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# AN OVERVIEW OF FEDERAL CROP INSURANCE IN WISCONSIN

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## TABLE OF CONTENTS

## INTRODUCTION

The USDA's Risk Management Agency (RMA) operates the Federal Crop Insurance Corporation (FCIC) to manage the federal crop insurance program. The FCIC follows federally mandated guidelines when endorsing the various crop insurance policies available for approved crops. An FCIC endorsement for a crop insurance policy makes federal subsidies available to insurance companies selling the policy and producers buying the policy. These subsidies include a premium subsidy for producers to lower the cost of purchasing policies, plus a subsidy to insurance companies for administrative and overhead costs for providing the policy and a reinsurance agreement between the RMA and insurance companies. The RMA subsidizes crop insurance because without subsidization, private insurance companies would offer few or none of the current crop insurance policies.

The federal crop insurance program has gone through dramatic changes in recent years, including an expansion in the types of policies available and in insurable crops. The purpose of this overview is to help producers, Extension county faculty, and other agricultural professional to understand current federal crop insurance policies available in Wisconsin for major crops. Not all questions can be answered here, nor can all details be described. Additional resources to use for more specific questions are provided. Finally, this overview can quickly become dated on specific policies and crops, since the RMA is continuously modifying and improving crop insurance policies to address unforeseen contingencies. Hence, a certified crop insurance agent is an excellent source for up-to-date information regarding the specifics of the different policies available and for the definitive requirements of current policies. An important message of this overview is that producers should always contact their crop insurance agent with specific questions regarding policy details.

## FEDERAL CROP INSURANCE IN WISCONSIN

A wide variety of federally endorsed insurance policies are available for a many Wisconsin crops. **TABLE 1** lists all insurable crops and available insurance plans for each crop endorsed by the RMA in 2005. Not all of these policies are automatically available in all Wisconsin counties, and the specifics can vary between counties. If a policy is not available in a specific county, producers may be able to obtain written agreements to obtain the desired coverage. Contact a crop insurance agent for details.

Private companies have developed supplemental policies for RMA-approved policies and specific-risk policies. For example, supplements include increased APH price elections or increased revenue coverage for CRC. Specific-risk policies may include hail or fire insurance for crops, or types of weather insurance. The RMA does not directly subsidize these policies, so producers pay the entire premium and any load added for administrative and operating costs. These supplements and policies are not discussed further here.

**TABLE 1. Insurable crops and available insurance plans in Wisconsin in 2005.**

| Insurable Crop | Insurance Plans |
|---|---|
| Apples | GYC |
| Barley | APH |
| Cabbage | GYC |
| Cigar Binder Tobacco | Tobacco (Guaranteed Production) |
| Corn | APH, CRC, GRP, GRIP |
| Cranberries | APH |
| Dry Beans | APH |
| Forage Production | APH, GRP |
| Forage Seeding | Dollar Amount of Insurance |
| Grain Sorghum | APH, CRC |
| Green Peas | GYC |
| Hybrid Seed Corn | GRP*, GRIP*, Yield-Based Dollar Amount of Insurance |
| Mint | APH |
| Nursery | Dollar Amount of Insurance |
| Oats | APH |
| Potatoes | GYC |
| Processing Beans | GYC |
| Processing Sweet Corn | APH, GRP*, GRIP* |
| Soybeans | APH, CRC, GRP, GRIP |
| Wheat | APH, CRC |
| | |
| Feeder Cattle | LRP |
| Fed Cattle | LRP |
| Swine | LRP |

* By written agreement; contact a crop insurance agent for details.

**TABLE 2** reports the percent of acres insured with a federal crop insurance policy for each crop. Relative to nearby states such as Illinois, Iowa, and Minnesota, Wisconsin has historically had lower crop insurance participation rates, which are generally attributed to the greater diversification of Wisconsin producers. Since they are less reliant on one or two crops, Wisconsin producers have less need for insurance to manage risk.

**TABLE 2. 2004 crop insurance participation rates in Wisconsin by crop.**

| Insurable Crop | Total Crop Acres | Percent Insured |
|---|---|---|
| Apples | 6,400 | 17% |
| Barley | 45,000 | 10% |
| Cabbage | 2,270 | 100% |
| Cigar Binder Tobacco | 1,820 | 65% |
| Corn | 3,750,000 | 56% |
| Cranberries | 16,300 | 95% |
| Dry Beans | 6,600 | 27% |
| Forage Production | 2,400,000 | 15% |
| Forage Seeding | 550,000 | 10% |
| Grain Sorghum | -- | 0% |
| Green Peas | 37,800 | 46% |
| Hybrid Seed Corn | 9,515 | 100% |
| Mint | 3,900 | 56% |
| Nursery | 1730 farms | 2% |
| Oats | 340,000 | 8% |
| Potatoes | 81,000 | 47% |
| Processing Beans | 75,000 | 53% |
| Processing Sweet Corn | 92,800 | 43% |
| Soybeans | 1,720,000 | 63% |
| Wheat | 247,000 | 33% |

**TABLE 3** reports the percent of polices sold for each type of insurance when more than one type is available for a crop. When available, such as for corn, soybeans, and wheat, CRC is the most popular policy for a crop, followed by APH with buy-up coverage. When CRC is not available, such as for forage production, GRP and GRIP become relatively more popular, though not as popular as APH buy-up coverage.

**TABLE 3. Percent of Wisconsin crop insurance policies sold by type in 2004.**

| Crop | ----- APH ----- | | | ----- GRP ----- | | |
|---|---|---|---|---|---|---|
| | CAT | Buy-up | CRC | CAT | Buy-up | GRIP |
| Corn | 13.4% | 32.5% | 48.2% | 0.2% | 2.6% | 3.3% |
| Forage | 21.3% | 34.8% | na | 20.5% | 23.4% | na |
| Soybeans | 8.4% | 25.1% | 64.3% | 0.0% | 1.1% | 1.0% |
| Wheat | 10.3% | 40.7% | 49.0% | 0.0% | 0.0% | 0.0% |

## BRIEF DESCRIPTION OF WISCONSIN INSURANCE PLANS

**Actual Production History (APH)** provides coverage for yield losses due to a wide range of natural causes. Yield guarantees are based on a producer's actual yield history, hence the name. Oldest and most common type of policy available, the foundation for most other policies; also known as **Multiple Peril Crop Insurance (MPCI)**.

**Catastrophic (CAT)** coverage is APH with the lowest possible coverage available (50% coverage level, 55% price election). Lowest cost crop insurance available for most crops.

