



# CROP INSURANCE IN MARYLAND

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MARYLAND DEPARTMENT OF AGRICULTURE



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**Page 2:**

**Nursery Insurance**

**Page 3:**

**Low Cost  
Whole Farm Insurance**

Martin O'Malley  
*Governor*

Anthony G. Brown  
*Lt. Governor*

## TWO SOLUTIONS TO THREE CHALLENGES



*Photo by Edwin Remsburg*

*Marion Wilson, Queen Anne's County*

Marion Wilson sees three challenges to surviving in farming. He knows he can only do something about two of them.

"We must constantly adapt to new technology, and use high levels of crop insurance protection, but there is not much we can do about the weather," said Wilson (35) who farms 1,300 acres of corn, soybeans, and wheat in Queen Anne's County.

Wilson sees new technology coming out just about every six months. Now he uses GPS auto-steer and yield mapping.

"This year we had to put a reel on our combine, which we have never had to do before to get the crop out. Obviously

there wasn't a lot of crop out there but we had to go as low as we could to pick it off the ground."

This year Wilson saw 85 days go by with less than 1/100 of an inch of rain. On his dry land corn he harvested between 50 and 60 bushels. Even on his irrigated acres, he figures he left 30 to 50 bushels on the ground.

"The irrigated corn was looking good until the hurricanes came through and flattened it." This is one of those "thank God for crop insurance years," he said.

For Wilson crop insurance is a given. It is just a part of his production cost.

*(continued on page 4)*

# CROP INSURANCE COVERS SNOW DAMAGE

Three years ago heavy snows caused millions of dollars in losses for nursery producers. The losses could have been minimized, or even completely recovered, if those nursery producers had invested in crop insurance coverage.

In fact, your evergreens can be covered as separate units. So if you are concerned with snow damage, your insurance can focus on the plantings most likely to suffer under heavy snow.

## Multiple Options

There are a variety of buy-up coverage options which allow producers to choose different coverage levels for different types of plants. Producers can also increase the amounts of protection during high value times of the year.

Crop insurance can even cover the costs of rehabilitating field grown plants after storm damage. Nursery producers know that they have different risk exposures with different types of plants.

With buy-up levels of coverage, producers can get different coverage levels on 14 different types of plants. The plant categories available for individual nursery crop insurance in Maryland are:

- Annuals
- Broadleaf Evergreen Trees
- Broadleaf Evergreen Shrubs
- Coniferous Evergreen Trees
- Coniferous Evergreen Shrubs
- Deciduous Shrubs
- Deciduous Trees (Shade and Flower)
- Fruit and Nut Trees
- Foliage
- Ground Cover and Vines
- Herbaceous Perennials
- Roses
- Small Fruits
- Liners

The price election is limited to 100 percent of the price election for all plant types in the practice and is used to determine the amount of insurance and any indemnity. A \$30 administrative fee is required. For increased coverage during

## Premium Subsidies

Coverage levels range from 50 to 75 percent of your plant inventory value.

Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

## What is an insurance unit for nursery?

An insurance unit is the value of the insurable inventory and is used during a loss calculation. There are two types of units for nurseries: 1) Basic (by practice and share) and, 2) Additional Basic (by plant type). One of the great advantages of buy-up coverage is that it allows you to insure different practices (container, field grown) separately. Also, with buy-up, additional basic units can be established for each insurable plant type. Therefore, you do not have to meet the deductible for the entire practice before a loss payment is triggered – only the deductible for that specific plant type.

certain periods when your inventory value may be significantly higher than the annual plant inventory value, you may want to consider a Peak Inventory Endorsement. An example might be Poinsettias in November and December. Another feature is the Rehabilitation

Endorsement. It applies to field grown plants and provides labor and material costs for pruning and setup (righting, propping, and staking after storms). Again, this is only available at buy-up levels of coverage. For more information, contact a private crop insurance agent. ■





# LOW COST WHOLE FARM INSURANCE

## AGR-Lite Covers Both Insurable and Non-insurable Crops and Animals

AGR-Lite is a federally subsidized, whole farm insurance policy with very low premiums. Rough estimates have premium costs of \$1.30–\$3.50 per \$100 of coverage. This streamlined revenue protection policy provides protection against low revenue due to unavoidable causes, including market fluctuations. It insures farmers whose average adjusted gross farm revenue is less than \$2 million.

**“Nobody has ever complained about the price of AGR-Lite”**

AGR-Lite rewards those with multiple commodities with higher levels of coverage. The AGR-Lite premiums are prorated down if crop specific policies are in place or purchased in addition to AGR-Lite. It acts like an umbrella policy. AGR-Lite even recognizes, and accounts for, the expected higher prices of organic production.

AGR-Lite is similar to business interruption protection for your operation.

Producers can insure their gross “farm” income from 65-80 percent of their previous five year average, depending on their income diversification.

