

# PRODUCER NEWS

A seasonal crop insurance supplement to the New Jersey Farmer

Fall 2009

## The Importance of Crop Insurance: A Look at the Past Growing Season



This growing season has been a challenging one for New Jersey producers. Extremely wet periods followed by extremely dry periods, hail, and even disease epidemics have been pushing farmers to their limits. This was a good season to have crop insurance.

An extremely wet spring delayed planting for many producers and made harvesting hay and straw difficult, if not impossible. It also kept farmers out of their fields when they were ready to plant. Producers with crop insurance could take advantage of their prevented planting or delayed planting provisions. The following dry period in July caused some problems as well, and we are sure to see some loss claims due

to weather for this season.

This spring also brought with it a late blight epidemic in tomatoes and potatoes. The disease originated in the south, but infected tomato starter plants shipped to New Jersey for sale in "big box" stores infected local plants with this devastating fungal disease. The spores quickly become wind-borne and can travel from one person's backyard garden to a large commercial farm, wiping out entire tomato crops. Crop insurance is available on processing tomatoes in New Jersey, and any producers who had it are very thankful for it right now. In 2008, there were 919 insured acres of processing tomatoes in New Jersey.

We even saw hail damage in

parts of the state this summer. A storm narrowly missed the Rutgers University Snyder Research and Extension Farm, which sustained extreme damage from the hail storm in 2007 and again in 2008. The farm now carries crop insurance on its apple orchards in Pittstown, NJ.

Weather can be unpredictable and devastating, and protecting yourself from its damage can be difficult. Producers with a sound risk management plan understand the importance of crop insurance in protecting their farm's long-term viability. It is even more important now that producers are required to purchase crop insurance (or FSA's NAP coverage) to be eligible for federal crop disas-

ter payments. In 2008, 1,409 crop insurance policies were purchased in New Jersey. Over \$4.2 million was paid in loss payments to producers, with an overall return of \$2.52 for every \$1 paid by producers in premium. Of all the policies sold, 52% were buy-up policies rather than the minimal Catastrophic coverage; and yet they received 85% of total loss payments. Buying higher levels of coverage pays.

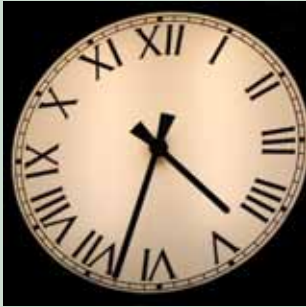
For more information about crop insurance contact your crop insurance agent or the Garden State Crop Insurance Education Team toll-free at 1-800-308-2449 or on the web at <http://salem.rutgers.edu/crop-insurance>.

## Garden State Crop Insurance Education Initiative



*This supplement has been paid for by the Garden State Crop Insurance Education Initiative.*

# Upcoming Crop Insurance Deadlines



## September 30 for Small Grains and Forage

Growers interested in insuring their wheat, barley, or forage production have until September 30, 2009 to contact a crop insurance agent and sign up. Covered causes of loss include adverse weather conditions (hail, drought, wind, excess moisture), failure of irrigation water supply (if due to an insured cause of loss- i.e. drought), fire, insects and plant disease (if proper control measures are in place), and wildlife.

Wheat is insurable in Burlington, Cumberland, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth, Salem, Somerset, and Warren Counties.

Barley is insurable in Burlington, Cumberland, Gloucester, Mercer, Middlesex, Monmouth, and Salem Counties.

Forage Production is insurable in every county *except* Bergen, Essex, Hudson, Passaic, and Union.

If your small grain or forage crop is not insurable in your county, you may ask an insurance agent about insuring with a written agreement. You can also obtain NAP (Non-Insured Crop Disaster Assistance Program) through Farm Service Agency on small grains crops. Contact your local FSA office for more information.

September						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

## Enrollment Dates

### September 30

Barley  
Wheat  
Forage Production

### November 20

Apples  
Peaches  
Blueberries  
Cranberries

### January 31

AGR  
Potato

### March 15

Corn  
Corn CRC  
Corn GRP/GRIP  
Fresh Market Sweet Corn  
Grain Sorghum  
Grain Sorghum CRC  
Processing Beans  
Soybeans  
Soybeans CRC  
Soybeans GRP/GRIP  
Processing Tomatoes  
AGR-Lite  
Spring Forage Seeding  
Spring Oats

### July 31

Fall Forage Seeding

### Continuous

LGM  
Nursery

## November 20 for Fruit Crop Insurance

Producers growing apples, peaches, cranberries, or blueberries have until November 20, 2009 to contact a crop insurance agent and apply for crop insurance on their fruit. Crop insurance protects from causes of loss such as adverse weather conditions (hail, frost, freeze, wind, drought), earthquake, failure of irrigation water supply (if due to direct damage from insurable cause of loss, i.e. drought), fire, insects, disease, and wildlife (if proper control measures are in place). These causes of loss vary by the crop insured, so check with a crop insurance agent.