**Crop Revenue Coverage (CRC)** provides coverage for revenue losses due to low yields and/or low prices. Essentially combines APH with coverage for losses due to low prices. Most popular policy in Wisconsin, when it is available.

**Dollar Amount of Insurance** provides coverage similar to APH, but the RMA, not a producer's yield history, determines available coverage.

**Group Risk Income Protection (GRIP)** provides coverage for county-wide crop failures and/or low prices. Like GRP, but with coverage for low prices, or like CRC, but uses county-average yield instead of a producer's actual yield.

**Group Risk Plan (GRP)** provides coverage for county-wide crop failures. Like APH, but uses county-average yield instead of a producer's actual yield.

**Grower Yield Certification (GYC)** is what APH is called for vegetable and fruit crops because a grower's certified yields are used to determine coverage.

**Livestock Risk Protection (LRP)** provides coverage for low livestock prices.

**Tobacco (Guaranteed Production)** is essentially APH for tobacco producers.

**Yield-Based Dollar Amount of Insurance** provides coverage similar to APH, but the RMA, not a producer's yield history, determines available coverage.

## EXISTING PLANS <u>NOT</u> AVAILABLE IN WISCONSIN

**Adjusted Gross Revenue (AGR) and AGR-Lite** are income/revenue insurance for diversified producers of under-served commodities in under-served states.

**Income Protection (IP)** is revenue insurance comparable to CRC and RA, but only available at the enterprise level (not for basic or optional units).

**Revenue Assurance (RA)** is a type of revenue insurance comparable to CRC and typically more popular than CRC when both are available.

## APH CROP INSURANCE

A farmer purchasing APH (including GYC) crop insurance must designate the insured field(s) as a unit, calculate the APH yield for the unit to determine the unit's yield guarantee, and then choose the coverage level and price election for the chosen policy.

## UNIT STRUCTURE

The producer must designate each unit of land that is insured separate from any other land the producer may operate. Farmers generally prefer to have as many separate units as possible, because, for example, one field can be flooded or hailed out in the same year other fields in the unit produce record yields. Each unit must be planted to the same crop during the insurance period and a unit cannot cut across a county line. Separate production records must be kept for each unit. Wisconsin producers have three unit options: Basic, Optional, and Enterprise Units. Some policies for select crops in some states also have Whole-Farm Units, but none are currently available in Wisconsin.

**Basic Unit:** A producer receives one basic unit for all acres planted in the county to the insured crop on land that the producer owns or cash rents, plus one additional basic unit for all acres planted to the insured crop in the county on land that the producer share rents with a different landlord. Producers insuring all acreage of a crop as basic units receive a 10% premium discount.

**Optional Unit:** A producer can designate an optional unit for all acres in different township sections planted in the county to the insured crop on land that the producer owns or cash rents. Producers may also qualify for optional units if the crop is grown under different practices or different types of the crop are grown. For example, dryland and irrigated acreage of the same crop may qualify as separate optional units. Corn for grain and corn for silage may also qualify as separate optional units and alfalfa, alfalfa mixed with grasses, and red clover may qualify as separate optional units for forage production APH insurance.

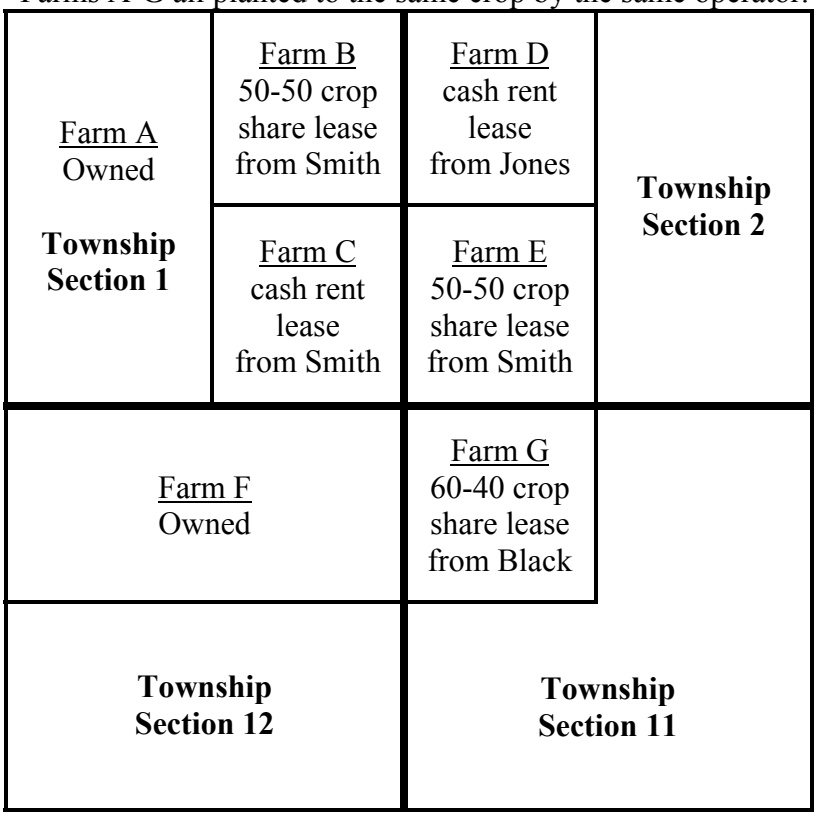
**Enterprise Unit:** An enterprise unit combines all of a producer's acreage for the insured crop in the county into a single unit, regardless of whether it is owned, cash, or share rented. Producers using an enterprise unit pay lower premiums per insured acre.

**Whole-Farm Unit:** Producers buying Revenue Assurance (RA) can combine acres of more than one crop into a single, whole-farm unit and receive an additional premium discount, but RA is not available in Wisconsin. AGR and AGR-Lite are also essentially whole-farm income insurance, but neither is available in Wisconsin.

**FIGURE 1** illustrates the different unit structures possible for a sample farm to indicate how each of these unit structures work. In general, optional units are the most popular and most producers find them the most profitable way to insure their crops. All producers should work with an informed crop insurance agent when examining their possible unit structures and deciding which is best for their crops.

**FIGURE 1. Example farm and possible unit structures.**

Farms A-G all planted to the same crop by the same operator.




