Crop insurance for specialty and organic grains

Organic Grain Resource and Information Network | The University of Wisconsin-Madison | www.ograin.cals.wisc.edu

- Growing specialty and organic grains can add income to your farm operation, distribute risk, and add extra crops to your rotation for greater systems resilience. Still, insuring these crops is often more complex than insuring conventional commodity crops.

- This resource provides information on purchasing crop insurance for organic and specialty grains in the Upper Midwestern U.S.

If you are planning to market or feed a small grain that you have added to your rotation, planning to transition your corn or soybeans to organic, or want to try growing a less common grain crop like pulses or oilseeds, you might consider purchasing crop insurance as a way to mitigate risk from severe weather events or dips in market prices. Crop insurance may also be a requirement to receive Farm Service Agency (FSA) or other operating loans.

Insuring less common and organic crops, however, is not always as easy as purchasing insurance for conventional corn and soybeans. Not all crop insurance agents know how to insure organic or specialty grains since growing them is still relatively rare in the region. This factsheet explains the ins and outs of crop insurance for organic and specialty grains and uses data from a producer survey and interviews conducted in the Upper Midwest in 2022 to illustrate producers' experiences.

Image: John Wepking and daughter, co-owner of Meadowlark Organics

KEY TYPES OF CROP INSURANCE FOR SPECIALTY AND ORGANIC GRAINS

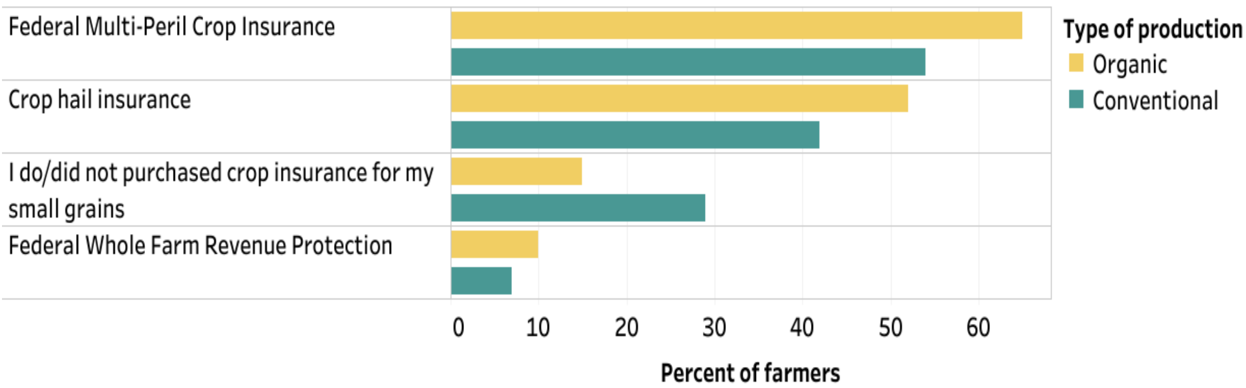
There are many types of crop insurance policies available to fit the unique needs of producers. This fact sheet focuses on a few key policies including:

- **Mult-Peril insurance**
- **Crop hail insurance**
- **Whole Farm Revenue Protection**

Each type of policy provides different means of covering an operation in the event of a crop loss or price drop. All crop insurance policies are purchased through private insurance companies and are available to producers throughout the country. Federal Multi-Peril and Whole Farm Revenue Protection are administered by the USDA's Risk Management Agency (RMA), meaning that premiums are subsidized between 38% to 80% depending on the coverage level you choose (Economic Research Service 2019). Crop hail is administered soley by private agents.

