United States Department of Agriculture
Risk Management Agency

Crop Insurance Options for Vegetable Growers

If you are a vegetable producer in the United States, there are many options available to you when you make the decision to buy crop insurance to protect your valuable investment.

Depending on the crop you grow and the State where it is grown, your crop can be insured under one or more of the following plans of insurance (all fall under the umbrella of the Multiple Peril Crop Insurance MPCI policy): Actual Production History, Dollar Plan of Insurance, and Fixed Dollar Plan of Insurance; and under the revenue policy of Adjusted Gross Revenue or Adjusted Gross Revenue Lite (AGR-Lite, in selected States). There is also private crop-hail insurance available for most vegetable crops in most States. Your crop insurance agent can provide you with information and assistance in selecting the insurance product that would best meet your risk management needs.

Actual Production History

Actual Production History, or APH, is the most common plan of insurance under the MPCI umbrella. MPCI provides comprehensive protection against weather-related causes of loss and certain other unavoidable perils that result in low yields, poor quality, late planting, replanting, and prevented planting. For most crops, covered perils include drought, excess moisture, cold and frost, wind, flood, and damage from insects and disease.

The APH coverage guarantee is based on your own actual production history and is available for over 40 crops in primary production areas throughout the United States at 50 to 75 percent of the average APH yield for the acreage. Coverage up to 85 percent is available in some States. Vegetable crops that can be insured under the APH plan of insurance include: cabbage (pilot in selected States and counties), dry beans, dry peas, fresh market tomatoes (except in Florida), green peas, onions (pilot in selected States and counties), potatoes, processing beans, processing sweet corn, and sweet potatoes (pilot in selected States and counties).

How is my yield guarantee determined?

The yield guarantee is based on your own historical APH average yield times the level of coverage, times the insured acreage, times the insured's share. The APH yield is determined from producer production records for 4 to 10 consecutive years. For producers who provide less than 4 years of actual yields, variable Transitional Yields (t-yields) are used to complete the 4-year database. However, the approved APH yield for producers who elect not to supply records is limited to 65 percent of the applicable t-yield for the first year the producer is insured.

What is a unit?

A unit is defined as that acreage of the insured crop in the county that is taken into consideration when determining the guarantee, premium, and the amount of any indemnity (loss payment) for that acreage. The basis for the unit structure is established on the date coverage begins for the crop year.

You may choose from up to four kinds of available unit structure: a whole-farm unit, enterprise units, basic units, and optional units. The whole-farm unit includes all insurable acreage of all insured crops in the county. The enterprise unit consists of all insurable acreage of the insured crop in the county. The basic unit includes all insurable acreage of the insured crop in the county in which the producer has a 100-percent share or which is owned by one entity and operated by another specific entity on a share basis. Basic units may be further divided into optional units. Optional units are determined by section, section equivalents, Farm Service Agency (FSA) Farm Serial Number, noncontiguous land (for certain perennial crops), and irrigated and non-irrigated practices. When the policy allows, optional units may be established provided the crop is planted in a manner that results in a clear and discernible break in the planting pattern at the boundaries of each optional unit, and the producer keeps separate identifiable records of planted acreage and harvested production for each optional unit.

What coverage level is right for me?

Producers can select a coverage level ranging from 50 to 75 percent, in some cases up to 85 percent, of their individual approved average yield. The producer also selects 55 to 100 percent of the price announced by the United States Department of Agriculture (USDA).

The decision process for making the right coverage choice is critical. There will be a great temptation for some to make their decision based solely on their costs. Yet, Catastrophic Risk Protection (CAT) coverage, which is almost free, will not provide adequate protection for most growers. While CAT coverage only has a $100 per-crop administrative fee, it only allows for a 50-percent coverage level at only 55 percent of the available price. Furthermore, if growers fail to prove their yields with historical data certifications, their coverage could be reduced by about 50 percent. To help determine which coverage level might be right for your operation, talk with your crop insurance agent. He or she can provide you with all of the information needed to make the best decision for your farming operation.

How is my indemnity payment calculated?