**Basic Units:**

This operation qualifies for 3 Basic Units:

- Unit 1: Farms A, C, D, and F (all owned or cash rented)
- Unit 2: Farms B and E (both crop share leased from Smith)
- Unit 3: Farm G (crop share leased from Black)

**Optional Units**

This operation qualifies for 6 Optional Units:

- Unit 1: Farms A and C (owned or cash rented in Township Section 1)
- Unit 2: Farm B (crop share leased in Township Section 1)
- Unit 3: Farm D (cash rented in Township Section 2)
- Unit 4: Farm E (crop share leased in Township Section 2)
- Unit 5: Farm F (owned in Township Section 12)
- Unit 6: Farm G (crop share leased in Township Section 11)

**Enterprise Unit**

This operation qualifies for 1 enterprise unit consisting of Farms A-G.

Adapted from W. Edwards, "Insurance Units for Crop Insurance." Iowa State University Extension A1-56, February 2003. http://www.extension.iastate.edu/agdm/crops/pdf/a1-56.pdf

## CALCULATING APH YIELD

The available insurance coverage for a unit depends on the approved APH yield calculated for the unit using acceptable records. Generally, proving yield requires sales receipts, storage records, or livestock consumption records. Always check with your crop insurance agent to ensure your records are acceptable for establishing APH yield. Records must be continuous, from the current year working backward for up to ten years, or until a year is missing. An exception is made for a missing year if the crop was not planted in that year; then a zero acreage report is filed and the continuous yield record is maintained. Dropping yield records for a year with low or no yield is not allowed. At most, there will be ten years of yield records. Once the yield history is established with acceptable records, the APH yield is calculated as the simple average of these yields. However, special cases exist that change the calculation of the APH yield.

### Transition Yields

A producer must have at least four years of continuous yield history to calculate his APH yield using the simple average. If a producer has three or fewer continuous years of yield history, then transition yields (T-yields) are used when calculating the average. The RMA establishes a different T-yield for each county based on the county average yield. A farmer with three years of yield history adds one transition yield that is 100% of the county T-yield when calculating the average. A farmer with two years of yield history adds two transition yields that are 90% of the county T-yield when calculating the average. A farmer with one year of yield history adds three transition yields that are 80% of the county T-yield when calculating the average. Finally, a farmer with no yield history adds four transition yields that are 65% of the county T-yield when calculating the average, so his APH yield is 65% of the county T-yield. **TABLE 4** provides examples illustrating the use of T-yields.

### Yield Cup, Cap, and Floor

When a producer continues crop insurance coverage and updates his yield history, the RMA puts limits on how much the APH yield can change. There is a 10% cup that prevents the APH yield from decreasing more than 10% in any one year. Similarly, a 20% cap exists that prevents the APH yield from increasing more than 20% in any one year. Large yield losses or bumper crops eventually work their way into the APH yield, since the next year it can decrease 10% or increase 20% again.

The RMA also has a floor on the APH yield. A farmer with no yield history has an APH yield of 65% of the county T-yield. For a farmer with one year of yield history, the APH yield has a floor of 70% of the county T-yield. A farmer with two to four years of yield history has a floor of 75% of the county T-yield. A farmer with five or more years of yield history has a floor of 80% of the county T-yield.

Because these special cases may be implemented if a farmer adds new land or plants new crops, it is a good idea to work with a licensed crop insurance agent early to allow time to assemble yield records and determine the best policy option, long before the sign-up date.

**TABLE 4. Examples of how the transition yield (T-yield) affects the APH yield guarantee for a farm in a county with a T-yield of 112 bu/ac for corn.**

| Records for Year | 4 Years Unit Yield | 3 Years Unit Yield | 2 Years Unit Yield | 1 Year Unit Yield | None Unit Yield |
|---|---|---|---|---|---|
| 2004 | 143 | 143 | 143 | 143 | 112 x 0.65 = 73 |
| 2003 | 128 | 128 | 128 | 112 x 0.80 = 90 | 112 x 0.65 = 73 |
| 2002 | 101 | 101 | 112 x 0.90 = 101 | 112 x 0.80 = 90 | 112 x 0.65 = 73 |
| 2001 | 122 | 112 x 1.00 = 112 | 112 x 0.90 = 101 | 112 x 0.80 = 90 | 112 x 0.65 = 73 |
| APH Yield | 124 | 121 | 118 | 103 | 73 |

## COVERAGE LEVEL AND PRICE ELECTION

Once APH yield has been calculated, the chosen coverage level and price election determine coverage. The coverage level is the percentage of APH yield chosen to be the producer's yield guarantee. The yield guarantee is important, because a harvested yield for the insured unit below this yield guarantee triggers an insurance indemnity. Available coverage levels for APH are 50%, 55%, 60%, 65%, 70%, and 75%; for select counties and some crops, 80% and 85% coverage levels are also available. As an example, if the APH yield is 120 bu/ac for a unit, a 65% coverage level gives a yield guarantee for the insured unit of 120 x 0.65 = 78 bu/ac. If the unit is 100 ac, then the yield guarantee for the unit is 78 x 10 = 7,800 bu. Of course, as the coverage level increases, the premium also increases.

The insured producer must also choose a price election, which is the price used to value the crop if an indemnity is triggered by a yield below the yield guarantee. Each crop year, the RMA announces the price election for each crop, usually based on futures market prices. For insurance coverage, a producer then chooses a percentage of this announced price election for his policy. Available price elections range from 55% to 100% by 1% increments of the officially announced price election, but are actually offered as stated prices (e.g., $2.00/bu), not as percentages. Of course, as the chosen price election increases, the premium also increases.

## PREMIUM SUBSIDIES

Catastrophic (CAT) coverage is APH insurance with a 50% coverage level and a 55% price election, and so is the lowest possible coverage available. To encourage farmers to buy at least by CAT coverage, the RMA completely subsidizes the CAT premium. A producer only pays an administrative fee of $100 per crop in each county for CAT coverage. Qualifying limited-resource farmers can have waived this fee waived.

Coverage with a higher coverage level and/or price election is called "buy-up" coverage and producers pay a premium depending on the chosen coverage level and price election, plus their APH yield and size of the insured unit. However, the RMA subsidizes these premiums in two ways. First, the insurance company receives a subsidy for administrative and overhead costs, so these costs are not added as a load on the premium paid by producers. Second, the RMA subsidizes part of the producer's premium. The subsidy rate varies depending on the coverage level, as reported in **TABLE 5**.

The producer premium subsidy decreases as the coverage level increases so that at higher coverage levels, producers pay a greater share of the full premium. However, because producers always pay less than the actuarially fair premium, if they are a typical producer in the county, they should, on average, receive more in crop insurance indemnities than they pay in premiums.