According to a 2022 survey of small grain producers in IL, IA, MN, and WI, most producers (75%) who grew small grains purchased a crop insurance policy for them. Federal Multi-Peril crop insurance was the most common policy, used by 57% of producers in the study, followed by crop hail insurance used by 45% of producers. Fewer producers (8%) used Whole Farm Revenue, a relatively new program that became available in 2015. Organic and conventional producers tended to use the same crop insurance policies, although fewer organic producers went without crop insurance (**Figure 1**). This is likely because according to the survey data, organic growers sell grain more frequently to food-grade markets than their conventional counterparts, likely at higher premiums, creating more incentive to insure the crop. A higher percentage of conventional producers grew small grains for on-farm use only, for example for hay, which is not covered by

Figure 1. Crop insurance programs used by organic & organic transitioning and conventional small grain producers in the last 6 years as reported in a 2022 study of small grain producers in the Upper Midwest



Multi-Peril crop insurance

Federal Multi-Peril is the most common type of crop insurance used by producers and protects an individual crop from both yield and revenue losses. Multi-Peril provides a price guarantee based on your Actual Production History (APH) and a projected price. The APH is an average of your 4-year yield history for the crop. The projected price (also called predicted price and estimated price) per bushel is determined annually by RMA using average futures contract prices on the Chicago Board of Trade. You determine the level of coverage when you purchase insurance, between 50-85% of your APH. Premium costs increase with higher coverage (e.g., 85% coverage is more expensive than 50% coverage) because less of the premium is subsidized.

You can choose to purchase revenue or yield protection through Multi-Peril insurance (**See Box 1** for information on the differences between the two). Stacking insurance options is also possible, and each policy described here can be combined with other insurance products.

Crop hail insurance

Crop hail insurance is a form of protection covering losses of an individual crop from hail and/or fire. It may also include protection from wind, vandalism, and losses during transit and storage. Crop hail is available for a range of crops including forage, row crops, fruits, and vegetables. Like Multi-Peril, you determine the level of coverage. It can be used as a standalone policy or paired with other insurance products such as Multi-Peril.

Crop hail insurance is often used to "fill the gap" between farmers expected revenue and their guaranteed revenue. For example, a farmer who chooses 80% coverage with a 70 bu/acre APH is only covering 56 bu/acre, leaving 14 bu/acre at risk. 14 bu/acre multiplied by the projected price of $3/bu means that $42/acre are left uninsured. In this situation, some farmers may consider purchasing $42 or more of hail coverage to make sure they are fully covered.

Crop hail insurance is not administered through the federal crop insurance program and therefore premiums are not subsidized. However, it does have some key advantages: policies can be purchased at any time throughout the growing season and allow for lower deductibles to cover spot losses.

Whole Farm Revenue Protection (WFRP)

Whole Farm Revenue Protection provides revenue insurance for all farm products within an operation, including crops and livestock, under one policy. WFRP is available in every county in all 50 states and calculates a price guarantee for the operation based on revenue reported in the previous 3 to 5 years of Schedule F tax forms. Coverage is available for 50-85% of the previous years' revenue level.

WFRP was created for diversified farm systems and could make it easier to insure specialty and organic crops. WFRP can provide coverage for crops that might otherwise not be eligible, and for crops in which you might expect a higher price than RMA determined prices. If you raise 3 or more farm products under your WFRP policy, you can receive a higher subsidy and lower premium. WFRP requires more paperwork compared to other insurance policies and is not an option for producers without a 3-year tax history. However, if you have trouble insuring your crops at the price you would like under Multi-Peril, this option may be worthwhile.

WFRP also has a subprogram called Micro Farm that provides whole farm protection for operations with <$350,000 in approved revenue. Micro Farm has more flexible reporting requirements and does not require reporting for expenses, expected yields, or values for individual commodities. Revenue from value-added products such as processed, canned, or frozen goods are also covered within this subprogram.

DETERMINING POLICIES AND GUARANTEES UNDER FEDERAL MULTI-PERIL INSURANCE

For Federal Multi-Peril insurance, policies are not available for all row crops in the Upper Midwest. Availability depends on the county in which your farm is located. Talk to your FSA representative or crop insurance salesperson to determine if coverage is available for the crop you want to insure.