This example assumes an average yield of 260 hundredweight per acre of potatoes, 65-percent coverage level, no endorsements, and basic units. Let us assume your APH is 260 hundredweight of potatoes per acre. By choosing the 65-percent coverage level, your per-acre guarantee is 169 hundredweight, but due to an insurable cause of loss, you were only able to harvest 89 hundredweight of potatoes. With a $7.05 price election and a per-acre loss of 80 hundredweight, your gross indemnity per acre would be $564.

260	Cwt. per-acre average yield (APH)
x .65	Coverage level percentage
169	Cwt. per-acre guarantee
– 89	Cwt. per-acre production
80	Cwt. per-acre loss
x $7.05	Price election
$564	**Gross indemnity per acre** (before paid premium)

How much will it cost?

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

APH is subsidized by the Federal Government, meaning the Government will pay a percentage of the premium. The amount of the subsidy is determined by the coverage level selected by the producer. The subsidy table above shows the amount of subsidy given at each level of coverage. At the Catastrophic or CAT level, 100 percent of the premium is subsidized. However, there is a $100 administrative fee due per crop insured at the CAT level.

Premium rates and APH policies can change on a yearly basis, so to determine how much it will cost to obtain APH coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How do I make changes to my policy?

MPCI is a continuous policy and will remain in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to the price election or coverage level, must be made by a producer on or before the sales closing date. Each State and/or crop may have a different sales closing date. Requests to increase the maximum eligible prevented planting acreage above the limitations contained in the crop policy must also be made by the sales closing date. Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identification number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Dollar Plan of Insurance

What is the dollar plan of insurance?

The dollar plan of insurance offers the producer the opportunity to select one of several dollar amounts of insurance per acre prior to planting. Fresh market corn, fresh market tomatoes (Florida only), and peppers are insurable under the dollar plan of insurance. These crops are insurable only in certain States and, in some instances, only in certain counties within those States.

To be insurable, the producer must have grown the crop for commercial sale or participated in managing a farming operation where that crop was grown in at least 1 of the 3 previous years.

Against which causes of loss is my crop protected?

Your insured crop is protected under the dollar plan of insurance against losses that occur from excess rain, fire, freeze, hail, tornados, and the failure of the irrigation water supply, if it is caused by an insurable cause of loss during the insurance period. Fresh market sweet corn is also covered by losses that occur from excess wind, and fresh market tomatoes and peppers are covered by losses that occur from a tropical depression.

However, the policy does not cover any loss of production due to disease or insect infestation — unless effective control measures do not exist for such infestation — or failure to market the crop unless such failure is due to actual physical damage caused by an insured cause of loss that occurs during the insurance period. Also, revenue losses caused by low market prices or low consumer demand are not covered.

What amounts of coverage are available and how much will it cost?

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Instead of guaranteeing production, the policy guarantees a dollar amount of coverage, depending on the level of coverage selected. Crop insurance premiums are subsidized as shown above. For example, if you select the 75-percent coverage level, the premium subsidy is 55 percent and your premium share is 45 percent of the base premium. Catastrophic, or CAT, coverage is equal to 55 percent of the dollar amount of coverage at the 50-percent coverage level. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of $100, regardless of the acreage.

The coverage level option you choose is based on the reference, maximum, dollar amount per acre that is found in the rate table. Your crop insurance agent has access to the rate table and is your best source of information to determine which coverage level will be best for your operation.

Premium rates and policies can change on a yearly basis; so to determine how much it will cost to obtain coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How is my indemnity payment calculated?

A loss occurs when the crop value falls below the guaranteed dollar amount due to damage from a covered cause of loss.

This loss example is based on sweet corn planted in Florida with a reference maximum dollar amount of $1,325 and a loss occurring in the final stage of production. At the 65-percent coverage level, the per-acre dollar amount of insurance is $861.25. This example assumes an average production of 100 containers per acre sold at an average price of $10 each. Subtracting the allowable cost of $3.45 leaves a net value of $6.55 per container.