Apples are insurable in Atlantic, Burlington, Camden, Cumberland, Gloucester, Hunterdon, Mercer, Middlesex, Monmouth,

Salem, Somerset, and Warren Counties. Orchards must have produced 150 bushels per acre in at least one of the past four years to be insurable. Apple growers have the option of purchasing additional coverage for loss of quality in apples grown for fresh fruit that do not grade U.S. Fancy or better.

Peaches are insurable in Atlantic, Burlington, Camden, Cumberland, Gloucester, Hunterdon, Middlesex, and Salem Counties. The policy includes nectarines, and all trees must have reached the fourth growing season to be insurable.

Blueberries are insurable in Atlantic, Burlington, Camden, and Ocean Counties. Blueberries

are insurable if they have reached the third growing season or have produced at least 1,500 pounds per acre.

Cranberries are insurable in Burlington and Ocean Counties. The vines must have completed four growing seasons after being set out.

If your fruit crop is not insurable in your county, you may ask an insurance agent about insuring with a written agreement. You can also obtain NAP (Non-Insured Crop Disaster Assistance Program) through Farm Service Agency on many different fruit crops. Contact your local FSA office for more information.

## Quality Loss:

# Are You Covered?

Consider the following scenarios:

- A hail storm renders half of your fresh apples unmarketable.
- You receive a lower price for your wheat due to vomitoxin.
- You can't find a buyer for your corn because of excessive kernel damage or other very low quality conditions.

Did you know that your crop insurance policy can cover you in these situations? Everyone knows that crop insurance protects from low yields, but some policies also have quality loss provisions built in. Others have specific methods for adjusting your production-to-count for production that does not meet a certain grade or standard.

Grain policies issue Discount Factors for different conditions that may damage your

production. The higher the severity of the condition, the higher the Discount Factor. The Discount Factor is then used for loss adjustment purposes. The policies include discounts for grade, low test weight, excessive kernel damage and defects, sample grade factors (odors), aflatoxin, vomitoxin, fumonisin, and other substances or conditions determined to be injurious to human or animal health. Discount Factors are also issued for production that cannot be sold due to quality deficiencies. No Discount Factors are issued for damage due to uninsured causes, drying, handling, processing, or any other costs associated with normal harvesting, handling, and marketing of your production.

Policies other than grain generally rely on grading or industry standards to determine quality loss, and adjust accordingly. One special policy is the apple policy. The

standard apple policy insures all apples to U.S. No. 1 Processing grade or greater. This means that it offers coverage against damage from natural perils resulting in fresh or processing fruit that fails to grade U.S. No. 1 Processing or better. However, you can buy an extra option with your apple policy that insures your fresh apples up to U.S. Fancy or greater. This is only available on buy-up policies (no CAT) and cannot be purchased for apples grown and maintained for processing.

It is important to remember that you must notify your insurance agent within 72 hours of discovering damage or a potential loss. You also need to give a notice of probable loss 15 days before harvesting (or immediately if loss is discovered after harvesting has begun). Do not sell or dispose of any damaged production until you hear from the crop adjuster.

## Tips for Working with the Crop Adjuster

**W**hen a grower files a crop insurance claim with their insurance company, it triggers a process that involves an adjuster coming out to the farm to verify a grower's production numbers and cause of loss. The procedures that the adjuster uses to assess your damage are designated by the Risk Management Agency, a part of USDA. Here are some tips for making the process go smoothly and increasing your chances of a successful loss payment:

- Contact your crop insurance agent within 72 hours of discovering damage.
- Give a notice of probable loss 15 days before harvesting (or immediately if loss is discovered after harvesting has begun).
- Provide a telephone number where you can be reached easily so that the adjuster can schedule a farm visit as soon as possible.
- Find out from the adjuster what you can and cannot do with your crop before the farm visit.
- Tell the adjuster what you intend to do with the crop. If

you intend to bring it to harvest, find these documents and have them ready:

- o Acreage Report, or 578 form (from FSA)
- o Aerial maps of the farm
- o 1026A form, which verifies who owns the land and who operates the farm (from FSA)
- Verify information on the adjuster's Proof of Loss work sheet. The adjuster will bring this along with them and it is imperative that your farm's information is correct.
- Have all your documents ready when the adjuster arrives.
- Be available during the farm visit to answer questions, or accompany the adjuster and learn how the process works.



