

# CROP INSURANCE I

## WHAT DO I NEED TO HAVE COVERED?

### CHECKLIST OF QUESTIONS TO ANSWER:

#### 1. Potential Causes Of Loss

- What are the major risks for my vineyard?
- What is the likelihood of them occurring?

#### 2. Lending Related Questions

- Does my lender require some level of insurance (i.e. collateral) before funds are provided?
- Does my lender provide operating loan money for insurance?

#### 3. Objectives

- What do I want my crop insurance to do in a BAD year?
  - Cover production costs?
  - Security to make marketing decisions even with low/no crop to harvest?
  - Peace of mind?
- What do I want my crop insurance to do in a GOOD year?
  - Guarantee loan collateral?
  - Provide security to make marketing decisions?
  - Add confidence to my farming decisions?
  - Increase my opportunity for profit?

#### 4. Financial Considerations

- What is my variable cost of production?
- Does my operating loan include enough money to cover my crop insurance premium?
- Can I afford to pay/suffer/bear the deductible on my present insurance policy/ies?
- What is my risk bearing capacity?
  - How much can I afford to lose and still stay in business?
  - What size of loss can I experience and still meet my cash flow requirements?
  - How much damage can I withstand without affecting my ability to do business?

#### 5. Additional Business Considerations

- Does my landlord/partner/etc. have adequate insurance coverage on their portion of exposure?
- What will be the impact on my net worth if I don't have adequate crop insurance coverage?
- How much money will I need to hold in cash reserves if I don't buy crop insurance?
- How much of the crop do I want to forward contract BEFORE harvest?

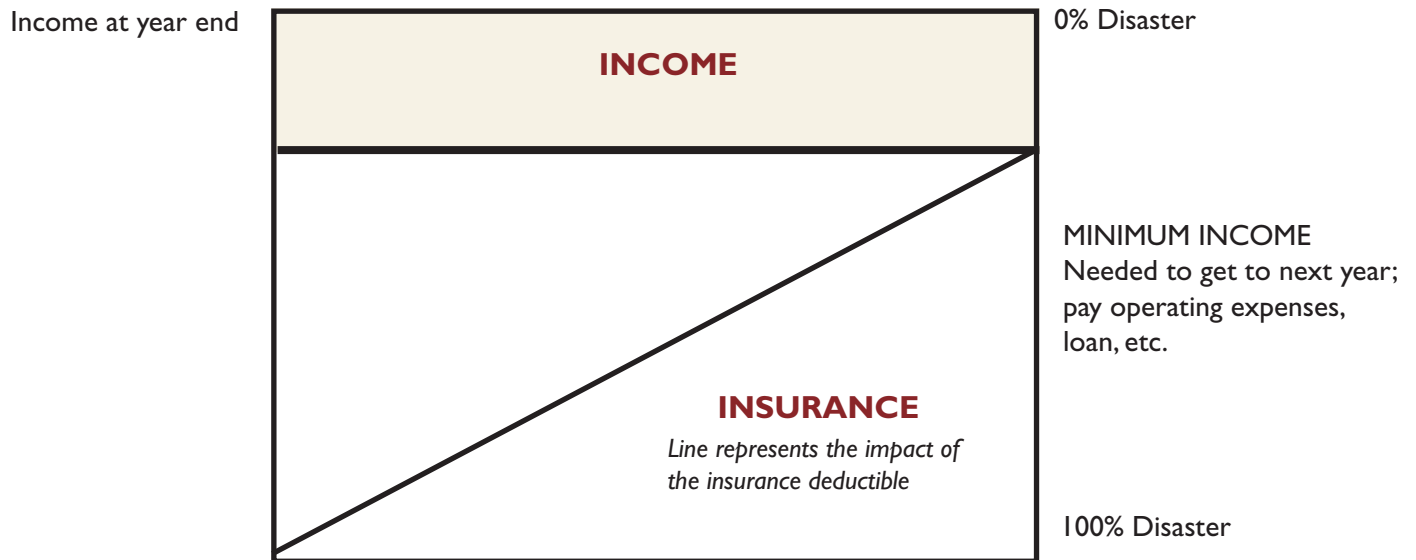
#### 6. Record Keeping

- Have I identified reliable sources of outlook information (e.g. *crop production, utilization, and price forecasts*)?
- Do I have four or more years of production records to prove my yields?
  - By block and/or location
  - By type and variety of grapes
  - Do I have accurate acreage data - planting date, number of acres, spacing?
  - Can I associate my production with a specific block and location?



## 7. Insurance Products

- What products are available?
- Have I considered crop-hail insurance?
- Have I considered MPCl?
  - What percentage of coverage level do I need?  %
- Do I qualify for AGR?



