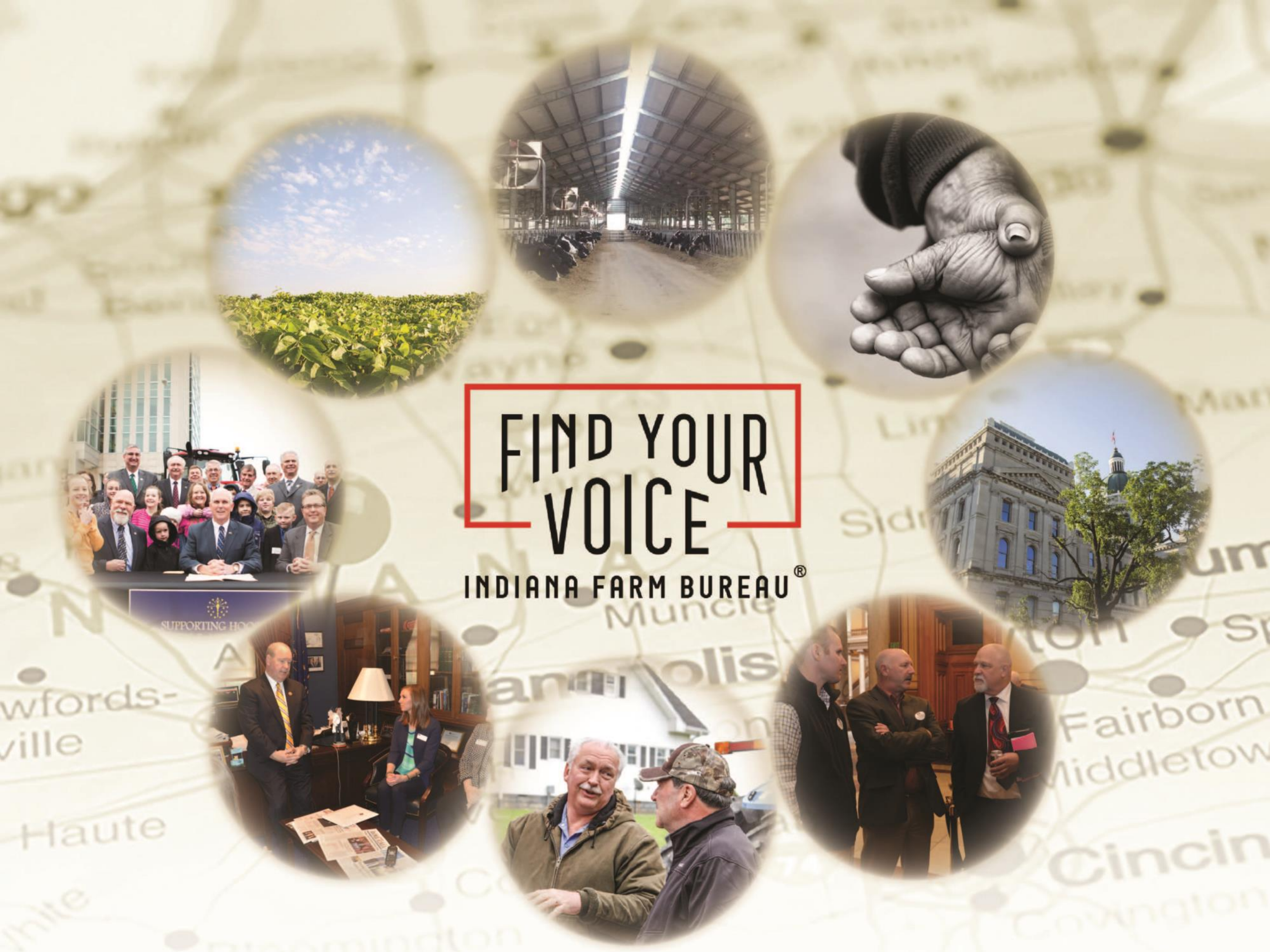
FIND YOUR VOICE
INDIANA FARM BUREAU®
Muncie
Fairborn

Questions to Consider

- What are the goals for Indiana's future in agriculture?
- Given the farm economic conditions, what do farmers need help with?
- What are your farm's priorities moving forward?
- What role do you see yourself having in the next years related to agriculture?
- What role would you like to see the Farm Bill play?

