

# USDA Risk Management

## *Risk Management – Cranberry* *February 2016*



**The purpose of the following material is to promote awareness of risk management concepts and to highlight USDA's risk management products, features, benefits and availability.**

**This material does not change the content or the meaning of current policy provisions, filed actuarial documents or approved procedures.**



# Risk Management Agency

*Formerly known as Federal Crop Insurance Corporation (FCIC)*

- **Spokane Regional Office** (serving Alaska, Idaho, Oregon and Washington)
- **Provide:**
  - **Agricultural producers with the opportunity to achieve financial stability through effective risk management tools;**
  - **Educational opportunities to help producers choose appropriate risk management tools.**



# 2015 OR Crop Ins. Profile

Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed	1,553	5,630	28%
Apple	2,281	6,100	37%
Barley	27,705	49,000	57%
Blueberry	2,602	9,900	26%
Cabbage	21	700	3%
Canola / Rapeseed	1,046	4,424	24%
Cherries	5,437	15,800	34%
Corn	32,062	65,000	49%
<b>Cranberries</b>	<b>1,303</b>	<b>2,900</b>	<b>45%</b>
Dry Beans	4,621	9,342	49%
Dry Peas	4,401	13,000	34%
Forage Production	10,399	370,000	3%
Grapes	5,815	21,600	27%
Green Peas	17,462	19,600	89%
Mint	1,010	20,550	5%
Mustard	139	1,546	9%
Oats	1,952	11,000	18%
Onions	12,833	18,500	69%
Pears	9,951	14,800	67%
Potatoes	30,060	39,000	77%
Proc. Beans	2,563	11,365	23%
Proc. Sweet Corn	2,728	25,400	11%
Stonefruit	588	2,660	22%
Sugar Beets	5,946	12,800	46%



# 2015 WA Crop Ins. Profile

Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed *	8,878	17,200	52%
<u>Apples</u>	132,641	174,900	76%
Barley	71,181	110,000	65%
Blueberry	4,307	9,650	45%
Buckwheat	2,507	25,000	10%
Cabbage	0	200	0%
Canola / Rapeseed	20,137	37,000	54%
Cherries	32,752	42,100	78%
Corn	52,161	160,000	33%
<b>Cranberries</b>	<b>521</b>	<b>1,600</b>	<b>33%</b>
Dry Beans	18,399	34,084	54%
Dry Peas	207,571	249,000	83%
Forage Production*	619	420,000	0%
Grapes	58,023	77,170	75%
Green Peas **	29,176	40,600	72%
Mint **	8,020	33,000	24%
Mustard	2,444	3,860	63%
Oats	848	5,000	17%
Onions	21,180	22,700	93%
Pears	14,496	21,700	67%
Potatoes	97,414	170,000	57%
Proc. Beans	2,333	3,730	63%
Proc. Sweet Corn	49,089	82,100	60%
Soybeans	50	250	20%
<u>Stonefruit ***</u>	2,760	5,850	47%
Sugar Beets	1,909	2,386	80%

# **Cranberry Policy**

**The Cranberry policy is an APH (Actual Production History) policy based on a producer's historical yields**

## **Covered**

**Covers production loss from unavoidable natural causes of damage**

## **Not Covered**

**Inability to market for any reason other than actual physical damage from an insurable cause**



# Whole Farm Revenue Protection



Loss of revenue from the sale of AG commodities produced during the insurance year due to:

- ❖ Unavoidable natural disasters
- ❖ Market fluctuations during insurance year

*Commodity – Any AG product established or produced on your farm operation, except timber, forest and forest products, animals for sport, show or pets.*