**TABLE 5. Premium subsidy and producer premium share by APH coverage level.**

| Coverage Level (%) | 50 | 55 | 60 | 65 | 70 | 75 | 80 | 85 |
|---|---|---|---|---|---|---|---|---|
| Premium Subsidy (%) | 67 | 64 | 64 | 59 | 59 | 55 | 48 | 38 |
| Producer Share (%) | 33 | 36 | 36 | 41 | 41 | 45 | 52 | 62 |

## PREMIUM CALCULATION

Calculating producer premiums for APH can be complicated and confusing. The RMA makes its premium calculation software available on the internet for farmers and other agricultural professional to use (http://www3.rma.usda.gov/apps/premcalc/index.cfm). This software is very useful for planning purposes, since it allows a producer to compare the cost of coverage for the available crop insurance options. This comparison can involve examining different unit structures, coverage levels, price elections, and policies and options. Use of the RMA's Premium Calculator requires creating an account with a login ID and password. Alternatively, the Farmdoc webpage also has a Premium Estimator for available insurance policies by county for several states and important grain crops (http://www.farmdoc.uiuc.edu/cropins/index.html). The program is much simpler to use than the RMA's Premium Calculator, but limited in the number of crops covered and policy details. Note that the final premium a producer must pay will be determined by the insurance company selling the policy.

## IMPORTANT CROP INSURANCE DATES

Crop insurance policies are legal contracts with several important dates. If certain actions are not completed or reported by the specified dates, the producer may invalidate the insurance coverage. These dates are described below and 2005 calendar dates are reported in **TABLES 6 and 7** for popular crops in Wisconsin. These dates can change from year to year and differ between crops and policies, but the dates should be specified in the policy and the crop insurance agent should know them. It is the producer's responsibility to know these dates and carry out required activities by the required date.

**Sales Closing/Cancellation Date:** Last day to apply for crop insurance coverage, or change/cancel a current policy. Most crop insurance policies are continuous policies, and so continue as specified in the previous year. Thus, this is the last day to cancel or to make changes in a policy continuing from the previous year.

**Earliest Planting Date:** Earliest date the crop can be planted for the crop to be insurable.

**Final Planting Date:** Last day the crop can be planted for full coverage. This date can differ by county and for different types of the same crop. For example, APH for soybeans has a final planting date of June 10 in northern Wisconsin and June 15 in southern Wisconsin, while APH has a final planting date of May 31 for corn for grain and June 5 for corn for silage.

**Late Planting Period:** For some crops, a late planting period begins after the final planting date and lasts for a set number of days (usually 25). Crops planted during or after this period still have insurance coverage, but the yield or revenue guarantee is decreased for each day after the final planting date the crop is planted. See the Late and Prevented Planting section for more information. Note, a late planting period does not exist for all crops and policies, so consult a crop insurance agent for questions regarding specific crops and policies.

**Acreage Reporting Date:** Last day to file an acreage report. All acreage planted to the insured crop in the county must be reported, even if the acreage is not insured. Requirements include reporting all planted acreage in which the producer has an interest, the producer's share, cropping practice and type (when applicable), planting date if after the final planting date, and any acres that were not able to be planted.

**Premium Billing Date:** Premiums are payable as soon as the crop is planted, but producers are not billed until this date, which is generally near harvest (e.g., October 1 for corn APH). Interest charges at 1.25% per month begin to accrue 30 days after the premium billing date on all unpaid premiums. If an indemnity or replant payment is to be made, any outstanding premiums will be deducted from these payments.

**End of Insurance Period:** Last date of insurance coverage. Losses occurring after this date are not covered. This day is the earliest of 1) the harvest date, 2) the date the crop is totally destroyed, 3) the date the crop is abandoned, 4) the date of final loss adjustment, or 5) a specified calendar date. Allowing livestock to graze a crop is likely to be

considered harvest. A crop insurance agent should be consulted before grazing an insured crop, even if the crop has been severely damaged or destroyed, to ensure coverage is not lost or indemnities reduced. The specified calendar date varies across APH crop policies and it is the producer's responsibility to know this date.

**Final Date to File Notice of Crop Damage:** Last day to report yield or quality loss to receive an indemnity. A producer has 72 hours to report a loss after discovery (not after occurrence), but no later than 15 days after the end of the insurance period.

**Policy Termination Date:** Coverage for the coming year is terminated if premiums for past year are not paid by this date.

**Production Reporting Date:** Last day to submit production records from previous year to update APH yield calculations, which determine coverage and premiums due. Usually 45 days after the Sales Closing/Cancellation Date or the Acreage Reporting Date, whichever is earlier.

**Contract Change Date:** Last day the RMA has to announce changes in insurance policies for the up-coming crop year. Important since policies are continuous and details may change between years.

**TABLE 6. Important APH insurance dates for corn and soybeans in Wisconsin.**

| Date | Corn | Soybeans |
|---|---|---|
| Sales Closing/Cancellation Date | March 15 | March 15 |
| Earliest Planting Date | April 11 | April 26 |
| Final Planting Date | May 31 (grain)<br>June 5 (silage) | June 10 (north 2/3)<br>June 15 (south 1/3) |
| Late Planting Period | 25 days after Final Planting Date | |
| Acreage Reporting Date | July 15 | July 15 |
| Premium Billing Date | October 1 | October 1 |
| End of Insurance Period | No later than December 10 | |
| Final Date to File Notice of Crop Damage | 15 days after End of Insurance Period | |
| Final Date to Submit Claim | 60 days after End of Insurance Period | |
| Policy Termination Date | March 15 | March 15 |
| Production Reporting Date | April 29 | April 29 |
| Contract Change Date | November 30 | November 30 |

**TABLE 7. Important insurance dates for Forage Production APH and Forage Seeding Dollar Amount of Insurance in Wisconsin.**

| Date | Forage Production APH | Forage Seeding |
|---|---|---|
| Sales Closing/Cancellation Date | September 30 | March 15 |
| Earliest Planting Date | Not Applicable | Not Applicable |
| Final Planting Date | Not Applicable | Varies by county |
| Late Planting Period | Not Applicable | Not Applicable |
| Acreage Reporting Date | November 15 | July 15 |
| Premium Billing Date | July 1 | October 1 |
| End of Insurance Period | No later than October 15 | No later than May 21 |
| Final Date to File Notice of Crop Damage | 15 days after End of Insurance Period | |
| Final Date to Submit Claim | 60 days after End of Insurance Period | |
| Policy Termination Date | September 30 | March 15 |
| Production Reporting Date | November 14 | Not Applicable |
| Contract Change Date | June 30 | November 30 |

Note that Forage Seeding is a dollar plan, and so does not have a production reporting requirement, nor does it have late or prevented plant coverage, and so no earliest or late planting dates apply.