XI.Crop Insurance

Alternatives for Crop Insurance Premiums

Issue: Legislative proposals have recommended altering the premium discounts farmers receive when they purchase crop insurance products.

- Policies are offered by 17 Approved Insurance Providers
- Premium rates are set by the Federal Crop Insurance Corporation Board of Directors
- Premium discount declines as levels of “buy-up” coverage increases
- Average premium discount provided to farmers is 62%
- Total premium paid by farmers for crop insurance has risen
    - If farmer premium discount is reduced, farm expenses increase, putting more stress on farmer operating cash flow requirements and is more likely to decrease participation in the program.

Farmer Crop Insurance Premium Discount Schedule Percentage									
Insurance Plan	Deductible Level Percentage								
	CAT	50	45	40	35	30	25	20	15
Basic & Optional Units	100	67	64	64	59	59	55	48	38
Enterprise Units	n/a	80	80	80	80	80	77	68	53
Area Yield Plans	n/a	n/a	n/a	n/a	n/a	59	59	55	55
Area Revenue Plans	n/a	n/a	n/a	n/a	n/a	59	55	55	49
Whole Farm Units	n/a	80	80	80	80	80	80	71	56

Capping Crop Insurance Premium Discounts

Issue: Legislation has been introduced to limit the amount of premium discounts each farmer may receive.

- Capping premium discounts would affect areas producing high value crops or states with high crop insurance participation hardest
  - Arizona, California, Hawaii, Minnesota, Mississippi, North Dakota, South Dakota, Texas, & Utah
- A $40,000 cap is expected to affect 26% of total insured liability in crop insurance (2011)
  - Puts a very large portion of crop production at risk

Tying Conservation Compliance to Crop Insurance

- In exchange for a farmer to be eligible to receive crop insurance premium discounts, he/she must maintain a minimum level of conservation on highly erodible land and not convert wetlands into crop production

Issue: Compliance violations have penalty imposed in the following year, rather than current

- No denial of premium assistance until USDA appeals are exhausted
- No provisions ("claw back") to allow violation occurred between 2008-2013 to be captured or penalized
- If a producer is out of compliance, no premium discounts received until back in compliance
- 5-year grace period to develop and apply a conservation plan for new participants
- No grace period for draining a wetland, but a 2-year period for mitigation is granted to retain eligibility in premium assistance, and mitigation is required
- If wetland converted is less than 5 acres of the entire farm, the farmer can pay an amount equal to 150% of the cost of mitigation, complete mitigation, and not lose premium discounts.
- Current protections and enforcement procedures between agencies will be applicable to any newly covered persons and land
- Producers self-certify eligibility for premium discounts on FSA form AD 1026

Tying Conservation Compliance to Crop Insurance

More Issues

- Producers newly covered receive priority NRCS conservation technical assistance in developing and applying conservation plan and priority financial assistance
- Tenant farmer found in violation would have ineligibility limited only to the farm the basis for ineligibility, provided good faith efforts meet conservation requirements are made, the landlord refused to meet requirements, and no evidence of fraud to avoid compliance is evident.
- Conversion of a wetland in good faith has 1 reinsurance year to begin mitigation.
  - Knowingly converting a wetland creates premium discount ineligibility beginning next crop insurance year
- For a newly available crop insurance policy, 5 crop insurance years are given to comply for highly erodible land
- The farmer is not at fault for USDA process, or lack thereof

Improvements to Whole Farm Revenue Protection Insurance

- Provides risk management safety net for all commodities on the farm under 1 insurance policy
- Replaced and acts like expanded Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue Lite (AGR-Lite)
- Covers $8.5 million in diversified farm's insured revenue with max revenue level of $17 million at 50% coverage
- Has different coverage levels
- Provides protection against loss of insured revenue due to unavoidable natural cause of loos during period
- Provides replant coverage equal to cost of replanting, up to 20% of expected revenue
- Coverage levels range 50-85%
- Not available in combination with Catastrophic Risk Protection (CAT) coverage
- May be purchased alone or with additional FCIC approved policies
- Farms with 1 commodity receive basic premium subsidy; 2 or more commodities qualify for max premium subsidy
- Expanded from limited states/counties in first year to ALL counties in U.S.
- Appeals to producers of commodities that not traditionally had insurance product available or who don't produce enough of 1 commodity to qualify for other products
- Does not cover timber, forest, forest products, and animals for sport, show, or pets.
- In 2015, covered 213 commodities, many of which had never been insurable; in 2016, 256 commodities covered
- Washington, Oregon, and California are top 3 states utilizing WFRP in that order