# Crop Insurance for Vineyards

**G**rape growing is a risky business—what's your risk management plan? Does it include crop insurance? Perhaps it should. Any farm operation that is interested in receiving federal crop disaster payments must be aware that the new disaster program requires crop insurance on every insurable crop on the farm (some exceptions apply). If crop insurance is not available, a Farm Service Agency program called NAP is required. Crop insurance is an important and powerful risk management tool that producers need to consider.

Insuring grapes in New Jersey is not as simple as other fruit crops. There is no grape insurance policy for New Jersey. But if you're interested in protecting your investment, there are options. If you have 3 years of prior yield records, you can request a "Written Agreement" from your crop insurance agent. This means that they write you a policy based on a nearby grape policy (such as Pennsylvania's or New York's) and adapt it to your conditions, provided you meet certain requirements. The policy is then sent to USDA's Risk Management Agency for approval. If it is approved, then you have a crop insurance policy!

The requirements of your grape policy would be similar to other states' requirements, which are:

- Vines must have reached fifth growing season (fourth for

Concord, Elvira, and Niagara varieties)

- Vines must have produced an average of 2 tons per acre in at least one of the 3 most recent crop years

Vinifera grapes are only insurable by written agreements even in states which have grape policies! They require at least 5 years of production records and



an average yield of at least 2 tons per acre (after reaching the minimum 2 tons/acre). All new policyholders must undergo a vineyard inspection to evaluate risk and determine insurability.

The policy works by averaging together your past years' yields (4 or more for non-Vinifera) to establish an APH, or Actual Production History. You can insure separately by varietal group, so you must keep precise yield records. Your APH is then multiplied by a coverage

level that you choose, between 50 and 75%, to calculate your production guarantee in tons/acre. If your APH is 6 tons/acre and your coverage level is 65%, your guarantee would be 3.9 tons/acre. If your actual production is below 3.9 tons/acre, you could be eligible for an indemnity payment. The indemnity payment is not designed to replace what you lost, but rather

to provide some money to help pay the bills until next growing season.

The grape policy protects you from adverse weather conditions such as hail, frost, freeze, drought, excess moisture; fire; insects and plant disease (provided proper control measures are in place); and wildlife. The sales closing deadline for grape insurance is November 20, so be sure to contact an insurance agent well before the deadline.

Another option for grape growers is an insurance plan called Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite (AGR-Lite). These plans are different because they insure the whole farm's revenue, not just one crop at a time. They are based on your Schedule F tax documents and cover almost all agricultural production. These plans are a good option for diversified farms. Their closing deadlines are January 31 for AGR and March 15 for AGR-Lite (designed for smaller farms).

A last option is the Farm Service Agency program called NAP (Non-Insured Crop Disaster Assistance Program). This program functions much like crop insurance, and offers coverage on crops that are not insurable in your county. It is fixed at 50% coverage level and 55% market price. This means that you must lose at least half of your crop to trigger a payment, and the payment is based on 55% of the market price of the commodity. It only covers losses due to natural disasters.

If you are looking to transfer some of the risks of production out of your vineyard, crop insurance may be the answer. Contact a crop insurance agent to see if the program is right for you. For questions or a list of crop insurance agents in New Jersey, contact the Garden State Crop Insurance Education team toll-free at 1-800-308-2449.