## LATE AND PREVENTED PLANTING

Planting crops as early as prudent is important, since the more days the crop has to mature, the higher the yield. However, because wet and/or cold weather in the spring is a major risk crop for farmers, many APH and CRC policies for annual crops have provisions for late and prevented planting and replanting a damaged/destroyed crop. Not all crops and policies have such provisions (e.g. CAT, GRP, and GRIP do not) and producers may exclude late and prevented planting from their policy to reduce their premium. Also, the premium is not reduced for late or prevented planting acres, even though the level of coverage is reduced. Late and prevented planting provisions are fairly detailed and so only an overview is provided here. Producers should contact their crop insurance agent if they have specific questions or wish to file a claim.

Crop policies with late and prevented planting provisions (e.g., APH for corn and soybeans) define a late planting period. If weather conditions prevent planting of part or all of an insured unit before the final planting date, the insured producer must notify the crop insurance agent, even if the producer has elected not to have late and prevented

planting coverage. However, small areas do not trigger late and prevented planting provisions. The late or prevented planting area must exceed 20 acres or 20% of the unit's acreage to qualify. Producers should contact their crop insurance agent with questions.

Once late or prevented planting is triggered, producers have different options, which should be discussed with the crop insurance agent. The crop can be planted late and the unit's yield guarantee reduced, a different crop can be planted (possibly with (reduced) insurance coverage), or the land can be left fallow and an indemnity received for prevented planting. Producers prevented from planting in a timely manner should consult with their crop insurance agent to understand their possible options and associated restrictions and implications, otherwise they may not claim indemnities they are due or inadvertently forfeit insurance coverage.

**Late Planting**

Crop policies with late planting provisions (such as APH for corn and soybeans) allow planting the crop after the final planting date, but the unit's yield guarantee is reduced. The rules for reducing the yield guarantee define a late planting period lasting 25 days after the final planting date. The contribution of late planted acres to calculating a unit's APH yield guarantee is reduced by 1% for each day after the final planting date the acres are planted. If planting occurs after the defined late planting period, the contribution of these late planted acres is fixed at 60% of their timely planted yield A simple example illustrates how late planted acres affect calculation of a unit's APH yield guarantee.

Suppose a 200 acre unit of corn for grain has an APH yield guarantee of 150 bu/ac x 200 ac = 30,000 bu. Suppose that 100 acres are planted before the final planting date of May 31, but 100 acres are planted on June 6, 6 days after the final planting date. The APH yield guarantee for these 100 acres is reduced 6% (1 % for each day) to 141 bu/ac, so that the new APH yield guarantee for the unit is 150 bu/ac x 100 ac + 141 bu/ac x 100 ac = 29,100 bu. If instead the corn was not planted until June 26 (after the late planting period ended), the APH yield guarantee for these 100 acres is reduced to 90 bu/ac (60% of their regular contribution), so that the new APH yield guarantee for the unit is 150 bu/ac x 100 ac + 90 bu/ac x 100 ac = 24,000 bu.

**Prevented Planting**

A producer prevented from planting acreage to the insured crop can choose to plant a different crop (possibly with insurance coverage), or not plant any crop. For example, a producer prevented from planting corn may elect to plant soybeans instead, and, if APH soybean coverage had been purchased, could receive insurance coverage for these soybean acres, possibly with reduced coverage for late planting if applicable. Alternatively, a producer can leave the land fallow and receive a prevented planting indemnity equal to 60% of their APH yield guarantee (more if higher prevented planting coverage is elected). Producers leaving land fallow should communicate with their crop insurance agent concerning allowable activities on this fallow land, since some practices are permitted while others will reduce or eliminate a prevented planting indemnity. For example, grazing or haying a volunteer or cover crop prior to November 1 constitutes a second crop and will reduce prevented planting indemnities. Producers should always

check with their crop insurance agent on such practices. Producers should also remember that leaving land fallow due to prevented planting will lower their APH yield guarantee in later years.

**Replant Provisions**
If a crop is severely damaged early in the season so that the projected yield is less than 90% of the APH yield guarantee, a producer can receive an indemnity for the actual cost of replanting, up to a maximum. The maximum indemnity is the chosen price election multiplied by the 20% of the yield guarantee, up to 8 bu for corn, 3 bu for soybeans and 1 ton for corn silage. The replanted crop has the same production guarantee as based on the original plant date (i.e., no reduction for late planting is imposed). Note that the replant option is not available for all policies (i.e., CAT) or crops. Producers should contact their crop insurance agent for clarification.

## FARMER RESPONSIBILITIES

Insured producers have several responsibilities. These include planting an approved variety, using approved practices, completing required activities and filing necessary reports, and appropriately caring for the insured crop, reporting losses in a timely manner.

**Variety/Hybrid and Practice Restrictions**
For some crops, only specific varieties for hybrids are automatically approved for insurance coverage. For example, flint, four, blue, Indian corn, or open pollinated corn are not automatically insurable with a corn APH policy, but required a written agreement (contact a crop insurance agent for details). Furthermore, corn maturity restrictions apply. In some northern Wisconsin counties, planting a corn variety with too long of a maturity date makes the crop uninsurable. Some practices are also not acceptable; in particular, some double cropping practices. For example, a producer who takes an early cutting of alfalfa and then plants corn cannot have APH coverage for the corn acres. It is the producer's responsibility to ensure that the specific variety or type of crop planted is insurable and to use approved practices.

**Acreage Reports**
Acreage reports are due on the day specified for each crop. These reports must include all of a producer's acreage of the insured crop planted (even if uninsured), the producer's share, the applicable practice and type, and the date the insured crop was planted. In all cases of late planting, prevented planting, and replanting, the acreage report must reflect the actual acres planted and the date of planting. Keeping a log of the location and acres planted each day is useful, particularly when planting during the late planting period.

**Good Farming Practices**
Producers are expected to use "good farming practices" that are "generally recognized by agricultural experts for the area." Agricultural experts are "persons who are employed by the Cooperative State Research, Education and Extension Service or the agricultural departments of universities, or other persons approved by FCIC, whose research or occupation is related to the specific crop or practice for which such expertise is sought."

