



CROP INSURANCE IN MARYLAND

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MARYLAND DEPARTMENT OF AGRICULTURE



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Martin O'Malley
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MANY PATHS TO RISK MANAGEMENT



Photo by Edurn Remsburg

Alan and Hans Schmidt, Sudlersville, Maryland

Schmidt Farms has a multi-part approach to risk management: they diversify, they irrigate, they use contracts for some crops, and they use high levels of crop insurance coverage for the corn, soybeans, barley, and wheat they grow on 2,000 acres of Queen Anne's county land.

The crop insurance helped a lot in 2011. "We got rain on May 2nd and then it didn't rain again until August 13th," said Alan Schmidt, who along with his brother Hans, wife Brenda and sister-in-law Jennie run their operation just outside of Sudlersville.

Their corn yielded 40 bushels to the acre, and the size of their claim required that

an audit be conducted.

"It was a little nerve wracking, but it worked out OK. You spend a lot of time hoping you did everything right. There are so many little things and you had to have all those records or you would have been in trouble."

But they did have the records, and around mid-April they were planting corn again.

"One of the best decisions we made was to put soybeans into an Enterprise Unit. We used the savings in premium costs to buy up to 80 percent," said Alan. They have 75 percent coverage on corn.

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TRACK YOUR BASIS FOR BETTER MARKETING

The price you get for the grains you deliver to your local buyers starts with the Chicago Mercantile Exchange (CME). The difference between that CME price and the local price is the “basis.”

Understanding the patterns of your local basis can help you know when to sell and when to hold. When you are quoted a local price you should check to see if the current basis is strong or weak (compared to the average). A strong basis is a signal that the price may be better than expected. A weak basis is a signal from the market that they really don't want your grain at this time.

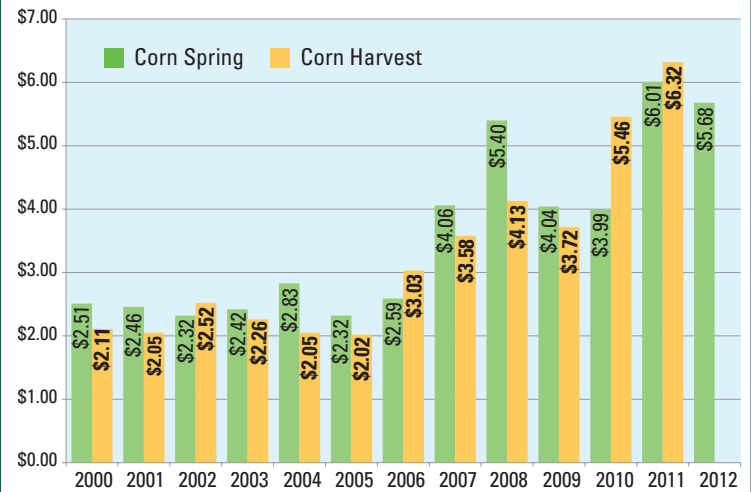
Crop insurance, particularly revenue-based crop insurance, allows you to not only protect your expected revenue, but also allows you to more confidently sell your grain well before harvest.

Check the chart on the right to see how often spring futures prices for corn have been higher than the harvest time price.

Monitor your basis to help you know when to sell and sell with confidence when you are protected by crop insurance. ■

Revenue Protection (RP) Provides the Best Protection

Comparison of Spring vs. Harvest Corn Prices by Year



Whenever the spring price is higher than the harvest price, there is a potential revenue loss.

When the harvest price is higher than the spring price, would take a yield loss to have a loss.

FORAGE SEEDING

Acreage reporting for spring-seeded forage is June 1.

Ten Maryland counties have forage seeding policies: Allegany, Baltimore, Carroll, Cecil, Frederick, Garrett, Harford, Howard, Montgomery, and Washington.

To be insured, the forage must be alfalfa or mixture containing at least 50 percent alfalfa, clover, birdsfoot trefoil, or any

other locally recognized and approved forage legume species (by weight), planted during the current crop year to establish a normal stand of forage.

This policy does not cover any acreage that is: grown with intent to be grazed, or grazed any time during the insurance period or if inter-planted with another crop (except nurse crops).

FALL SIGN UP DEADLINE

Remember, July 31 is the deadline for signing up for Forage Seeding insurance protection. It is also the deadline for making any changes to existing policies. The final seeding deadline is August 31.

Remember, long term benefit cost to producers is three times the premium. ■

2012 Protection and Subsidy Options		
Coverage Level	Dollar Guarantee	Premium Subsidy
CAT	\$ 99	100%
50%	\$179	67%
55%	\$196	64%
60%	\$214	64%
65%	\$232	59%
70%	\$250	59%
75%	\$267	55%

Loss Example	
This example is based on one basic unit of 50 acres of spring-seeded forage at 65 percent level of coverage with 10 acres fully established and 40 acres at 50 percent stand.	
Protection in force:	\$11,600 ¹
Production-to-count:	\$ 2,320 ²
Amount of loss:	\$ 9,280 ³
Net indemnity to grower:	\$ 8,735 ⁴
¹ 50 acres x \$232 amount of insurance per acre.	
² 10 acres total established x \$232 coverage per acre.	
³ \$11,600 protection - \$2,320 production-to-count.	
⁴ \$9,280 - \$545 (estimated producer premium).	