Example:

$ 3.45	Allowable cost per 42-pound crate
$861.25	Dollar amount of coverage elected per acre
– $393.00	Sold production per acre is 100 containers at $6.55 each ($10–$3.45 allowable cost)
$206.25	**Indemnity per acre** (before paid premium)

How do I make changes to my policy?

The dollar plan of insurance is under the umbrella of the MPCI policy and is therefore a continuous policy that remains in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to coverage level, must be made by a producer on or before the sales closing date in each State (each crop and State have different sales closing dates). Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identification number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county, after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Fixed Dollar Plan of Insurance

What is the Fixed Dollar Plan of Insurance?

The Fixed Dollar plan of insurance provides protection against declining revenues due to damage that causes a loss of yield and there is no price increase in the market. The pilot Chile Pepper program is based on the Fixed Dollar plan of insurance and is available in Cochise County, Arizona, and in Hidalgo and Luna Counties, New Mexico.

Four types of chilies are insurable: Long Green New Mexican, Long Red New Mexican, Cayenne, and Jalapeno. Only peppers that will be planted to fulfill a written contract with a processor can be insured. The contract must specify the quantity (in delivered weight or planted acres) of chilies the processor agrees to buy and the base price the processor will pay the grower. In addition, producers applying for insurance must have experience growing chile peppers. The fields must be irrigated and not have been planted with peppers, tomatoes, beets, cucurbits, eggplant, or spinach for at least 1 year.

Against which causes of loss is my crop protected?

Chile peppers are protected under the fixed dollar plan of insurance against losses that occur from natural perils including hail, frost, freeze, wind, drought, and excess moisture. It also protects against failure of the irrigation water supply if it is caused by an insured peril during the insurance period; fire, unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed; insects and disease, but not damage due to insufficient or improper application of control measures; and, wildlife, if proper control measures are taken.

There are some losses that are not covered under this crop insurance policy, including:

1. Bypassed acreage because of: the breakdown of equipment; insured acreage was not harvested first; and/or the grower and the processor are one and the same.
2. The chile peppers were not harvested timely; unless such delay in harvesting is solely and directly due to an insured cause of loss; or
3. The grower fails to follow the requirements of the processor contract.

What amounts of coverage are available and how much will it cost?

The maximum dollar amount available for chile peppers is $1,380 per acre, and that price is used to calculate an indemnity claim. The amount of insurance is progressive by vegetative stages, as described below.

Stage	Amount of Insurance	Stage Description
1	50 percent	For seeded acreage, until thinning
2	75 percent	From thinning or transplanting to fruit set
3	100 percent	From fruit set until harvest or end of insurance

Producers can select their own revenue guarantee from among seven, fixed, dollar amounts of insurance, as determined by USDA. The levels of coverage offered are intended to enable chile pepper growers to recover a percentage of their out-of-pocket costs of producing the crop. Coverage levels range from 50 to 75 percent of the average yield. For example, an average yield of 200 pounds per acre would result in a guarantee of 130 pounds per acre at the 65-percent coverage level. Crop insurance premiums are subsidized by the Federal Government as indicated in the following table:

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Premium rates and policies can change on a yearly basis; so to determine how much it will cost to obtain coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How is my indemnity payment calculated?

The amount of loss that can be claimed is the difference between the amount of insurance and the value of the production-to-count. An insured selects the 65-percent coverage level, or $897 ($1,380 x .65) per acre, and has a contract on 60 acres. All the chile peppers from 50 acres were harvested but 10 acres were not. The appraised production on the harvested production amounted to 100,000 pounds. To calculate the value of harvested chilies (Long Red), the allowable cost of picking and hauling is subtracted from the base contract price:

$ 897	Selected coverage
x 60	Acres of production
$53,820	Guarantee revenue
x 1.00	Stage 3 coverage percent
$53,820	
$.66	Base price
– $.25	Allowable cost of picking (found in the special provisions)
$.41	Value of harvested chilies
x 100,000	Number of pounds harvested
$41,000	Value of harvested chilies
10,000	Pounds of unharvested chilies
x $.66	Base contract price
$6,600	Value of unharvested chilies
$53,820	Guarantee revenue
– $47,600	Value of harvested chilies +value of unharvested chilies
$6,220	Indemnity paid to insured

How do I make changes to my policy?

