



chapter six

MANAGING PRODUCTION RISKS

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Instructor Guidelines

The objective of this module, *Managing Production Risks*, is to give agricultural producers additional knowledge about the sources of production risk and the tools and options they could consider in managing those risks. The information will also provide an ideal resource tool for others throughout the agricultural business community. This section will focus on:

- The sources of production risk associated with agriculture;
- the sources of production risk that effect the farm/ranch business when alternative actions or plans may be implemented; and
- the various production risk management strategies that might be adopted to control or counteract production risk.

This module includes a short synopsis of how production risks associate with other risk factors (financial, marketing, human resource and legal) and the benefits of understanding the interrelationships between those different types of risks.

The *sources of production risk* section gives producers an outline of possible alternative methods for managing production risks. While most American farmers are excited about the introduction of cutting edge strategies and new technologies in agriculture, it is important to weigh the expected costs versus the benefits when deciding whether to include sustainable agriculture, biotechnology, diversification, and so forth into their annual cropping plans.

The *crop insurance* section provides a detailed outline about the yield and revenue insurance products available to Pacific Northwest farmers. While the section provides specific insurance provisions and examples for Idaho, Oregon, and Washington wheat growers, it also includes information relating to a variety of crops, as well as pilot (testing) programs currently being offered throughout these states.

The appendices to this section are curriculum fact sheets. They are efficient and easy-to-use summaries for farm and ranch producers. They also can serve as the primary teaching aid for a specific topic or as a follow-up or handout for a speaker to use during a meeting or workshop.

Introduction

Have you ever noticed how many times a day we talk about numbers? It sure is a continuing process in agriculture—bushel to the acre, inches of rain, pounds of fertilizer, boxes of baling wire, gallons and price of fuel, and always: “What’s the market doing today?”

After juggling all these numbers, sometimes the last thing we want to do is to push the pencil to arrive at yet another decision, but numbers and risk go hand-in-hand, and protecting your crop investment by making an informed risk management decision is more important today than ever before.

In farming, production risk comes with the business. It always has and always will. Fortunately, though, farmers today have more and better tools to help them manage risks or, at least, to manage certain kinds of production risks. Crop insurance cannot guarantee that unfavorable weather will not damage or destroy a crop, but it does guarantee that if a farmer loses his/her crop, they will not stand to lose the money invested in the crop. Seeds that are resistant to disease, tillage practices that reduce the risk of soil damage, and chemicals to combat crop-eating insects are also examples of some of the present-day tools to manage risks.

Successful farm and ranch management depends on taking risks consistent with the goals and financial position of the business. Farm producers are well aware that in farming, you stand to lose more money in a bad year than you stand to make in a good year. Accordingly, producers recognize that in order to manage their production risks, they must increasingly use all the different management tools available to them.

The objective of this chapter “Managing Production Risks,” is to provide agricultural producers with knowledge about the sources of production risk and the tools and options they can consider in managing production risks. This section will focus on:

- the sources of production risk associated throughout agriculture,
- the sources of production risk that affect the farm/ranch business when alternative actions or plans may be implemented, and
- the various production risk management strategies that might be adopted to control or counteract production risk.

Appendices include fact sheets for specific crop insurance policies and risk management programs. They are efficient and easy-to-use summaries for farm and ranch producers. They also can serve as the primary teaching aid

for a specific topic or as a follow-up/handout for a speaker to use who has covered the topic during a meeting/workshop.

New fact sheets continue to be developed and are available upon request from:

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Interrelationships among Production Risks and Other Risk Factors

Risk management strategies must fit each farm's specific circumstances as well as the current farm business environment and must integrate ways to manage production, marketing, financial, legal, and human resource risks. Gaining an understanding of the interrelationships among different types of risks will help producers understand how those risks can impact the farm's operation, what tools are available to manage those risks, how the tools work, and how different risk management tools can work together. Sources of risk in addition to production risk are outlined below.

Financial–Cash Flow & Equity

- Operating Loans
- Capital Purchases
- Long-term Financial Planning

Marketing

- Cost of Production
- Marketing Plans
- Introduction and Familiarity with Marketing Terms
- Seasonality of Commodity Prices

Human Resource

- Labor Regulatory Issues
- Labor Decisions (contract vs hired labor)
- Landlord/Tenant Relationships
- Long-term Personal Goals
- Estate/Trust Planning

Legal

- Environmental Laws Affecting Farmers and Ranchers

Employee and Third-Party Injury
Contract Liability
Farm Income Taxation
Federal Estate Taxation
National Farm Policies (domestic programs: Farm Bill regulations—
general/annual farm program, crop insurance, conservation programs)
International Policies
Trade Agreements (comparative/competitive advantage)
Public Policy

Sources of Production Risks

Technology and Crop Production Practices

Most American farmers are excited about the introduction of cutting edge technologies. For any new technology, farmers need to estimate the expected costs and benefits for their operation and have a set of criteria for their decision as to whether they will adopt it or not. Risks may be reduced with new technology, but a higher level of management analysis for each operation may also be necessary.

SUSTAINABLE AGRICULTURE

Sustainable agriculture is a way of farming that can be carried out for generations to come. This long-term approach to agriculture combines efficient production with wise stewardship of the earth's resources.

It is hoped that, over time, sustainable agriculture will do the following:

- meet human needs for food and fiber;
- protect the natural resource base and prevent the degradation of soil, air, and water quality,
- use nonrenewable resources efficiently,
- use natural biological cycles and controls, and
- ensure the economic survival and well-being of farmers and their families.

The most important link between farming practices and sustainable agriculture is the health, or quality, of our agricultural soils. If soil becomes degraded, more resources in terms of time, money, energy, and chemicals will be needed to produce less-abundant crops of lower quality, and the goals of sustainable agriculture will not be met. On the other hand, if soil degradation is reversed and soil health is maintained or improved by using appropriate farming methods, sustainable agriculture can be a reality.

Sustainable agriculture does not refer to a prescribed set of practices.

Instead, it challenges producers to think about the long-term implications of their practices and the broad interactions and dynamics of agricultural systems.

Farming methods that improve the sustainability of one farm may not be appropriate for a different farm. Each practice must be evaluated in a given farming system for its ability to achieve a set of economic, environmental, and social goals. However, we can look at changes adopted by farmers across the country, some of which are described below, to get a sense of how to improve agricultural sustainability.

The following pages discuss a few of these: increased crop and landscape diversity, better use of on-farm resources such as crop residue and manure, and more effective marketing. These and many other approaches are contributing to the goals of lasting farm production; stewardship of land, water and wildlife; and improved quality of life for farmers, their families, and rural communities.

ELEMENTS OF SUSTAINABILITY

There are many ways to improve the sustainability of a given farming system, and these vary from region to region. However, there are some common practices among farmers trying to take a more sustainable approach, in part through greater use of on-farm or local resources. Some of those practices—each contributing in some way to long-term farm profitability, environmental stewardship and rural quality of life—are described below.

Integrated Pest Management (IPM)

IPM is a sustainable approach to managing pests by combining biological, cultural, physical, and chemical tools in a way that minimizes economic, health, and environmental risks. A critical factor in the effective use of chemicals for pest management is the timing of application. Also, it is critical that the correct herbicide is used for the specific variety being sprayed. There have been cases of Roundup mistakenly being applied to varieties which were not Roundup-ready. An increasing concern with genetically engineered seeds is the risk of chemical drift. One outcome is that custom application costs could increase substantially due to the potential liability problems. Some producers consider their chemical choices as a complement to their rotation decisions.

Local, state, and national USDA agencies, along with land-grant universities, continue to support and work closely with agricultural groups through test-plot and other pilot programs, evaluating emerging technologies, environmental stewardship, estimation of economic consequences, and various resistance management tools, including information management and dissemination.

Soil and Water Conservation

Many soil conservation methods, including strip cropping, reduced tillage, and “no-till,” help prevent loss of soil due to wind and water erosion. Incorporating a no-till operation may lower a farmer’s production costs. Reduced tillage can be considered a long-run risk management strategy because it will save soil, which will allow a producer to remain ahead or at least competitive from a soil productivity standpoint.

On rangeland, rotational grazing is a management-intensive grazing method which takes animals out of the barn and into the pasture to provide high-quality forage and reduced feed costs while avoiding manure buildup.

Water conservation and protection are an important part of agricultural stewardship and risk management. Many practices have been developed to improve quality of drinking and surface water as well as to protect wetlands. Wetlands play a key role in filtering nutrients and pesticides in addition to providing wildlife habitat.

Proper management of nutrients, including nitrogen and other plant nutrients, can improve the soil and protect the environment. Increased use of on-farm nutrient sources, such as manure and leguminous cover crops, also reduces purchased fertilizer costs. Trees and other woody perennials are often underutilized on farms and ranches. Agroforestry covers a range of tree uses on farms, including inter-planting trees (such as walnuts) with crops or pasture, better managing woodlots, and using trees and shrubs along streams as riparian buffer strips.

Field and Landscape Diversity

Growing a greater variety of crops on a farm can help reduce risks from extremes in weather, market conditions, or crop pests. Increased diversity of crops and other plants, such as trees and shrubs, also can contribute to soil conservation, wildlife habitat, and increased populations of beneficial insects.

Crop rotation not only has biological benefits but also spreads the risk. For example, the month of May may be the most stressful month for wheat in Washington, and July may be the most stressful month for potatoes. The overall yield risk is then reduced significantly by raising a 50-50 mix. Crop rotation also has the benefit of reducing the amount of chemicals a producer may need to use. This reduces a producer’s costs and, just as important, personal risk by reducing exposure to chemicals.