GET ACREAGE REPORTING RIGHT. IT SAVES YOU MONEY.

You have a lot at stake in making sure your crop insurance acreage reporting is accurate and on time. June 15 is the acreage reporting deadline date for forage seeding and spring seeded small grains and July 15 is the reporting date for corn, soybeans, and most other spring planted crops.

These deadlines are the same for crop insurance and for FSA. If you fail to report on time, you may not be protected. If you report too much acreage, you may pay too much premium. If you report too little acreage, you may recover less when you file a claim.

Crop insurance agents often say that mistakes in acreage reporting are the easiest way for producers to have an unsatisfactory experience with crop insurance.

Don't depend on your agent to do this important job for you. Your signature on the bottom of the acreage reporting form makes it, legally, your responsibility. Double check it for yourself. Also make sure that your crop insurance and FSA reports are identical (provide written explanation of any differences). The law requires that they be compared.

Make sure that you receive and retain a signed copy of the reports that you file as this is critical to correct any errors that may show up later.

WHAT IS AN ACREAGE REPORT?

The acreage report is the basis for determining the amount of insurance provided and the premium charged. An annual acreage report for each insured crop in which you have an ownership share in the county must be submitted to your insurance company (through your agent) on or before the acreage reporting date for that crop.

The acreage report shows: the crops you have planted; acreage prevented from planting; what share you have in those crops; where the crops are located; how many acres you planted; the dates you planted them; what insurance unit they are located on, and the cultural practice followed (i.e. irrigated, double cropped, etc.). You may not revise this report after the acreage reporting date.

REMEMBER

Acreage reporting is your responsibility. Doing it right will save you money. Always get a copy of your report immediately after signing and filing it with your

agent and keep it with your records.

This year there are some changes to the many deadlines necessary for protecting your crop interest with crop insurance. Please check with your crop insurance agent to make sure you have the correct dates for this year.

Filing a Claim

If you suffered winter kill damage on insured winter wheat or barley, or need to replant spring crops, or are prevented from planting, or harvesting is delayed beyond the end of the insurance period, you must file a claims report. Be sure to file your (written) report of damage with your insurance agent immediately upon discovery. Most crop insurance policies stipulate that this report must be made within 72 hours.

Never put damaged acreage to another use without prior written consent of the insurance adjuster. You don't want to destroy any evidence of a possible claim.

Ask your agent for a copy of the damage report to the insurance company for your records. Also, obtain a yield appraisal before harvesting a crop for direct marketing. ■



Photo by Edwin Remsberg

DIVERSIFY, DIVERSIFY

The Schmidts embraced the need to diversify years ago. They grow 40 acres of tomatoes under contract every year. They also bale and sell hay, and ten years ago they started growing wine grapes. The wine grapes are Jennie's operation.

"We were being told there was an increasing demand for grapes. Our main concern was making sure this operation would cash flow," she said. That meant taking a hard-nosed look at what was practical. They were not growing wine grapes for some romantic reason, they were spreading their risks into one more crop.

"The first thing we did was to realize that the conventional row width for grapevines was not the smartest way to go. We made the rows wide enough to accommodate a tractor we already had, a tractor that would serve double duty."

The truck and trailers that now haul tons of grapes to 16 different wineries are also the same ones that haul grain and hay.

Now Schmidt Farms has 20 acres of vineyard and Jennie consults on or manages the production on another 60 acres. She pre-sells her expected harvest in the winter.

This year she is president of the Maryland Grape Growers Association and in that role she is lobbying anyone who will listen to get a crop insurance policy in place for Maryland growers.



Jennie Schmidt

"The policies we could use under Written Agreements would penalize us by making us use cultural practices that are only necessary in much colder climates," she says.

While she was signed up for FSA's NAP program last year, bird damage and heavy rains just at harvest caused serious losses. She wants a crop insurance policy to fit Maryland vineyards. Don't bet against her. ■

PREVENTED PLANTING OPTIONS

Most crop insurance policies now come with a basic prevented planting and replanting option built in. Prevented planting also comes with options, and at this time of year some producers may wish they had chosen to increase their prevented planting options.

One of the great benefits of the prevented planting option is that, if the condition is general for similar farms in the area, you are protected acre-by-acre not unit-by-unit as you are at harvest time.

The default guarantee for the usual prevented planting option is 60 percent of the harvest guarantee. For only a few pennies per acre more in premium cost, you can up your prevented planting guarantee by +5 or +10 percent.

The acre-by-acre coverage does not

depend on the type of unit coverage you have. You can have several thousand acres in an enterprise unit. If you are prevented, by insurable causes, from planting 90 of those acres, those 90 acres are protected.

MAKE SURE YOU DO IT RIGHT

Prevented planting coverage has many permutations. For instance, your prevented planting payment may be affected if you put another crop on the same acreage during the same crop year.

If you think you have a prevented planting claim, **CALL YOUR CROP INSURANCE AGENT**. Do nothing to the acres you think are eligible for a claim until your agent or an adjuster has given you written permission. ■

