

## Massachusetts Crop Insurance Fresh Market Sweet Corn Revenue Plan

Mr. Farmer grows 50 acres of fresh market sweet corn. In March of this year, a local crop insurance agent contacted Mr. Farmer to see if he might be interested in taking out crop insurance on his sweet corn. Mr. Farmer decided to insure 50 acres of sweet corn for the coming crop year.

*Deadlines to purchase crop insurance vary by crop, type of insurance application and state. Contact your agent for the specific deadlines in your area and to get the level of insurance protection you want.*

The policy. The Fresh Market Sweet Corn insurance policy is based on a value for the crop determined by the Risk Management Agency (RMA) -- an agency of the US Department of Agriculture. This value is based on national and/or regional historical data. The maximum amount of coverage for sweet corn in Mr. Farmer's county is \$1,011 per acre. The following calculations are based on Mr. Farmer's 50 acres of sweet corn being all in one unit.

Mr. Farmer selected a 60% coverage level. ( $\$1,011 \times 60\% = \$607$ ). He chose a price election of 100%. This means he will receive 100% of the 60% coverage level (100% of \$607). So, in this case, Mr. Farmer's guarantee for his 50 acres of sweet corn will be 50 Acres X \$607 or \$30,330.

The costs associated with harvest of sweet corn may be added to the insured basis, increasing the amount of coverage accordingly. For this example, the average price per container is \$9.00. (**Note:** A container equals fifty (50) ears of fresh sweet corn.) Mr. Farmer averages 7,500 containers of harvested production from the 50-acre unit.

*Selecting higher levels of coverage and/or price election typically results in increased premiums and better coverage. Your agent will help you determine the optimal combination for your risk exposure and budget.*

Under the Fresh Market Sweet Corn policy, a loss occurs when the crop value falls below the guaranteed dollar amount as a result of damage from a covered cause of loss. Revenue losses caused by low market prices or low consumer demand are not covered by this policy.

*Revenue coverage may be available to you through another RMA product -- Adjusted Gross Revenue Insurance ("AGR" or "AGR-Lite"). Contact a crop insurance agent for more details.*

A loss. On July 18 of that growing season, a storm resulted in hail damage on Mr. Farmer's 50 acres of sweet corn. Mr. Farmer believed that he lost some of his production due to the hail damage. He turned in a loss on the 50 acres for damaged corn.

*There are deadlines and procedures for making a claim against crop insurance. If you do not follow them, your claim may be denied. Be sure to understand these requirements when you buy your crop insurance coverage!*

The following calculations show how Mr. Farmer's loss payment was determined.

**Unit 0100 (50 acres)**

Total sold and appraised containers	5,500
Average price per container	\$9.00
Take the price per container	\$9.00
Subtract the allowable costs* (cannot exceed \$3.05)	<u>- \$3.75 (\$3.05 allowable cost + .70 for cooling costs)</u>
Total allowable cost	\$5.25
Total sold containers	5,500
Multiplied by price per container	<u>X \$5.25</u>
Crop value for 2004	\$28,875
Total policy guarantee on 50 Acres	\$30,330
Estimated loss payment	\$1,455

\* Allowable cost is an amount not to exceed \$3.05 per container for harvesting and marketing costs (i.e. picking, hauling, packing, shipping, grading, selling, etc.) that are subtracted from the average price received to determine value of sold production. If cooling costs are paid by the insured they can also be deducted not to exceed 70 cents per container.

Coverage examples. Below are examples of the coverage and premium per acre that Mr. Farmer had at the coverage level he selected (60%) and the coverage he would have had if he had elected the 65% or 70% coverage level when he purchased the policy.

Coverage Level	Guar./acre Coverage (\$)	Acre Premium (\$)	Total 50 ac. Premium (\$)	Potential Claim payment on 50 Acres (\$)
60%	607	36.06	1,803	1,455
65%	657	49.84	2,492	3,975
70%	708	61.54	3,077	6,525

When budgeting for crop insurance coverage, it is always important to balance premium cost against possible loss levels. In general, **higher** actual crop loss levels result in a net gain over premium costs even at the lowest coverage/price elections. **Lower** actual crop loss levels favor higher coverage/price elections. If you only want to insure against catastrophic losses, your premiums will be lower, but many partial losses will not be covered at all (and you will be compensated at a lower level for your catastrophe). In essence, choosing low levels of crop insurance coverage means that you are self-insuring the smaller losses, and expect to get only a smaller portion back in the event of larger ones. Only you can determine the point at which unacceptable losses occur, and insure accordingly.

Revenue Loss Example. (The following example is for illustration purposes only. Prices and rates are subject to change.)

Container = 50 ears of corn  
Unit \_\_\_\_\_

Example with \$ \_\_\_\_\_ average price per container and \_\_\_\_\_ containers for the unit

Your guarantee is estimated at \$ \_\_\_\_\_. I arrived at this amount by taking \_\_\_\_\_ acres; multiplied by the amount of coverage for the \_\_\_\_\_ coverage; \$ \_\_\_\_\_ per acre.

Example

Total sold and or appraised containers \_\_\_\_\_

Average price per container \$ \_\_\_\_\_

Take price per container \$ \_\_\_\_\_

Subtract Allowable Cost, not to exceed \$3.05 set \$.

Maximum Total Allowable Cost

-\$3.05 allowable cost + .70 for cooling costs  
\$3.75

= \$ \_\_\_\_\_

Total sold containers \_\_\_\_\_

Multiplied by price per container

X \$ \_\_\_\_\_

**Crop value**

\$ \_\_\_\_\_

**Catastrophic coverage adjustment**

.55

**Adjusted crop value**

\$ \_\_\_\_\_

Guarantee =

\$ \_\_\_\_\_

\$ \_\_\_\_\_ Estimated Loss Payment

First Stage Guarantee\* is 65% of your amount of insurance per acre. \$ \_\_\_\_\_ per acre.

If you fall below your guarantee, contact your agent.

\* First Stage Guarantee is defined as from planting through the beginning of tasseling (when the tassel becomes visible above the whorl).

**The above information is for illustration purposes only. Individual circumstances affect premium and loss results. Contact a crop insurance agent to determine the amount of insurance protection that you need**



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