

Federal Crop Insurance is Part of Farm Safety Net for Maryland Potato Producers

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The U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA) promotes, supports, and regulates risk management solutions for America's agricultural producers by providing federal crop insurance programs. In addition, the agency provides education and outreach programs in risk management.

The RMA develops the premium rates, administers premium and expense subsidies, approves and supports products, and reinsures private sector companies through the Federal Crop Insurance Corporation (FCIC). These private sector companies sell and service policies through licensed agents. The agents evaluate specific grower needs and help them choose the right program and the coverage level to protect their operations.



Crop Insurance Protects From Yield Losses if Producers Meet Specified Conditions Federal crop insurance for potatoes is an Actual Production History (APH) insurance policy. APH¹ insurance protects producers against yield losses caused by drought, wind, hail, excessive moisture, frost, insects, and disease. APH insurance pays indemnities when actual yields are below a yield guarantee.

As of 2014, federal crop insurance for potatoes is only available in Kent, Queen Anne's and Worcester Counties in Maryland. However, potatoes grown outside of those three counties can be covered under a policy. In order to be eligible, the potato producer will need to talk with his/her local insurance agent about completing a **written agreement**.

To obtain a policy, potato producers will need to supply the insurance agent with the past 3 years of their potato production history. If potato production history is not available for that time period, the producer can substitute the production history of a similar crop, such as onions. The potato producer also will need to submit Farm Service Agency (FSA) farm maps showing where the potatoes will be grown and the forms FSA-578 "Report of Acreage." Once the insurance agent receives the proper paperwork, the agent will forward this information to the RMA to review the

¹ Average yield is also known as the "Average Actual Production History (APH) yield." APH yield is based on actual yields, a percentage of the Transitional Yield (average yield in the county), or a combination of the two used to determine a producer's production.

written agreement. The RMA will either approve or reject the written agreement. All of this process would need to be completed by January 31 of the crop year.

Crop insurance is only available to insure potato crops planted with certified seed² and harvested for human consumption or certified seed. For example, Mike farms potatoes in Kent county, uses certified potato seeds, and sold the harvested potatoes under contract for potato chips. Because Mike is using certified seeds and harvesting the potatoes for human consumption, he would be able to insure his potato crop.

Federal Potato Crop Insurance Offers Different Levels of Coverage Based on Average Yield

A potato producer can choose coverage levels of 50 to 75 percent of average yields. The coverage levels increase in 5-percent increments across this range (table 1). The federal disaster program may require crop insurance enrollment. Catastrophic (CAT) coverage would be fixed at 50 percent of average yield and 55 percent of the average market price of the crop. CAT coverage would cost a flat-fee of \$300.

Table 1. Producers can choose varying levels of insurance coverage

Coverage Level	CAT	50%	55%	60%	65%	70%	75%
Premium Subsidy	100	67%	64%	64%	59%	59%	55%
Farmer's Premium	\$300 fee	33%	36%	36%	41%	41%	45%

The potato producer pays part of the premium charged by the crop insurance company with the federal government paying the remaining portion. The amount of the premium subsidized is based on the level of coverage selected by the potato producer. The producer's share of the premiums escalates at higher levels of protection (table 1). At 50% coverage, for example, the federal government



pays 67% of the premium and the farmer, 33%. At 75% coverage level, the government's portion is only 55% and the farmer's share increases to 45%.

For example, Mike has an average yield of 240 hundredweight (cwt.) per acre and chooses the 60 percent crop insurance coverage level. If Mike's potato crop is destroyed by a storm, he will receive payment for 144 cwt. per acre of potatoes, or 60 percent of his average yield. For this level of coverage, Mike will pay 36 percent of the premium and the federal government will pay the balance.

Producers Can Choose Coverage for Basic or Optional Units

A basic unit consists of all of the potato farmland owned or cash rented by the potato producer. A separate basic unit can also consist of potato farmland rented under a crop-share rental arrangement by the potato producer. With such arrangements, a basic unit will exist for all potato cropland owned by the same landlord/producer combination. For example, potato producer Mike has 100 acres of farmland used for potato production that he owns (he does not cash rent any acres), another 50 acres of farmland he crop-share rents from the Russet family, and another 20 acres he crop-share rents from the Williams family. Mike would have 3 basic units for crop insurance, one representing the land he owns and one for each crop-share rental.

² Certified potato seeds are those potato seeds that have been certified by a public agency to be of a progeny of seed handled in a way to ensure genetic purity and identity. Use of certified seed is important to reduce the introduction of diseases into the potato crop.

