers

- **Organic Price Elections** have grown from 4 crops in crop year 2011 to 78 crops in crop years 2017 and 2018
- **Contract Price Option** allows producers who receive a contract price for their crop to get a guarantee that is more reflective of the actual value of their crop and is available for nearly all yield-based plans of insurance



Price Elections

- ✓ A price election refers to the dollar value per pound, bushel, ton, carton, or other applicable unit of measure, for the purposes of determining premium and indemnity under the policy
- ✓ Are offered for:
 - Certified Organic
 - Transitional
 - Conventional
- ✓ 68 percent of the Commodities for which we offer coverage have an organic price election.



Organic Price Elections Over the Years

From 4 to 78 Crops

- 2011-12 Corn, Cotton, Soybeans, Processing Tomatoes (CA)
- 2013 ADDED: Avocados (CA), Fresh Freestone Peaches (CA), Fresh Nectarines (CA), Fresh Plums (CA)
- 2014 ADDED: Almonds (CA), Blueberries (CA, OR, WA), Peppermint, Juice Grapes (WA), Oats, Fresh Apples (WA), Pears (WA, OR), Fresh Apricots (CA, ID, OR, WA), Fresh Nectarines, Plums, Freestone and Peaches (ID, OR, WA)
- 2015 ADDED: Millet, Figs, Walnuts, Flax, Popcorn, Corn Silage, Grain Sorghum, Raisins, Hybrid Sorghum Seed, Hybrid Corn Seed, and Silage Sorghum
- 2016 ADDED: Barley, Burley Tobacco, Cabbage, Cigar Binder Tobacco, Cranberries, Cultivated Wild Rice, Dry Air Tobacco (excludes type 37), Dry Peas, Flue Cured Tobacco, Forage Production, Fresh Market Sweet Corn, Hybrid Sweet Corn Seed, Maryland Tobacco, Onions (fresh Market), Pinto Beans, Potatoes, Processing Clingstone Peaches, Rice, Rye, Safflower, Sugarcane, Sunflower, Table Grapes, and Wheat. Expanded availability – Avocados (FL), Blueberries in all remaining states, and Pears (CA)
- 2017/18 ADDED: Citrus (AZ, CA, FL): Grapefruit; Grapefruit Trees; Lemons; Mandarins; Oranges; Tangelos; Banana; Banana Trees, Coffee Trees, Cotton-Extra Long Staple; Cotton Seed (endorsement); Fresh Market Beans; Fresh Market Tomatoes (APH); Papaya; Papaya Trees. 2018: All other Grapefruit, Early and Midseason Oranges, Rio Red and Star Ruby Grapefruit, Ruby Red Grapefruit, Late Oranges, and Macadamia nuts





Contract Price Option

- ✓ Implemented in 2014
- ✓ Allows producers who receive a contract price for their crop to get a crop insurance guarantee reflecting the actual value of their crop
 - Up to a maximum contract price (limit) determined by RMA
- ✓ Producers can choose between:
 - Contract price
 - Established price election



Contract Price Option Improvements

In the 2016 crop year:

- ✓ Expanded to include crops transitioning to organic
- ✓ Increased maximum limits for some crop types
 - Khorasan Wheat, Oats, Soybeans
- ✓ 73 different crop types
 - For complete list, refer to the Contract Price Addendum Fact Sheet
 - To check specific crops for your area, refer to the Information Browser
 - Both located at www.rma.usda.gov

Whole-Farm Revenue Protection



The information presented neither modifies or replaces terms and conditions of the WFRP policy and the county actuarial documents. Consult a crop insurance agent for further details.

What is WFRP?

- WFRP pilot plan of insurance provides producers with an improved whole-farm risk management product under one policy
- Coverage is available up to \$8.5 million
- WFRP authorized by the 2014 Farm Bill



What kind of farms benefit from Whole Farm?

- ✓ Highly diverse farms
- ✓ Farms with specialty commodities
- ✓ Farms selling to:
 - Direct markets
 - Specialty markets
 - Regional or local markets
 - Farm-identity preserved markets





What does Whole Farm cover?

- ✓ Organic growers can insure their organically grown (insurable) crops.
- ✓ Revenue from all commodities produced on the farm:
 - Including animals and animal products
 - Commodities purchased for resale (up to 50% of total)
 - **Excludes** timber, forest, forest products and animals for sport, show or pets.



What does Whole Farm cover?

- ✓ Replant costs (with approval).
- ✓ Loss of revenue during the insurance year due to:
 - Natural causes of loss and decline in the market price during the insurance period.
 - When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be made.
 - Taxes must be filed for the insurance year before any claim can be made (2017 insurance years requires 2017 year farm taxes to be filed).