The fixed dollar plan of insurance is under the umbrella of the MPCI policy and is therefore a continuous policy that remains in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to coverage level, must be made by a producer on or before the sales closing date of January 31. Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identi-fication number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county, after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Adjusted Gross Revenue Lite (AGR-Lite)

What is AGR-Lite?

Adjusted Gross Revenue (AGR) Lite is whole farm revenue insurance that covers almost all of the commodities produced on a farm. It is an individualized revenue insurance based on an individual producer's yields, crop quality, and marketing history that equals gross income.

AGR-Lite insurance provides protection against revenue loss due to any unavoidable natural occurrences including, but not limited to, adverse weather, fire, insects, disease, wildlife, earthquakes, volcanic eruption, or irrigation-water supply failure, if applicable, that causes production losses that occur during the current or the previous insurance year or market fluctuations that cause a loss in revenue during the current insurance year. It offers coverage on almost all crop commodities (including greenhouse production), even those not covered by MPCI. This is unlike traditional MPCI or production-based revenue products that only offer limited coverage on certain crop commodities, and even other limited livestock coverage that does not cover animal products. AGR-Lite covers animals (including aquaculture) and animal products. AGR-Lite does not cover timber, forest, forest products, animals for sport, animals for show, or pets.

AGR and AGR-Lite are the ONLY Federal Crop Insurance Corporation subsidized plans of insurance that can offer coverage on crop commodities AND animals and animal products produced in a farming operation. In its essence, AGR-Lite is AGR coverage on a smaller scale. AGR-Lite has some basic differences from AGR. For instance, where AGR has a $6.5 million coverage limit, AGR-Lite has a $1 million coverage limit (up to $2 million in annual farm gross income). In addition, it is easier to apply for AGR-Lite and there is less upfront paperwork involved.

How does AGR-Lite work?

AGR-Lite uses a producer's 5-year historical farm-average revenue reported on the Internal Revenue Service (IRS) 1040 Schedule F tax form, other IRS farm tax forms, and an annual Farm Report as a basis to provide a level of guaranteed revenue for the insurance period.

The producer will select a level of coverage and a payment-rate percentage that will apply to all commodities covered by the policy. The coverage level determines when the policy will begin to pay an indemnity. The payment rate determines how much a producer is paid for each dollar lost under the coverage level. Coverage levels and payment rates may vary with the number of commodities producing revenue.

Keep in mind that you only have to "certify" your tax record information to obtain AGR-Lite coverage. You do not need to provide copies of your tax forms unless you file a claim for indemnity.

Why do I need AGR-Lite?

Other more conventional crop insurance products available today may use your personal production history, but they use national average prices set by the Federal Government or a commodity exchange board, like the Chicago Board of Trade.

There are many advantages to AGR-Lite. It can be used as an umbrella over selected individual crop coverage. AGR-Lite works well for vegetable producers raising unique, high-valued varieties. And with the $1 million payout limit, it works well for small and medium-sized farms. With AGR-Lite, recordkeeping is easier and premium costs are usually lower than with conventional crop insurance.

AGR-Lite allows you to insure both plant and animal production, including aquaculture; it protects against falling prices; it covers unaltered animal products; it insures crops that are not otherwise insurable; it protects direct marketed production, and most importantly, it does all of this while using your yield and your production and price history.

What is covered by AGR-Lite?

Under AGR-Lite, insurance coverage is provided against revenue loss due to any unavoidable natural disasters such as adverse weather, fire, insects, disease, wildlife, earthquakes, or volcanic eruption. It covers perils occurring during the current or the previous insurance year that cause a reduction in your gross revenue. It also guards against a revenue loss during the current insurance year due to market fluctuation.