Once you have an insurance policy, you will need to determine your price guarantee—the dollar amount per acre that is covered by insurance in the event of a crop loss or price drop. For Federal Multi-Peril insurance, RMA typically determines your price guarantee by multiplying your APH by the RMA established price (Whole Farm Revenue Protection works differently, see above). For specialty and organic grain growers, you may not have an "off the shelf' policy available for your crop, an APH or county yield to rely on, or the RMA calculated price guarantee may be less than what you would expect from your sales. **Figure 2** shows ways around these issues.

Figure 2. Determining crop insurance policies and guarantees under Federal Multi-Peril insurance

Determine if there are existing crop insurance policies for the crop you want to grow.

Yes: Choose an Individual Plan: If the crop you want to raise has a pre-determined Individual Plan, you are in luck. You can find out if your crop has an Individual Plan in your county [here.](here)

No: You can use a written agreement: **See page 6**

Use your APH and RMA projected prices to determine the price guarantee for your specialty or organic grain

No APH? Use average county yields: If it is your first time growing the crop and you don't have a yield history, you do not necessarily need to wait 4 years to determine your APH. If that crop has been grown in your county previously, you can use the county average, also called transitional yields (T yields) or base yields, to determine the price guarantee in lieu of a yield history.

Average county yield too low? If the county T yields are lower than what you expect on your own farm, you can start on a smaller acreage for 4 years to build yield history.

Price guarantee lower than what you expect from your organic buyer? Try a Contract Price Addendum. RMA established prices are not always reflective of organic premiums or higher prices for food-grade production and for specialty or identity-preserved varieties. While RMA sets prices for organic products based on conventional prices multiplied by a fixed factor, you may expect even more for your crop in the marketplace. To cover your expected value, RMA offers an adjusted price for certified organic and transitioning to organic producers. If you have a written contract from a buyer, you can insure your crop at the contracted price by adding a Contract Price Option to your policy. The following row crops are eligible: barley, canola/rapeseed, corn, dry beans, dry peas, flax, forage production, sorghum, millet, oats, popcorn, rice, rye, sunflower, wheat. If your crop isn't covered, you may want to consider WFRP (see page 4).

> **"So for us, we always feel like we grow better than the county. So...your insurance guarantee might not be as high as what they are in the crops you're previously growing.**
> **–Conventional producer, IL"**

> **"One of the things that we discovered, and I'm not sure how well known it was, but if you can provide the fact that you are contracted, you are able to get that into your crop insurance at that [price] level...It made a tremendous difference in the amount we could insure at the level.**
> **–Organic producer, IL"**

Figure 2. Determining crop insurance policies and guarantees under Federal Multi-Peril insurance

Written agreements: If there are no "off the shelf" Individual Plans available to you for your crop, you can obtain a written agreement, or a custom crop insurance agreement (XC agreement). Agents may not frequently use written agreements, so talk with yours about how it might work. You can also seek agents in other areas that may have more specific experience with organic and specialty grains. As part of the application process for a written agreement, you may also need a soil map and a letter of adaptability from an agricultural expert verifying that the crop can be grown successfully in your county. You will also be asked to provide 4 years of APH for the crop you want to insure.

No APH? Option 1: Submit a verifiable production history for a similar crop: If this is your first time growing the crop, you can submit a verifiable production history for a similar crop you have raised (see Exhibit 16 in the Written Agreement Handbook for a list of approved similar crops).

No APH? Option 2: Request yield data from other counties: If there are no Individual Plans available for the crop you want to grow, there may not be much county yield history available, making it difficult to request county average yields in lieu of an APH. Instead, you can request yield data from other counties, if available. You will need to work with an agricultural expert to show that the conditions are similar to your own, and that the yield will also be similar.

> **"In our county, I couldn't get Mult-Peril on buckwheat because nobody grows it. [My crop insurance agent] was able to basically send in a request to RMA using yield data from a couple of counties away and a statement from the agronomist of whom I had a contract with stating the product was viable in our area. That's how I was able to get insurance on the buckwheat."**
>
> **–Organic producer, MN**

No yield data from other counties or production history for a similar crop? In this case, you may consider Whole Farm Revenue Protection. WFRP ensures the revenue of your entire operation, so you don't need to worry about individual crops.