Hence, county Extension agents or state specialists may be called upon to testify in legal disputes concerning an insured producer's farming practices. As a recent example, if insured soybean acres become infested with soybean rust, the producer must follow the management recommendations of local agricultural experts to maintain insurance coverage (http://www.aae.wisc.edu/mitchell/Soybean_Rust_and_Crop_Insurance.pdf). Formally, the basic crop insurance provisions state that crop insurance does not cover losses due to negligence, mismanagement, or wrongdoing by insured producers; failure to follow recognized good farming practices for the insured crop; failure or breakdown of irrigation equipment or facilities unless the failure or breakdown is due to a insured cause of loss; failure to carry out a good irrigation practice for the insured crop; water damage for crops planted in areas designed to flood; and damage not evident or occurring until after the insurance period ends.

**Alternative Crop Uses**

An insured producer may use an insured crop for an alternative use. For example, corn insured for grain can be chopped for silage (http://www.aae.wisc.edu/mitchell/Insurance_and_Silage.pdf). It is the producer's responsibility to notify the crop insurance agent and obtain permission for this alternative use, otherwise coverage may be lost. Other changes of this sort also require permission. Specifically, a producer most obtain consent before destroying any unharvested insured crop, putting an insured crop or insured acreage to an alternative use, or abandoning any portion of an insured crop. If a producer is unsure about some practice, always contact the crop insurance agent to ensure that the practice will not forfeit claims to insurance coverage.

**When a Loss Occurs**

If the insured crop is damaged, the producer must file a notice of damage within 72 hours of discovery (not occurrence), but no later than 15 days after the end of the insurance period. Filing this notice is done through the producer's crop insurance agent, who will provide guidance on how the producer should proceed. The producer must continue to protect the crop from further damage. To determine the indemnity, the producer may be required to leave a representative sample of the crop in the field of a specific size for a specified length of time. The producer must cooperate with the loss adjustors by allowing loss adjustors to visit the damaged crop and remove crop samples and by providing requested records and documents for making copies. There may be several requirements, producers should work closely with their crop insurance agents to ensure that all requirements are fulfilled and coverage is not lost due to a technical issue. If it seems necessary, producers may consult directly with RMA employees in the St. Paul, MN Regional Office by telephone (651) 290-3304; by mail 30 7th Street East Suite 1450; St. Paul, MN 55101-4937; by email rsomn@rma.usda.gov; or by fax (651) 290-4139.

**FRAUD AND PROGRAM ABUSE**

The RMA is committed to detecting and preventing fraud or abuse by insured producers. Detection includes using the latest techniques, such statistical methods to analyze data from all the crop insurance policies it processes annually and digital infrared aerial photography of crop fields over large regions. In addition, audits of are regularly

conducted, both of randomly chosen policies and suspicious claims. Producers committing fraud are actively prosecuted and successful cases publicized. Fraud prevention includes RMA collaboration with USDA-Farm Service Agency (FSA) to develop anti-fraud training programs for RMA and FSA state and county employees.

Everyone (including county Extension agents) is encouraged to report fraud or program abuse. If someone suspects fraud, waste, or abuse in the crop insurance program, contact the USDA's Office of Inspector General at (800) 424-9121, or by mail at P.O. Box 23399, Washington, DC 20026. When calling or writing, include as much detail as possible. A report can be anonymous and confidentially can be requested.

## OTHER INSURANCE POLICIES

Most of the preceding discussion focused on APH, the fundamental crop insurance policy. However, as **TABLE 1** indicates, several other types of policies are available in Wisconsin, including different policies for the same crop. This section briefly overviews some of the more popular of these policies and how they differ from APH.

### Crop Revenue Coverage (CRC)

CRC is a revenue insurance policy that is available for corn, soybeans, wheat and grain sorghum in Wisconsin and has been the most popular policy for these corps. The insured producer calculates a revenue guarantee (the product of price and yield) for the insured unit and if the harvest revenue for this unit is less than this revenue guarantee, the producer receives and indemnity for the difference. The same unit structures as APH are used and premiums subsidies are at similar rates (see **TABLE 5**), though total premiums are higher than for APH, since producers have coverage for both price and yield risk. CAT is not available for CRC. The same important dates apply as for APH (**TABLE 6**) and the same late and prevented planting and replanting provisions as well.

The yield component of the revenue guarantee is calculated just as the APH yield guarantee. The producer chooses a coverage level that is the percentage of the APH yield guarantee use to calculate the revenue guarantee. CRC coverage levels are the same as for APH: 50%, 55%, 60%, 65%, 70%, and 75%, with 80% and 85% in select counties. The price component of the revenue guarantee is called the base price, which the RMA publishes a few weeks before the sales closing/cancellation date. The base price is the average daily closing price of a harvest time futures contract for a month before normal planting time. For example, the CRC base price for corn is the February average closing price of the Chicago Board of Trade (CBOT) December futures corn contract. To calculate the revenue guarantee for the insured unit, the producer selects whether to use 100% or 95% of the base price. The preliminary CRC revenue guarantee is the product of the APH revenue guarantee, the coverage level, the base price and the price election percentage, and this guarantee is used to determine the producer’s premium.

The final CRC revenue guarantee is calculated the same as the preliminary revenue guarantee, except that the RMA announced harvest price may be used instead of the base price announced at planting time. The final revenue guarantee is calculated using

whichever price is higher—the base price or the harvest price. The harvest price is the new crop average closing futures price for the month prior to the expiration of the harvest future contract. For example, the CRC harvest price for corn is the November average closing price for the CBOT December futures contract. The RMA announces the harvest price around December 1. The RMA limits the maximum difference between the base price and harvest price. Regardless of the futures markets prices at harvest, the harvest price for corn will be no more than $1.50/bu more or less than the corn base price. The maximum change is $3.00/bu for soybeans and $2.00 for wheat. Note that the harvest price is not the price paid by local buyers, nor is it the posted county price used to determine loan deficiency payments.

Harvested yield is calculated just as for APH. To calculate harvest revenue, this yield is multiplied by the harvest price. If the harvest revenue is less than the final revenue guarantee, the producer receives an indemnity for the difference.

As an example, suppose a producer has a 300 acre unit of corn with an APH yield of 140 bu/ac. The announced base price is $2.32/bu. The producer chooses a 70% coverage level and a 100% price election. The per acre yield guarantee for this unit is 140 x 0.70 = 98 bu/ac, or 98 x 300 = 29,400 bu for the unit. The preliminary per acre revenue guarantee is 98 bu/ac x $2.32 = $227.36, or 29,400 bu x $2.32/bu = $68,208 for the unit.

