

THE 2014 FARM BILL: Whole Farm Revenue Protection (and other related crop insurance issues)



Rod M. Rejesus

Associate Professor and Extension Specialist

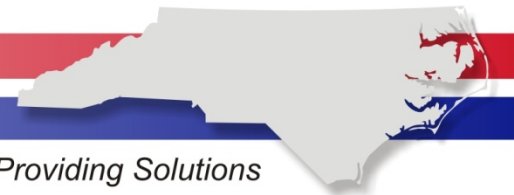
Dept. of Ag. and Resource Economics

NC State University



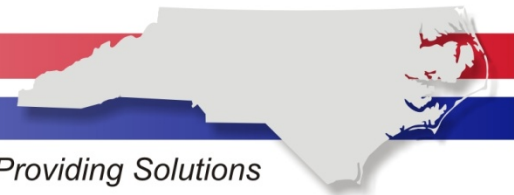
What Do We Know?

- There is a Farm Bill and it has been signed into law
 - Agricultural Act (AA) of 2014
- It is over 930 pages long
 - Will likely be over 20,000 pages long after USDA has written implementation rules for all programs



Disclaimer

- Information provided here is based on my reading of the Bill and other available materials regarding the contents of the Bill
- There will likely be differences in my interpretation and final regulations



Whole Farm Crop Insurance

- 2014 Farm Bill required **development of a whole farm crop insurance policy** (Title XI, Sec. 11022)
- Primarily because **specialty, organic, and diversified** crop farmers have historically been underserved
 - Specialty crops: fruits, nuts, vegetables (including **strawberries**)