# Changes to Dairy Insurance Policy Benefit Producers

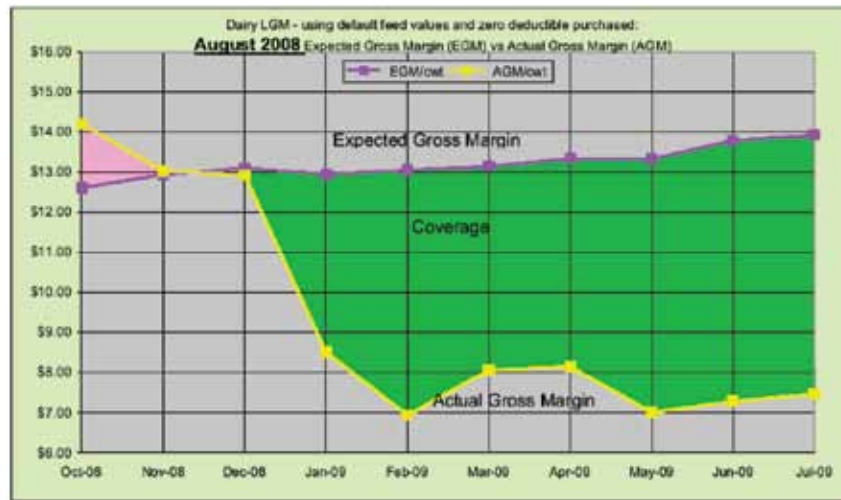
Livestock Gross Margin for Dairy (LGM-Dairy) is a plan of insurance available to dairy producers in New Jersey. It provides protection against the loss of gross margin, which is defined as market value of milk minus feed costs. Expected gross margin is calculated using futures prices for milk, corn, and soybean meal as well as producer estimated quantities of milk to be produced and feed to be used during the insurance period. A loss payment is made if the producer's actual gross margin is less than their expected gross margin. Producers can convert their feeds into corn and soybean meal equivalents to calculate gross margin. Insurance can be purchased monthly for a period up to 10 months (with a 1-month waiting period).

Effective July 2009, the following changes are in effect:

- Producers can opt to use a default amount of feed per cwt when calculating feed costs, instead of converting all of their feedstuffs into corn and soybean meal equivalents
- Longer time period to purchase insurance at end of the month (last business Friday until 9pm the following day), giving producers and agents more time for paperwork

The following graph is an illustration of how the program would have worked if purchased in August 2008. The recent sharp unexpected downturn in milk prices would have been insurable. Between the months of January and July 2009 producers would have received an indemnity of between \$3 to \$5 per enrolled hundredweight.

Producers have the ability to insure a percentage of milk production to gain familiarity and a better understanding of the ins and outs of the program.



## AGR and AGR-Lite: When Other Options Don't Fit

Does it seem like crop insurance just wasn't meant for your farm? Then AGR and AGR-Lite were meant for you!

AGR stands for Adjusted Gross Revenue. These policies insure your total farm income instead of each individual crop yield. If you have a diversified farm with many different crops, if you grow crops which are not insurable, or if you are just interested in protecting your bottom line with crop insurance, ask about AGR and AGR-Lite!

These policies also keep your farm eligible for federal crop disaster programs by insuring every crop on the farm. Contact us or a crop insurance agent for details.

## The Link Between Crop Insurance and Federal Crop Disaster Payments

The new crop disaster program SURE stands for SUPplemental REvenue Assistance Program. In order to be eligible, a producer must purchase either federal crop insurance or FSA's NAP coverage for just about every crop on the farm. (There are some exceptions.) One way to cover your farm is Adjusted Gross Revenue (AGR) and AGR-Lite, which insures your end-of-year revenue.

Through a series of equations based on your crop insurance and NAP coverage, it provides a whole-farm revenue guarantee. If a producer chooses higher levels of crop insurance coverage, his SURE guarantee will be higher. SURE payments will be triggered by a Secretarial disaster declaration (includes contiguous counties). It will also be available to any farm where, during the calendar year, the total loss of production on the farm, because of weather, is greater than 50 percent of the normal production on the farm. Producers will then receive a disaster payment limited to \$100,000 per year.

The program itself is very detailed and this summary only touches the surface. For more details, contact your local Farm Service Agency office.

# Giving Your Farm Records a CHECK-UP



## Wheat CRC

CRC stands for Crop Revenue Coverage, which is a crop insurance program designed to cover both yield and revenue. It works by calculating your revenue guarantee twice during the season, so that you can use the better of a base price (established in September of the planting year) or harvest price for your guarantee. Currently, CRC is only available on corn, soybeans, and grain sorghum in limited counties in New Jersey.

However, growers have told us that they want this policy for wheat as well. We are working with RMA to explore options for a New Jersey CRC for Wheat policy. We welcome any comments from growers, so feel free to call or write us!

With the harvest season just around the corner, it is an excellent time to give your farm record system a CHECK-UP. This should include double checking whether it provides the needed information to manage the business and whether it meets the crop insurance records requirements. A USDA approved guide for crop insurance records management can be viewed and printed from the web at <http://cropins.aers.psu.edu/>.