Seed Selection

Proper seed selection is important as seed varieties are condition-specific. That is, they are bred to produce maximum yields under specific growing condi-

tions. If those conditions do not occur, yields may be reduced. Genetically altered seeds may add flexibility to achieve personal goals. For example, some producers may look into a hybrid wheat because it will reduce the farm's exposure to chemicals and is good for the environment. Other genetic manipulations may expand the timing window for chemical applications.

PRECISION AGRICULTURE

Why should producers be interested in precision agriculture? Precision farming is a management strategy that employs detailed, site-specific information to precisely manage production inputs by carefully tailoring soil and crop management to fit the different conditions found in each field. This concept is variously called precision agriculture, prescription farming, variable rate technology, or site-specific management.

The idea is to know the soil and crop characteristics unique to each part of the field and to optimize the production inputs in small portions of the field. The philosophy behind precision agriculture is that production inputs (seed, fertilizer, chemicals, etc.) should be applied only when and where needed for the most economic production. Precision farming techniques can improve the economic and environmental sustainability of crop production.

Precision agriculture has literally taken agriculture into the space age. Farmers have available information from satellites about specific locations. Farmers can analyze this satellite information or rely on companies to do this service for them for a fee.

The global positioning system (GPS) is the heart of precision agriculture. A GPS receiver is a location device that calculates its position on earth from radio signals broadcast by satellites orbiting the earth. The U.S. government has 24 satellites in orbit. Variable rate technology (VRT) describes machines that can automatically change their application rates in response to their position. VRT systems are available for applying a variety of substances including seeds, granular and liquid fertilizers, pesticides, and irrigation water.

Mapping software is used to organize, display, and analyze data stored as a value and a position. Low-end packages are used primarily for creating maps or graphical images and have little capability to process or analyze data. High-end products are known as geographic information systems (GIS) and have many data processing capabilities. Because precision farming requires a relatively high level of data processing, software used for this purpose has become known generically as GIS software. Buyers should consider capabilities such as data editing, interpolation/contouring functions, and statistical analysis when purchasing mapping software.

Yield mapping is another essential technique in precision farming. Yield maps show the variability in yield within a field. A yield mapping system measures and records the amount of grain being harvested at any point in the field, along with the position of the harvester. The real value for the farmer is that he/she can adjust seeding rates, plan more accurate crop protection programs, perform more timely tillage, and know the yield variation within a field. These benefits will enhance the overall cost effectiveness of crop production.

BIOTECHNOLOGY

Biotechnology research continues to advance on many fronts with the goal of making crop production more efficient. Scientists are developing crop varieties that can withstand environmental stresses such as drought, flood, frost, or extreme temperatures. A related area of research is adapting crops to regions where they are not normally grown because of climate, altitude, or rainfall. Biotechnology is also being used against plant pests such as weeds, insects, and diseases.

Researchers are using biotechnology to develop biological pest controls and genetically engineered crops resistant to diseases and insects. Herbicide tolerance has been engineered into some crops to increase weed control options. Crop biotechnology research creates “designer” crops, genetically engineering new varieties for specific purposes such as fruits and vegetables that have longer shelf lives, transport better, look and taste better, or have higher nutritional quality.

Food processors sometimes desire crops with particular characteristics; for example, tomatoes containing less water cost less to process and transport. Some field crops, like sweet corn or potatoes, could be more useful to food processors if there were varieties with better processing or nutritional qualities. Crops also are being altered to develop varieties for specific industrial purposes. Oilseed crops such as canola may be engineered to produce new fuels or industrial lubricants.

Animal agriculture also is being affected by biotechnology. Safer, more effective vaccines are already in use. Biotechnology is being used to develop diagnostic tests for a wide range of diseases and viruses. Animal reproduction is being improved through a technique called “embryo transplantation.” Bovine somatotropin (BST), sometimes called bovine growth hormone (BGH), is already being used by many U.S. dairy farmers to increase milk production per cow and reduce production costs.

ORGANICALLY GROWN CROPS

Issues such as standardization of organic rules, methods for certifying or-

ganic products, procedures for “certifying the certifiers,” and definitions of organic food and organic food production continue to be reviewed at the federal and state level. Farmers and landowners considering the option of organic food production should be aware of these issues and their ramifications.

In 1990, as part of the Farm Bill, the Organic Foods Production Act (OFPA) was passed and included establishing methods to certify organic products as well as methods to certify the people and organizations who would do the certifying of organic products. The federal law does not require states to have an organic agriculture policy; however, if a state does pass legislation pertaining to organic production, the federal requirements have to be satisfied as well.

Farmers should consider the following when deciding whether or not to grow organic crops:

What is Organic?

Organic farming is often described as synthetic chemical-free, but as with most rules, there are exceptions. One question a conventional farmer considering organic production should ask is: “Does the law expect us to convert quickly and completely to organic production?” The answer is described in the *National Organic Standards Board’s Final Recommendations* (p.16): “In a farming operation where both organic and nonorganic fields, crops, or livestock are managed, the time table and level of transition to organic production is at the discretion of the producer. . . . Organic certification should be determined solely on the basis of the farm’s compliance with the OFPA.” The interpretation is that as long as what is grown organic stays within the rules, no pressure will be given by the law to quickly convert the producer’s entire operation to organic.

Where Can I Market/Sell the Organic Crop(s)?

The law dictates that organic crops need to be handled, processed, and stored in facilities separate from conventionally grown and handled crops. Markets do exist for organic products. While farm gate sales and U-picks may seem to be the obvious markets, they may not be the best choices, particularly for products that are not marketable to the public unprocessed. Niche markets exist for organic products, but it is up to growers to find the buyer.

Steps to becoming a certified organic producer include:

- 🔧 Locate a market for your crop.
- 🔧 Determine if the acres you are considering for organic production have been synthetic chemical-free for at least three years and have records to prove it.
- 🔧 Learn about the current status of organic agriculture regulations within the state where your land is located.
- 🔧 Select a certifying agent and work with him/her to complete and submit the paperwork to become certified organic.

Questions to ask yourself when considering new technology and crop production practices:

- 🔧 Which benefits will new practices provide?
- 🔧 What flexibility will I give up?
- 🔧 What are the economic tradeoffs between more aggressive pest control and minimal control?
- 🔧 Are my pest management strategies consistent with my management philosophy about environmental quality?
- 🔧 Will more intensive monitoring of pests be an economical strategy?
- 🔧 Do I have adequate access to certifiable acres?
- 🔧 Do I have the skills for producing crops without many of the nutrients and pesticides I may have become accustomed to?
- 🔧 Do I have the ability and opportunity to market the crop at a premium sufficient to compensate for the additional costs, higher losses, and the paperwork complications?

If you have questions about sustainable agriculture, precision agriculture, biotechnology, organically grown crops, or other production practices, contact your land-grant university. Call the University of Idaho at (208) 885-6639; Oregon State University's Extension Service at (541) 737-2713, or Washington State University's Center for Sustaining Agriculture and Natural Resources at (509) 335-2885.

Enterprise Diversification

Diversification is an effective way of reducing income variability. It is the combining of different production processes. Effective diversification occurs when low income from one enterprise is offset by satisfactory or high incomes from other enterprises. It typically reduces large year-to-year variations in income and may ensure adequate cash flow for meeting produc-

tion costs, debt obligations, and family living needs. However, acquiring new overall knowledge about an alternative business, new crop production expertise, and new equipment for a new crop may be costly.

Expanding into new areas or experimenting with new crops will increase capital investment requirements. For instance, diversification can include different crops, combinations of crops and livestock, different end points in the same production process (such as different selling weights), or different types of the same crop (such as, in regard to wheat in the Pacific Northwest, club wheats, soft whites, hard whites, hard reds, durum, and spring versus fall planted wheat.) Producers may also consider planting short-season varieties of fall harvested crops that mature earlier, protecting against the risk of early frost and yield loss.

Through crop diversification as a production risk management tool, farmers and ranchers may acquire another marketing tool, providing another way to enhance profitability. Direct marketing of the diversified crop to consumers is becoming much more common, including farmers' markets, roadside stands, and community-supported agriculture events.

The benefits of diversifying income sources depend on the variability of returns faced by a producer. Diversification can also be achieved by having several income sources, such as on-farm businesses (bed-n-breakfast, hunting/hiking guide) and off-farm income (savings interest and dividends, employment), to help counter negative fluctuations in farm income.

Questions to ask yourself when considering diversifying:

- What knowledge and management capabilities do I need for an additional enterprise?
- Are they readily available?
- Is this a product or service that is in demand or has a current long-lasting marketing niche?
- Do I have a serious commitment to a new enterprise?
- Will my current cash flow situation and future plans be able to include a diversification expansion?
- Which additional capital investments would I need to diversify?
- What are the added labor needs of a new enterprise?
- Where are the new markets and are they close enough for delivery?
- What is the income relationship between a prospective new enterprise and my existing enterprise(s)?
- Will the new enterprise provide effective diversification?

Capital Investments

IRRIGATION

An irrigation system can certainly lower the risk of crop failure in a dry year. However, producers must research the total investment cost for an irrigation system, which may include additional labor; land preparation, machinery, sprinkler/irrigation system, ditch/flood irrigation preparation, and possibly a year's income of crop production while the system is being installed or incorporated.

DRAINAGE

In some areas where spring water runoff or excessive rainfall occurs, drainage systems are set up and used extensively to reduce the risk of crop failure, but the costs can be substantial. Conservation diversions and terracing are also successful.

