Crop Insurance Insights – Maryland Crop Insurance Conference, September 2013

1. Crop Insurance is more useful to MD Producers is at an ALL TIME HIGH;

### Crop Insurance Performance in MD

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>Total Crop Policies</th>
<th>Total Acres Insured</th>
<th>Total Premium</th>
<th>Producers Net Premium</th>
<th>Losses Paid to Producers</th>
<th>% of Loss Pmts.</th>
<th>% of Total Prem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARYLAND</td>
<td>92</td>
<td>16,536,743</td>
<td>120,294</td>
<td>1,355,226</td>
<td>995,356</td>
<td>541,071</td>
<td>0.54</td>
<td>0.40</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>02</td>
<td>4,419</td>
<td>128,075,542</td>
<td>868,595</td>
<td>8,477,887</td>
<td>3,039,269</td>
<td>7.70</td>
<td>2.76</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>12</td>
<td>6,628</td>
<td>402,026,546</td>
<td>920,020</td>
<td>40,265,366</td>
<td>14,767,638</td>
<td>31.71</td>
<td>7.1</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>13</td>
<td>6,802</td>
<td>408,212,874</td>
<td>856,555</td>
<td>37,311,647</td>
<td>13,486,208</td>
<td>37.03</td>
<td>7.7</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>2008-12</td>
<td>31,123</td>
<td>1,713,380,338</td>
<td>4,346,857</td>
<td>183,115,562</td>
<td>68,511,587</td>
<td>3.93</td>
<td>0.74</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>2003-12</td>
<td>57,855</td>
<td>2,687,533,435</td>
<td>8,021,594</td>
<td>270,354,602</td>
<td>98,823,394</td>
<td>1.38</td>
<td>0.72</td>
</tr>
<tr>
<td>MARYLAND</td>
<td>1988-12</td>
<td>3,450,719,126</td>
<td>13,655,868</td>
<td>320,190,133</td>
<td>129,761,514</td>
<td>254,395,828</td>
<td>2.11</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Percent Buy-Up Policies 2012 vs. 1996: 92% vs. 47%

Estimated % eligible acres insured: 71%

Source: USDA/RMA Web 5-21-13

### Crop Insurance Performance in 12 Northeastern U.S. Targeted States

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>Total Crop Policies</th>
<th>Total Acres Insured</th>
<th>Total Premium</th>
<th>Producers Net Premium</th>
<th>Losses Paid to Producers</th>
<th>% of Loss Pmts.</th>
<th>% of Total Prem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. EASTERN - ALL</td>
<td>92</td>
<td>71,940,282</td>
<td>333,371</td>
<td>5,526,296</td>
<td>4,058,745</td>
<td>6,293,031</td>
<td>1.54</td>
<td>1.13</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>02</td>
<td>30,624</td>
<td>835,596,306</td>
<td>3,191,230</td>
<td>54,112,972</td>
<td>15,902,640</td>
<td>8.20</td>
<td>2.41</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>12</td>
<td>32,638</td>
<td>2,008,589,079</td>
<td>4,025,160</td>
<td>187,669,366</td>
<td>61,686,463</td>
<td>2.51</td>
<td>0.83</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>13</td>
<td>32,937</td>
<td>18,480,201,149</td>
<td>18,659,582</td>
<td>831,261,478</td>
<td>279,012,186</td>
<td>2.51</td>
<td>0.84</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>2008-12</td>
<td>160,524</td>
<td>8,480,205,149</td>
<td>18,659,582</td>
<td>831,261,478</td>
<td>279,012,186</td>
<td>2.51</td>
<td>0.84</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>2003-12</td>
<td>325,305</td>
<td>13,816,187,460</td>
<td>35,057,078</td>
<td>1,297,493,045</td>
<td>427,545,010</td>
<td>2.46</td>
<td>0.81</td>
</tr>
<tr>
<td>N. EASTERN - ALL</td>
<td>1988-12</td>
<td>18,726,458,419</td>
<td>59,131,576</td>
<td>1,592,636,150</td>
<td>534,184,634</td>
<td>1,450,579,250</td>
<td>2.72</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Percent Buy-Up Policies 2012 vs. 1996: 80% vs. 41%

