

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.

Peach Crop Insurance protects the crop from loss

Peaches are insurable in CT, MA, NH, RI, VT, NY, NJ, PA and MD. Peach 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, frost, drought, wind, excess precipitation and insufficient chilling hour to break dormancy. 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. Peach 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.

Any peach variety can be insured as long as they're grown for the production of fresh or processing peaches; they have a chilling hour requirement and are from rootstock that are appropriate for the area; they are in an acceptable orchard; and they are on trees that have reached at least the fourth growing season after being set out. 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 September 30. 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 peach 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 or Processing.

Fresh Peach Production: Farmers must certify and provide records to support at least 50 percent of the acreage reported as fresh peaches was sold as fresh peaches in 1 or more of the 4 most recent crop years and sold for a price that is not less than the applicable price election. If the fresh peach production is sold, or could have been sold for a price less than the fresh peach price election, farmers must provide verifiable records to show that the price received was at least the amount paid for fresh peaches in the area.

Types are defined as:

Fresh: At least U.S. Extra No. 1 or better and a minimum of 2¼ inches in diameter.

Additional Options

Yield Exclusion (YE): The APH Yield Exclusion is available in some peach 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.

Peach crop insurance may not be available in all counties

In states and counties where peach crop insurance is unavailable, farmers are able to request peach crop insurance 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 peach 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, peach 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” peaches and a different level for all “processing” peaches. Fresh and processing peaches have different price elections. A price election is the dollar per bushel price the peaches will be valued at when an indemnity is calculated. 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. Peach Crop Insurance Coverage Levels and Premium Subsidy

Item	Percent					
	50	55	60	65	70	75
<i>Coverage level (buy-up)</i>	50	55	60	65	70	75
<i>Premium subsidy</i>	67	64	64	59	59	55
<i>Farmer premium share</i>	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 peach type category (i.e. fresh versus processing).

Table 2. 2018 Peach Crop Insurance Premium Quote

Example for a 10 acre peach farm in Hampden County, Massachusetts for non-irrigated peaches with the “fresh” price election and a 300 bu/ac approved 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	150	\$28.19	\$0.00	\$0.00 (\$300 fee)
APH _{BU}	50	150	\$51.25	\$9,595	\$3,166
APH _{OU}	50	150	\$51.25	\$10,661	\$3,518
APH _{BU}	55	165	\$51.25	\$10,875	\$3,915
APH _{OU}	55	165	\$51.25	\$12,084	\$4,350
APH _{BU}	60	180	\$51.25	\$12,343	\$4,443
APH _{OU}	60	180	\$51.25	\$13,715	\$4,937
APH _{BU}	65	195	\$51.25	\$14,031	\$5,753
APH _{OU}	65	195	\$51.25	\$15,590	\$6,392
APH _{BU}	70	210	\$51.25	\$17,074	\$7,000
APH _{OU}	70	210	\$51.25	\$18,972	\$7,779
APH _{BU}	75	225	\$51.25	\$20,856	\$9,385
APH _{OU}	75	225	\$51.25	\$23,173	\$10,428

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 peaches. 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 10 acres of fresh peaches designated on your acreage report. You’re approved yield history is 300 bushels per acre. You selected the 65% coverage level. This gives you a 195 bushel per acre production guarantee for fresh peaches. You select 100 percent of the price election which is \$51.25 per bushel for fresh peaches.

Table 3. Example of an indemnity calculation

Approved yield per acre	300 bu
Coverage level	x 65 %
Per acre production guarantee	195 bu
Production-to-count	150 bu
Loss per acre	45 bu
2018 Price election (fresh)	x \$51.25bu
Indemnity/ac	\$2,306 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 peach crop insurance and how to locate an agent can be found at the Maine Crop Insurance Education website.

The University of Maine Cooperative Extension is in partnership with the USDA RMA to deliver crop insurance education in Maine. For more information, please visit the UMaine Risk Management and Crop Insurance website at <https://extension.umaine.edu/agriculture/crop-insurance/>.