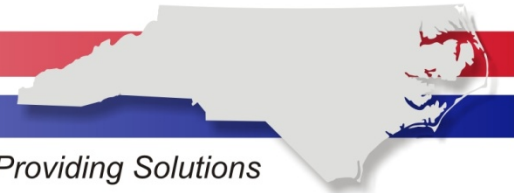


Figure 4. Share of Specialty Crop Acres Insured, 2011

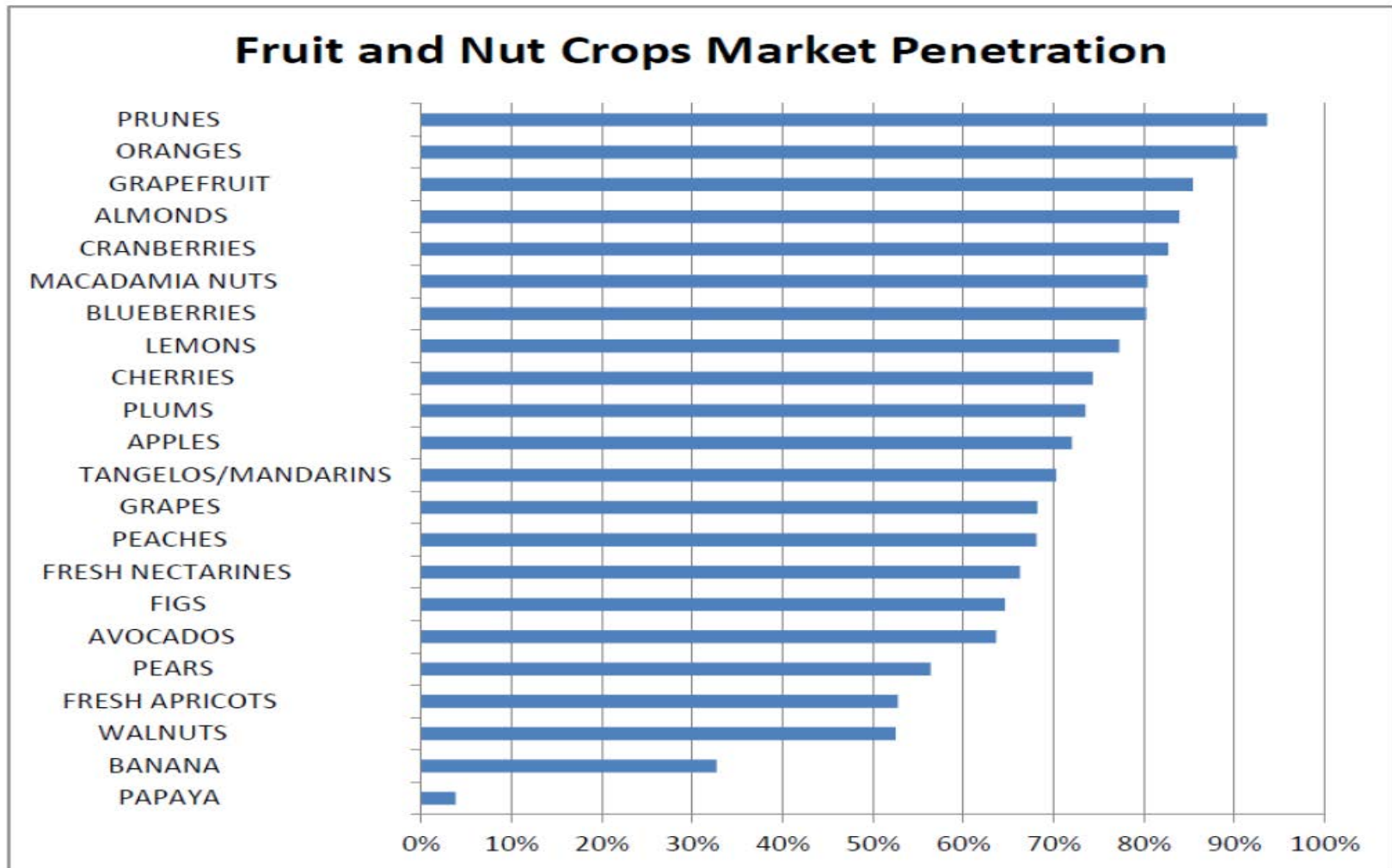


Table 3. Uninsurable Specialty Crops in 2011 and NASS 2011 Acreage

Crop	Acres	Crop	Acres
Carrots, processing	12,790	Squash 1/	50,200
Cucumbers, processing	85,000	Watermelons, fresh	138,600
Spinach, processing	10,200	Blackberries	7,300
Artichokes 1/	7,400	Boysenberries	500
Asparagus 1/	28,900	Raspberries	17,500
Broccoli 1/	133,300	Strawberries	58,660
Cantaloupes, fresh	72,590	Tart cherries	36,000
Carrots, fresh	75,400	Dates	8,200
Cauliflower 1/	37,680	Guavas	110
Celery 1/	28,700	Kiwi fruit	4,200
Cucumbers, fresh	42,850	Olives	41,500
Garlic 1/	25,650	Papayas	1,300
Honeydews, fresh	14,750	Hazelnuts	29,500
Lettuce, fresh	273,000	Pistachios	153,000
Spinach, fresh	35,700	Total	1,157,480

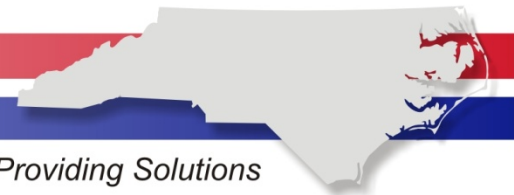
1/ Includes fresh and processing.

Source: NASS Vegetables 2011 Summary and Non-citrus Fruits and Nuts 2011 Summary.



Whole Farm Crop Insurance

- New whole farm crop insurance policy meant to expand & improve upon existing whole-farm revenue programs:
 - AGR and AGR-Lite
- AGR & AGR-Lite have been lightly used since its introduction in 1999
 - In NC, 3 AGR-Lite policies sold in 2013