Improvements to Whole Farm Revenue Protection Insurance

- Vast majority of commodities covered are defined as specialty, as only 38 specialty crops have their own FCIC approved product
- Though not mentioned in AFBF policy, it is consistent with support of "the availability of crop yield and/or revenue insurance for all producers of all crops, livestock, and poultry in the country."
- Qualification Issues for WFRP:
  - 5 consecutive years of Schedule F tax forms
    - Beginning farmers or ranchers must supply 3 years of forms
    - Requirement is difficult to achieve for both producers and crop insurance agents
  - Crops are grouped into risk pools, which adds to the difficulty in writing an accurate policy

Beginning Farmer and Rancher Benefits in Crop Insurance

Benefits:

- Beginning farmers use 80% of county average T-yield as opposed to 60%
- Get additional 10% premium discount on crop insurance policy
- Waive any administration fees associated
- Allow the use of previous farm operator's APH rather than T-Yields if the Beginning farmer was previously involved in the decision making or physical activities on the farm

Tying APH to Land or the Producer

Issue:

- APH when a producer acquires more land is a challenge in reporting
- No production history, APH set at 65% of County T-Yield
- Producer has history in the county and acquiring less than 2,000 acres, then APH uses simple average
- New producer in the county indicating new crop in the county, APH is 100% of county T-Yield
- Producer adding land to be shared, the option to choose either producer's APH

If APH is tied to land:

- Likely require additional information
- Likely more reporting requirements
- Must individually report production for each piece of land
- Increased additional time and expense to producer necessary for production reporting
- Producer would need to document production each time he/she changes fields instead of by unit

APH Yield Exclusion

- APH rules dictate up to 10 actual yields be maintained in APH database
- Formerly, a year of particularly low yields that occurred due to weather beyond control would reduce amount of insurance available to farmer in future years.
- APH Yield Exclusion (YE) potentially allows farmers to exclude actual yields from APH history so that natural disasters will not reduce available insurance coverage in the future
- Cop years are eligible to be excluded:
  - Average per planted acreage yield for county was at least 50% below simple average for previous 10 consecutive crop years
- If county is eligible, all farmers have option to exclude farm's yield for that year from APH database
- There is potential that a bad yield in a specific year is not eligible for YE if in the same year the county overall was not at least 50% below simple average of previous 10 crop years.
- YE can be sued by Catastrophic Risk Protection (CAT) or buy-up insurance policies including Yield Protection (YP), Revenue Protection (RP), or Revenue Protection with Harvest Price Exclusion (RP-HPE)
- Since excluding a yield results in increased approved yield, a higher insurance guarantee and greater indemnity payments could occur.
  - Requires an increase in the premium rate to account for increased risk of loss
  - Higher premium is only applied to those who utilize YE
- Choosing the YE option (checking the box) automatically excludes all eligible crop years from database unless a farmer SPECIFICALLY opts out of exclusion for specific crop years.
  - Certain farms may have had good yields in a crop year the county was eligible to exclude yields

Alternatives for Crop Insurance Harvest Price Option

- Policy provides protection on lost production at higher of price projected just before planting time or the price at harvest.
- Many farmers enter a forward contract to sell a portion of the production before harvest. If the crop is lost, the farmer would have to buy the commodity at harvest price and deliver that or financially settle the buyer's contract at harvest price.
- The crop insurance helps settle the contract.
- Works similarly to Replacement Cost Coverage in property insurance
- One pays more for replacement cost coverage than actual cash value cover, just as a farmer would pay more for HPO coverage than for the exact policy that covers only projected price at planting.

Issue: Members of Congress have proposed legislation to eliminate the subsidy for HPO within the federal crop insurance program. There may be an option to add-on HPO coverage, but would have to pay the full premium.