

Paul D. Mitchell, Agricultural and Applied Economics, UW-Madison

Office: (608) 265-6514 Email: pdmitchell@wisc.edu Web: <http://www.aae.wisc.edu/mitchell/extension.htm>

Key Points

- To qualify for SURE, forage crops can be insured with APH, GRP, or AGR-Lite.
- SURE does not require crop insurance for grazing land or forage in its seeding year.
- Many farmers can insure their forage acres for less than \$300 in total.
- The deadline for purchasing forage crop insurance is September 30, 2010.

The Supplemental Revenue Assistance Program (SURE) program was created by the 2008 Farm Bill as a permanent disaster assistance program for farmers suffering losses from natural disasters. An important requirement of SURE is the Risk Management Purchase Requirement—farmers must buy crop insurance for all their crops to be eligible for SURE payments. This fact sheet summarizes some of the key crop insurance deadlines, plus crop insurance options for forage crops and ways to possibly reduce insurance premiums while still qualifying for SURE.

Risk Management Purchase Requirement

To be eligible for SURE, farmers must purchase crop insurance for any crop expected to generate at least 5% to the farm's revenue. Based on a farm's historical production information and USDA prices, FSA will determine if each crop meets eligibility for SURE and thus needs to be insured. Even if a farm never sells a crop, but feeds it to livestock, the crop still counts towards expected revenue and may need to be insured. However, exceptions apply. Land for grazing does not require insurance coverage, nor does forage in its seeding year. Also, waivers apply for socially disadvantaged, limited resource and beginning farmers. Interested farmers should work with their county FSA office to determine which of their crops need crop insurance in order to be eligible for SURE. The deadline for purchasing crop insurance is September 30, 2010 for forage and fall-seeded small grains, November 20, 2010 for perennial crops, but not until March 15, 2011 for spring planted crops such as corn and soybeans.

Insurance Options for Forage Crops

Forage crops are a common Wisconsin crop that many farmers may find that they need to insure in order to be eligible for SURE. Two types of crop insurance policies exist for forage production in Wisconsin—an individual APH policy and a county GRP policy. AGR-Lite insurance, a whole farm revenue policy, also qualifies farmers for SURE.

The APH policy uses a farm's actual production history to determine expected yield and the farmer selects a percentage of this average as a forage production guarantee. The farmer also chooses the price election—the price used to pay for losses below this guarantee. For example, in 2010, the available forage price elections ranged from \$118 to \$64.90 per ton. The FSA will use your chosen coverage level and forage production guarantee to determine your farm's SURE guarantee. The GRP policy is similar, except the yield guarantee is at the county level (not the farm level), with USDA-NASS average yields determining the guarantee. If the actual NASS county average yield is below the chosen county guarantee, the farmer receives an indemnity. Farmers choose the "protection per acre" (\$/ac) and FSA uses it to determine the farm's SURE guarantee. Note that GRP does not require a farmer to keep forage production records, but FSA will require production records to determine the size of SURE payments a farm receives.

An APH forage seeding crop insurance policy exists and farmers may find it useful. However, land in its first year of seeding is not eligible for SURE payments, so farmers do not need to insure these acres to qualify for SURE. Similarly, farmers can buy crop insurance for pasture acres, which may be useful for some farmers, but these acres do not need to be insured to qualify for SURE. Also, FSA cannot sell a farmer a NAP policy (Noninsured Crop Disaster Assistance Program) for forage acres because traditional APH and GRP policies exist.

AGR-Lite is another crop insurance policy farmers can use for forage crops to qualify for SURE. With AGR-Lite, farmers insure their Schedule F income for their whole farm. AGR-Lite is cheaper if combined with crop-specific policies such as an APH or CRC for main crops such as corn and soybeans, with AGR-Lite serving as an umbrella policy over the farm providing an income guarantee. AGR-Lite is also useful for those growing specialty or organic crops, as current crop insurance policies often do not have adequate prices for such crops.

Reducing Premium Costs for Crop Insurance

Some farmers may find forage crop insurance policies useful. However, others may find them a nuisance that they will purchase just to be eligible for SURE payments on their main crops such as corn, soybeans and/or wheat. Here I outline some ways to reduce or minimize premium costs for farmers of this sort who do not expect or need forage insurance indemnities.

Both APH and GRP forage production policies have catastrophic (CAT) versions that cost \$300 no matter how many acres are insured in a county. For farms with many acres of forage production, this may be the cheapest possible way to meet the requirement for forage insurance to be eligible for SURE. Note that CAT policies offer little protection (50% of average yield at 55% of the RMA price). However, regular forage policies are relatively low cost in some counties and, by choosing a lower coverage level and/or price election, farmers with fewer forage acres can qualify for SURE and spend less than \$300. For example, in Grant County in 2010, the GRP premium with a 70% coverage level was \$2.44/ac with a 100% price election, \$1.95/ac with an 80% price election and \$1.46/ac with a 60% price election. Buying a 70% GRP policy with these price elections would cost less than a \$300 if a farmer has less than 110 ac, 138 ac, or 184 ac of forage production, respectively. However, the probability that a GRP policy with a 70% coverage level will actually pay an indemnity is very low—historically, several Wisconsin counties have never paid an indemnity on a GRP forage production policy, even at 90% coverage level.

Lower price elections and coverage levels also reduce premium costs for APH policies, but APH policies have higher per acre premiums. For example, a farm in Grant County with an average forage production of 4 tons/ac has a per acre premium for a basic unit of \$4.04/ac with a 60% coverage level and a 100% price election; the premium falls to \$3.39/ac with an 84% price election (the lowest available at a 60% coverage level). With these price elections, a 60% APH policy costs less than \$300 in total if the farmer has less than 67 ac or 80 ac of forage production. Farmers should contact a crop insurance agent for premium options for their specific operation.

Additional Resources

- **USDA-FSA SURE Fact Sheets and Calculator:** <http://www.fsa.usda.gov/sure>
- **USDA RMA AGR-Lite Fact Sheet:** <http://www.rma.usda.gov/pubs/rme/agr-lite.pdf>
- Contact your county FSA office for more information regarding the specifics of SURE and for help using the SURE Calculator.
- Contact a crop insurance agent for more information about premiums for APH, GRP or AGR-Lite crop insurance for your forage or other crops.