MACHINERY

Machinery capacity in excess of what is needed in a normal year allows the work to be completed in a timely manner if there are delays due to weather, breakdown, or other unforeseen events. For any capital investment, producers may compare the expected returns with alternative uses of the capital including other risk management strategies such as the purchase of inputs. Since these investment costs are high, producers must also look at strategies which do not require a direct expenditure to reduce risk such as diversification.

Questions to consider when making additional capital investments:

- Is my farming operation in a good financial position to make these investments for improvement?
- Will the investment of purchasing new equipment pay-off in the long-run?

Landlord/Tenant Relationship

LAND RENTAL AND LAND ACQUISITION ARRANGEMENTS

Negotiation of crop-share lease terms are an increasing risk consideration. Adding this option to your farm management plan is a positive way to bring outside capital into agriculture and share risks with land owners. Keep in mind: If the rental or purchase cost is too high for an individual operation, producers must be willing to pass up the opportunity and select only the situation which will enhance their financial position. Producers must also plan their operation so their labor availability, machinery

capacity, management structure, and land base are all balanced. This is where custom farming may be beneficial/practical.

Questions to ask yourself when reviewing landlord/tenant relationships:

- ⚡ Which benefits will renting land add to my farm operation?
 - ⚡ What flexibility will I give up?
 - ⚡ Do I understand the conditions of the contract between my farm business and the landowner?
 - ⚡ Do I need legal advice?
-

Contract Production

Contract production may provide a farm producer the opportunity for a potentially higher commodity selling price as well as an assured market. Contract production may give the contractor considerable control over the production process. Through production contracts, the agribusiness firm commits the producer to deliver a specific quality and quantity of final product. Contractors may specify in detail the production inputs supplied by the contractor and the compensation to be paid to the grower/producer. The producer must comply with the firm's quality specifications and may elect to manage yield risk with insurance and sound management practices.

Throughout the Pacific Northwest, contract production is a marketing tool used among processed vegetable, sugar beet, potato, and durum wheat producers.

Before agreeing to a production contract, producers need to consider the risk/reward tradeoffs. A major advantage for the producer is that a market for the output and, very often, a favorable price is guaranteed. A disadvantage is that the producer may lose the opportunity of benefiting from upside price potential, since the sale of the product may be fixed by conditions of the contract. The loss of flexibility and profit opportunities is the cost of receiving a predictable cash flow. The challenge associated with contract production is to find contracts that are consistent with the producer's goals and risk tolerance.



Questions to ask yourself when considering production contracts:

- Which benefits will a production contract provide?
 - What flexibility will I give up?
 - Do I understand the conditions of the contract?
 - Do I need legal advice?
-

Crop Insurance

Some of the major sources of production risks include weather, pests and crop diseases. One of the most common strategies used to reduce income variability associated with production risk is crop insurance. The first decision a producer must make concerning crop insurance is whether he/she has enough financial reserves to cover a disastrous crop year. If the answer is no, then crop insurance may be an option to consider within an overall risk management plan.

Management of yield or price risk through the purchase of crop insurance transfers risk from the farm business to the insurer in exchange for a price which is stated as an insurance premium. If a producer can insure some part of his/her expected production, that level of production may be forward-priced with a greater certainty, creating a more predictable level of revenue.

Crop insurance is a risk management tool that not only protects against losses but also offers the opportunity for more consistent gains. When used with a sound marketing program, crop insurance can stabilize revenues and potentially increase average annual profits.

Crop insurance provides many important benefits:

- ensures a reliable level of cash flow,
- is an honorable and sometimes recommended loan collateral tool,
- allows more flexibility in a producer's marketing plan,
- adds confidence when following those planned strategies,
- provides stability for long-term business plans and family security,
- and USDA shares in the premium costs and other costs.

USDA's Risk Management Agency (RMA) is placing a special emphasis on strengthening the safety net for U.S. farmers. Together, RMA and private crop insurance vendors have developed a set of insurance programs to help control crop production and price risks at a reasonable cost.

Farm producers should consult a private crop insurance agent to obtain specific information and details (practices, options, planting dates, and appropriate deadlines) to help decide what insurance program may best fit the needs of their farm business. A list of crop insurance agents is found in all local USDA Service Center or Farm Service Agency county offices, which are usually listed in telephone directories under *U.S. Government, Department of Agriculture*.

Yield Risk Crop Insurance Coverage

Described below are crop insurance programs that farm producers can consider for lowering production yield risks.

MULTIPLE PERIL CROP INSURANCE (MPCI) PROGRAM

Multiple Peril Crop Insurance (MPCI) is often used by crop producers to mitigate yield risk. MPCI is a broad-based crop insurance program regulated by the U.S. Department of Agriculture and subsidized by the Federal Crop Insurance Corporation (FCIC). For most crops, MPCI covers unavoidable production losses caused by drought, excessive moisture, hail, wind, frost/freeze, tornado, lightning, flood, insect infestation, plant disease, excessive temperature during pollination, wildlife damage, fire, and earthquake. MPCI does not cover losses resulting from poor farming practices, low commodity prices, theft, and specified perils that are excluded in some policies. There are specific restrictions on some crops based on acceptable farming practices.

YIELD GUARANTEE

For most crops, including small grains, the yield guarantee is the historical actual production history (APH) yield times the level of coverage, times the insured acreage, times the insured's share. The APH yield is determined from a producer's certification of production records for a minimum of four and up to ten consecutive crop years.

Producers can choose from 50 to 75 percent of the APH yield. You have a choice of various percentage levels of price elections established for each crop year (55 percent to 100 percent of FCIC established or projected market price.) Coverage options include, but are not limited to, the following percentage yield and price levels:

- 🚛 50/55% lowest cost, lowest coverage (CAT).
- 🚛 50/100% maximum percentage of premium subsidy, protection level still below most frequent loss levels.
- 🚛 65/100% raises coverage to more frequently experienced levels of loss.
- 🚛 75/100% maximizes protection, maximizes subsidy benefit.
- 🚛 Up to 85% coverage in selected counties for 1999 crop year; wheat MPCI and barley IP.

Yield levels for most FCIC crop insurance coverage is based upon APH, a percentage of an established county yield or a combination of both. APH will require a minimum of four years of production records and will accumulate to a maximum of ten years. For farmers who have less than four years of production records, variable transitional “T” yields are used to complete the four-year database. However, the approved APH yield for producers who elect not to supply records is limited to 65 percent of the applicable T yield for the first year the producer is insured.

The county T yield is not based upon Farm Service Agency (FSA) program yields. Rather, it is based upon an established county yield for a given insured crop in a given county. In most cases, county T yields vary by county, crop, type, and practice, but not within counties. Once the farmer has four or more years of actual production records in the database, he/she will no longer be required to use the county T yield.

County T yield reduction factors and actual years of production record requirements are:

Table 1.

Years of certified production records	0	1	2	3
Percent of county T yield	65	80	90	100
Actual years of production records used	–	1	2	3
Years of county T yield used	–	3	2	1

The following example assumes a county T yield of 46 bu./acre for nonirrigated wheat and actual production records of 52, 47, 50, and 40 bu./acre:

EXAMPLE 1

Years of record	4	3	2	1	Adjusted APH
0	46 x 0.65 = 31 ^a	46 x 0.65 = 31	46 x 0.65 = 31	46 x 0.65 = 31	31
1	46 x 0.80 = 37	46 x 0.80 = 37	46 x 0.80 = 37	40	38
2	46 x 0.90 = 41	46 x 0.90 = 41	50	40	43
3	46 x 1.00 = 46	47	50	40	46
4 to 10	52 ^b	47	50	40	47

^aYield defined by county T yield multiplied by the reduction factor

^bActual yield

Certifying production history is an important, sometimes critical, facet of an insurance policy. Certified production provides flexibility to the insur-

ance policy, essentially making the policy better tailored to meet the needs of the farm business's risk management plan, and may maximize any FCIC crop insurance coverage. Keeping records, verifying production, and providing actual production history can raise guaranteed yield levels used in coverage calculations.

The following example illustrates how important APH records are. It shows the steps used to calculate the guarantee for no actual production records verses four to ten years of records. The calculation assumes coverage for nonirrigated wheat with 80 bushel average yield, 72 bushel county T yield, 75 percent coverage level, and a \$3.30 expected market price.

EXAMPLE 2

1. Calculate approved AH

Production records (years)	Reduction factor (%)	x	T yield (bu.)	=	Approved APH(bu.)
0	.65	x	72	=	47
4 to 10	–	x	–	=	80

2. Calculate guaranteed yield

Production records (years)	Coverage level (%)	x	APH (bu.)	=	Guaranteed Yield (bu.)
0	.75	x	47	=	35
4 to 10	.75	x	80	=	60

3. Calculate guarantee

Production records (years)	Guaranteed Yield (bu.)	x	Price (\$)	=	Guarantee (\$/acre)
0	35	x	3.30	=	115.50
4 to 10	60	x	3.30	=	198.00

If the farm's actual yield is less than the guaranteed yield, the MPCl payment is equal to the production deficit multiplied by the price election. Premiums increase in direct proportion to the price coverage level selected and at an increasing rate for higher yield guarantees. The level of government subsidy of the MPCl premiums ranges from 100 percent at the lowest yield and price coverage level (catastrophic) to just over 23 percent at the maximum coverage level.

Database

The database is made from data used to calculate the average/approved actual production history (APH) yield. A minimum of four and up to a maximum of ten continuous APH crop years of production data are used. The data must begin with the most recent APH crop year. Years containing

assigned yields do not break continuity of production data and are considered APH crop years.

Production to Count

Production to count is all harvested and appraised production for the unit. Appraised production includes, but is not limited to, production lost to uninsured causes and mature unharvested production (may be adjusted for quality deficiencies and excess moisture).

