Crop Insurance and Disaster Programs for Growers

Keith Coble

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@DrKeithHCoble
Two new names to share with you

- **Brian Mills** focuses on farm management, production economics, and precision agriculture. His efforts are centered around developing decision tools for producers to determine farm management strategies.
  – Stoneville

- **Will Maples** will focus on row crop marketing where he aids producers in the decision-making by providing information on market conditions and on risk management strategies. In addition to commodity marketing, Maples’ interests includes farm management practices.
  – On Campus
Other MSU Ag Econ Updates

• 2020 planning budgets
• Farm Bill sign up information
  https://www.agecon.msstate.edu/whatwedo/budgets.php

• 2020 Ag and Rural Outlook Conference
  – January 7 8:30 am in Bost Building
  – Market and financial outlook
  https://www.agecon.msstate.edu/workshops/2020outlook/
Masters of Agribusiness Management

- On campus and Online
  - Increase student enrollment for both
- Focus on improving program
  - adding value for students – especially non-agecon majors
- New Economics of Precision Agriculture
  - On-line
  - On Campus
So what is happening in farm policy?

• Chinese trade war
  – Trade compensation
• Flooding/Late planting/replanting
• NAFTA renegotiation
• Disaster funding
• Farm Bill implementation
A Note on the US/China trade war

PUBLIC SECTOR FUNDING FOR AG RESEARCH

Source: USDA ERS
GOVERNMENT PAYMENTS

Government Payments billion/

- 1980
- 1982
- 1984
- 1986
- 1988
- 1990
- 1992
- 1994
- 1996
- 1998
- 2000
- 2002
- 2004
- 2006
- 2008
- 2010
- 2012
- 2014
- 2016
- 2018

Increase forecast for net farm income driven by government payments and farm related income

Net farm income 2018 - 2019F change

$8.5 Billion (10.2%)

Higher government payments and farm-related income are the large contributors to rising income.

Sales from crop inventories tempering growth somewhat.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of November 27, 2019
Big Changes for Crop Insurance in the Farm Bill

1.
2.
3.
4.
What did not happen to crop insurance?

- Capping subsidy at $40,000
- Applying AGI limits
- Removing or unsubsidizing Harvest Price Option (HPO)
- Reducing subsidy percentages
If PLC is chosen one may also purchase Supplemental Coverage Option Shallow-loss insurance.
Prevented Planting

- Pays a percentage of insured guarantee
- Premium does not change
- Can affect qualification for enterprise units
- Sufficient crop acreage and ability to show planting would have occurred in a normal year.
  - Twenty acres or twenty percent of the unit is prevented from planting.
- Any PP acreage within a field that contains planted acreage will be considered to be acreage of the same crop, type and practice that is planted in the field unless:
  - The acreage that was prevented from being planted constitutes at least 20 acres or 20 percent of the total insurable acreage in the field and you produced both crops, crop types, or followed both practices in the same field in the same crop year within any one of the four most recent crop years.
  - Acreage must be on your Acreage Report by the Acreage Reporting Deadline.
  - Notice of Loss must also be reported within 72 hours following the end of the Late Planting Period or the Final Planting Period.
Prevented Planting Acres in Mississippi, 2019
Prevented Planting Payment Rates

- Corn – 55%
- Cotton - 50%
- Rice - 55%
- Soybeans – 60%

Example: Soybean
- Liability = $9.55 price x 50 bu. APH x 75% coverage = $358/acre
- Prevented panting
- 60% x $358 = $215
Prevented planting rate
Corn – 55%
Cotton -50%
Rice - 55%
Soybeans – 60%

2019 Loss Ratio 0.65
2018 Loss Ratio on same date last year 0.73
Why good loss experience? Good weather, risk pool, production systems, or better crop insurance program

RMA Aggregate Loss Ratio 1980-2018

1980-1995 Avg. = 1.48
1996-2018 Avg. = 0.83
Five Questions for Your Crop Insurance Agents

1. What about enterprise units across county lines?
2. May I qualify for trend adjusted yields?
3. May I qualify for APH yield exclusions?
4. What is the premium for different coverage levels?
5. What about separate coverage levels by practice?
THE INTERACTION OF FARM PROGRAMS AND CROP INSURANCE
## Market Revenue w/o & with Insurance

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2019 MARKET FACILITATION PROGRAM
2019 Market Facilitation Program provide $14.5 billion in direct payments to specific commodities hurt by trade disruptions.