Case 1: Suppose at harvest, the producer's yield for the unit is 29,800 bu and the announced harvest price is $2.05/bu. Because the base price exceeds the harvest price, the final revenue guarantee remains at $68,208 for the unit. Harvest revenue for the unit is 29,800 bu x $2.05/bu = $61,090, which triggers an indemnity of $68,208 – $61,090 = $7,118. With APH, this yield would not generate an indemnity, but with CRC, harvest revenue is sufficiently low with this yield and harvest price to generate an indemnity.

Case 2: Suppose at harvest, the producer's yield for the unit is 28,500 bu and the announced harvest price is $2.35. Because the harvest price exceeds the base price, the final revenue guarantee becomes 29,400 bu x $2.35/bu = $69,090 for the unit. Harvest revenue for the unit is 28,500 bu x $2.35/bu = $66,975, which triggers an indemnity of $69,090 – $66,975 = $2,115.

An important difference to note is that the CRC base price is often higher than the APH price election because both are calculated differently. Furthermore, the premium subsidy rate for CRC is lower than for APH because the APH price election is used to calculate the producer's premium subsidy, not the generally higher CRC base price.

**Group Risk Plan (GRP)**

GRP is a simple insurance policy that determines coverage and indemnity payments based on the official USDA National Agricultural Statistics Service (NASS) county average yield report, not a producer's yields. In Wisconsin, GRP is available for corn, forage production, and soybeans, but not necessarily for all these crops in all counties. In addition, producers planting hybrid seed corn or processing sweet corn can obtain GRP coverage with a written agreement (contact a crop insurance agent for more information).

With GRP, an insured producer receives an indemnity if the NASS county average yield for the producer's county is below the trigger yield chosen by the producer, regardless of whether the producer's own crop suffers a yield loss.

The RMA uses NASS county yield data to determine the expected county average yield for the crop year. The producer must choose a coverage level from among available levels (currently CAT is 65%, and buy-up is 70%, 75%, 80%, 85%, and 90%). The product of this coverage level and the RMA announced expected county average yield is the trigger yield. If the NASS county average yield after harvest is less than this trigger yield, the producer receives and indemnity. The price used to value the crop for indemnities depends on the chosen level of protection. The APH price election is the price used, but the producer can choose up to 150% of this price. However, the choices given to the producer are usually reported as a percent ranging from 100% down to 60% by increments of 1%, with an associated dollar amount, with a 45% level available as CAT coverage. The dollar amount of protection is the product of the expected county yield, the APH price election, and a price election percentage up to 150%. The dollar amount shown for each level of protection is used to determine the indemnity payment.

As an example to illustrate GRP, suppose a producer has 500 acres of corn in Adams County. The expected county average yield was 117.5 bu/ac in 2005. The 100% level of protection for Adams County in 2005 for GRP corn was $414.19 (implying a price election of about $3.53/bu). Suppose the producer chooses a 90% coverage yield, implying a trigger yield of 117.5 x 0.90 = 105.8 bu/ac. If the NASS yield for Adams County for 2005 is 100.0 bu/ac, an indemnity is triggered. The yield loss is 105.8 – 100.0 = 5.8 bu/ac, or a 5.5% loss. In this case, the indemnity per acre is 0.055 x $414.19/ac = $22.78/ac. Since the producer has 500 acres, the total indemnity paid is 500 ac x $22.78/ac = $11,390.

In Wisconsin, GRP for corn recognizes two types of corn. NASS planted acreage does not distinguish between corn for grain and for silage and reported harvested yield is only corn for grain. As a result, in counties with lots of corn silage, harvested corn acreage differs greatly from planted acreage. Because NASS can divide a county's total grain production by either planted or harvested acreage to compute the county average yield, insured producers must choose which method they want used. County average yields and GRP protection levels are lower when calculated with planted acreage than with harvested acreage.

Producers should note that NASS traditionally has not finalized county average yield reports until around mid April. Thus producers will not receive GRP indemnities if they are due until 5-6 months after harvest. APH and CRC will pay indemnities at the time of yield loss or at harvest time.

A producer with GRP coverage must still file an acreage report, since the total coverage depends on acreage for the insured crop. Enterprise units are the only unit structure allowed, so the administrative burden is lower. No production reporting is required, since yield histories are not used to calculate coverage, so past yield experience does not affect

premiums or coverage. Also, late and prevented planting provisions do not apply. Producers still must plant approved varieties/hybrids using approved practices, follow good farming practices, and there are restrictions on the planting of second crops or destroying the crop to comply with other USDA programs. Producers should contact a crop insurance agent if they have questions.

GRP is generally lower cost than comparable APH coverage and can be an effective risk management tool for some producers, especially those whose yields closely track the county average. GRP is also useful for farmers who have not yet established yield histories—they can use GRP to have insurance coverage while they build their yield histories. Similarly, GRP may be good for producers with bad yield experience, since past yields do not affect premiums or coverage. GRP does not protect against isolated losses on a farm. Hence, those who cannot afford a large crop loss or whose yields do not closely track county yields will likely prefer APH and CRC. Alternatively, some producers will combine GRP with private hail and fire insurance for protection from isolated loss events. Some farmers also use GRP to reduce risk from high pumping costs for irrigation. During drought years, irrigation pumping costs are high. County average crop yields also tend to be low in such years, so that GRP indemnities are more likely and thus are likely to offset high irrigation pumping costs.

**Group Risk Income Protection (GRIP)**

GRIP is revenue insurance built on GRP just as CRC is revenue insurance built on APH. The RMA announces the expected county revenue and the producer chooses a percentage of this as the level of protection. The trigger revenue is a percentage of this expected revenue implied by the coverage level. The yield component for GRIP is based on the NASS county average yield just as for GRP. The price is the average of the appropriate futures contracts closing price for the 5 days before the sales closing/cancellation date. The actual county revenue is the product of the NASS reported actual county average yield and the average futures contract closing price for the month before the contract closes, just as for the CRC harvest price. A GRIP indemnity is then paid if the actual county revenue is less than the chosen trigger revenue. The indemnity is the product of the percentage shortfall in county revenue and the dollar amount for the chosen level of protection.

