



Risk Management Agency  
U.S. DEPARTMENT OF AGRICULTURE

USDA RISK MANAGEMENT AGENCY  
**BEGINNER'S GUIDE  
TO CROP INSURANCE**

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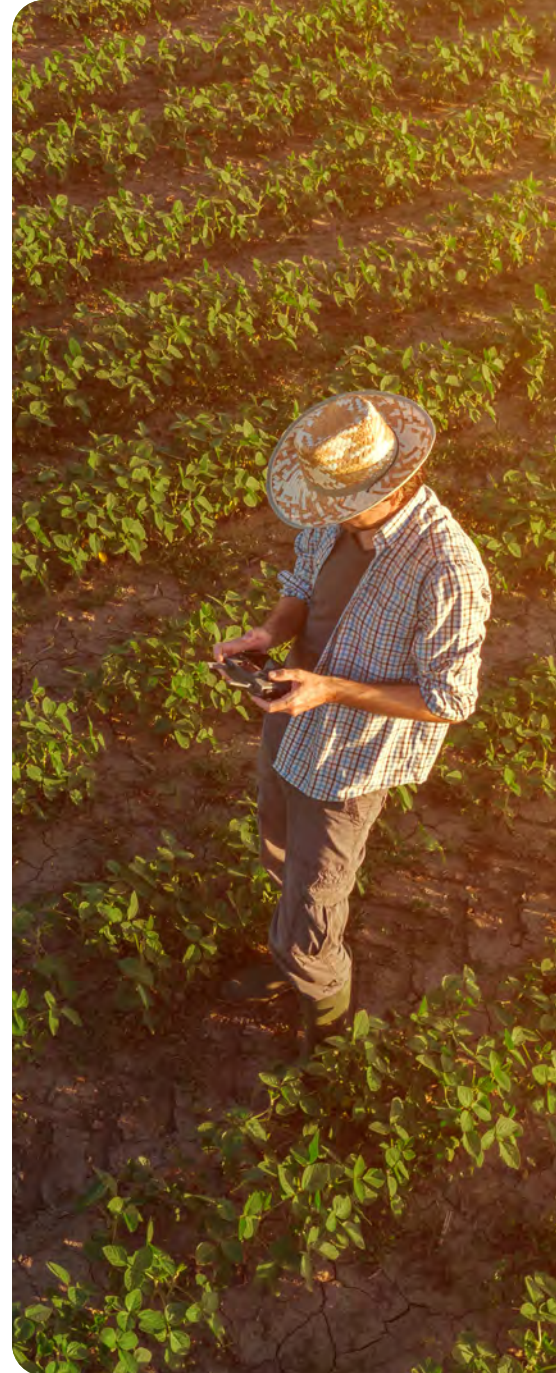
## DEFINING CROP INSURANCE

Crop insurance is a risk management strategy that farmers use to protect their livelihoods. By purchasing a policy through a crop insurance agent, farmers are financially protected if there are losses due to a covered cause of loss. It's not so different from car or homeowners insurance.

When a farmer experiences an eligible loss to their insured crop or livestock, they receive a payment to cover a portion of that loss. Eligible causes of loss depend on the type of insurance policy.

Some of the common causes of loss covered by crop insurance policies include:

- Adverse weather
- Fire
- Insects
- Plant disease
- Wildlife
- Price decline



## Why Purchase Crop Insurance?

There are many risk management strategies out there to help protect your farm. Some farmers may manage risk by working off-farm jobs and having a rainy-day fund. Others may diversify the types of crops they grow to lower the chance of losing an entire harvest. Some implement conservation strategies to protect their land, animals, and crops.

Crop insurance is an important tool to ensure income in years when there are eligible losses. In farming, losses are unavoidable, so it is necessary to have a plan for how to endure a bad year. By purchasing an insurance policy, you can gain protection from a wide range of losses. In fact, most policies are highly customizable allowing you to find risk management that matches your needs.

## How to Purchase Crop Insurance

Crop insurance is a public-private partnership between insurance providers and the federal government. To purchase a policy, you need to go through a crop insurance agent who sells policies for one of the approved insurance providers. The federal government subsidizes the insurance premium. Insurance providers sell and administer the insurance policies, making payments to farmers when there are eligible losses.

An identical crop insurance policy will cost the same no matter which agent you use because the prices are set by the USDA Risk Management Agency (RMA). Therefore, your relationship with the agent and their understanding of crop insurance matters the most.

To find an agent, you might ask other farmers if they have an agent who they can refer you to, or you can use RMA's Agent Locator Tool to find an agent near you.

Scan the QR code or visit: [rma.usda.gov/Information-Tools/Agent-Locator](https://rma.usda.gov/Information-Tools/Agent-Locator)



Note, private insurance providers do sometimes sell their own crop insurance products so you should be aware that not all policies are subsidized or regulated by the federal government.

## Benefits Available for Beginning/Veteran Farmers and Ranchers

For crop insurance, beginning farmers and ranchers are defined as producers who have not operated and managed a farm for more than 5 crop years (10 years for Whole-Farm Revenue Protection (WFRP) and Micro Farm). You may be eligible to exclude some crop years.