Box 1: REVENUE PROTECTION VS YIELD PROTECTION: WHAT'S THE DIFFERENCE?

There are two main types of Multi-Peril insurance available: yield and revenue protection. Yield protection was traditionally offered to producers until RMA introduced revenue protection insurance in 1997. Today, revenue protection is the more popular of the two as it is a more comprehensive plan that covers both yield and revenue losses. Some producers may still choose yield protection as the premium is less and they feel they have adequate individualized coverage if they are using their set contract price for their crop (see page 5 on Contract Price Addendum). Relying on yield protection and the contract price option, however, means you won't receive a payout if the market price changes. Overall, the advantages of revenue protection tend to justify the higher premiums.

Yield protection

Yield protection policies cover yield losses due to natural causes including adverse weather conditions (freeze, wind, drought, hail, excess moisture, etc.), failure of the irrigation water supply, fire from natural causes, damage from pests and plant disease, and wildlife damage (USDA Risk Management Agency 2023). An indemnity, or payout from insurance coverage, is triggered if the harvested yield is less than your APH where the payment is equal to the difference, multiplied by your chosen coverage level and by the projected price. For example, say you chose 80% coverage on a crop, your APH was 70bu/ac, and the projected price was $3/bushel, your yield coverage would be triggered if your yields fall below 56bu/ac:

APH: 70bu/ac at $3/bu
Coverage: 80% x 70bu/ac = 56bu/ac

If your actual yield was 30bu/ac due to drought, the difference between your guaranteed coverage and your actual yield times the projected price is the indemnity you will collect. In this scenario, you will claim $78/ac.

56bu/ac coverage – 30bu/ac yield = 26bu/ac
26bu/ac x $3/bu = **$78/ac**

Revenue protection

Revenue protection policies cover revenue losses due to 1) yield losses from unavoidable natural causes (the same as for yield protection insurance), 2) a drop in market prices, or 3) both a yield loss and a price drop. Revenue protection applies when income falls below the set threshold. An indemnity will not necessarily be paid out when yields are low if yield losses are compensated for by high market prices. The same is true for low market prices if they are compensated for by high yields. You are eligible for an indemnity payment if your actual revenue (harvest price) falls below the projected price where the payment is equal to the difference, multiplied by your chosen coverage level. For example, say you chose 80% coverage on a crop and the projected price was $3/bushel and your APH was 70bu/ac:

APH: 70bu/ac at $3/bu
Expected revenue: 70bu/ac x $3/bu = $210/ac
Revenue coverage: 80% x $210/ac = $168/ac

There are two scenarios in which you would receive a payout:

Scenario 1) If the harvest price drops below your coverage level:

Low market price at $2/bu, but normal yield at 70bu/ac:

70bu/ac x $2/bu = $140/ac
Coverage – revenue = payout
$168/ac - $140/ac = **$28/ac**

Scenario 2) If the yield drops below your coverage level:

Low yield at 50bu/ac, but normal market price at $3/bu:

50bu/ac x $3/bu = $150/ac
Coverage – revenue = payout
$168/ac - $150/ac = **$18/ac**

STIPULATIONS TO KEEP IN MIND

Double cropping: If you plan to double crop, or plant two crops on the same piece of ground in the same year, you can generally only insure one of the crops in the double cropped system. However, if you have at least 3 years of double cropping yield history, you can request a written agreement to insure both crops. Some expanded coverage for double cropped soybeans after wheat and other fall seeded crops is available through [RMA's Double Cropping Initiative.]

> **"The winter barley was the one crop that would come off the field fast enough to potentially give me a chance at double crop soybeans...If I had a yield history of double crop soybeans on my farm, I could have bought some very low level insurance that would put me in a position that I should have been okay. So at this point, I have all the risk on right now, but we're trying to establish a yield history on double crop soybeans that I could potentially in the future take insurance on those double crop beans."**

Relay cropping: Relay cropping, or planting a second crop into an established crop, has historically not been an insurable practice. As of 2022, RMA is allowing written insurance agreements for soybeans seeded into a small grain crop. You must provide evidence from a local agronomist, conservation professional, or agricultural organization that relay cropping is an accepted practice for your location. You may also be required to show production history, depending on your location.