**Dollar Plans: Forage Seeding and Hybrid Seed Corn**

The available forage seeding crop insurance policy is a Dollar Amount of Insurance policy, while the hybrid seed corn policy is a Yield-Based Dollar Amount of Insurance policy. Both are often called "dollar plans" for short. A dollar plan provides protection against declining value due to damage causing a yield shortfall. A loss occurs when the annual value of the crop is less than the amount of insurance. The producer determines the dollar amount of insurance by choosing a coverage level percent of the maximum dollar amount of insurance available for the county. The key to understanding a dollar plan is to know how the annual value of the crop is calculated. The chosen amount of insurance is the trigger value. If the calculated annual value of the crop is less then the amount of insurance, an indemnity is paid.

For forage seeding, the annual value of the crop is calculated based on the plant population in the insured forage. Three types of forage are defined by the policy: alfalfa (> 60% alfalfa), alfalfa-grass mixture (25-60% alfalfa), red clover (> 60% red clover). The policy defines normal stands for each. For alfalfa it is as 12.0 alfalfa plants/$ft^2$, for an alfalfa-grass mixture it is 8.0 alfalfa plants/$ft^2$, and for red clover it is 16.0 red clover plants/$ft^2$. For determining the annual value of the crop, if the plant population exceeds 75% of the normal stand, those acres generate value to count equal to the chosen amount of insurance, while acres with less than 75% of a normal stand generate no value. For example, suppose a producer has seeded 30 acres of alfalfa and chosen $114 as the per acre amount of insurance (65% coverage in Adams County). The amount of insurance for the unit is 114 x 30 = $3,420. The next spring, only 10 acres has a stand of 75% or greater (the rest was killed by ice). The value of the crop is 10 x 114 = $1,140, which triggers an indemnity equal to $3,420 – $1,140 = $2,280. To put it simply, the producer receives $114/ac for all acres with less than 75% of a normal stand.

Before a forage seeding policy is approved, an insurance agent will likely visit the unit to ensure that a good stand is established. The forage seeding policy also offers a replant payment when replanting is practical. Producers should also note that insurance coverage ends when the crop is grazed or harvested before May 21, or put to an alternative use.

For hybrid seed corn, the annual value of the crop is calculated based on the harvested yield from the unit. All seed harvested is valued at the price specified in the hybrid seed corn contract. All non-seed (grain) production is valued at the local market price. The value of the crop is the sum of these two and if it is less than the amount of insurance, an indemnity is paid. For example, suppose a producer has 50 acres of hybrid seed corn with $340/ac as the chosen per acre amount of insurance. The amount of insurance is 50 x 340 = $17,000 for the unit. Harvest is 1400 bu of seed and 100 bu of non-seed. The seed has a contract price of $9.80/bu, while the local price for corn for grain is $2.05/bu. The value of the crop is 1400 bu x $9.80/bu + 100 bu x $2.05/bu = $13,720 + $205 = $13,925. Hence, the producer's indemnity is $17,000 – $13,925 = $3,075.

They hybrid seed corn policy requires replant if practical and has preventing planting coverage available. To determine the value of the crop, the policy requires sharing the financial details of the seed corn contract and may require records from the seed corn processor, including any yield adjustments for grain moisture. As **TABLE 1** shows, all seed corn production in Wisconsin is typically insured, so seed corn contractors should understand the policy and its information requirements.

## ADDITIONAL RESOURCES

### RMA Home Page

The USDA's Risk Management Agency home page (http://www.rma.usda.gov/) provides access to numerous items that may be of interest to Extension agents and producers, including: 1) Current news regarding crop insurance, such as drought conditions, where soybean rust has been detected, and official rulings on policy interpretations or changes; 2) Announcements for meetings and conferences for Extension agents, producers, and crop insurance agents; 3) Educational materials on crop insurance, risk management, irrigation, marketing, etc. 4) Premium calculation software to examine different options; 5) Official documents for all policy details, including the Crop Insurance Handbook (includes loss adjustment methods), Written Agreement Handbook (standards for developing written agreements in counties where a requested policy is not available), Basic Provisions, Crop Provisions, and Special Provisions for each policy (official legal descriptions of policies), and County Actuarial Documents. Interested agents and producers should familiarize themselves with the RMA web site. Below are links to specific items:

RMA Premium Calculator Login: http://www3.rma.usda.gov/apps/premcalc/

RMA Publications: http://www.rma.usda.gov/pubs/

Information on Crop Policies: http://www.rma.usda.gov/policies/

Wisconsin Crop State Fact Sheets: http://www.rma.usda.gov/aboutrma/fields/mn_rso/

Events Calendar: http://www.rma.usda.gov/calendar/

### Contact Information for RMA

St. Paul Regional Office (serving IA, MN, and WI): Phone (651) 290-3304, Email rsomn@rma.usda.gov, Mail 30 7th Street East Suite 1450; St. Paul, MN 55101-4937

National Administrator's Office: Phone (202) 690-2803, Email rma.mail@rma.usda.gov, Mail USDA/RMA/Stop 0801, Room 6092-South, 1400 Independence Ave., SW, Washington, DC 20250

Report Fraud, Abuse, or Waste in Crop Insurance Program: USDA's Office of Inspector General (800) 424-9121, P.O. Box 23399, Washington, DC 20026.

### Extension Materials on the Internet

Several universities maintain webpages with Extension farm management materials (fact sheets, spreadsheet, presentations, etc.) that also include crop insurance. Below are links to useful sites.

National Ag Risk Education Library, hosted by the University of Minnesota, has probably the most comprehensive library of crop insurance Extension materials in the U. S. The homepage is at http://www.agrisk.umn.edu/. Follow links to the "Ag Risk Library" and the use the topic buttons to choose "Production."

Farmdoc (http://www.farmdoc.uiuc.edu/), maintained by University of Illinois, offers numerous crop insurance materials, including a Premium Estimator (much simpler than RMA's) for several states (http://www.farmdoc.uiuc.edu/cropins/index.html). The site is primarily, but not exclusively, focused on Illinois.

The Center for Farm Financial Management (http://www.cffm.umn.edu/), hosted by the University of Minnesota, offers several crop insurance publications. Use the site's search engine to search under "insurance."

Iowa State University Extension Farm Management provides several useful publications on the internet (http://www.extension.iastate.edu/pubs/fm3.htm) by William Edwards, a recognized Extension crop insurance expert.

Paul Mitchell, University of Wisconsin Extension, (http://www.aae.wisc.edu/mitchell/extension.htm) provides a webpage with crop insurance materials for Wisconsin.

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