Total payment-eligible plantings are based on the lesser of total 2019 plantings or 2018 plantings and prevented plantings.

Eligible non-specialty crops include corn, soybeans, wheat, cotton, rice, peanuts, and sorghum plus others.

Single payment rate for a county, between $15 - $150 per acre

\[ \text{County Payment Rate} \times \text{farm’s total plantings} \]

Payments will be made in three portions, the first in late July/early August, November, and early January if needed.
Market Facilitation Program (MFP)

Payment Limitations
• $250,000 per person payment limit.
• MFP payments do not count against other program payment limitations.

Eligibility
• To be eligible for payments, a person or legal entity must either:
  – have an average adjusted gross income for tax years 2015, 2016, and 2017 of less than $900,000; or
  – derive at least 75 percent of their adjusted gross income (AGI) from farming or ranching.
• Acreage of non-specialty crops and cover crops must have been planted by Aug. 1, 2019 to be considered eligible for MFP payments.
• Sign-up Period – July 29 – December 6, 2019
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<tr>
<th>Commodity</th>
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<th>2019</th>
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<td>Alfalfa</td>
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<td>$2.81/ton</td>
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<td>Chickpeas</td>
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<td>$1.48/cwt</td>
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<tr>
<td>Corn</td>
<td>$0.01/bu</td>
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<td>Cotton</td>
<td>$0.06/lb</td>
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<td>Dried Beans</td>
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<td>$8.22/cwt</td>
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<td>Ginseng</td>
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<td>Grapes (fresh)</td>
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<td>Lentils</td>
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<td>Peanuts</td>
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<td>Rice</td>
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<td>$0.63/cwt</td>
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<td>Sorghum</td>
<td>$0.86/bu</td>
<td>$1.69/bu</td>
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<td>Soybeans</td>
<td>$1.65/bu</td>
<td>$2.05/bu</td>
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<td>Sweet Cherries (fresh)</td>
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<td>$0.17/lb</td>
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<td>146.00/acre</td>
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<td>Wheat</td>
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*Pistachios, Almonds, Walnuts, Pecans, Hazelnuts, Macadamia Nuts
2019 MFP Payment Rates by County

MFP Payments
- [15 to 22]
- [22 to 42]
- [42 to 59]
- [59 to 71]
- [71 to 150]

MISSISSIPPI STATE UNIVERSITY
DEPARTMENT OF AGRICULTURAL ECONOMICS
## 2019 MFP County Payment Rates

### Noxubee County Example

2019 MFP County Per Acre Payment Rate = $141

<table>
<thead>
<tr>
<th>Crop</th>
<th>ESTIMATED 2015-2017 NASS Yield (not FSA)</th>
<th>Payment Rate</th>
<th>Per acre</th>
<th>ESTIMATED 2015-2018 NASS County Acreage Weight (not RMA)</th>
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<td>$0.26</td>
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<td>Soybeans</td>
<td>44.6</td>
<td>$2.05</td>
<td>$91.43</td>
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Wildfire and Hurricane Indemnity Program Plus (WHIP+)

- Ad hoc disaster assistance in the supplemental appropriations bill - $3 billion to assist with crop losses in 2018 and 2019
- Provides disaster payments to producers to offset losses from hurricanes, wildfires, and other qualifying natural disasters that occurred in the 2018 and 2019 calendar years.
- Enrollment for WHIP+ began on September 11, 2019.
Ad hoc for 2020

• MFP
  – China trade war settlement?
  – Election year

• Disaster programs
  – Weather
  – Where damage occurs
Thank You