# CROP INSURANCE II

## HOW DO I KNOW WHEN I AM NOT COVERED BY MY INSURANCE POLICY/POLICIES?

### CHECKLIST OF QUESTIONS TO ANSWER:

- Develop my own scenarios of situations that might happen to me.
- Apply my proposed insurance package to the scenarios and see if I am satisfied with the outcome.

### FOR EXAMPLE:

#### 1. Loss Scenario #1 When AGR May Be The Best Answer.

- The grower has contracts with winery for substantially higher amount than the price election offered. Can the grower mitigate the risk of \$ loss with MPCl grape policy?
- Diversification/Multiple crops (some not insurable under MPCl) – Look at the bottom line for the farm/insuring income from non-insurable crops.

#### 2. Loss Scenario #2 When AGR May Not Be The Best Answer.

- Single commodity grower – all income from grapes. AGR has higher deductible for single commodity grower.
- Entity life – New entity does not have 5 years Schedule F equivalent.

#### 3. Loss Scenario #3 When MPCl May Be The Best Answer.

- Risk Averse – How much financial risk can the grower take with his crop production?
- What are the chances that he will lose the vineyard/farm without protection?
- Minimal crop diversity.

#### 4. Loss Scenario #4 When MPCl May Not Be The Best Answer.

- The grower has contracts with winery for substantially higher amount than the price election offered. Can the grower mitigate the risk of \$ loss with MPCl grape policy?
- High diversity of crop income (some from non-insurable crops).

#### 5. Loss Scenario #5 When CAT May Be The Best Answer.

- When the grower absolutely cannot afford any insurance premium payment.

#### 6. Loss Scenario #6 When CAT May Not Be The Best Answer.

- If grower cannot accept 27.5 percent coverage for a total loss.



# CROP INSURANCE III

## HOW DO I EFFECTIVELY COMMUNICATE WITH MY INSURANCE AGENT?

### CHECKLIST OF QUESTIONS TO ANSWER:

1. Do I accurately know my acreage figures?
2. Do I have production information to establish the average yield historically produced by block and by variety? (Note: Ask about block production worksheets – these can be used to overwrite the blended APH which includes the 0 production from young blocks.)
3. Do I have accurate information to properly complete a “pre-acceptance worksheet” identifying the number of plants per acre by variety and per block?
4. Have I certified my production history with my crop insurance agent?
5. If a block is just now beginning to produce, is insurance available for this particular variety? Which group does it belong in?
6. Does my crop insurance agent understand my marketing plan (i.e. so agent can explain the most appropriate options available to a given situation and address relevant risk management needs)?
7. Do I have contracts available to show my insurance agent?
8. Does my crop insurance agent understand my financial plan (only if AGR is being considered)?
9. Do I know when the important crop insurance deadlines are? Do I know what is required of me for each of those deadlines?

#### Special thanks to:

- National Crop Insurance Services, USDA-RMA, Dave Green and Mary Stuart, Spokane, Washington
- North Central Crop Insurance



<b>DEADLINES</b>	<b>WINE/JUICE GRAPE DATES</b>	<b>AGR</b>
Sales Closing Date (last day to apply for coverage or to make changes to existing policies)	Nov 20 Don't wait until the last day!	Jan 31
Cancellation Date (give notice if I don't want insurance next year)	Nov 20	Jan 31
Production Reporting Date (actual production history must be reported by)	Jan 4	N/A Farm report submitted at application
Acreage Reporting Date (report acreage to be insured)	Jan 15	N/A
Payment of Premiums Due Date (interest charges are due beyond this date)	Sept 15 (Billing Date) Oct 15 (Notice of Termination)	Dec 1 Jan 1
Date To File Notice Of Crop Damage	Damage must be reported within 72 hours of occurrence; within 3 days of beginning of harvest if harvest will not take place; within 15 days of harvest if notification of damage was given and you intend to file claim for indemnity	Notice of loss within 72 hours of initial discovery that allowable income for the insurance year could fall below the insurance level elected. Failure to provide notice within 15 days after the filing of farm tax forms for the insurance year will result in denial of claim.
End Of Insurance Period (last date of coverage)	Nov 1	Continuous until cancelled
Debt Termination Date (insurance coverage for next year will be cancelled if payment is not made)	Nov 20	Jan 31
Contract Change Date (date by which changes in insurance coverage for the upcoming year are published.)	Aug 31	Nov 30