# ***History of Whole Farm Policy – Spokane RO***

<i><b>Updated 12/2015</b></i>	<b>Policies</b>	<b>\$\$ Coverage</b>	<b>\$\$ Indemnity</b>
<b>2001</b>	<b>313</b>	<b>131,747,263</b>	<b>\$ 10,671,038</b>
<b>2002</b>	<b>494</b>	<b>187,328,854</b>	<b>\$ 8,525,347</b>
<b>2003</b>	<b>489</b>	<b>184,482,905</b>	<b>\$ 11,332,788</b>
<b>2004</b>	<b>534</b>	<b>185,611,811</b>	<b>\$ 23,201,588</b>
<b>2005</b>	<b>474</b>	<b>194,741,553</b>	<b>\$ 4,528,709</b>
<b>2006</b>	<b>576</b>	<b>237,644,927</b>	<b>\$ 5,349,865</b>
<b>2007</b>	<b>573</b>	<b>216,678,062</b>	<b>\$ 4,638,824</b>
<b>2008</b>	<b>546</b>	<b>230,296,890</b>	<b>\$ 5,518,635</b>
<b>2009</b>	<b>511</b>	<b>292,660,863</b>	<b>\$ 21,833,572</b>
<b>2010</b>	<b>682</b>	<b>387,025,900</b>	<b>\$ 19,685,649</b>
<b>2011</b>	<b>641</b>	<b>379,701,448</b>	<b>\$ 8,875,974</b>
<b>2012</b>	<b>585</b>	<b>375,103,410</b>	<b>\$ 7,808,737</b>
<b>2013</b>	<b>556</b>	<b>400,107,035</b>	<b>\$6,766,293</b>
<b>2014</b>	<b>572</b>	<b>441,428,481</b>	<b>\$37,697,110</b>
<b>2015</b>	<b>798</b>	<b>895,870,650</b>	<b>\$0</b>

***2014 & 2015 numbers are not yet complete***

# Whole Farm Revenue Protection (WFRP)



*Policies Earning Premium*

## WFRP POLICIES

	2014	2015	2016
	AGR/AGR-Lite	WFRP	WFRP
Idaho	9	131	121*
Oregon	94	98	70*
Washington	469	569	275*
<b>TOTALS</b>	<b>572</b>	<b>798</b>	<b>366*</b>

*\*As of 1/21/16 Current available at RMA Summary of Business Tool*



As of 12/2015

# Top WFRP Crops - PNW

CROP	WFRP Expected Revenue
APPLES	\$520,415,321
POTATOES	\$72,517,324
PEARS	\$63,503,975
ONIONS	\$30,419,669
SUGAR BEETS	\$19,294,170
CORN	\$14,468,540
DRY BEANS	\$13,013,403

CROP	WFRP Expected Revenue
DRY PEAS	\$6,503,549
BLUEBERRIES	\$5,531,058
CRANBERRIES	\$4,678,301
SWEET CORN	\$4,218,187
ALFALFA SEED	\$3,977,026
PEACHES	\$3,945,082
GREEN PEAS	\$2,556,335

## Specialty Crop Example w/Cranberries

### How Whole Farm Revenue Protection (WFRP) Works

**Determine Whole Farm Historic Average Revenue**

**Determine 2016 Expected Crop Revenue**

**Determine Approved Revenue**

**Decide what percentage of Approved Revenue to guarantee**

**Actual 2016 Insured Revenue Determined**

**Taxes Filed / Possible Claim**

**Loss Paid**

2010	=	320,000	
2011	=	310,000	
2012	=	314,000	
2013	=	321,000	
2014	=	325,000	
		318,000	= 5 Year Average Allowable Revenue

**Step 2**

Calculate the Indexed Average Allowable Revenue

318,000	=	5 year Average Allowable Revenue
1.045		Index Factor

\$332,310 = Indexed Allowable Revenue

**Step 3**

Calculate the Expanded Operation Average Allowable Revenue

318,000	=	5 year Average Allowable Revenue
1.1		Expanded Operation Factor

\$349,800 = Expanded Operation Allowable Revenue

**Step 4**

The **Whole-Farm Historic Average Revenue** is:  
"the higher of" the 5 Year Average, Indexed, or Expanded Operation Revenue

In this example:     \$349,800     expanded operation criteria

# How Whole Farm Revenue Protection (WFRP) Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Intended Farm Operation Report

