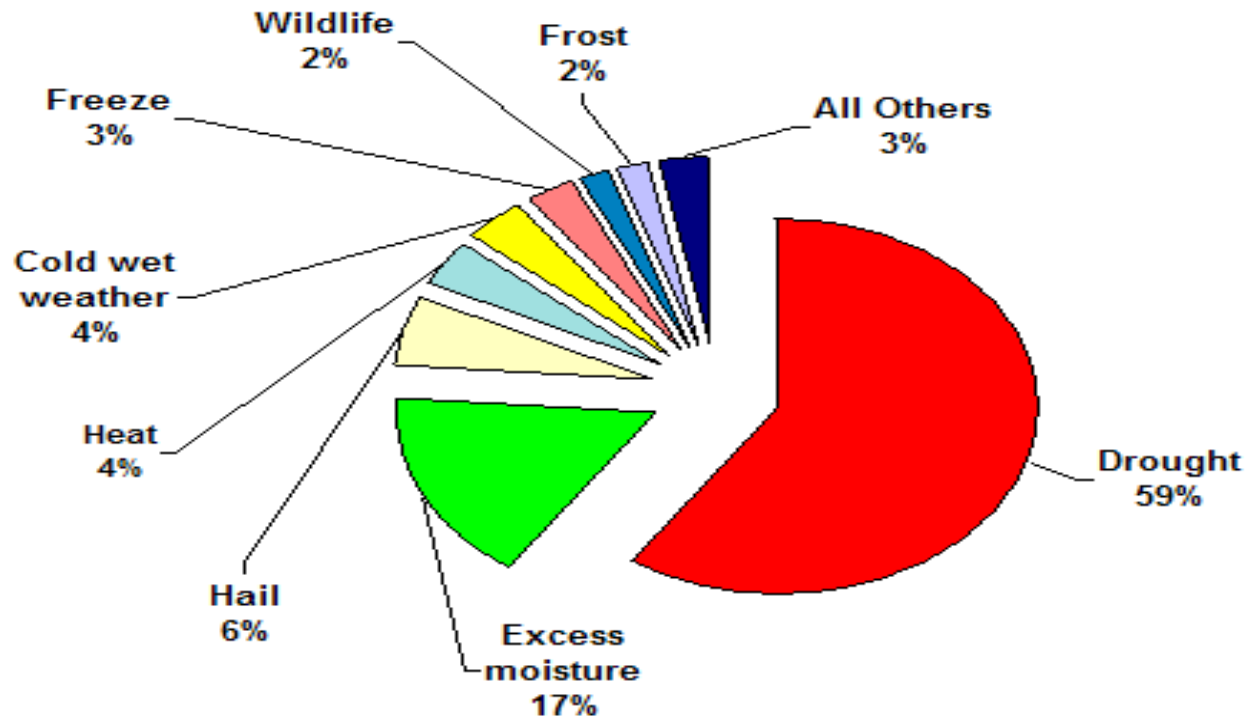


Crop Insurance for Fruit Crops

Lynn Kime – senior extension associate – AERS
Penn State is committed to affirmative action,
equal opportunity, and the diversity of its
workforce.

WHY PA CROPS FAIL

\$261 Million of Crop Ins. Loss Payments 1981-07



Multi-Peril Crop Insurance - MPCCI

- This is the traditional coverage you are used to.
- Provides coverages and policies for individual crops.
- Coverage is based on Actual Production History (APH).

Multi-Peril Crop Insurance (MPCI)

Causes of losses covered:

- drought
- excess rain
- excess wind
- fire
- freeze
- hail
- tornado
- earthquake
- insects
- disease
- wildlife
- failure of irrigation supply

Producer must use Best
Management Practices

Crop Insurance Program Basics:

1) Determine actual production history (APH) yield

minimum of 4 successive years of records
maximum of 10 successive years of records
Apples and peaches – 5 year data base

<4 years of records \approx T-yields

Transitional yields vary by county and production practices

0 years of records: 65% of county T-yield
1 year of records: 80% of county T-yield
2 years of records: 90% of county T-yield
3 years of records: 100% of county T-yield

Crop insurance calculations:

Yield guarantee = APH • coverage level

Premium/acre = yield guarantee • premium rate •
price election

Note:

CAT program costs \$300/crop/county for a 50% yield guarantee and a 55% price election.

MPCI has a \$30/crop administrative fee.

Crop insurance calculations:

If actual yield is less than the yield guarantee:

Indemnity payment = (yield guarantee – actual production) • price election

If actual yield is equal to or greater than the yield guarantee:

Indemnity payment = 0

Adjusted Gross Revenue – Lite (AGR-Lite)

- Now offers up to \$1M in protection at the 50% coverage level.
- Commodities with small revenues can be grouped to determine diversification credits.
- No animal income restrictions.
- Can be used for organic production.
- Sales closing date for new policies is March 15, January 15, for existing policies.

AGR – Lite (continued)

- May be used in combination with other policies.
- Only two years of historical commodity information is required.
- Available in all counties except Philadelphia County.

How Well Do You Know the Basics?

- What is the sign up deadline for fruit crops?
- November 20
- What is the acreage and production reporting deadline?
- January 31
- What happens if you do not sign up by November 20?
- You will not be covered.

How Well Do You Know the Basics?

- What happens if you do not report your acreage by January 31?
- The company reserves the right to send an adjuster to your farm to measure the orchards and may possibly deny coverage if there is a loss.
- What happens if you under report your acreage?
- If you have a claim and the adjuster measures your acreage and determines a discrepancy, your expected payments will be reduced.

How Well Do You Know the Basics?

- What happens if you remove acreage after you reported in January?
- You will be charged for that acreage even if you did not have the trees. Also, the previous example will apply.
- What happens if you do not pay your bill?
- You will not be able to purchase coverage.

SURE Program

- You must have all crops contributing over 10% to your income insured to be eligible for the program.
- Those crops not having crop insurance policies (plums, apricots, sweet cherries etc.) must be insured by the Non-insured Crop Disaster Assistance Program(NAP).

Select Good Crop Insurance Agent

Producer offered “rules of thumb” on agent selection:

- Assess agent’s level of product knowledge.
- Does C.I. Agent have many customers (if so they must be doing it right).
- Ask farm neighbors for recommendation of a good agent.
- Ask agent for references of C.I. Customers.

C.I. Provides Loan Collateral

- Improves credit worthiness at the bank.
- Cash value on growing crops = Coverage.
- Provides liquid collateral.
- Helps assure timely loan repayment.
- Loss Proceeds are assignable to creditors.

Producers Report that Crop Insurance is a Good Foundation

- Can improve crop marketing.
- Can provide safety-net at targeted cash-flow level.
- Can provide increased credit worthiness.
- Can provide peace of mind.
- Can improve grand-kids inheritance.

For More Information

- <http://cropins.aers.psu.edu>
- Also, for whole farm planning:
<http://farm-riskplans.usda.gov/>

Program Support Provided By

- The Risk Management Agency



- The Pennsylvania Department of Agriculture



Thank You!!

Questions?

***This presentation is not to be used or
cited without the author's consent.***