Units

A unit is that acreage of the insured crop in the county which is taken into consideration when determining the guarantee, premium, and amount of any indemnity (loss payment) for that acreage. Unit structure is a very important aspect of maximizing the risk management protection offered by various FCIC insurance policies. Following are three types of unit structure available for the various crop insurance options:

Basic unit. The basic insurance unit is all insurable acreage of the insured crop in the county on the date coverage begins for the crop year in which the producer has a 100 percent share or which is owned by one entity and operated by another specific entity on a share basis. Basic units may be further divided into optional units.

Optional unit. Optional insurance units are determined by section, section equivalents, FSA farm serial number, noncontiguous land (for certain perennial crops), and irrigated and nonirrigated practices. When the policy allows, optional units may be established, provided the crop is planted in a manner that results in a clear and discernible break in the planting pattern at the boundaries of each optional unit. Producers must keep separate identifiable records of planted acreage and harvested production for each optional unit.

Enterprise Unit. This is all insurable acres of the same insured crop lumped together into one unit regardless of site location (e.g., all corn on rented land and owned land combined).

Contract Changes

MPCI is a continuous policy and will remain in effect for each crop following the acceptance of the original application. Producers may cancel the policy, a crop, a county, or a specific crop in a specific county, after the first effective crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions. Producers must request policy changes from their insurance provider on or before the sales closing date for a change of price election or coverage level.

In addition, requests to increase the maximum eligible prevented planting acreage above the limitations contained in the crop policy must be made by the sales closing date for the applicable crop. Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identification number, administrator, etc. may be made at any time.

Reporting of Acreage and Crop Damage

Each crop year the producer is required to submit an acreage report for each insured crop. The acreage report must be signed and submitted by the producer on or before the acreage reporting date contained in the Special Provisions for the county for the insured crop. In the event of crop damage, producers should immediately notify their insurance provider of the damage. Each crop insurance policy provides specific details relating to acreage reporting.

Catastrophic (CAT) Crop Insurance

Catastrophic (CAT) insurance is the minimum level of multi-peril crop insurance coverage at 50 percent of a producer's yield and 55 percent of the price which meets requirements (without a waiver) for a person to qualify for certain other USDA program benefits. Farmers with limited resources may be eligible for a waiver of the fee for CAT coverage. Any crop insurance agent can assist producers in determining if they are eligible for a fee waiver.

CAT payment rate is 55 percent of the market price when the yield falls below 50 percent of the guarantee. There is no replant or prevented planting clause included in CAT coverage. Only basic units apply under CAT coverage.

Table 2.

APH yields (bu./acre)	Insurance coverage ^a (guarantee/acre)	
	50% coverage (bu.)	55% price level (\$)
80	40	72.60
66	33	59.90
40	20	36.30
30	15	27.23

^aInsurance coverage guarantees/acre using a \$3.30/bu. established price for wheat.

Prevented and Late Planting

Prevented and late planting provisions can be very important to Pacific Northwest producers. When planting is delayed, the level of the yield guarantee on the insured crop is reduced by 1 percent per day for each day planted after the final planting date. The late planting period begins the day after the final planting date for the insured crop and ends 25 days after the final planting date, unless otherwise specified in the Special Provisions.

Prevented planting payments are available if the producer is prevented from planting the insured crop by an insured cause of loss as specified in the policy. For small grains, preventive planting coverage will be 60 percent of the production guarantee for timely planting acreage. Prevented planting coverage can also be raised to 65 or 70 percent of the original level for an added premium.

Insurance Coverage Endorsements

Small Grains Crop Insurance Provisions. In return for payment of an additional premium, a Wheat Crop Insurance Winter Coverage Endorsement is attached to and made part of the Small Grains Crop Insurance Provisions (which must be in force, enabling the producer to elect this additional coverage. Either option A or option B can be selected.

The insurance period begins on whichever is later, the date the endorsement application is accepted by the private insurance agent for coverage or on the fall final planting date designated in the Special Provisions.

Option A: Whenever any winter wheat is damaged during the insurance period, and at least 20 acres or 20 percent of the acreage in the unit, whichever is less, does not have an adequate stand to produce at least 90 percent of the production guarantee for the acreage, the insured may take any one of the following actions:

1. Destroy the remaining crop on such acreage. By doing so, the insured agrees to accept an amount of production to count against the unit production guarantee equal to 70 percent of the production guarantee for the damaged acreage or an appraisal determined in accordance with the Small Grains Crop Insurance Provisions if such appraisal results in a greater amount of production. The insured may elect to use such acreage for the production of spring wheat.

2. Continue to care for the damaged crop. By doing so, coverage will continue under the terms of the Common Crop Insurance Policy, the Small Grains Crop Insurance Provisions, and this option.

3. Replant the acreage to an appropriate variety of wheat, if it is practical, and receive a replanting payment in accordance with the terms of the Small Grains Crop Insurance Provisions. By doing so, coverage will continue under the terms of the Common Crop Insurance Policy, the Small Grains Crop Insurance Provisions, and this option, and the production guarantee for winter wheat will remain in effect.

Option B: Whenever any winter wheat is damaged during the insurance period, and at least 20 acres or 20 percent of the acreage in the unit, whichever is less, does not have an adequate stand to produce at least 90 percent of the production guarantee for the acreage, the insured may, at their option take one of the following actions:

1. Continue to care for the damaged crop. By doing so, coverage will continue under the terms of the Common Crop Insurance Policy, the Small Grains Crop Insurance Provisions, and this option.
2. Replant the acreage to an appropriate variety of wheat, if it is practical, and receive a replanting payment in accordance with the terms of the Small Grains Crop Insurance Policy. By doing so, coverage will continue under the terms of the Common Crop Insurance Policy, the Small Grains Crop Insurance Provisions, and this option, and the production guarantee for winter wheat will remain in effect.
3. Accept the insurance provider's appraisal of the crop on the damaged acreage as production to count against the production guarantee for the damaged acreage, destroy the remaining crop on such acreage, and be eligible for any indemnity due under the terms of the Common Crop Insurance Policy and the Small Grains Crop Insurance Provisions. The appraisal will be considered production to count in determining any final indemnity on the unit and will be used to settle the insured's claim. The insured may use such acreage for any purpose, including planting and separately insuring any other crop.

Malting Barley Price and Quality Endorsement options under the Income Protection (IP) Program. Option A and option B are available under the Barley IP program and provide coverage for malting barley revenue losses at a price per bushel greater than that offered under the barley crop IP provisions. The Malting Barley Price and Quality Endorsement provides malting barley coverage for quality losses.

Option A: Producers of production contracted after the sales closing date, noncontracted production, or a combination of both, may insure their malt based on an additional value price per bushel established for each state. Recent procedure changes modified requirements for acceptable production records for malting barley insured under option A of the Malt-

ing Barley Price and Quality Endorsement. Malting barley production that meets malting barley quality standards (contained in the Malting Barley Price and Quality Endorsement) but is sold as feed barley (because of the higher local feed price) can be used as production for the malt barley APH database.

Option B: Those who contract their malt may insure their malt based on the malting barley premium tied to their contract.

Table 3. Crops eligible for MPCl coverage for 2000 in the Pacific

ALASKA	IDAHO	OREGON	WASHINGTON
Barley, Cabbage, Nursery, Oats, Potatoes and Wheat	Apples, Barley, Canola, Corn, Dry Beans, Dry Peas, Green Peas, Grapes, Nursery, Oats, Onions, Potatoes, Processing Beans, Processing Sweet Corn, Safflower, Sugar Beets, and Wheat	Apples, Barley, Cabbage, Canola, Cherries, Corn, Cranberries, Dry Beans, Dry Peas, Forage, Grapes, Green Peas, Nursery, Oats, Onions, Pears, Potatoes, Processing Beans, Processing Sweet Corn, Sugar Beets and Wheat	Apples, Barley, Cabbage, Canola, Cherries, Corn, Cranberries, Dry Beans, Dry Peas, Grapes, Green Peas, Mint, Nursery, Oats, Onions, Pears, Potatoes, Processing Beans, Processing Sweet Corn, Sugar Beets and Wheat

Administrative Fees

The catastrophic (CAT) basic administrative fee is \$50, plus an additional administrative fee of \$10/crop/county (which can be waived for “Limited Resource Farmers” earning less than \$20,000 annually from all income avenues. The limited coverage (below 65/100) administrative fee is \$50/crop/county, not to exceed \$200/county, \$600 total. The additional coverage (equal to or greater than 65/100) administrative fee is \$20/crop.

GROUP RISK PLAN (GRP)

Group Risk Plan (GRP) and Group Risk Income Protection (GRIP) are low-cost insurance programs designed to help farmers protect their crops from disastrous losses. GRP and GRIP are alternatives to the traditional Multiple Peril Crop Insurance and revenue insurance programs.

Under GRP, farmers receive payments any time the actual county yield drops below the trigger yield that the farmer chooses. The trigger yield can be 90, 85, 80, 75, or 70 percent of the expected county yield, which is based on the county’s yield history since 1962.

The amount of payment the farmer receives depends on the level of protection selected when the farm is enrolled. The value of protection can be as high as 150 percent of the expected market price multiplied by the ex-

pected county yield, or as low as 90 percent. For GRP the expected market price is set each year by the USDA's Risk Management Agency (RMA).

Some advantages and disadvantages of the GRP program are:

- no individual yield history is needed,
- no actual production data is needed to determine the amount of payment,
- there is only one policy per farm for each crop, unless county borders are crossed,
- past farm level loss experience does not affect premiums, and higher dollar amounts of coverage are available.