## CROP INSURANCE-RESOURCES

RESOURCES FOR MORE INFORMATION AND/OR HOW TO DO	ID	OR	WA
Risk Management Agency / U.S. Department of Agriculture <a href="http://www.rma.usda.gov">http://www.rma.usda.gov</a> Be sure to check out the “Tools / Calculators” in the left hand column for the ability to calculate premiums online.	X	X	X
<a href="http://www.agrisk.umn.edu">http://www.agrisk.umn.edu</a>	X	X	X
<a href="http://pnw-ag.wsu.edu/risk/">http://pnw-ag.wsu.edu/risk/</a>	X	X	X
National Crop Insurance Services <a href="http://www.agrisk.org">http://www.agrisk.org</a>	X	X	X
WSU/Pullman &/or Prosser (Enterprise Budgets) <a href="http://www.farm-mgmt.wsu.edu/treefruits.htm">http://www.farm-mgmt.wsu.edu/treefruits.htm</a> <a href="http://winegrapes.wsu.edu">http://winegrapes.wsu.edu</a> <a href="http://berrygrape.oregonstate.edu">http://berrygrape.oregonstate.edu</a> <a href="http://info.ag.uidaho.edu">http://info.ag.uidaho.edu</a>	X	X	X
WAWGG – acreage / price forecasts <a href="http://www.wawgg.org">http://www.wawgg.org</a>			X

	<b>DEFINITIONS/EXPLANATIONS</b>
AGR	Adjusted Gross Revenue – Provides protection against low revenue due to unavoidable natural disasters and market fluctuation that occur during the insurance year.
APH	Actual Production History. Is a simple average of at least four, but not more than ten, years of prior yields.
ARD	Acreage Reporting Date
CAT	Catastrophic insurance - \$100 annual fee
Causes Of Loss (MPCI)	<ul style="list-style-type: none"> <li>• Adverse weather conditions</li> <li>• Fire (unless weeds and undergrowth have not been controlled or pruning debris have not been removed from the vineyard)</li> <li>• Insects (except Phylloxera), and damage due to insufficient or improper application of pest control measures)</li> <li>• Plant disease (except damage due to insufficient or improper application of disease control measures)</li> <li>• Wildlife, Earthquake, Volcanic eruption</li> <li>• Failure of the irrigation water supply as a result of the above</li> </ul>
Coverage Levels	50% - 75% in 5 percent increments
Crop-Hail Insurance	Coverage can be purchased during the normal growing season, provided the crop has not already been damaged by hail.

Grape Varietal Groups	<ul style="list-style-type: none"> <li>• Group A (JUICE) - Type 161 Concord, Niagara, Campbell, and other American hybrid varieties</li> <li>• Group A (WINE) - Type 279 (Western Oregon) Pinot Noir</li> <li>• Group B - Type 280 (Western Oregon) Merlot, Syrah, Cabernet, and all other Pinot</li> <li>• Group B - Type 281 (All other counties) Merlot, Syrah, and/or Cabernet varieties</li> <li>• Group C - Type 282 Chardonnay, Pinot* varieties grown as varietal, Grenache, Zinfandel, Limberger, and other pink or red varieties *Pinot variety is Group B in Oregon</li> <li>• Group D - Type 283 Pinot* varieties contracted for sparkling wine, Semillon, Sauvignon Blanc, Muscat and other white varieties *Pinot variety is Group B in Oregon</li> <li>• Group E - Type 284 White Riesling/Johannisberg Riesling, Chenin Blanc, Gewurztraminer and/or Muller Thurgau</li> </ul>
MPCI	Multi Peril Crop Insurance – provides comprehensive protection against weather-related causes of loss and certain other unavoidable perils. Covers: adverse weather, fire, insects and disease, wildlife, earthquake, volcanic eruption, and failure of irrigation water supply.
Named Peril Product	Provides producer with protection from a specific peril at a value not to exceed the value of the crop.
Optional Units for grapes	Optional Units Established by: <ul style="list-style-type: none"> <li>• Section</li> <li>• Non-contiguous land</li> <li>• Varietal group</li> </ul>
PRD	Production Reporting Date
Pre-Acceptance Worksheet	Document completed by insurance agent to record planting blocks, acres, varieties, and number of vines.
Price Elections	55% to 100% in 1 percent increments
Revenue-Based Options	Adjusted Gross Revenue
SCD	Sales Closing Date
Yield-Based Options	<ul style="list-style-type: none"> <li>• Multiple Peril Crop Insurance</li> <li>• Catastrophic Coverage</li> </ul>



*Washington Guide to Sustainable Viticulture*

This document provided by the Washington Wine Industry Foundation’s “Risk Management Education Program for the Northwest Grape Industry” — a USDA-RMA Partnership. For questions about VineWise, please contact the Washington Association of Wine Grape Growers at 1-877-88WAWGG (1-877-8892994) or email [vinewise@wawgg.org](mailto:vinewise@wawgg.org).