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.
- ✓ Premium subsidy is available and depends on farm diversification
 - Farms with 2 or more commodities (by commodity count) receive whole-farm premium subsidy
 - Eligibility for 80% and 85% coverage level requires 3 commodities



Features of WFRP

- Coverage levels 50-85%
 - 5% increments
 - **No catastrophic level coverage with WFRP**
- Historic revenue is adjusted to reflect farm expansion





Qualifying Person Criteria

- ✓ Be a U.S. citizen or resident;
- ✓ Be eligible to receive federal benefits;
- ✓ File a Schedule F or Substitute Schedule F tax form covering 100 percent of the farm operation;
- ✓ The entity must have tax returns for each year (5 consecutive years) of the revenue and expense history and farm operation as the insured person for the insurance year (check policy for exceptions)

Program Enhancements

- ✓ USDA-qualified *Beginning Farmers and Ranchers (BFR)* may qualify with 3 historic years of taxes if they have been farming also the previous year.
 - For 2018 – requires taxes to have been filed in 2014, 2015, 2016 and for the producer to have been farming in 2017.
 - Qualifying BFR's receive an extra 10% premium subsidy



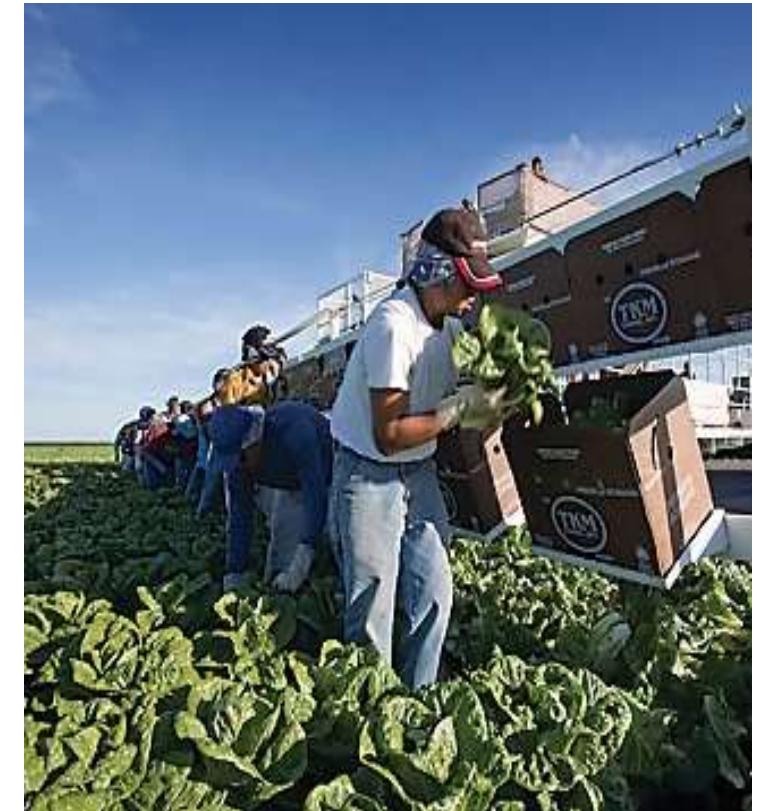
Program Enhancements (continued)

- ✓ Coverage is available up to \$8.5 million for all commodities produced on the farm all under one policy
- ✓ Producers with up to \$1 million expected revenue from ***animals and animal products*** may qualify (removed 35% limit)
- ✓ Producers with up to \$1 million expected revenue from ***nursery and greenhouse*** may qualify (removed 35% limit)



Program Enhancements (continued)

- ✓ You may also purchase other federal crop insurance policies covering individual commodities
 - Must be at *buy-up coverage levels* (Non-Catastrophic)
 - Any indemnities from these policies will count as revenue earned under WFRP



How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

At 75% Coverage Level:

\$ 101,225 Approved Revenue

x **75%** Coverage level (deductible)

75,919 Insured Revenue (Asset protection)

- 48,040 2016 Revenue to Count for insurance year

\$ 27,879 Revenue Loss (Indemnity payment)