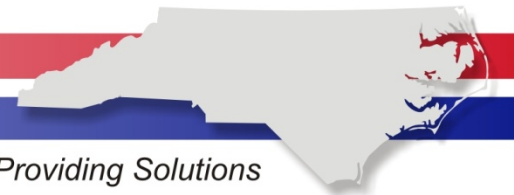
Whole Farm Revenue Protection

- In May 2014, the FCIC approved the **Whole Farm Revenue Protection (WFRP)** pilot policy to be offered by RMA in **2015**
- WFRP allows farmers to insure **all crops (& livestock)** at once, rather than insuring commodity-by-commodity
 - Expands options for diversified producers



WFRP Program Features

- **Revenue** insurance
 - Revenue coverage from tax records
- **Expanded coverage levels** from **50%** to **85%** of gross farm revenue
- **Premium subsidy** of up to **80%** when at least two crops are grown
- Further **premium discounts** with increased diversification (at higher coverage)



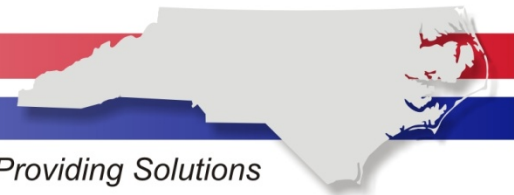
WFRP Program Features

- Expanded coverage to allow incidental processing expenses needed to bring commodity to market
 - Washing, trimming, and packaging costs
- Increased liability limit to \$8.5 million
 - Compared to \$6.5 million for AGR & \$1 million for AGR-Lite