It is not necessary that your record system look identical to the one on the website, but it must include the same information in order to support your crop acreage and production so that you can annually update the actual production history for each insurance unit. If you determine that you are likely to have a crop loss, it is suggested that before the beginning of harvesting, you visit with your crop insurance agent and perhaps a loss adjuster to determine if any additional information will be needed to support your claim. Depending on the situation, it may be necessary to appraise the yield on the damaged acreage in the field before harvesting, or the insurance company may give you permission to modify the information that you need to maintain.

There follows a few rules of thumb that may be helpful:

1. Report crop damage within the earlier of 72 hours of discovery, at least 15 days before harvesting begins (for corn to be cut for

- silage, permission is required to leave sample areas for appraisal at a later date), within 15 days after harvesting is completed on the insurance unit, but not later than the calendar for the end of the insurance period,
2. Never destroy production evidence until after an adjuster evaluated it,
3. Never mix farm stored production from two insurance units, without determining and recording the production in a manner that will satisfy the needs of the insurance company.
4. If you double crop (growing two or more crops on the same acreage for harvesting the same year, i.e. wheat followed by soybeans, etc.) additional record keeping is required, to receive maximum insurance benefits, if a crop loss(s) occurs. Separate historical and current year written records, are required for the double cropped and for the single cropped acreage and production on each insurance unit of each crop.
5. If you insure with enterprise insurance units, you may want to consider maintaining records on what could be an optional unit, so that you could consider insuring with a different unit structure for some future year.

For more information, contact your crop insurance agent.

## Going *Organic*?

Did you know that crop insurance is available on organic crops? In 2000, the Agricultural Risk Protection Act provided for organic farming practices to be recognized as good farming practices, and thus insurable.

Coverage is available for certified organic acreage, transitional acreage being converted to certified organic acreage in accordance with an organic plan, and buffer zone acreage. Insured causes of loss include adverse weather, insects, disease, or weeds, as long as recognized organic farming practices fail to provide an effective control. Contamination by application or drift of prohibited substances onto organic acreage is not an insured peril.

Price elections for organically grown commodities will be the same as the price elections for the same conventionally grown commodity for the current crop year. Contact a crop insurance agent for more information.

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# Recent Events

## August 4-7, 2009

The Garden State Crop Insurance Education Team gathered our materials and headed out to the Salem County Fair. We put up our educational crop insurance display, handed out booklets and materials, and played a crop insurance video at our booth. We even managed to speak with producers about crop insurance- a difficult feat when competing with ice cream, pony rides, livestock shows, and tractor pulls!

## August 11, 2009

We attended the New Jersey Apple School-Training for Apple Crop Insurance Adjusters, sponsored by the Rutgers Cooperative Extension and Rutgers Snyder Research and Extension Farm, and coordinated by Win Cowgill. It was one full day of learning about different causes of apple loss and quality loss, what an orchard should look like, and everything about apples. The meeting was a phenomenal success, with attendees from as far away as Kansas and Nebraska, and focused discussion, hands-on learning, and expert instruction all day.

## August 12, 2009

Samuel Coburn, a nursery and tree fruit crop insurance specialist from USDA's Risk Management Agency, flew in from the regional RMA office in North Carolina for an educational tour. With the help of Win Cowgill, County Agent in Hunterdon County, we took Sam to see several truly different nursery operations in Hunterdon

County. We saw a farm that specializes in Chinese plants, a nursery that got hit with hail in both 2007 and 2009, and an organic nursery and poultry farm. We analyzed the current risk management strategies in place and then discussed the pros and cons of crop insurance at each farm. This was our second consecutive year of the tour and we hope to make next year the third!



From left to right: Samuel Coburn - RMA, David Lee - RCE, Charlie Huang discuss crop insurance options on Charlie's nursery, Chia Sin Farms located in Hunterdon County.

This newsletter is brought to you by the Garden State Crop Insurance Education Initiative, a partnership between the USDA Risk Management Agency, New Jersey Department of Agriculture and Rutgers Cooperative Extension of Salem County. For additional information about crop insurance visit our website <http://salem.rutgers.edu/cropinsurance> call our toll free hotline 1-800-308-2449 or contact your crop insurance agent.

The following individuals are recognized for their contributions to this newsletter:

Robert Bruch, NJDA

Gene Gantz, USDA RMA

David Lee, RCE Salem County

Laura Gladney, RCE Salem County

Jasen Berkowitz, RCE Salem County

Mike Marandola, RCE Salem County



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