# Introduction to Apple Crop Insurance

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*What is crop insurance?*

Crop insurance is a policy that the farmer purchases yearly to protect their crop yield or revenue from production risk. Federal crop insurance policies are available for hundreds of crops and livestock in the United States. These policies are administered and underwritten by the USDA Risk Management Agency (RMA). Crop insurance policies are sold and serviced by private insurance companies. A local licensed crop insurance agent can describe the different insurance products available, policy rates and terms. The agents help farmers choose the best coverage for their crop based on their particular farm operation, risks and budgetary needs. Keep in mind buying a crop insurance policy is one risk management option. Farmers should always carefully consider how a policy works in conjunction with their other risk management strategies to insure the best possible outcome each crop year.

*Apple Crop Insurance protects the crop from loss*

The apple crop insurance policy is available in all of New England and most Mid-Atlantic states. Apple crop insurance protects the farmer's approved production history (APH) against all natural causes of loss that cannot be prevented, including, but not limited to hail, wind, excess sun causing sunburn, and frost and freeze causing russeting. Insurable causes of loss also include failure of an irrigation supply and fire if caused by an insured peril such as drought. Wildlife damage, insect damage and plant disease are insurable causes of loss except when the farmer fails to apply proper control measures. Apple crop insurance does not cover losses due to failure to follow good farming practices, low commodity prices, theft, or inability to market due to quarantine, boycott, or refusal.

Apples are insurable if the acreage has produced at least 150 bushels per acre in one of the four past years and if the apples are grown for fresh or processing apple production. The deadline to enroll with a private licensed crop insurance agent is November 20 and coverage will go into effect November 21. Coverage ends when either the crop is totally destroyed, harvested, after the final adjustment of a claim, if the crop is abandoned or November 5. Farmers must renew their policy by the November 20 deadline in order to secure coverage.

> This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

*How to enroll in crop insurance*

Establish a connection with a reputable private licensed crop insurance agent before the November 20 enrollment deadline. The agent will request that the farmer provide their historical crop production records. Generally, four years minimum of production records are required to establish the farm's approved average yield history. Should the farmer have less than four years of data, the agent will apply a substitute yield. A substitute yield is a percentage of the county transitional yield. Crop production is reported differently depending on the unit structure of the farm.

Basic Units: A basic insurance unit includes all insurable apple acreage in the county in which the farmer has 100% share or which is owned by one person and operated by another person with shares.

Optional Units: Are established if the farm can provide separate records for each unit. Optional units may be established by non-contiguous land, Farm Service Agency Farm Serial Numbers, irrigated or non-irrigated practice or by type: Fresh, Processing, Varietal Group A, Varietal Group B, or Varietal Group C.

*Types and Varietal Groups are defined as:*

Fresh: Apples that are sold, or could be sold, for human consumption without undergoing any change in the basic form, such as peeling, juicing, crushing, etc.;

Processing: Apples sold, or could be sold for the purpose of undergoing a change to the basic structure such as peeling, juicing, crushing, etc.;

Varietal Group A: Honeycrisp and Pazazz;

Varietal Group B: Cortland, Empire, Fuji, Gala, Jonagold, Macoun, McIntosh, Ozark Gold, Paula Red, Cripps Pink (Pink Lady), Red Rome, and Zestar; and

Varietal Group C: All other apple varieties not specifically in Varietal Group A or Varietal Group B.

*Additional Options*

Fresh Fruit Quality Adjustment: Provides additional protection for loss of quality on "fresh" apples that do not grade U.S. Fancy or better. This option is not available with a CAT policy.

Yield Exclusion (YE): The APH Yield Exclusion is available in some apple counties. Yield Exclusion allows the farmer to exclude yields in exceptionally bad years from their production history when calculating yields used to establish their crop insurance coverage.

Other enrollment information the agent will request from the farmer includes information about their business entity, FSA Farm Serial number(s), certification of Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification (AD-1026), and information about production practices such as organic or non-organic, irrigated or non-irrigated acres. After enrollment, an inspection to verify the insured acres may be conducted by the insurance company.

*Apple crop insurance may not be available in all counties*

Although apple crop insurance is available in the northeast it might not be available in every county. Farmers are able to request insurance on crops that aren't insurable in their county but are in other counties through the process of a "Written Agreement". Contact a crop insurance agent to request a Written Agreement. Supporting documentation such as the farm's APH, acreage and production records, planting and harvest dates, as well as other documentation is required to complete the Written Agreement process.

*Reporting for crop insurance*

In order to maintain coverage farmers must provide their agent specific reports by certain deadlines.

> Acreage Reporting: Farmers must report the number of acres they have in apple production by January 15.
>
> Premium Billing: Farmers must pay their portion of the crop insurance premium by August 15.
>
> Production Reporting: Farmers must certify each year (to keep their APH up-to-date) their total production from the previous year by January 15.