The GRP program protects farmers and landowners only when yields are low all over the county, not when more isolated problems hit their own crops. Crop producers who cannot afford a large loss in one year or whose yields do not track closely with county yields may prefer to continue with the traditional crop insurance programs based on the farm's actual production history.

NAMED PERIL PROTECTION PROGRAM

Private stand-alone insurance policies provide protection against specifically named perils and are paid based on a percentage of damage multiplied by the liability or protection purchased less the deductible. Examples of private, nonsubsidized crop insurance programs may include crop-hail, freeze, or fire insurance, which offer protection for one specific peril (e.g., hail), and various programs which supplement federally subsidized insurance. The part of a crop damaged by a named peril may be less than the deductible on an MPCI policy. In this instance, crop-hail insurance can fill the coverage gap. An MPCI policy protects against losses severe enough to significantly drop the whole farm's yield average. Crop-hail insurance, on the other hand, gives supplemental, acre by acre protection that more accurately reflects the actual cash value of damage from hail.

NONINSURED CROP DISASTER ASSISTANCE PROGRAM (NAP)

The Noninsured Crop Disaster Assistance Program (NAP) is available for growers producing crops used for food or fiber for which there is currently not a catastrophic risk protection plan of insurance available. An NAP area must be approved for the crop year when a natural disaster causes the crop to suffer an aggregate average yield reduction of less than 65 percent of the area's expected yield (or a 35 percent or greater loss of yield per crop) in a minimum geographical area. After the area requirement is met, NAP crop payments are determined on an individual unit basis. Units within such an area with qualifying losses in excess of 50 percent of the unit's expected production or prevented planting in excess of

35 percent will be considered for payment. Payments are only paid on the loss over 50 percent.

The NAP program is administered by the Farm Service Agency (FSA) and requires no administrative fee. However, it must be applied for prior to planting. Annual acreage and production reports are required. Production records may be verified by an independent source, including specific crop information related to the sale of the crop (e.g., sales receipts with crop year, quantity, date of sale) or a measurement service performed by FSA for crops being disposed of or fed without production records.

A fact sheet about the NAP program is included in the appendix. Farm producers may contact their local USDA service centers or Farm Service Agency county offices for details.

Yield & Revenue Crop Insurance Coverage

For most producers, guaranteeing revenue is the bottom line of all risk management strategies. To that end, the U.S. Department of Agriculture's Risk Management Agency (RMA) has made available three forms of revenue insurance that extend the coverage to include fluctuations in price. Each type combines yield and price risk protection into a single crop insurance plan to protect crop revenue. While these broad choices are good for farm producers, the range of options available requires time and effort to become knowledgeable about each choice. The coverage has expanded from "yield only" to alternatives which complement a producer's marketing plan. A good strategy may be to develop insurance and marketing plans simultaneously.

INCOME PROTECTION (IP) REVENUE INSURANCE

USDA's Risk Management Agency, along with the Economic Research Service and Montana State University, developed the Income Protection (IP) crop insurance program. IP is a revenue insurance program that protects a producer's loss of revenue resulting from low prices, low yields, or a combination of the two. MPCl formed the foundation of IP by using the same yield settings, loss adjustment, and underwriting procedures, as well as the same acreage and production (APH) reporting dates. Coverage is not available for high-risk land. The insurance unit includes all acreage of the insured crop in the county in which the insured has an interest.

The IP dollar guarantee per acre is calculated by multiplying the actual production history (APH) yield times the projected price times the selected coverage level. The "projected price" is the average of the final closing daily settlement prices for the period, exchange, and futures contract price specified in the Special Provisions.

Using Pacific Northwest wheat as an example, a projected price uses the Portland price (Portland Grain Exchange), which is defined as the average daily settlement price for the September of the harvest year's Chicago Board of Trade (CBOT) wheat futures contract during the period August 15 to September 14 of the pre-harvest year, plus a basis adjustment equal to the current five-year average difference between the August average daily settlement price for the nearby CBOT September wheat futures contract and the August average daily settlement price for the Portland Grain Exchange soft white wheat contract. The projected price is announced by FCIC by September 20 of the pre-harvest crop year.

The price at which the crop actually sells is not used to calculate a loss payment. A producer is paid an IP indemnity loss payment when the actual and appraised yield multiplied by the harvest price falls below the revenue guarantee. If a yield loss is offset by a price increase, or vice versa, no indemnity is paid.

The "harvest price" is the average daily settlement price for the Portland Grain Exchange soft white wheat delivered during the month of August of the harvest crop year. The harvest price is announced by September 10 of the harvest crop year.

The "average daily settlement price" is the sum of the settlement prices for each full trading day for the contract as specified in the definition of projected price or harvest price (as appropriate) during the month specified in such definition divided by the number of days included in the sum. Whenever settlement prices are available for fewer than 15 full trading days for the specified contract, settlement prices for the contract that expired in the trading month immediately prior to the specified month (beginning from the last full trading day of such prior month) will be included in the total until 15 full trading days have been included.

Insurance Coverage Endorsements

Malting Barley Price and Quality Endorsement options under the IP Program. Option A and Option B are available under the Barley IP program and provides coverage for malting barley revenue losses at a price per bushel greater than that offered under the IP Barley crop provisions. The Malting Barley Price and Quality Endorsement provides malting barley coverage for quality losses.

Option A: Producers of production contracted after the sales closing date, noncontracted production, or a combination of both, may insure their malt based on an additional value price per bushel established for each state. Recent procedure changes modified requirements for acceptable produc-

tion records for malting barley insured under option A of the Malting Barley Price and Quality Endorsement. Malting barley production that meets Malting Barley quality standards (contained in the Malting Barley Price and Quality Endorsement) but is sold as feed barley (because of the higher local feed price) can be used as production for the malt barley APH database.

Option B: Those who contract their malt may insure their malt based on the malting barley premium tied to their contract.

CROP REVENUE COVERAGE (CRC) INSURANCE

Like the Income Protection plan, Crop Revenue Coverage (CRC) provides revenue protection based on price and yield expectations. CRC, however, pays for losses below the yield guarantee at the higher of the base price or the harvest price. CRC was developed by Redland Insurance Company and is reinsured by FCIC. As a stand-alone policy, CRC provides comprehensive protection through a dollar guarantee based on 95 percent (with an option to buy up to 100 percent) of a commodity exchange's base futures price. CRC protects a producer's loss of revenue resulting from low prices, low yields, or a combination of the two.

CRC has the same acreage and production (APH) reporting dates, optional units, and quality adjustment enhancements as MPCl. Enterprise units are available for a reduced premium.

CRC guarantees a minimum amount of revenue by insuring both yields and price risks. High value replacement protection (insurance guarantee can increase if the harvest price exceeds the base price) is provided with no increase in premium. Winter Wheat Coverage Endorsements options A and B are also available.

The "base price" is the Portland Grain Exchange (PGE) price times the selected price percentage and rounded to the nearest whole cent. The PGE price equals the August 15 to September 14 pre-harvest crop year's average daily settlement price for the harvest year's CBOT September soft red winter wheat futures contract (rounded to the nearest whole cent) plus an adjustment equal to the current five-year average difference between the August average daily settlement price for the nearby CBOT September soft red winter wheat futures contract (rounded to the nearest cent) and the August average daily settlement price for the futures contract (rounded to the nearest cent). The available price percentages and subsequent base price will be released in the Special Provision by September 20 of the pre-harvest crop year.

The “harvest price” is the August harvest crop year’s average daily settlement price for the PGE soft white wheat contract (rounded to the nearest cent) times the selected price percentage and rounded to the nearest cent. For wheat, the harvest price cannot be less than the base price minus \$2.00 or greater than the base price plus \$2.00. The price percentage used to calculate the harvest price is equal to the selected price percentage used to calculate the base price. The harvest price will be released in the Special Provisions by September 10 of the harvest crop year.

The final guarantee is the number of dollars guaranteed per acre, the higher of either:

1. The minimum guarantee approved average yield per acre times the base price times the coverage level percentage. The harvest price cannot exceed the base price by more than \$2.00 on wheat.
2. Or the harvest guarantee approved average yield per acre times harvest price times the coverage level percentage. The harvest price cannot exceed the base price by more than \$2.00 on wheat.

The calculated revenue is the actual yield plus any times the harvest price. The price at which the crop was actually sold does not affect the indemnity payment.

An indemnity is payable when the calculated revenue is less than the final guarantee as a result of an insured’s cause. To calculate a payable loss, subtract the calculated revenue from the final guarantee multiplied by the insured’s share. The price at which the crop actually sells is not used to calculate a loss payment.



Questions for producers to ask themselves when considering crop insurance programs:

- ☞ How much coverage do I need for adequate cash flow?
- ☞ What are the major sources of crop weather risk in my area?
- ☞ How much coverage can I afford?
- ☞ Which crop insurance product will best complement my marketing plan?
- ☞ What are the implications of a crop loss on my ability to meet my debt obligations?
- ☞ What are the major sources of production risk?
- ☞ Who is a local crop insurance agent from whom I can obtain specific information?
- ☞ What is the minimum cash flow I will need?
- ☞ What collateral will I need for operating loans?
- ☞ What will I need to pay off the operating loan and make term loan payments?
- ☞ What will be the impact of my net worth if I don't have adequate crop insurance coverage?

Questions for producers to pose to a crop insurance agent:

- ☞ What insurance programs are available in my county, including revenue insurance?
- ☞ How do IP and CRC compare to MPCl traditional insurance plans?
- ☞ How does IP and CRC coverage differ?
- ☞ Do you understand my marketing and financial plans?
- ☞ For my farm operation, what are the best insurance plans and coverage available?
- ☞ Should I consider crop-hail insurance?
- ☞ Should I consider insurance supplementals?
- ☞ What are the advantages of higher coverage levels vs. CAT?
- ☞ What are the sales closing dates for crops in my operations?
- ☞ How do I prove/certify my yields?
- ☞ What is the final planting date(s)?
- ☞ What are my responsibilities now that I have signed an application for insurance (e.g., acreage reporting dates, production reporting dates, notification of loss damage)?