Estimated % eligible acres insured: 59%

Source: USDA/RMA Web 5-21-13

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a. 71% of eligible acres are insured (1992 - 8%, 2002 - 36%)
c. 900,020 Acres insured (2002 - 687,000, 1992 - 120,000)
d. 6,800 policies purchased (2002 - 4,419, 1992 - 2,000 est.)
e. $26 mil. Premium cost share + $1.4 mil Fin. Ast. Prog. announced last week (up to $225/buy-up crop policy)
f. $2.11 paid in indemnities for each $1.00 of farmers’ premium over past 25 years. (.80 L.R.)
2. Still Room to grow (% acres insured:
   a. Apples 59%
   b. Barley 34%
   c. Forage <5%
   d. Peaches 48%
   e. Wheat 54%
   f. County/crop programs with no policies written
3. Improved programs for organic producers including a contract price as a price election option
5. Wheat – New Area Risk Protection (ARPI) replaces GRP and GRIP (Caroline, Dorchester, Queen Anne’s and Talbot)
6. Wheat and barley premium rates reviewed
7. Wheat, Barley, Forage Production and Organic - T yields reviewed and Adjusted
8. Numerous program and risk management tool improvements
   In U.S. Senate and House Farm Bills
9. C.I. a Safety-Net for 2013 marketing and production challenges
   a. Some producers recent locked in acceptable crop prices
   b. Delayed harvesting and poor quality grain
   c. Provides protection for late planted 2\textsuperscript{nd} crop soybeans – delayed wheat harvest
10. Improved and more uniform USDA cover crop policy – Science based rule variations
    administered by NRCS. Complements MD State Cover Crop incentive payments
11. Dairy LGM remains a missed opportunity to lock in good margin for future and LGM
    Swine is a good buy too
12. 2013-14 Education Activity 2013 & 14 Education discussion
   a. Information efforts
   b. Reinforcing progress of recent years
   c. Promoting USDA’s risk mgt. tools including NAP; can cover for all crops and some livestock
   d. Causing producers to make conscious decisions by the end of each training session
      1. Evaluation The FINANCIAL IMPACT of their need to lay-off some of their risk exposures
      2. Preparing them to make the most of their agent visit with protection needs better quantified.

13. 2014 Marketing Tips:
   a. Note the strength and potential popularity of Pasture and Hayland (PRF) program – Best performing forage program in MD & PA
   b. Pay attention to county crop programs without policies – if we don’t use them they may be discontinued – reviewed annually
   c. Encourage your customers to use FSA’s NAP for uninsurable crops
   d. Determine producer’s Risk mgt. needs for 2014 and meet them

14. C.I. Industry has BIG RESPONSIBILITY to project positive program image and demonstrate professional administration of this high profile program
Get copy from NRCS Web will be update periodically (www.nrcs.gov)

NRCS Cover Crop Termination Guidelines
Non-Irrigated Cropland

Background:
To ensure that USDA policies are coordinated and up-to-date with evolving cover crop practices, the administrators of NRCS, Risk Management Agency and Farm Service Agency organized an interagency workgroup to develop consistent, simple and flexible policy across the three agencies. National and local experts, along with multiple stakeholders, were involved in the process. Research literature, plant growth and soil hydrology models, and input from national/local experts in cover crop management provided the basis for developing termination cover crops guidelines to achieve their conservation benefits while minimizing risk of reducing yield to the following crop due to soil water use.

The guidelines apply to non-irrigated cropland, including systems that contain a fallow period, and to cover crops actively growing at the time of termination.

<table>
<thead>
<tr>
<th>Zone</th>
<th>Cover Crop Termination Period Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone 1</td>
<td>For Late Spring to Fall Seeded Crops Terminate cover crops 35 days or earlier prior to planting the crop. For Early Spring Seeded Crops Terminate cover crops as soon as practical prior to planting the crop. [Additional Cover Crop Termination Considerations 4 and 8.]</td>
</tr>
<tr>
<td>Zone 2</td>
<td>For Late Spring to Fall Seeded Crops Terminate cover crops 15 days or earlier prior to planting the crop. For Early Spring Seeded Crops Terminate cover crops as soon as practical prior to planting the crop. [Additional Cover Crop Termination Considerations 4 and 8.]</td>
</tr>
<tr>
<td>Zone 3</td>
<td>Terminate cover crop at or before the planting of the crop.</td>
</tr>
<tr>
<td>Zone 4</td>
<td>Terminate cover crop at or within 5 days after planting, but before crop emergence.</td>
</tr>
</tbody>
</table>