Total Premium Cost: \$6,529

USDA Pays 80% Subsidy: \$5,223

Producer Final Premium Cost: \$1,306



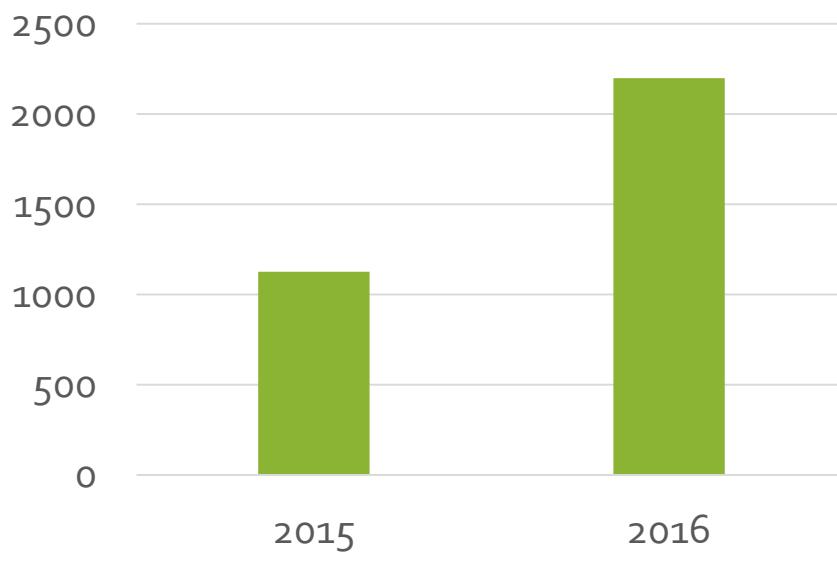
What Does it Cost? – Depends on...

- ✓ County
 - ✓ Number and diversity of crops
 - ✓ Types of crops insured

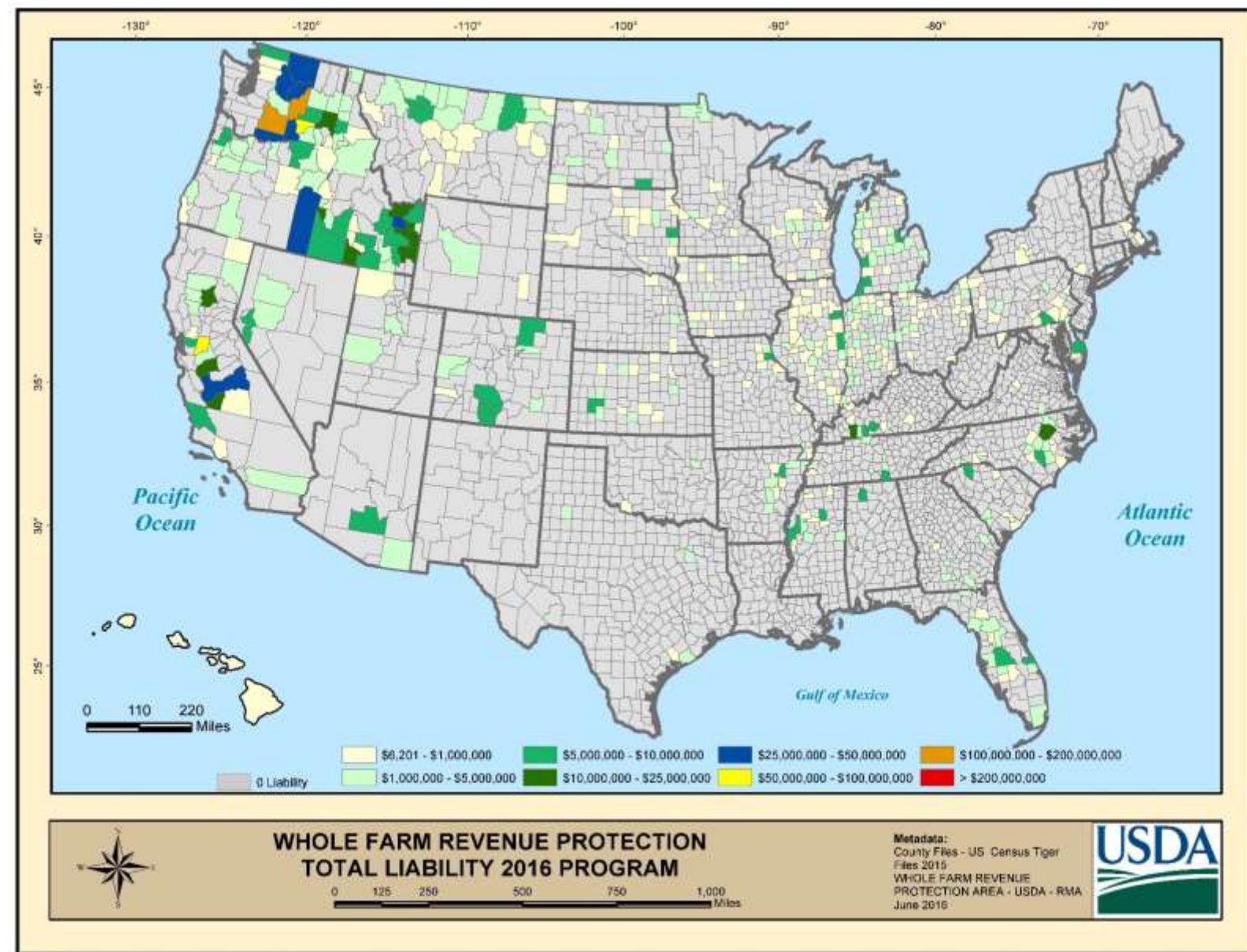
Subsidy Portion of Total Premium Paid by USDA