*Coverage levels*

Farmers decide which coverage level to insure their crop(s). Catastrophic is the lowest level of coverage and this costs a $300 processing fee per crop per county, regardless of the number of acres. While CAT is relatively affordable, it protects 50% of the farmer's average crop yield, meaning the farmer must experience greater than 50% yield loss for the CAT coverage to kick in. The price election is a dollar per unit value set by the USDA for each crop. At the CAT level, farmers receive 55% of the price election. Higher levels of coverage are called "buy-up". With buy-up, apple farmers can insure 50-75% of their average crop yield and up to the full price election.

Farmers may select one coverage level for all “fresh” apples and one coverage level for all “processing” apples. Each apple “type” has a different price election. A price election is the dollar per bushel price the apples will be valued at when an insurable cause of loss occurs. The price election is established at the beginning of the insurance year by the USDA Risk Management Agency. The farmer is responsible to pay a premium that increases with coverage level. A percentage of the total premium is subsidized.

**Table 1. Apple Crop Insurance Coverage Levels and Premium Subsidy**

| **Item** | **Percent** | | | | | |
|---|---|---|---|---|---|---|
| *Coverage level (buy-up)* | **50** | **55** | **60** | **65** | **70** | **75** |
| *Premium subsidy* | 67 | 64 | 64 | 59 | 59 | 55 |
| *Farmer premium share* | 33 | 36 | 36 | 41 | 41 | 45 |

*Premium Costs*

Premium costs are a factor of the coverage level selected and also the farm’s practice type such as irrigated or non-irrigated and apple type category (i.e. fresh versus processing).

**Table 2. 2018 Apple Crop Insurance Premium Quote**

Example for a 20 acre apple farm in York County, Maine for non-irrigated apples with the “fresh” price election and a 400 bu/ac average yield. For an actual premium estimate contact a private licensed crop insurance agent.

| **Plan** | **Coverage level (%)** | **Acre guarantee (bu/ac)** | **Price election ($/bu)** | **Total premium** | **Total Farmer premium** |
|---|---|---|---|---|---|
| $APH_{BU}$ | CAT | 200 | $6.71 | $0.00 | $0.00 ($300 fee) |
| $APH_{BU}$ | 50 | 200 | $12.20 | $4,974 | $1,641 |
| $APH_{OU}$ | 50 | 200 | $12.20 | $5,527 | $1,824 |
| $APH_{BU}$ | 55 | 220 | $12.20 | $6,135 | $2,209 |
| $APH_{OU}$ | 55 | 220 | $12.20 | $6,817 | $2,454 |
| $APH_{BU}$ | 60 | 240 | $12.20 | $7,441 | $2,679 |
| $APH_{OU}$ | 60 | 240 | $12.20 | $8,268 | $2,976 |
| $APH_{BU}$ | 65 | 260 | $12.20 | $8,907 | $3,652 |
| $APH_{OU}$ | 65 | 260 | $12.20 | $9,897 | $4,058 |
| $APH_{BU}$ | 70 | 280 | $12.20 | $11,111 | $4,556 |
| $APH_{OU}$ | 70 | 280 | $12.20 | $12,346 | $5,062 |
| $APH_{BU}$ | 75 | 300 | $12.20 | $13,592 | $6,116 |
| $APH_{OU}$ | 75 | 300 | $12.20 | $15,102 | $6,796 |

BU – Basic unit; OU – Optional unit.

*In the event of a loss*

How does crop insurance protect the farmer when a loss occurs? Say a late spring frost hits your farm. The farmer is responsible for providing a "notice of loss" to their crop insurance agent within 72 hours of the initial discovery of damage. The farmer must not harvest or alter the crop in any way until the insurance company sends a loss adjuster to the farm to inspect the damage. Depending on the severity of the loss there are a number of different scenarios that could take place. After the inspection, the adjuster might conclude that the farmer should follow through with harvest so that the crop loss can be quantified. If this is the case, the farmer needs to provide notice at least fifteen days before the beginning of harvest to claim an indemnity. Or, in the case that the crop will not be harvested, the farmer must provide notice at least 3 days before the harvest should have been started. The loss payment or indemnity will occur if the production-to-count falls below the acre guarantee, as shown in the example below.

*Settlement of a claim*

Losses or indemnities are determined on a unit basis.

Basic example: You have a 100 percent share in one basic unit with 20 acres of fresh apples designated on your acreage report. You're approved yield history is 400 bushels per acre. You selected the 65% coverage level. This gives you a 260 bushel per acre production guarantee for fresh apples. You select 100 percent of the price election which is $12.20 per bushel for fresh apples.

**Table 3. Example of an indemnity calculation**

| | |
|---|---|
| Approved yield per acre | 400 bu |
| Coverage level | x 65 % |
| Per acre production guarantee | 260 bu |
| Production-to-count | 200 bu |
| Loss per acre | 60 bu |
| 2018 Price election (fresh) | x $12.20 bu |
| **Indemnity/ac** | **$732 ac** |

*More resources*

The goal of crop insurance is to provide the farm an adequate safety net to help buffer any financial loss. More information about apple crop insurance and how to locate an agent can be found at the Maine Crop Insurance Education website.