Additional Cover Crop Termination Considerations:

1. If the season is drier than normal nearing cover crop termination time, consider an earlier termination to conserve soil moisture.
2. If the spring season is wetter than normal at cover crop termination time, consider a later termination to use excess soil moisture and improve seedbed condition.
3. If the cover crop is part of a no-till system, termination can be delayed up to 7 days from the above termination period guideline, but terminated prior to crop emergence.
Expected Gross Margin (EGM) by enrollment period vs Actual Gross Margin (AGM) with zero deductible

*Dairy LGM was not available these months*
Expected Gross Margin (EGM) by enrollment period vs Actual Gross Margin (AGM) with zero deductible
Dairy LGM 10 month average Expected Gross Margin (EGM) vs Actual Gross Margin (AGM) by month sold
Is YOUR 2013 Risk Management Plan Adequate to Manage 2014 Risks?

(Increasing Input Costs, Prices & Weather Volatility)
How Good is your Risk Management Plan?

Protection is Available for **Almost All Crops and Some Livestock Production!**

- **Crop Insurance Protection** – is available:
  - Individual Crop Policies – available for many crops
  - Producers with 3 years of production history may import policies not generally available in the area
  - Whole farm gross revenue protection

- **Non-insured crop Assistance Protection** is available for almost all **non-insurable crops** &
  
**Other benefit programs** may also be available from FSA

Producers can be assured of a pay day (Production sales &/or USDA protection benefits)
What do you want YOUR Crop Insurance Based Risk Management Plan to do For YOU when disasters occur?

- Protect crop value $? A.
- Protect input cost $? A.
- Protection to secure operating loan (security) $?
- $$ To replace livestock feed $?
- $$ Buy-out preharvest sales contracts $?
- Strengthen the business plan and avoid an income interruption $?

IS YOUR Current Risk Mgt. Plan Adequate?
Steps to Manage Your Risk Exposures

Farming is a Risky Business
(Weather, input costs and prices are volatile)

USDA Offers Crop Insurance Protection
with cost-sharing to reduce your cost

Crop Insurance Protection is available for many crops and some livestock

Non-insured crop Assistance Program (NAP) provides similar protection for most other crops

Information is available from crop insurance agents or your county Farm Service Agency (FSA/USDA) office http://www.rma.usda.gov/agent list available at: www.rma.usda.gov/tools/agent.htm or http://www.fsa.usda.gov/

“I would be very careful about trying to manage my risk. Make sure that you take opportunities to market your crop when you see a profit, and by all means, use crop insurance.”

Producer Dan Wolf

Determining Your Risk Management Needs:

1. How much risk exposure do you have? $_________

2. What do you want your crop protection to do (when disasters happen):
   a. Cover your production costs? _________
   b. Liquidate a preharvest crop sales contract? _________
   c. Replace livestock feed? _________
   d. Other: _________

3. How much protection do you need? $________

4. At what percent of crop damage (loss) do you want a loss payment to trigger? _____%

5. Would you prefer Revenue or Yield Protection?

   Crop Insurance Guarantees a Pay Day!
   (crop sales or indemnity)

   “This institution is an equal opportunity provider.”
All Have One Common Thought …
“It’s a program that can help a producer survive a disaster and return to profitability!”
Crop insurance helps you level the playing field by protecting you and your family from substantial losses.

With $400 million of protection and more than 17,800 insured farm units in Maryland, 3,520 received indemnity payments totaling $28 million or $1.94 for each dollar paid in premiums in 20112.

Crop insurance is a wise investment for your peace of mind, and a valuable financial planning tool for your farm.

Don't have an agent? Ask a neighbor who they use, or visit www3.rma.usda.gov/apps/agents/
2014 Risk Management Check Up

For more information & farm level details:
Contact crop ins. agent (list: www.rma.usda.gov/tools/agent.html)

Or:

Steve Connelly - MDA
(410-841-5824)
steve.connelly@maryland.gov

Presentation by:
Gene Gantz, RMA/USDA
(717) 497-6398
gantz@pa.net; www.rmra.usda.gov.

“This institution is an equal opportunity provider.”