Crop Insurance Comparison Chart

The following table provides a comparison, *for illustration purposes only*, of some of the important features of the different types of crop insurance available. Each type of policy can be customized by selecting different price and yield coverage levels, add-on features, and insurance unit designations.

Table 4. Side-by-side wheat comparisons of Multiple Peril Crop Insurance, Income Protection, and Crop Revenue Coverage

Feature	MPCI	IP	CRC
APH ^a rules/acresage & production reporting	MPCI procedures	MPCI procedures	MPCI procedures
Insures against	Loss in production due to insured perils	Loss in revenue due to insured perils include price fluctuation	Loss in revenue due to insured perils include price fluctuation
Unit structure	Basic/Optional	Enterprise unit (all the acresage of the insured crop in the county in which the insured has an interest)	Basic/Optional/enterprise unit (enterprise units are available with premium discounts based on acresage)
Coverage level elections (%)	50, 55, 60, 65, 70 & 75. CAT ^b at 50. 80 or 85 coverage in selected counties.	50, 55, 60, 65, 70 & 75. CAT is available. 85 coverage for barley in selected counties.	50, 55, 60, 65, 70 & 75. CAT is not available.
Written agreements	Available	Not available	Available (for rating purposes only)
Hail/Fire exclusion option	Adjusted rate	Not available	Not available
Price election percentages/ Reference commodity price	60–100% of FCIC established or market price. CAT price election is 55% of the expected market price.	Projected price/ Harvest price. 100% of selected commodity contract traded on a commodity futures exchange PGE ^c (CBOT ^d plus CBOT-PGE basis adjustment). CAT risk protection equals 27.5% of the insured's approved yield times 100% of the projected price.	Base/price/Harvest price. 95% of selected commodity contract traded on a commodity futures exchange with option to buy up to 100% of price PGE (CBOT plus CBOT-PGE basis adjustment).
Maximum protection unti price increase	N/A	N/A	\$2.00 for wheat

^a APH = actual production history

^b CAT = catastrophic crop insurance

^c PGE = Portland Grain Exchange

^d CBOT = Chicago Board of Trade

Table 4 *continued. Side-by-side wheat comparisons of Multiple Peril Crop Insurance, Income Protection, and Crop Revenue Coverage*

Feature	MPCI	IP	CRC
Administrative fee	CAT: basic administrative fee, \$50 plus an additional administrative fee of \$10/crop/county. Limited coverage: \$50/crop/county not to exceed \$200/county, \$600 total. Additional coverage: \$20/crop.	CAT: basic administrative fee, \$50 plus an additional administrative fee of \$10/crop/county. Limited coverage: \$50/crop/county/not to exceed \$200/county, \$600 total. Additional coverage: \$20/crop.	CAT: N/A. Limited coverage: \$50/crop/county not to exceed \$200/county, \$600 total. Additional coverage: \$20/crop.
* Limited Resource Farmer CAT waiver available on MPCI CAT, limited and IP coverages			
Guarantee	APH yield x price election x level	APH yield x projected price x level election	APH yield x higher of basic price or harvest price x level election
Late planting/Replant payment	Available	Available	Available
Prevented planting	5 and 10% additional options	Available (coverage options available if provided in the actuarial document)	5 and 10% additional options
Endorsements	Winter coverage endorsements A & B APH base rate	Not available New rating model incorporating yield and price variability	Winter coverage endorsements A & B APH base rate plus low price factor plus high price factor

^a APH = actual production history

^b CAT = catastrophic crop insurance

^c PGE = Portland Grain Exchange

^d CBOT = Chicago Board of Trade

Crop Insurance Premium Calculation & Loss Indemity Scenarios

The scenarios on the following pages provide illustrations of the costs included when obtaining a crop insurance policy (not including possible administrative fees) and the possible indemnity received in the event of a loss. Each type of policy can be customized to best fit a producer's farming situation by selecting different price and yield coverage levels, add-on features, and insurance unit designations. Premium rates vary by crop, county, and insurance plan. **Prices are for illustration purposes only.**

The following premium scenarios do not include the estimated 30 percent premium reduction approved for the 1999 crop year under the 1999 Emergency Relief Program, Public Law 105-277, which authorized \$2.375 billion to assist farmers suffering from crop and economic loss. Premium and subsidies are subject to change. Consult your local private crop insurance agent for specific premium costs.

Multi-Peril Crop Insurance (MPCI) Calculation for Southeastern Idaho Wheat Farm^a

MPCI insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	30.00	bu./acre
Guarantee ^b	22.50	bu./acre
Price election	3.30	\$/bu.
Insurance coverage/acre	74.25	\$/acre

Producer's premium:

WITHOUT winter wheat options	5.26	\$/acre
WITH winter wheat option B	6.41	\$/acre

MPCI indemnity: all acres harvested at 17.0 bu./acre; winter wheat endorsement not exercised

$$\begin{array}{rcccccc} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage level (\%)} & = & \text{Guarantee (bu./acre)} \\ & 30.0 & \times & 0.75 & = & 22.5 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss/acre:} & \text{Guarantee (bu./acre)} & - & \text{Production harvested (bu./acre)} & = & \text{Loss (bu./acre)} \\ & 22.5 & - & 17.0 & = & 5.5 \end{array}$$

$$\begin{array}{rcccccc} \text{Indemnity/acre:} & \text{Loss (bu./acre)} & \times & \text{Price election (\$)} & = & \text{Indemnity (\$/acre)} \\ & 5.5 & \times & \$3.30 & = & \$18.15 \end{array}$$

^a Prices are for illustration purposes only.

^b Guarantee is the APH yield multiplied by the coverage level.

Multi-Peril Crop Insurance (MPCI) Calculation for Northeastern Oregon Wheat Farm^a

MPCI insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	47.00	bu./acre
Guarantee ^b	35.30	bu./acre
Price election	3.30	\$/bu.
Insurance coverage/acre	\$116.49	\$/acre

Producer's premium:

WITHOUT winter wheat options	3.52	\$/acre
WITH winter wheat option B	4.16	\$/acre

MPCI indemnity: all acres harvested at 26.0 bu./acre; winter wheat endorsement not exercised

$$\begin{array}{rclclcl} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage level (\%)} & = & \text{Guarantee (bu./acre)} \\ & 47.0 & \times & 0.75 & = & 35.3 \end{array}$$

$$\begin{array}{rclclcl} \text{Loss/acre:} & \text{Guarantee (bu./acre)} & - & \text{Production harvested (bu./acre)} & = & \text{Loss (bu./acre)} \\ & 35.3 & - & 26.0 & = & 9.3 \end{array}$$

$$\begin{array}{rclclcl} \text{Indemnity/acre:} & \text{Loss (bu./acre)} & \times & \text{Price election (\$)} & = & \text{Indemnity (\$/acre)} \\ & 9.3 & \times & \$3.30 & = & \$30.69 \end{array}$$

^aPrices are for illustration purposes only.

^bGuarantee is the APH yield multiplied by the coverage level.

Multi-Peril Crop Insurance (MPCI) Calculation for Eastern Washington Wheat Farm^a

MPCI insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	62.00	bu./acre
Guarantee ^b	46.50	bu./acre
Price election	3.30	\$/bu.
Insurance coverage/acre	\$153.45	\$/acre

Producer's premium:

WITHOUT winter wheat options	4.33	\$/acre
WITH winter wheat option B	7.08	\$/acre

MPCI indemnity: all acres harvested at 35.0 bu./acre; winter wheat endorsement not exercised

$$\begin{array}{rclclcl} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage level (\%)} & = & \text{Guarantee (bu./acre)} \\ & 62.0 & \times & 0.75 & = & 46.5 \end{array}$$

$$\begin{array}{rclclcl} \text{Loss/acre:} & \text{Guarantee (bu./acre)} & - & \text{Production harvested (bu./acre)} & = & \text{Loss (bu./acre)} \\ & 46.5 & - & 35.0 & = & 11.5 \end{array}$$

$$\begin{array}{rclclcl} \text{Indemnity/acre:} & \text{Loss (bu./acre)} & \times & \text{Price election (\$)} & = & \text{Indemnity (\$/acre)} \\ & 11.5 & \times & \$3.30 & = & \$37.95 \end{array}$$

^aPrices are for illustration purposes only.

^bGuarantee is the APH yield multiplied by the coverage level.

Income Protection (IP) Crop Insurance^a Calculation for Northeastern Oregon Wheat Farm^b

IP insurance policy for nonirrigated winter wheat^c with basic unit discount and 75% coverage level

APH yield	47.00	bu./acre
Guarantee ^d	35.30	bu./acre
Price election	3.40	\$/bu.
Insurance coverage/acre	\$120.02	\$/acre
Producer's premium/acre	3.54	\$/acre

Dollar guarantee:

$$\begin{array}{rclclcl}
 \text{APH (bu./acre)} & \times & \text{Coverage level (\%)} & \times & \text{Projected Price (\$)} & = & \text{Guarantee (bu./acre)} \\
 47.0 & \times & 0.75 & \times & 3.40 & = & 120.02
 \end{array}$$

IP crop insurance indemnity

Harvest price (\$3.00/bu.) lower than projected price (\$3.40/bu.) with a production loss

$$\begin{array}{rclclcl}
 \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\
 & 26.0 & \times & 3.00 & = & 78.00
 \end{array}$$

$$\begin{array}{rclclcl}
 \text{Loss/acre:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\
 & 120.02 & - & \$78.00 & = & \$42.02
 \end{array}$$

Harvest price (\$3.70/acre) higher than projected price (\$3.40/bu.) with a production loss

$$\begin{array}{rclclcl}
 \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\
 & 26.0 & \times & 3.70 & = & 96.20
 \end{array}$$

$$\begin{array}{rclclcl}
 \text{Loss/acre:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\
 & 120.02 & - & \$96.20 & = & \$23.82
 \end{array}$$

^aIncome Protection Crop Insurance coverage is currently not available in Southeast Idaho. However, it is currently available in Northern Idaho.