Almost all farm commodities are eligible for AGR-Lite coverage. Most crops may be insured. Production of animals, from land walkers to aquaculture, is also covered, as are animal products such as milk, honey, or wool. Greenhouse production and even organic production is covered under AGR-Lite without an additional premium charge.

Does AGR-Lite fit my operation?

AGR-Lite was designed to fit smaller operations. The maximum farm gross income for those insured under AGR-Lite may not exceed $2,051,282.

Because AGR-Lite offers protection on agricultural crops, animals, and animal products, it works well for diversified operations to have this type of whole-farm coverage. It allows these producers to insure the revenue of their farm under one policy instead of insuring livestock and each crop under different policies. That means only one policy for which to provide records, one set of dates for application and reporting requirements, one notice of loss to file, and one claim to be worked in the event of an insurable, revenue loss.

What coverage level is right for me?

Under AGR-Lite you will elect one coverage level and one payment-rate percentage. The coverage level and payment rate will apply to the gross income from all the commodities insured under AGR-Lite. The coverage-level percentages available for AGR-Lite include 65 percent, 75 percent, and 80 percent. Available payment-rate percentages include 65 percent, 75 percent, and 90 percent. Payment rates are co-insurance. The 75-percent payment rate implies 25-percent co-insurance.

The available coverage-level and payment-rate combinations vary, depending on the number of commodities producing income on your farm. To qualify for the higher coverage levels, at least three commodities must produce "significant revenue" in your farming operation. "Significant revenue" may vary by farm, and it is important to contact your local crop insurance agent to help determine if you qualify for the higher levels of coverage.

The coverage level and payment-percentage election determines your deductible. To determine what coverage level is right for you and your operation, ask yourself, "How much can I afford to lose?" A producer with no crop insurance has a 100-percent deductible. This means that if a loss occurs, the producer is responsible for 100 percent of the cost of the loss. If a producer is insured at the 65-percent coverage level, the deductible is 35 percent and the producer is responsible for 35 percent of the loss.

How much will it cost me?

AGR-Lite coverage is subsidized by the Federal Government. The Government will pay a percentage of the premium. The amount of the subsidy is determined by the coverage level elected by the producer. The subsidy chart below shows you the amount of subsidy provided by the Government.

Item	Percent		
Coverage Level	65	75	80
Premium Subsidy	59	55	48
Your Premium Share	41	45	52

Premium rates and policies for AGR-Lite can change on a yearly basis, so to determine how much it will cost to obtain AGR-Lite coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

Crop-Hail Insurance

Crop-hail insurance is insurance offered by private companies. It is not a Federal or State Government product and the premiums are not subsidized. However, crop-hail insurance is regulated by the insurance departments in each State and companies offering this type of insurance must comply with all State insurance laws.

Crop-hail is a named peril product. The crop is insured for direct losses resulting from hail and, in most cases, other named perils such as fire, lightening, transit, and wind. This is a different approach to insurance than the multiple peril coverage described earlier. Insurance coverage is on a value-per-acre basis. You cannot insure the crop for more than its value, but you may be able to increase the coverage during the year if the value of the crop is greater than anticipated when the insurance was first purchased.

When a crop is damaged by hail, the insured is required to notify the company within 10 days of occurrence. Indemnities are determined by the percent the crop has been damaged.

In many cases, crop-hail insurance is available from the same crop insurance agent used to purchase one of the multiple peril crop insurance products listed below.

Crop	Insurance Plan			
	APH	Dollar	Fixed Dollar	AGR-Lite
Cabbage — Pilot	X			X
Dry Beans	X			X
Dry Peas	X			X
Fresh Market Tomatoes (except in FL)	X			X
Green Peas	X			X
Onions — Pilot	X			X
Potatoes	X			X
Processing Beans	X			X
Processing Sweet Corn	X			X
Sweet Potatoes — Pilot	X			X
Fresh Market Sweet Corn		X		X
Fresh Market Tomatoes		X (FL)		X
Peppers		X		X
Chilies			X	X

For more information

Contact a private crop insurance agent
or go to the agent locator at:

http://www3.rma.usda.gov/apps/agents/ .