Similarly, veteran farmers and ranchers are defined as producers who have not operated and managed a farm for more than 5 crop years or first obtained status as a veteran for service in the military, naval, air, or space service within the last 5 years.

If you think you may qualify under either of these definitions, you may be eligible for benefits including:

- Lower cost of insurance policies through higher subsidy and exemption from administrative fee
- Ability to use previous producer's production history
- Higher substitute Yield Adjustment

To apply for benefits, talk to your crop insurance agent to review eligibility and fill out an application.



To learn more, scan the QR code or visit: [rma.usda.gov/Topics/Beginning-or-Veteran-Farmers-and-Ranchers](https://rma.usda.gov/Topics/Beginning-or-Veteran-Farmers-and-Ranchers)

For new farmers, there are a lot of resources available through USDA. Visit [farmers.gov/newfarmers](https://farmers.gov/newfarmers) to learn more.

## Cost of Crop Insurance?

The cost of a crop insurance policy varies based on several different factors. In part, the cost reflects the types of risks being covered, the likelihood of a loss occurring, and the value of the crop. In fact, the cost of a crop insurance policy will vary from county to county and field to field. For example, insuring crops grown next to a river that floods regularly will likely have a higher cost when compared to crops that are grown outside of the flood plain.

A crop insurance agent can provide a quote that reflects the needs of your farming operation.

## Whole Farm Revenue Protection and Micro Farm

Whole-Farm Revenue Protection (WFRP) and Micro Farm are two of the most comprehensive risk management plans available. These policies are particularly well suited for specialty crop, organic, urban, and direct-market producers. RMA developed WFRP and Micro Farm as a whole-farm diversified risk management insurance plan that provides protection against the loss of revenue.

These insurance products guarantee revenue, using your farm tax records to document how much you have earned from farming in recent years. One benefit of using revenue is that you can insure almost any crop or animal produced on your farm. In some cases, you can even include value added products. These two crop insurance programs are available nationwide.

Micro Farm is very similar to WFRP. It was designed as a simplified version for smaller farms. As such, there is a lower amount of revenue that is insurable with a Micro Farm policy.

Because these programs are newer, there are fewer agents who are experienced in selling them. Agents that sell these policies have self-identified, and a list is available on the RMA Agent Locator Tool webpage to assist you in finding an agent.

# Key Terms in Crop Insurance

All definitions below may be simplified for educational purposes. The documents provided when you purchase a crop insurance policy contain all official information.

**Actuarial Soundness** — The principle that for every dollar paid out in insurance claims, a dollar should be collected to cover those losses. Rates are set to ensure that enough money is collected to pay for expected losses each year.

**Additional Coverage** — All coverage levels above the catastrophic level (CAT). The higher the level of additional coverage, the more expensive the policy. For additional coverage policies, you pay an administrative fee and premium.

**Catastrophic Risk Protection (CAT)** — The lowest level of coverage available. It will only pay when the current year's production is lower than 50% of your approved yield at 55% of the price elected of the farm's recent average. Because it offers the lowest level of coverage, these policies are often the least expensive because you only pay an administrative fee.

**Claim for Indemnity** — The process and forms necessary to determine if there was a loss and whether an indemnity should be paid to the farmer, including the amount of that payment.

**Coverage** — Can refer to the types of causes of loss that an insurance policy protects against and/or the percent of expected crop value (liability) that is protected by insurance.

**Deductible** — The amount of the expected crop value that is not covered by insurance. By choosing (electing) a specific coverage level, the farmer can control the size of the deductible.

**Eligible Cause of Loss** — Each policy will only provide coverage against specific perils. Some examples include price decline, adverse weather, disease, and failure of irrigation water supply. Whenever you buy crop insurance, it's important to know what causes of loss are covered.

**Endorsements and Options** — Optional additions to your crop insurance policy that expand the type or amount of coverage available. For example, the Hurricane Insurance Protection — Wind Index is an endorsement that adds hurricanes as an eligible cause of loss. These will add additional cost to your policy due to the expanded coverage.

**Guarantee** — The maximum amount of yield or revenue protected by a crop insurance policy. It is typically determined by multiplying the coverage level by the average yield or revenue earned in recent years.

**Indemnity** — The amount of money paid to the farmer when an eligible cause of loss results in sufficient loss to their insured crop.

**Insurable Interest** — The farmer's percentage share of the insured crop.

**Liability** — The dollar amount that the insurance company will pay to the insured when there is zero yield or revenue.

**Loss Adjustment** — When an insurance company visits the farm to collect information about a loss experienced by a farmer so that a claim can be processed.

**Multi-peril** — A crop insurance policy that covers more than one cause of loss. Insurance providers will often sell single peril policies covering hail damage. Federal crop insurance policies are typically multi-peril policies.