^bPrices are for illustration purposes only.

^cWinter wheat options are not available under IP.

^dGuarantee is the APH yield multiplied by the coverage level.

Income Protection (IP) Crop Insurance^a Calculation for Eastern Washington Wheat Farm^b

IP insurance policy for nonirrigated winter wheat^c with basic unit discount and 75% coverage level

APH yield	62.00	bu./acre
Guarantee ^d	46.50	bu./acre
Price election	3.40	\$/bu.
Insurance coverage/acre	\$158.10	\$/acre
Producer's premium/acre	4.83	\$/acre

Dollar guarantee:

$$\begin{array}{rcccccc} \text{APH (bu./acre)} & \times & \text{Coverage level (\%)} & \times & \text{Projected Price (\$)} & = & \text{Guarantee (bu./acre)} \\ 62.0 & \times & 0.75 & \times & 3.40 & = & 158.10 \end{array}$$

IP crop insurance indemnity

Harvest price (\$3.00/bu.) lower than projected price (\$3.40/bu.) with 26.0 bu./acre harvested (a production loss)

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 35.0 & \times & 3.00 & = & 105.00 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss/acre:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 158.10 & - & \$105.00 & = & \$53.10 \end{array}$$

Harvest price (\$3.70/acre) higher than projected price (\$3.40/bu.) with 26.0 bu./acre harvested (a production loss)

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 35.0 & \times & 3.70 & = & 129.50 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss/acre:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 158.10 & - & \$129.50 & = & \$28.60 \end{array}$$

^a Income Protection Crop Insurance coverage is currently not available in Southeast Idaho. However, it is currently available in Northern Idaho.

^b Prices are for illustration purposes only.

^c Winter wheat options are not available under IP.

^d Guarantee is the APH yield multiplied by the coverage level.

Crop Revenue Coverage (CRC) Insurance Calculation for Southeastern Idaho Wheat Farm^a

CRC insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	30.00	bu./acre
Guarantee ^b	22.50	bu./acre
Price election	3.40	\$/bu.
Insurance coverage/acre	\$76.50	\$/acre

Producer's premium:

WITHOUT winter wheat options A or B	8.29	\$/acre
WITH winter wheat option B	10.10	\$/acre

CRC insurance indemnity—all acres harvested at 17.0 bu/acre; winter wheat endorsement not exercised

Harvest price (\$3.00/bu.) lower than base price (\$3.40/bu.) with a production loss

Revenue

$$\begin{array}{rcccccc} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ & 30.0 & \times & 0.75 & \times & 3.40 & = & 76.50 \end{array}$$

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 17.0 & \times & \$3.00 & = & \$51.00 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss payment:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 76.50 & - & \$51.00 & = & \$25.50 \end{array}$$

Harvest price (\$3.70/acre) higher than base price (\$3.40/acre) with a production loss

Revenue

$$\begin{array}{rcccccc} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ & 30.0 & \times & 0.75 & \times & 3.70 & = & 83.25 \end{array}$$

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 17.0 & \times & \$3.70 & = & \$62.90 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss payment:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 83.25 & - & \$62.90 & = & \$20.35 \end{array}$$

^aPrices are for illustration purposes only.

^bGuarantee is the APH yield multiplied by the coverage level.

^cCalculation price is the higher of the base price or the harvest price.

Crop Revenue Coverage (CRC) Insurance Calculation for Northeastern Oregon Wheat Farm^a

CRC insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	47.00	bu./acre
Guarantee ^b	35.30	bu./acre
Price election	3.40	\$/bu.
Insurance coverage/acre	\$120.02	\$/acre

Producer's premium:

WITHOUT winter wheat options A or B	6.70	\$/acre
WITH winter wheat option B	7.92	\$/acre

CRC insurance indemnity—all acres harvested at 26.0 bu/acre; winter wheat endorsement not exercised

Harvest price (\$3.00/bu.) lower than base price (\$3.40/bu.) with a production loss

Revenue

$$\begin{array}{rcccccc} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ & 47.0 & \times & 0.75 & \times & 3.40 & = & 120.02 \end{array}$$

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 26.0 & \times & \$3.00 & = & \$78.00 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss payment:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 120.02 & - & \$78.00 & = & \$42.02 \end{array}$$

Harvest price (\$3.70/acre) higher than base price (\$3.40/acre) with a production loss

Revenue

$$\begin{array}{rcccccc} \text{Guarantee:} & \text{APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ & 47.0 & \times & 0.75 & \times & 3.70 & = & 130.43 \end{array}$$

$$\begin{array}{rcccccc} \text{Value of production:} & \text{Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ & 26.0 & \times & \$3.70 & = & \$96.20 \end{array}$$

$$\begin{array}{rcccccc} \text{Loss payment:} & \text{Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ & 130.43 & - & \$96.20 & = & \$34.41 \end{array}$$

^a Prices are for illustration purposes only.

^b Guarantee is the APH yield multiplied by the coverage level.

^c Calculation price is the higher of the base price or the harvest price.

Crop Revenue Coverage (CRC) Insurance Calculation for Eastern Washington Wheat Farm^a

CRC insurance policy for nonirrigated winter wheat with basic unit discount and 75% coverage level

APH yield	62.00	bu./acre
Guarantee ^b	46.50	bu./acre
Price election	3.40	\$/bu.
Insurance coverage/acre	\$158.10	\$/acre

Producer's premium:

WITHOUT winter wheat options A or B	8.35	\$/acre
WITH winter wheat option B	13.63	\$/acre

CRC insurance indemnity—all acres harvested at 35.0 bu/acre; winter wheat endorsement not exercised

Harvest price (\$3.00/bu.) lower than base price (\$3.40/bu.) a production loss

Revenue

$$\begin{array}{rclclcl} \text{Guarantee: APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ 62.0 & \times & 0.75 & \times & 3.40 & = & 158.10 \end{array}$$

$$\begin{array}{rclclcl} \text{Value of production: Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ 35.0 & \times & \$3.00 & = & \$105.00 \end{array}$$

$$\begin{array}{rclclcl} \text{Loss payment: Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ 158.10 & - & \$105.00 & = & \$53.10 \end{array}$$

Harvest price (\$3.70/acre) higher than base price (\$3.40/acre) with a production loss

Revenue

$$\begin{array}{rclclcl} \text{Guarantee: APH (bu./acre)} & \times & \text{Coverage Level (\%)} & \times & \text{Calculation Price}^c & = & \text{Guarantee (\$/acre)} \\ 62.0 & \times & 0.75 & \times & 3.70 & = & 172.05 \end{array}$$

$$\begin{array}{rclclcl} \text{Value of production: Harvested (bu./acre)} & \times & \text{Harvest Price (\$)} & = & \text{Income (\$/acre)} \\ 35.0 & \times & \$3.70 & = & \$129.50 \end{array}$$

$$\begin{array}{rclclcl} \text{Loss payment: Guarantee (\$/acre)} & - & \text{Income (\$/acre)} & = & \text{Indemnity (\$/acre)} \\ 172.05 & - & \$129.50 & = & \$42.55 \end{array}$$

^aPrices are for illustration purposes only.

^bGuarantee is the APH yield multiplied by the coverage level.

^cCalculation price is the higher of the base price or the harvest price.

Miscellaneous Production Risk Programs

Adjusted Gross Revenue (AGR)

The Adjusted Gross Revenue (AGR) insurance plan is a nontraditional, whole farm risk management tool. The AGR concept uses a producer's historic Schedule F tax form information as a base to provide a level of guaranteed revenue for the insurance period.

The AGR insurance plan:

- provides an insurance safety net for multiple agricultural commodities in one insurance product,
- establishes a common denominator for commodity production—cash receipts,
- makes simple and straightforward use of income tax forms, and reinforces program creditability by using Internal Revenue Service (IRS) tax forms and regulations.

The AGR program provides the producer with protection against low farm revenue due to unavoidable causes. Covered farm revenue is income from agricultural commodities reported on the Schedule F tax form, including incidental amounts of income from animals and animal products and aquaculture raised in a controlled environment. Incidental livestock income represents the crop production value fed to livestock.

Eligible producers may choose one of three AGR coverage levels:

- 65/75—65 percent coverage level and 75 percent payment rate,
- 75/75—75 percent coverage level and 75 percent payment rate, or
- 80/75—80 percent coverage level and 75 percent payment rate

The basic coverage is 65/75 and is available to all producers. To qualify for 75/75 coverage, a producer must produce at least three different agricultural commodities; for 80/75 coverage, must produce at least eight different agricultural commodities, and each commodity must meet a minimum revenue amount.

AGR protection is calculated by multiplying the approved gross revenue times the percent of coverage level and payment rate selected by the producer. The approved gross revenue is the smaller of:

- the average of the producer's prior five years of Schedule F tax information filed with the Internal Revenue Service. The average gross revenue may be adjusted for expanding operations; or

- ✎ expected revenue for the insurance year. For example, a producer with a \$100,000 approved gross revenue who chose 80/75 coverage would have \$60,000 protection ($\$100,000 \times 80$ percent coverage level \times 75 percent payment rate).