A loss payment triggers when the eligible gross income for the current year is less than the five year average. Loss payments are made for income reduction because of natural disaster or market price fluctuations.

The Risk Management Agency calculated this example:

**\$100,000** average qualifying farm income of previous 5 years

75% level of coverage selected at enrollment

75,000 loss trigger

- 25,000 income in current year

50,000 difference

90% payment rate (policyholder self insures 10%)

**\$45,000** loss payment

**\$70,000** income with AGR-Lite,

**\$25,000** without AGR-Lite

About 50 percent of the premium is paid by USDA. Premiums are also low because losses are paid when overall loss

is experienced on the whole farm. The maximum loss payment per year is \$1 million.

## Where AGR-Lite Works Best

AGR-Lite covers crops grown for direct market even if cash sales result; organic production; crops already insured, similar to commercial umbrella policies; and nearly all commodities grown for food, fiber, landscaping or ornamentation.

AGR-Lite works well for herb and vegetable production where excess moisture caused production to rot before reaching maturity; severe drought where all crops (and livestock) are affected and individual crops are insured at lower levels of coverage due to cost of premium; crops and animals that are not otherwise insurable; and fresh market sweet corn and other vegetables where good yields were realized but prices were very low.

## How to apply

The sign-up deadline for new AGR-Lite policies is March 15. The deadline for making changes to existing policies is January 31. Contact a crop insurance agent for more details. (List available at [www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html). ■

# WHAT TO EXPECT FROM A CROP INSURANCE AGENT

## Why is a Crop Insurance Agent Important?

Your crop insurance agent is the link between you and the biggest single part of the federal safety net for agriculture.

Crop insurance is available only from private insurance agents. All agents are licensed by the state, must receive federally mandated training, and pass a competency exam.

## What Should I Look For?

Given that the price for all crop insurance policies are set by USDA's Risk

Management Agency, how do you decide on an agent? What matters is the quality of service and how well the agent meets your needs. Here's how most farmers would describe a good agent.

### *Has personal integrity*

For starters, the agent should be honest and ethical. You need to know that your production records and other personal information will be kept confidential.

### *Understands how crop insurance works*

Agents must have a thorough working knowledge of all the different types of

policies that are available in your area.

Beyond that, they need an understanding of the big picture, including their role and the roles of others who affect your decisions. The agribusiness environment is complex, so they need to understand marketing and its interaction with crop insurance products.

### *Communicates well*

A good agent is able to clearly explain what policies are available and the protection they offer.

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(continued from page 1)

He carries 75 percent coverage on corn, soybeans, and wheat and he is considering going higher.

“I forward price a higher percentage of my expected yield because I have higher crop insurance protection. And being a young farmer, I can’t afford to increase my debt load. Without crop insurance, it might take me ten years to recover from a year like this one.”

Wilson says farming seems more of a challenge every year.

“Trying to nail down our overhead costs and then figuring out the grain market, which has been extremely volatile, is important because if we don’t know what it costs to put in a crop, we won’t know how much to sell that crop for to make a profit. And obviously, that is what we are here for.”

As for the future of agriculture, Wilson sees new nutrient management requirements coming and believes they will be a



*Marion Wilson inspects drought damaged corn*

special challenge for Maryland farmers. He also is certain that high levels of crop insurance coverage will become a way of life for every farmer who wants to stay in business. And he thinks technological change will come faster and faster and

be hard to keep up with.

“But hey, I’m in this for the same reason every farmer farms, we love it, it’s our way of life, and we wouldn’t have it any other way.” ■

## WHAT TO EXPECT (continued from page 3)

The ability to communicate effectively with others – both orally and in writing – is critical. People who communicate well are typically excellent problems solvers because they listen and can address sensitive issues.

### ***Is a team player***

Today’s farmers need a team of advisors, including lenders, insurance agents, lawyers, accountants, brokers, and other specialists.

Successful agents realize that they are a part of your team. At your direction, they should be able to explain how crop insurance will work to your lender or any other team members. Your lender may be especially interested since crop insurance can sometimes help insure their portfolios.

### ***Stays current***

The proliferation of crop insurance products and the changing nature of the Federal program represent major challenges for an agent. To provide the quality of service you need, the agent must be committed to an ongoing education program.

### ***Provides guidance***

A good agent helps find the best product-to-farming operation fit to meet your risk management goals.

**Even more valuable than answering technical questions about crop insurance products is the ability of an agent to explain how crop insurance products support your marketing plans.**

### ***Sends reminders***

Throughout the year, you must meet critical deadlines to adhere to the terms of your insurance contract. A good agent will help you meet these deadlines and policy requirements by sending timely reminders.

### ***Stays available***

Good agents know that convenience is important and that you are often strapped for time at critical points during the year. As a result, they will make themselves available when and where you need help.

### ***Is in for the long haul***

Finally, a crop insurance agent should be interested in building and maintaining a long-term client relationship. So look for someone who maintains lasting relationships with clients. ■