Connecticut Farm Risk Management and Crop Insurance Program

Risk Management for Connecticut Nursery Growers

WHY CONSIDER NURSERY CROP INSURANCE?

Crop insurance is a risk management tool for producers used to enhance profitability and prevent loss due to weather and other unforeseen disasters. Crop insurance provides financial stability and can protect producer investment by transferring risk and ensuring a payday. Different policy options allow producers to customize their policy to protect their investment in the best possible way. Many lenders are requiring crop insurance in order to provide a loan to reduce their risk as well.

There are two basic nursery crop insurance plans available to nursery growers: Multi Peril Dollar Plan and Whole Farm Adjusted Gross Revenue (AGR)/ Adjusted Gross Revenue-Lite. These and all crop insurance policies have been developed by RMA/USDA and are sold by private insurance agents. These insurance policies shift unavoidable risks to an insurance company in exchange for a premium payment.

NURSERY MPCI INSURANCE

What does the insurance cover?

Nursery dollar plan crop insurance protects both containerized and/or field-grown plants and is available if at least 50 percent of the nursery's gross income is from the wholesale marketing of plants.

In order to be insured, plants must appear on the Eligible Plant List and must meet all the requirements for eligibility (i.e. cold protection). The Eligible Plant List is available at http://www.rma.usda.gov/tools/eplpps and from crop insurance agents.

How Does Nursery Dollar Plan Insurance work?

The plan insures the dollar value of your inventory by using your Plant Inventory Value Report (PIVR). Your PIVR summarizes the value of all plants in your inventory by using the lower of your wholesale price or the price listed in the Eligible Plant List Price Schedule. Producers then can elect different levels of coverage (CAT, 50, 55, 60, 65, or 75%) which can be multiplied by the Plant Inventory Value (PIV) in order to determine the dollar amount guaranteed to the producer. With a buy-up policy, claims units can be by plant types.

Causes of Loss

Insurable:

- Adverse weather
- Fire (provided weeds and undergrowth are controlled)
- Wildlife
- Failure of Irrigation Water Supply (if due to an insurable cause of loss, such as drought)
- Delay in Marketability resulting in decreased plant value (if due to an insurable cause of loss)

Not Insurable:

- Disease or insect infestation (unless effective control measures do exist)
- Collapse or failure of buildings/structures
- Inadequate power supply (unless due to insurable cause of loss)
- Failure of plants to grow to expected size
- Inability to market products

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EXTENSION

How can the policies be customized?

Different options are available in order to customize the insurance policy. While different coverage levels are the first way to customize policies, there are also other endorsement options.

The Peak Inventory Endorsement allows growers to cover temporary increases in inventory without paying a full year's premium. Growers declare the amount of inventory value increase and the dates the peak coverage begins and ends and pay the premium during that time period.

The Rehabilitation Endorsement is for field-grown plants and covers rehabilitation costs, up to 75% of the plant's value. The Pilot Nursery Grower's Price Endorsement is available in 19 states and permits nursery growers to insure specific plants at prices higher than those found on the Eligible Plant Price Schedule. This additional coverage must be purchased at the same time you apply for basic coverage.

While nursery MPCI can be purchased any time, new policies are subject to a 30-day waiting period before they become effective.

Whole Farm Adjusted Gross Revenue (AGR)/AGR-Lite

AGR and AGR-Lite are additional options for ensuring entire farms revenue. These policies use past financial performance to determine the average gross business revenue. When you file taxes each year, if your AGR is less than your average, a portion of the loss may be covered by insurance. The loss must be caused by adverse weather conditions and/or market fluctuations.

The payment is determined by the amount of your loss multiplied by your payment rate. Premiums for these polices are generally 1-5% of your approved adjusted gross revenue. AGR may require that other insurance plans also be purchased if they are available. AGR-Lite does not require that other insurance plans be purchased; however it does allow it.

AGR is designed for larger operations and has a maximum liability of $6.5 million while AGR-Lite's maximum liability is $1 million. Another difference of the two policies is that AGR limits income from animals/animal products while AGR-Lite does not. Enrollment dates for AGR and AGR-Lite are January 31st and March 15th respectively.

AGR and AGR-Lite are useful if your operation produces other agricultural products besides those covered under the nursery MPCI plan of insurance. AGR requires that other insurance plans (such as MPCI) also be purchased if they are available and AGR-Lite does not require it but allows it.

The premium on AGR and AGR-Lite is reduced if another policy is purchased. This means you could have nursery MPCI and AGR or AGR-Lite and enjoy the benefits of both.

SURE

The 2008 Farm Bill provided a Supplemental Revenue disaster program called SURE. It is available to growers at no additional cost but does require all crops be enrolled in a crop insurance program. If insurance coverage is not available for a crop and producers want to be eligible for disaster assistance, they must sign up for non-insured crop disaster assistance program coverage (NAP) from the Farm Service Agency/USDA.

For detailed information contact your crop insurance agent. To find an agent in your area please visit the agent locator at: http://www3.rma.usda.gov/tools/agents/companies/

For information on this topic and other risk management topics please visit the Connecticut Farm Risk Management and Crop Insurance website at www.ctfarmrisk.uconn.edu

References

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