Commodity	Amt	Unit	Yield		Value	Expected Revenue
Cranberries			5000	bbl	\$31.80	\$159,000
Pears	5	ac	22	ton	\$540.00	\$59,400
Alfalfa	70	ac	8	ton	\$225.00	\$126,000
						\$344,400

# How Whole Farm Revenue Protection (WFRP) Works

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Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Approved Revenue is “*the lower of*”:

(1) The Whole-Farm Historic Average Revenue  
(\$ 349,800

**OR**

(2) Expected Crop Revenue Intended  
Commodity Report  
(\$ 344,400 )

In this example:

**Approved Revenue = \$344,400**

# How Whole Farm Revenue Protection (WFRP) Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$344,400

x 85%

292,740

Approved Revenue

Coverage level (deductible)

Insured Revenue (Asset protection)

*(maximum amount of loss payable)*

# How Whole Farm Revenue Protection (WFRP) Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Actual 2016 revenue determined

Commodity	Amt	Unit	Yield		Value	Expected Revenue
Cranberries			3100	bbl	\$31.80	\$98,580
Pears	5	ac	18	ton	\$540.00	\$48,600
Alfalfa	70	ac	7	ton	\$225.00	\$110,250
						\$257,430



# How Whole Farm Revenue Protection (WFRP) Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$344,400

x 85%

292,740

-257,430

\$ 35,310

Approved Revenue

Coverage level (deductible)

Insured Revenue (Asset protection)

2016 Revenue to Count for insurance year

Revenue Loss (Indemnity payment)

***Est. Total Prem Cost \$12,495***

***Prod Prem Cost: \$5,498***

# How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$344,400	Approved Revenue
x <u>75%</u>	Coverage level (deductible)
258,300	Insured Revenue (Asset protection)
- <u>257,430</u>	2016 Revenue to Count for insurance year
\$ 870	Revenue Loss (Indemnity payment)

**Est. Total Prem Cost \$8,966**

**Prod Prem Cost: \$1,793**

# ***What Does it Cost? --Depends***

- County**
- Number and diversity of crops**
- Types of crops Insured**

## **Subsidy Portion of Total Premium Paid by USDA**

### **Coverage Level**

### **Premium Subsidy**

<b>Coverage Level</b>	<b>50</b>	<b>55</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>75</b>	<b>80</b>	<b>85</b>
<b>Basic One Commodity</b>	.67	.64	.64	.59	.59	.55		
<b>2 Commodity Count</b>	.80	.80	.80	.80	.80	.80		
<b>3 Plus Commodity Count</b>	.80	.80	.80	.80	.80	.80	.71	.56

**Log on to: [www.rma.usda.gov](http://www.rma.usda.gov)**

# *Crop Year Sales Closing Dates...*

- Fall Canola/Rapeseed, Fall Onions - August 31**
- \* Fall Barley & Mint w/Winter Coverage, Forage Production, Forage (Alfalfa) Seed, Wheat – September 30**
- \* Tree Fruits & Grapes - November 20**
- \* Spring Onions and Cabbage – February 1**
- \* Whole-Farm Revenue - March 15**
- \* Vegetables (Potatoes, Sweet Corn, Dry Beans, etc.) - March 15**





# **RMA Program Delivery**

## ***Local Crop & Livestock Insurance Agents***

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**For more information on:**

- ***Program - Policies (including pilot)***
- ***Cost Estimator - Premium Calculations***
- ***Program Participation***
- ***Find a crop/livestock agent***

**Log on to: [www.rma.usda.gov/](http://www.rma.usda.gov/)**

***Thank you!!***

# **USDA Risk Management Agency**

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# *Quality Adjustments*

## For Fresh Cranberries

If fresh cranberry production has a value less than 75 percent of market price due to poor quality according to the US Standards, the production will be adjusted by:

$$\frac{\text{Value Per Barrel}}{\text{Market Price}} \times \text{Production}$$