**Notice of Damage or Loss of Production or Revenue** — How a farmer notifies a crop insurance provider that there was a loss. A farmer typically must inform the crop insurance provider soon after they become aware of a loss.

**Plan of Insurance** — Determines how the guarantee is calculated. This selection will determine whether yields, revenue, or other criteria are used when making a guarantee. Some common plans of insurance are listed below.

- Actual Production History
- Actual Revenue History
- Yield Protection
- Revenue Protection
- Area Plans
- Rainfall Index
- Whole Farm Revenue Protection

**Policy** — A contract between an insurance provider and a farmer in which the insurance provider promises to pay the farmer if there are losses resulting from eligible causes.

**Premium** — Money paid by the farmer to obtain a crop insurance policy after the premium subsidy is deducted. Each policy also comes with an administrative fee unless waived.

**Premium Subsidy** — Money paid by the government for a portion of the farmer's crop insurance policy premium. Subsidies make it so that crop insurance is affordable for farmers.

**Provisions** — The rules that govern how your crop insurance policy function. These are available for review on the RMA website or from your crop insurance agent. The Basic Provisions, Crop Provisions, and Special Provisions all work together to determine the specifics of how a policy functions in each county.

## Key Dates in Crop Insurance

The specific dates vary by policy type and county. Dates may not be used for some policies. The documents provided when you purchase a crop insurance policy contain all official information.

**Acreage Reporting Date** — Farmers must report all their acreage of an insured crop in a county and insurable share of that acreage by this date. This information is used to determine your guarantee and the cost of your insurance.

**Cancellation Date** — The last day that you can cancel a policy before it automatically renews.

**Contract Change Date** — The last day that changes to a policy can be made by RMA for the upcoming year.

**End of Insurance Date** — Crop insurance coverage ceases on this date. Any losses experienced after this date are not covered by the policy.

**Planting Dates** — Dates governing when you can plant. There are three important dates in this category.

**Earliest Planting Date** — Planting before this date makes the planted crop ineligible for replanting payments when replant is allowed by the policy.

**Final Planting Date** — Crop must be planted before this date to receive the full guarantee. Typically, there is a 1% reduction in the guarantee for every day after this date until the crop is planted.

**End of Late Planting Period Date** — If a crop is planted after this date, then it is no longer eligible for crop insurance.

**Premium Billing Date** — The earliest date when a farmer will be billed for their insurance coverage.

**Production Reporting Date** — The insured farmer is required to report the amount of crop they produced. This information is used to determine the guarantee for the next year.

**Sales Closing Date** — The last day that you can apply to purchase a new policy or make changes to an existing policy each year.

**Termination Date** — A policy's coverage ceases on this date if the farmer does not pay any amount due, including the premium.

## Connecting with RMA

Have questions? Contact one of the 10 RMA Regional Offices near you.

What can Regional Offices do for you?

- Answer questions about crop insurance
- Provide subject matter experts for trainings and events
- Receive suggestions used to improve crop insurance

Scan the QR code or visit:  
[rma.usda.gov/en/RMALocal/Field-Offices/Regional-Offices](https://rma.usda.gov/en/RMALocal/Field-Offices/Regional-Offices)



## Other USDA Resources

Visiting a USDA Service Center is one of the best ways for farmers to connect with USDA resources. The USDA Farm Service Agency (FSA) and Natural Resource Conservation Service (NRCS) have offices at these centers. From farm loans to conservation programs, they provide a wide variety of resources for farmers.

It is important to visit your local service center at least yearly to report your acreage. This reporting is worth doing because it can help streamline your crop records across USDA. In addition, other USDA program eligibility relies on your timely reported crop acreage. Further, when the federal government enacts disaster programs, your eligibility can depend on whether you reported your production.

Scan the QR code or visit:  
[farmers.gov/your-business/beginning-farmers/visit-center](https://farmers.gov/your-business/beginning-farmers/visit-center)



If crop insurance is not available for your crop in your county, an alternative is the Non-Insured Crop Disaster Assistance Program, which is administered by FSA.

You can learn more by visiting your local USDA Service Center or visiting the webpage.

Scan the QR code or visit:  
[fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index](https://fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index)



## See Something, Say Something

To report fraud, waste, and abuse in crop insurance programs, contact the OIG Hotline or a Regional Compliance Office by scanning the QR code or using the links below.



OIG Hotline  
[usda.gov/oig/hotline](https://usda.gov/oig/hotline)



Regional  
Compliance Office  
[rma.usda.gov/RMALocal/  
Field-Offices/Regional-  
Compliance-Offices](https://rma.usda.gov/RMALocal/Field-Offices/Regional-Compliance-Offices)

## More Information

For more information about USDA assistance visit:  
[farmers.gov](https://farmers.gov)

USDA Service Centers are locations where you can connect with Farm Service Agency and Natural Resources Conservation Service.

To find yours, visit:  
[farmers.gov/service-center-locator](https://farmers.gov/service-center-locator)



*This document should not be used to determine eligibility for programs. Requirements can be complex. Please check with each agency to determine if you or your organization are eligible for these programs.*