U.S. Whole Farm 2016 Participation

Whole Farm Policies Sold in U.S.
2015-2016 Comparison



51% increase in policies sold



California Whole Farm Participation

- ✓ An increase in participation from 5 counties in 2015 to 19 counties in 2016.
- ✓ Policies sold in 2016 went from 28 to 136 - 385% increase.
- ✓ Crops that have been insured:
 - alfalfa, almonds, apples, apricots, barley, cattle, corn, cotton, **cucumbers**, dry beans, **garlic**, grapes, **hay**, lemons, oranges, onions, peaches, pears, **peppers**, **pumpkins**, pistachios, **pomegranates**, rice, safflower, **seed**, sweet cherries, tomatoes, walnuts, **watermelon**, wheat



County	Policies Sold
Butte	9
Colusa	2
Contra Costa	2
Fresno	17
Glenn	4
Kern	5
Kings	12
Lassen	1
Madera	2
Merced	4
Modoc	1
Riverside	1
San Joaquin	51
San Luis Obispo	1
Solano	1
Stanislaus	6
Tehama	2
Tulare	14
Ventura	1
Total Policies Sold:	136

Local Crop & Livestock Insurance Agents

✓ For more information on:

- Find a crop/livestock agent
- Cost Estimator – Premium Calculations
- Program – Policies

✓ Log on to:

www.rma.usda.gov

The screenshot shows the official website for the Risk Management Agency (RMA) of the United States Department of Agriculture (USDA). The header features the USDA logo and the text "Risk Management Agency" and "United States Department of Agriculture". Navigation links include "What's New", "Newsroom", "Programs", and "Blog". A search bar and links for "About RMA", "Field Offices", "Contact Us", and "En Español" are also present.

The main content area has a background image of a wheat field. On the left, a sidebar titled "Popular Topics" lists links to "Appendix III/M-13", "Bulletins and Handbooks", "Crop Policies and Pilots", "Federal Crop Insurance Corp", "Field Offices: ROs | COs", "Frequently Asked Questions", "Information Browser", "Laws and Regulations", "Livestock Policies", and "Reinsurance Agreements". Below this is a social media link bar with icons for Facebook, Twitter, YouTube, Email, Flickr, and RSS.

In the center, there is a large image of a corn cob in a field. To its right, a red box highlights a link titled "Find a Crop Insurance Agent to Discuss Available Options".

On the right side, a sidebar displays the date "Monday 6/27/2016" and sections for "More Flexibility for Double Cropping" (with links to "Insurance Changes", "Expand Farm Safety Net for Double Cropping", and "Learn More About Double Cropping") and "Find a Crop Insurance Agent to Discuss Available Options".

The bottom section contains three columns of links:

- Quick Links:** Agent/company locator, Calendar events, Cost estimator (highlighted with a red box), Crop Indemnity Maps, Crop Insurance Decision Tool (CIDT), Price Discovery, Rainfall-Veg Indices, Summary of Business.
- RMA's Priorities:** Bulletins and Handbooks, County Crop Programs, Fact Sheets, Farm Bill Opportunities, Partnership Agreements, Policies, Publications, State Profiles.
- Associated Agencies and Organizations with MOUs:** Beginning Farmers and Ranchers, Civil Rights, Farm Risk Plans, Organic Crops, Prevented Planting, SRA, Whole-Farm (all highlighted with red boxes).

At the bottom, there is a banner for "THE FARM BILL" and footer links for "Risk in Agriculture" and "Associated Agencies and Organizations with MOUs".



THANK YOU!

RMA website:
www.rma.usda.gov

Women in Ag:
<https://newfarmers.usda.gov/women-in-ag>

Vets to Ag:
<https://newfarmers.usda.gov/veterans>