Crop Insurance Only Covers Specified Types of Crop Losses

Covered causes of loss under crop insurance policies are: 1) adverse weather conditions, such as hail, frost, freeze, drought, or excess moisture;



2) failure of irrigation water supply; 3) fire; 4) insects; 5) plant disease; and 6) wildlife. With insects and plant disease, a producer needs to prove he/she had taken appropriate controls to prevent the damage or disease.

Mike would want to make sure he uses the appropriate insect and plant disease controls, such as recommended insecticides and fungicides. If these controls do not limit the crop damage, then the insect damage or plant disease would be covered by the crop insurance policy.

When a potato producer experiences a loss from a covered cause, he/she has some responsibilities to fulfill before an indemnity will be paid. The potato producer must:

- continue to care for the undamaged portions of the crop and prevent further destruction.
- report the damage to the insurance agent within 72 hours of the initial discovery of the loss, but no later than 15 days after the end of the insurance period.

- leave representative samples on each field in the damaged unit for the insurance loss adjuster to inspect.

Indemnity Payments for Losses are Based on Price Election and Average Yields

A price election is set by the FCIC. The 2012 price election was \$9.75 per cwt. for all Maryland counties, except Worcester County. In Worcester County, the price election is \$14.75 per cwt. The indemnity payment is calculated as the price election multiplied by the producer's average yield minus any actual potato production the producer was able to harvest.

From the previous example, Mike chose a 60-percent coverage level and some of his potato crop was destroyed by a drought. Mike would use the following analysis to calculate his crop insurance indemnity payment:

		240	Cwt. per acre average yield
x		0.60	Coverage level percentage
		144	Cwt. per acre guarantee
-		0	Actual cwt. per acre production
		144	Cwt. per acre loss
x	\$	9.75	Price election
		\$1,404.00	Indemnity per acre

If Mike had been able to harvest 40 cwt. per acre of potatoes, then the indemnity payment per acre would look like this:

		240	Cwt. per acre average yield
x		0.60	Coverage level percentage
		144	Cwt. per acre guarantee
-		40	Actual cwt. per acre production
		104	Cwt. per acre loss
x	\$	9.75	Price election
		\$1,014.00	Indemnity per acre

³ For more information on your duties in reporting an insured damaged crop, see Ballard, *Filing a Crop Insurance Claim: An Overview for Producers* (Nat. Ag. Law Center 2012) (available at http://www.nationalaglawcenter.org/assets/articles/ballard_article.pdf).

The crop insurance premium is calculated as the product of the:

1. production guarantee;
2. price election;
3. premium rate;
4. insured acres; and
5. applicable premium discounts.

Mike chose a 60-percent coverage level, had an average yield of 240 cwt. per acre, and insured all 100 acres of potatoes he is produced this year. He held a 100-percent stake in the planted potato crop.

Mike purchased his policy as one base unit. The analysis to determine Mike’s premium looks like this:

	240	Cwt. per acre average yield
x	0.60	Coverage level percentage
	144	(a) Production guarantee
x	\$ 9.75	(b) Price election
x	0.36	(c) Premium rate
x	100	(d) Acres to insure
x	1	(e) Share at time of planting
x	0.1	(f) Premium discounts
	\$ 5,054.40	Premium payment
	\$ 50.54	Premium payment/acre

Mike’s premium payment per acre would be \$50.54 based on the coverage level he chose.

Crop insurance coverage starts the day the potatoes are planted and runs until the earliest of five possible dates:

1. total destruction of the crop;
2. crop is harvested;
3. final adjustment of the claim;
4. abandonment of the potato crop; and
5. no later than October 15.

For example, Mike’s crop insurance policy would run from April 1, the day the crop is planted, and

end June 6, when the crop was destroyed in a drought.

Producers Who Interplant are Not Eligible for Crop Insurance

A potato crop is uninsurable if the potatoes are interplanted with another crop; planted with established grasses or legumes, such as alfalfa; or planted without following the crop rotation requirements specified in the insurance policy.

In another example, Mike still uses certified seeds and harvests the potatoes for human consumption. However, Mike’s potato crop would no longer be eligible for crop insurance, because he chose to interplant his potato crop with his sorghum crop.

Producers are Required to Report All Acreage in Which They Have a Share to Crop Insurance Companies

Mike gave his son 10 acres of farmland for potato production through a crop-share arrangement. When reporting acreage to the crop insurance company, Mike needs to include the 10 acres of potato his son is producing since Mike has a share in those potatoes.

The following are important dates a potato producers should remember these important dates when considering crop insurance:

1. January 31 of the crop year – Crop insurance sales and policy modification deadline;
2. May 5 of the crop year – Final planting date for potatoes to be covered;
3. May 15 of the crop year – Acreage report due to insurance agent;
4. October 15 of the crop year – Crop insurance coverage ends.

References

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