Cover cropping: Historically, if you planted a cover crop before your insured crop on non-irrigated cropland, you needed to terminate the cover crop according to the NRCS Cover Crop Termination Guidelines to be eligible for crop insurance through FSA. As of the 2018 Farm Bill, insurance attaches at the time of planting the insured crop and any concerns around cover crop management practices are reviewed under RMA rules for Good Farming Practice determinations.

Malting Barley Endorsement: The Malting Barley Endorsement, a crop insurance product through RMA, extends additional quality protection for malting barley acreage that is insured under the Small Grains Crop Provisions. Those protections will depend on the compliance and pricing stipulated in your malting barley contract, but select counties are eligible. Under this endorsement, you may elect for either revenue or yield protection. See more in this Fact Sheet.

ADDITIONAL RESOURCES

- CFRA Crop Insurance Resource Library: https://www.cfra.org/crop-insurance-resources
- Crop insurance for organics; A short course: https://courses.organicagronomy.org/p/crop-insurance-for-organics
- Determine whether crop insurance policies exist in your county for your crop: https://webapp.rma.usda.gov/apps/ActuarialInformationBrowser2020/CropCriteria.aspx
- Find a crop insurance agent: https://www.rma.usda.gov/Information-Tools/Agent-Locator
- Practical Farmers of Iowa on Crop Insurance for Small Grains: Individual, Custom and Whole-Farm Plans: https://practicalfarmers.org/2020/09/crop-insurance-for-small-grains-individual-custom-and-whole-farm-plans/
- RMA fact sheet-Small grains, Barley and wheat: https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Small-Grains---Barley-Wheat
- RMA fact sheet-Small grains, Buckwheat, Flax, Oats, and Rye: https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Small-Grains---Buckwheat-Flax-Oats-and-Rye
- RMA fact sheet-Requesting insurance not available in your county: https://www.rma.usda.gov/%20Fact-Sheets/National-Fact-Sheets/Requesting-Insurance-Not-Available-In-Your-County

REFERENCES

Economic Research Service. 2019. Agricultural Act of 2014: Highlights and Implications: Crop Insurance. https://www.ers.usda.gov/agricultural-act-of-2014-highlights-and-implications/crop-insurance/.

USDA Risk Management Agency. 2023. Actual Production History. https://www.rma.usda.gov/en/Policy-and-Procedure/Insurance-Plans/Actual-Production-History.

AUTHORS

Lauren Asprooth[1], Kelsey Willardson[2], Megan Vaith[3] Alyssa Hartman[4], Ashley McFarland[5]

[1]Center for Integrated Agricultural Systems, University of Wisconsin, Madison
[2]Center for Rural Affairs
[3]Northbourne Organic Crop Insurance LLC
[4]Artisan Grain Collaborative
[5]American Malting Barley Association

ACKNOWLEDGEMENTS

This project was supported by Organic Valley Farmers Advocating for Organic, the Cover Crops Research and Outreach Project, the Soil Health Collaborative, and Dr. Ryan Galt's W.K. Kellogg Foundation Endowed Chair Funding. This material is also supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under agreement number 2020-38640-31522 through the North Central Region SARE program under project number GNC21-316. USDA is an equal opportunity employer and service provider. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.

The OGRAIN (Organic Grain Resource and Information Network) program is housed in the Organic and Sustainable Agriculture Research and Extension Program within the University of Wisconsin-Madison Department of Plant Pathology under the leadership of Associate Professor Dr. Erin Silva. OGRAIN provides resources and support for new, transitioning, and experienced organic grain farmers throughout the upper Midwest. We host a variety of events, support a producer listserv (join by emailing join-ograin@lists.wisc.edu) and provide educational materials at https://ograin.cals.wisc.edu/. To contact us, email Erin at emsilva@wisc.edu, or call (608) 890-1503.