Loss payments are triggered when the adjusted gross income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved gross revenue by the chosen percent coverage level (65, 75 or 80). Once a loss is triggered, the payment rate is 75 percent of the revenue shortfall. Loss payment for this example would trigger when the income for the insurance year is below \$80,000 ($\$100,000 \times 80$ percent coverage level).

To be eligible, producers must:

- ✎ have filed five consecutive years of Schedule F tax forms, be the same tax entity for seven years (the five year history, previous year, and insurance year),
- ✎ produce eligible commodities in pilot counties,
- ✎ be a U.S. citizen or permanent resident,
- ✎ file calendar year farm tax return,
- ✎ have no interest in another entity earning income from agricultural commodities,
- ✎ have no more than 50 percent of allowable income earned from the purchase and resale of agricultural commodities,
- ✎ have no more than 35 percent of allowable income from animals and animal products, and
- ✎ have Multiple Peril Crop Insurance when more than 50 percent of allowable income is from insurable crops, animals, and animal products. When producers purchase both AGR and another crop insurance plan, the AGR premium will be reduced.

Currently, AGR is a pilot program. For the 1999 crop year it is only available in selected counties in Florida, Maine, Massachusetts, Michigan, and New Hampshire. AGR insurance policies are available only through private insurance agents.

Dairy Options Pilot Program (DOPP)

DOPP was designed to give producers an opportunity to learn how futures and options markets work and, at the same time, give producers first-hand experience in buying options contracts to insure a minimum price for their milk.

The program lasts approximately 12 months for each producer. Dairy producers who participate must operate a dairy that produces at least 100,000 pounds of milk over 6 months (17,000 pounds per month).

During the program, the producer will purchase options on a maximum of 600,000 pounds of milk. Through options contracts, the producer can buy a kind of price insurance. When milk prices fall “below-the-floor” (or “strike price”), the option contract increases in value and, in this way, the producer can make up the difference. Options can protect a producer from those prolonged periods of low prices that can threaten the dairy producer’s ability to cover expenses and loan payments. You will be responsible for 20 percent of the premium (or cost) of each option, while USDA will pay 80 percent of the premium as well as broker fees up to \$30 per option.

To be eligible, dairy producers must:

- operate a farm located in a county selected for the program,
- have documented production history of at least 100,000 pounds during any consecutive 6-month period over the last 12 months,
- and volunteer to participate in the program.

Currently, DOPP is available to dairy producers only in selected counties in California, Minnesota, New York, Pennsylvania, Texas, Vermont, and Wisconsin. Up to 100 farmers per selected county can participate. Participating farmers will attend one training session and then begin locking in milk price floors for themselves. The required 4-hour training session will give a good overview of how options work and how to apply them to the dairy producer’s specific operation.

Note: Once a dairy producer has signed and returned an application, he/she can still choose not to participate in the program, even after they have attended the training session. Thus, signing the application does not force the dairy producer to participate if, for any reason, the dairy producer changes his/her mind before buying any options under the program.

Where to get Answers/Assistance

Public Information

USDA/Risk Management Agency, Spokane Regional Service Office
University of Idaho
Oregon State University
Washington State University
University of Alaska at Fairbanks
Cooperative State Research Education and Extension Service (CSREES)

USDA/Farm Service Agency (FSA)
Other USDA agencies
Agricultural lenders
Commodity grower groups
Private risk management business professionals

Web sites

Pacific Northwest Risk Management Education Project
<http://pnw-ag.wsu.edu/risk>
USDA/Risk Management Education
<http://www.usda.gov/rma/rme/>
USDA/Cooperative State Research Education and Extension Service (SCREES)
<http://www.reeusda.gov/>
USDA/Sustainable Agriculture Network (SAN)
<http://www.sare.org/san/htdocs/pubs/explore/>
USDA/Risk Management Agency
<http://www.fcic.usda.gov/>
USDA Agriculture Fact Book
<http://www.usda.gov/news/pubs/fbook98/content.htm>
University of Alaska at Fairbanks Extension
<http://www.uaf.alaska.edu/coop-ext/ace.html>
University of Idaho Extension
<http://www.uidaho.edu/ag/e.html>
Oregon State University Extension
<http://www.orst.edu/extension/>
Washington State University Extension
<http://ext.wsu.edu/>
Idaho Grain Producers Association
<http://www.idahograin.org/>
Oregon Wheat Growers League
<http://www.owgl.org/>
Washington Association of Wheat Growers
<http://users.agritel.net/~wheat/>
USDA/Farm Service Agency (FSA)
<http://www.fsa.usda.gov/pas/default.asp>
AGrisk
<http://www-agecon.ag.ohio-state.edu/agrisk/default.htm>
Chicago Board of Trade
<http://www.cbot.com>
AG Safety–University of Idaho
<http://www.uidaho.edu/bae/agsafety/>

Crop Insurance Agents

Insurance policies are available exclusively from private insurance agents. A list of *local* crop insurance agents can be obtained at local USDA service centers or Farm Service Agency county offices listed in telephone directories under U.S. Government, Department of Agriculture.

National crop insurance companies:

Farmers Alliance Insurance Company
(Blakely Crop Hail, Inc.)
100 South East 9th Street
Topeka, Kansas 66601-0418
Phone: (785) 232-0937 (1-800-336-4359)
Fax: (785) 232-0042

American Growers Insurance Company
535 West Broadway
Council Bluffs, Iowa 51503
Phone: (712) 328-3918 (1-800-999-7475)
Fax: (712) 329-5878
Richard Gibson, Executive Vice President

Producers Lloyds Insurance Company
P.O. Box 229
Amarillo, Texas 79105
Phone: (806) 372-6785 (1-800-366-2767)
Fax: (806) 372-3826

Alliance Insurance Company
(North Central Crop Ins. Co.)
P.O. Box 1088
Eau Claire, Wisconsin 54702
Phone: (715) 834-8155 (1-800-826-7090)
Fax: (715) 834-1899

Farm Bureau Insurance Company of Nebraska
5225 South 16th Street
Lincoln, Nebraska 68501
Phone: (402) 421-4400
Fax: (402) 421-4432

Farm Bureau Mutual Insurance Company (Iowa)
5400 University Avenue
West Des Moines, Iowa 50266
Phone: (515) 225-5515
Fax: (515) 226-6070

Cigna Insurance Company
(Rain and Hail L.L.C.)
1501 50th Street, Suite 200
West Des Moines, Iowa 50266-5925
Phone: (515) 224-3070 (1-800-776-4045)
Fax: (515) 224-3089

Farmers Mutual Hail Insurance Company of Iowa
2323 Grand Avenue
Des Moines, Iowa 50312
Phone: (515) 282-9104
Fax: (515) 282-6303

Country Mutual Insurance Company
P.O. Box 2100
Bloomington, Illinois 61702
Phone: (309) 821-3000
Fax: (309) 821-3538

Great American Insurance Company
49 East Fourth Street, Suite 408
Cincinnati, Ohio 45202-3803
Phone: (513) 763-8400 (1-800-587-1553)
Fax: (513) 763-8457

IGF Insurance Company
6000 Grand Avenue
Des Moines, Iowa 50312
Phone: (515) 633-1000 (1-800-274-2766)
Fax: (515) 633-1010

The Hartford
1125 South 103rd St.
Omaha, Nebraska 68124
Phone: (402) 399-8833 (1-800-295-1815)
Fax: (402) 393-4031 or (402) 399-8012

Fireman's Fund Insurance Company
10895 Lowell, Suite # 300
Overland Park, Kansas 66210
Phone: (913) 338-7800
Fax: (913) 323-5735

Rural Community Insurance Services
3501 Thurston Avenue
Anoka, Minnesota 55303
Phone: (612) 427-0290 (1-800-451-3836)
Fax: (612) 427-1591

American Agricultural Insurance Company
225 Touhy Avenue
Park Ridge, Illinois 60068-7056
Phone: (847) 685-8600
Fax: (847) 685-8661

Millers Mutual Fire Insurance Company
(Keystate Crop Insurance)
11385 North Trimble Road
Robinson, Illinois 62454
Phone: (618) 546-5409 (1-800-654-2767)
Fax: (618) 546-5650

NAU Country Insurance Companies
6701 Highway 10, NW
Ramsey, Minnesota 55303
Phone: (612) 427-3770 (1-800-942-6557)
Fax: (612) 427-6473

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USDA, Building a Risk Management Plan. Reference to Crop Insurance. USDA Risk Management Agency, Risk Management Education. August 1998.

USDA, Multiple Peril Crop Insurance (MPCI) Fact Sheet. USDA Risk Management Agency, Risk Management Education. August 1998.

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University of Idaho, Cooperative Extension Service. Managing Risk Through Diversification & Technology. Paul Patterson March 1998.

University of Minnesota Extension Service (CSREES). 1999 Crop Insurance Alternatives and Provision FACT Sheet. Gary Hachfeld and Kent Thiesse. January 1999.

Iowa State University Group Risk Plan Crop Insurance Fact Sheet. Revised Jan. 1999.

Purdue University, Cooperative Extension Service. Opportunities for Organic Crop Production. Lee Anne Dust Schroeder and Stephen B. Lovejoy. EC-705. November 1995.

The Texas A&M University System, Texas Agricultural Extension Service. Precision Farming: A New Approach to Crop Management. Stephen W. Searcy and Chanse Stephens. July 1997.

Purdue University, Cooperative Extension Service. Precision Farming Overview. Chris J. Johannsen. April 1995.

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