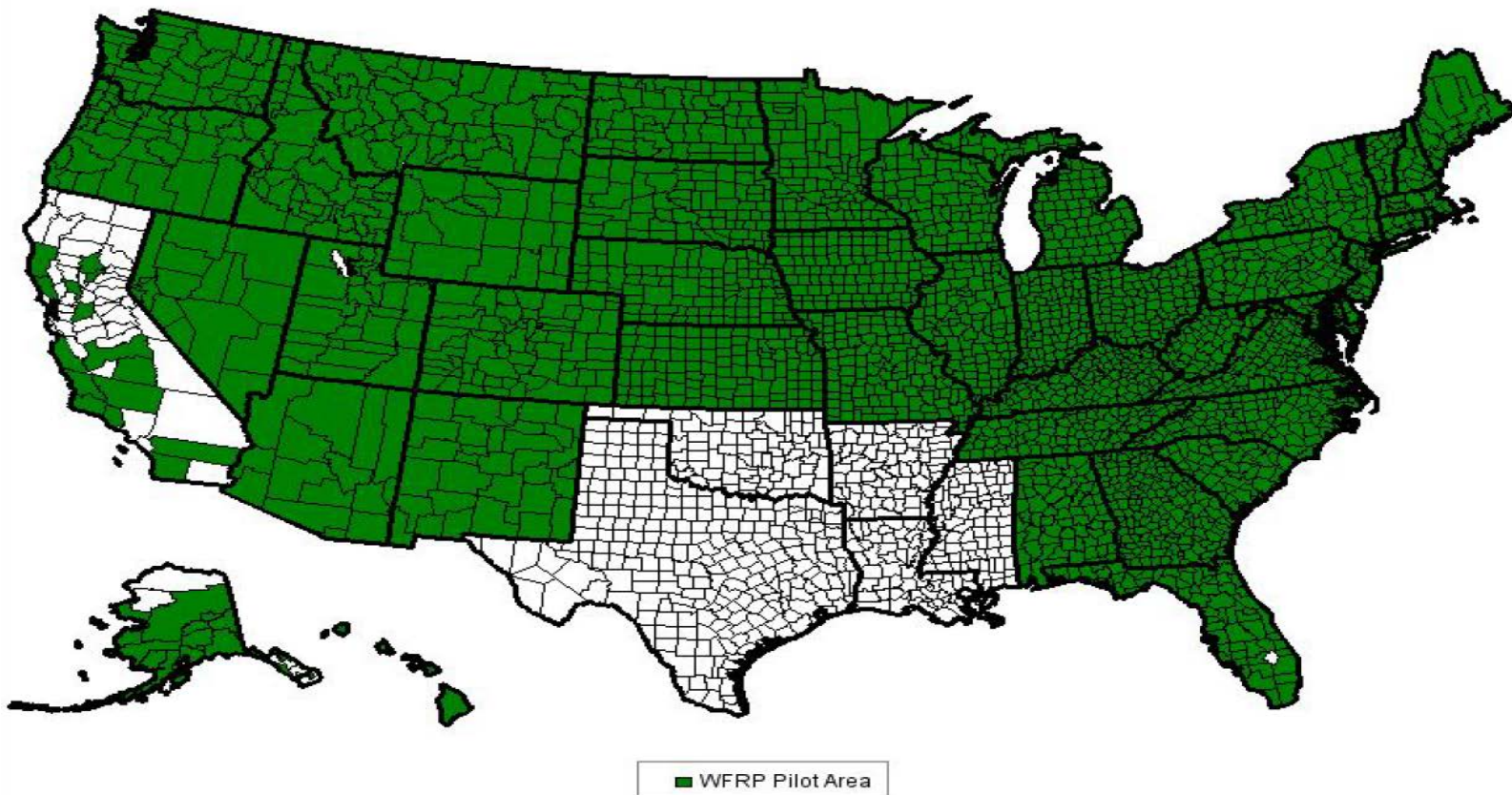


WFRP Availability

- “Pilot” policy – which means only available in **select geographical regions** starting 2015
 - Will be made available where AGR & AGR-Lite is offered
 - In 2015, should be available in **all states**
 - Except: AK (some counties), AR, CA (some counties), LA, MS, OK, TX



WFRP Availability



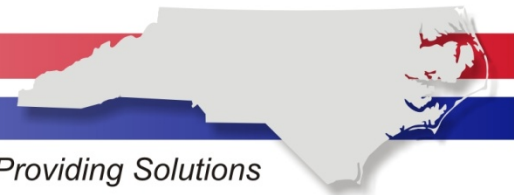
Whole Farm Revenue Protection

- Attractive option for:
 - Diversified farms (with specialty crops)
 - Farms with integrated grain & livestock systems
 - Organic producers who grow crops without organic price elections (for insurance)
 - Single commodity farms not insurable under other RMA policies (**strawberries**)
 - Farms that sell to direct markets, local markets



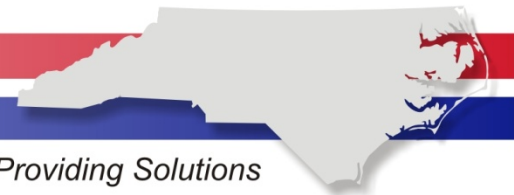
Food Safety Insurance

- 2014 Farm Bill required studies to determine the feasibility of offering **policies to cover food safety and contamination-related losses**
 - To cover production or revenue losses from government, retail, or national consumer group announcements of a health advisory, removal, or recall due to contamination



Weather Index Insurance

- 2014 Farm Bill also allowed RMA to conduct pilot programs that would provide **financial assistance** to specialty and livestock growers for purchase of **index-based weather insurance**
 - Purchase weather index insurance from a private provider
 - Up to 60% premium subsidy



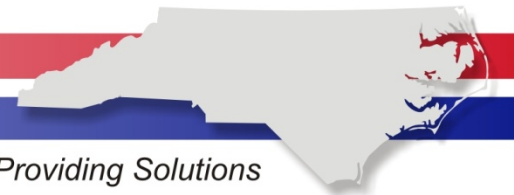
Take Home Messages

- WFRP has **potential** to be an attractive risk management option for strawberry growers (especially diversified operations)
- “Wait and See” attitude for now
 - **The devil is in the details!**
 - There are still questions about complexity & paperwork requirements



For More Information on WFRP

- Call your Crop Insurance Agent!
- See the RMA Website:
 - <http://www.rma.usda.gov/policies/wfrp.html>
 - **Note:** Sales closing date is 2/28/2015



Thank You!

- Questions? Contact:

Rod M. Rejesus

Dept. of Agricultural and Resource Economics

NC State University

Tel. No. (919)513-4605

Email: rod_rejesus@ncsu.edu

