This slide presentation was prepared by Sarah Johnston, with the assistance of Charlie Koines and Rhonda Granger, and was approved by the USDA Risk Management Agency. It provides an example of an actual situation where a farmer suffered crop losses. We have inserted figures showing what it would have cost the farmer to have insured his crops and what the crop insurance payment would have been, had he done so. It is an easy way of seeing how crop insurance can work.
Have you lost money due to crop losses?

Weather-related losses can be made up with a crop insurance payment.

Crop insurance payments can be used for anything:
  • Replacement feed
  • Loan payments
  • Any cost of production

To keep farming, in the end, you need to make money. Crop insurance may add a small amount to your cost of production, but can add to your net income every time there is a loss situation that you qualify for.
The most recent disasters include Irene and Lee in 2011 and Hurricane Sandy in 2012. Also, for 15 central NY counties, there was the flooding of late June/early July 2013. Of course, we shouldn’t forget the dry 7 weeks in the summer of 2012 or that spring’s warming followed by frost, which took out so much fruit production.
As you can see, apple producers received a large share of indemnity payments out of the $67,353,206 paid out in NYS in 2012. Note that the 2012 spring freezes were only an agricultural disaster; Sandy didn't hit until November!
In July 2013, multiple, intense rain storms flooded lots of minor tributaries to major rivers in New York State. Localized flooding caused significant agricultural losses of planted fields.
For the most part, major rivers didn’t flood, but tributaries did.
"The land is here," said Mr. X, owner of X Farms. "It's wonderful land."

A river by his farm along Route X started to swell after days of rain and flooded his fields.

"It looks like it's a complete loss at this time," said Mr. X. "We can't replant. There's not enough days growing, degree days, to have a decent crop at the end." He had 400 acres of corn and 100 acres of soybeans. He's already lost 30 acres of the soybeans.

Mr. X spent between $200 and $300 per acre to plant his crop.

Mr. X said the crop insurance is too expensive for him.

He'd rather gamble on the land.

The information from the newspaper is clear and self-explanatory.

Some farmers believe that crop insurance is too expensive. In our example, Mr. X is quoted in the news as saying this and that he’d rather gamble on the land. This presentation provides some numbers, so other farmers can decide if crop insurance is too expensive or not.
While crop insurance can seem complex, it seems this way because there are choices that must be made to come up with a price for the crop insurance and the coverage the crop insurance will provide.

Look at the range in cost per acre. The more expensive crop insurance is, usually, the higher the level of coverage you are buying. Farmers with experience using crop insurance say that you should tailor your crop insurance decisions to your specific operation and financial needs and that buying higher levels of coverage often mean triggering payments more frequently.
Crop insurance is made available on a county basis and you can look up the options of cost and coverage.

A running 5-year average of a specific field’s yield is used to establish the yield that will be used. If a farmer is new to crop insurance and does not have the records needed to establish a personal yield, then the crop insurance agent must use the County yield for the crop for the farmer’s APH.

For this example, we have chosen a reasonable, but perhaps, somewhat low yield.
70% coverage means that only 70% of the crop will be covered by insurance. If the farmer loses 25% of the crop, they have not reached the threshold for this level of coverage to kick in. The threshold is 30%.

The “insurance-speak” used here shows that at this level of coverage, if the farmer suffers a total loss, then he/she is still guaranteed $474.60 per acre from their insurance coverage.
In our example, the farmer lost his entire crop in July. He cannot reasonably replant corn or soybeans at this late date. If the entire crop is gone, then the farmer receives the “guarantee.”

This farmer would have received about $457.81 per acre, from which the per acre cost of the insurance can be subtracted.

\[ \text{Total Loss} = \text{Per Acre Value} - \text{Per Acre Cost} \]

\[ \begin{align*}
474.60 - 16.79 &= 457.81 \\
457.81 \times 100 &= 45,781 \\
45,781 \times 400 &= 183,124
\end{align*} \]
Farmers tell us they don’t want a crop insurance payment.
a good crop.....

120 bushels/acre x $5.65/ bu = $678/acre
$678/acre x 100 acres = $67,800
$678/acre x 400 acres = $271,200

You can always make more money planting a crop.
As one farmer, Dave Johnson, who agreed to be interviewed about crop insurance has said, “The amount of dollars you talk about paying out is nothing compared to what you can lose.” The cost of the crop insurance is $16.79 per acre.
Anyone who is farming knows that it is hard to make a profit farming. We have a few examples here that provide the numbers for situations farmers bring up that, to be harsh, are their reasons to not do the math. Crop insurance might keep you in business in a bad year. Why not explore your questions?

REASONS (we hear) for not evaluating crop insurance.

- Only the back 50 acres of corn ground along the river routinely flood and crop insurance requires that you have to insure all your corn acres in the same county.
- Not having kept or wanting to keep records of yields.
- It’s a big bill.
- It only pays off every 5 or 6 years, when there is a big disaster.
- I had a big loss in ‘92 & didn’t get a payment....
It pays to run the numbers, according to the Murray’s in Lewis Co.
Everyone has a risk management plan. For some, it's hoping for the best. If you have coverage, you should review your coverage level and price election every year to determine if your amount of coverage is adequate to manage your risk for the coming year.
Additional Information can be found at:

**USDA Risk Management Agency (RMA)**
This institution is an equal opportunity provider.
[www.rma.usda.gov](http://www.rma.usda.gov)
To find a crop insurance agent, go to:

**NYS Department of Agriculture and Markets**
Crop Insurance and Risk Management Education
[www.agriculture.ny.gov/AP/CropInsurance.html](http://www.agriculture.ny.gov/AP/CropInsurance.html)
1-800-554-4501

Additional information can be found at the websites listed on the slide.