Crop Insurance Offsets Dairy Volatility

CHARLTON, NY -- The past two years have been challenging for even the most efficient northeastern dairy farmers, but Saratoga County dairy farmer David Wood has used crop insurance as a tool to reduce financial risk. “It’s helped our business because of the financial security it offers,” he said in an interview in January 2010.

Wood grows 1600 acres of corn and hay (and purchases from another 200 acres) to provide silage for a dairy herd of nearly 900, plus he raises his own heifers. He first signed up for catastrophic (CAT) coverage through the USDA Farm Service Agency (FSA) several years ago. Gradually he increased his coverage to 65%, and then 75% because the premium subsidy was so favorable. Wood has attended some of the educational workshops given by the NYS Dept. of Agriculture and Markets, partnering with USDA Risk Management Agency (RMA), to learn how to use crop insurance to his greatest advantage.

Wood uses his knowledge of insurance premium structure and accurate record-keeping to maximize the return on his crop insurance investment. He keeps his acreage in multiple FSA farm units, so that a loss on one unit can result in a payout, instead of being diluted by better yields on other units. About one third of his land is his own, while the rest is rented. Yields on rented land have not been as good because of past care. Wood carefully tracks planting, and keeps logs in each of the trucks to track the harvest loads so that any losses are credited to the appropriate farm unit. An adjuster helps with estimates of silage once it’s in storage.

Unfavorable growing weather can leave a dairy farmer with a crop yield too small to support his herd, while the same weather can raise market prices for corn and soybean meal. Wood found himself in that situation in 2008, and again in 2009. Wood purchased 75% coverage. “Even though our yield was not great enough to really support the whole herd, because of the crop insurance, we can afford to purchase whatever extra feed we need,” he said, “so it was a good year to have it.”

Wood’s experience with the program has convinced him that crop insurance offers financial security that helps offset yield and price risk, and helps him maximize his profitability even in a difficult environment. “It’s worked very, very well for me,” he says.

The New York State Department of Agriculture and Markets has partnered with USDA Risk Management Agency (RMA) to provide crop insurance education to New York State farmers. For more information, please visit the NYS Crop Insurance Education website at www.agmkt.state.ny.us/AP/CropInsurance.html or contact Sarah Johnston at 518-457-4531 or 800-554-4501. To find a crop insurance agent, please contact your local Farm Service Agency (FSA) office or use the USDA RMA crop insurance agent locator tool on the web at www3.rma.usda.gov/apps/agents/.