



The Importance of Risk Management in Agriculture

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In uncertain economic times, the importance of risk management on America's farms is at an all-time high.

With the cost of seed, fertilizer and harvesting inputs on the rise, American producers cannot afford to go unprotected.

Risk management is one tool to protect a producer's investment in a crop, as well as possibly protecting themselves against revenue shortfalls.

Federal Crop Insurance, overseen by the USDA Risk Management Agency (RMA), has many options that offer yield protection, revenue protection, or both. There are a variety of coverage types that come at many different coverage levels.

These coverage levels help further protect the producer, as well as allowing coverage for producers in different price-points.

The USDA Farm Service Agency (FSA) offers coverage on most crops that do not

have a catastrophic (CAT) level of coverage offered by crop insurance. This coverage is very similar to CAT coverage, with a few minor differences. This program is titled the Non-Insured Crop Disaster Assistance Program (NAP). NAP only provides losses on production amounts.

Most mainstream producers are aware of crop insurance, but many smaller fruit and vegetable producers are unaware of the NAP program and the benefit it can bring. For \$750 a producer can purchase coverage on anywhere from 3 to 20 plus crops, at \$250 per crop. This is a huge benefit to the growing number of small producers that are growing produce for road-side stands, you-pick operations, and farmer's markets. As many mainstream producers are diversifying their operations to tap into these markets, they also may be unaware of the benefits of the NAP program.

Producers may be leery of either form of risk management since there is a premium or service fee involved which must be paid regardless of any losses.

However, as with any insurance policy, if one does not have the policy, then they are not protected in the event of a disaster. Even at the lowest level of coverage, the indemnity earned can help keep a producer afloat.

Another very good purpose for obtaining risk management is the trend in the National disaster programs. Without having all crops covered by some form of risk management, producers are finding themselves ineligible for disaster programs offered by the Federal Government.

As with both forms of risk management, there are requirements of the producer. Producers are required to file an application for coverage by the sales closing date; as well as pay the service fee by this date for NAP. Producers are



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required to timely report acreage on all crops in which coverage has been purchased, as well timely provide final production on all covered crops. Producers are also required to timely file a notice of loss. Filing this notice of loss will trigger authorized personnel to complete an appraisal or crop inspection. This notice of loss is a requirement in order to receive an indemnity.

February 15, 2013, is the final day to file a NAP application for coverage, and pay the applicable service fee, for 2013 vegetables, most fruits, coarse grains and perennial forages, excluding sod. Fruits that do not fall under this deadline are fruits produced on trees, bushes or vines, or strawberries.

January 31, 2013, is the final sales closing date for coverage for a federal crop insurance policy on 2013 potatoes and an Adjusted Gross Revenue (AGR) policy. March 15, 2013, is the final sales closing date for 2013 fresh market and/or processing beans, cabbage, coarse grains, sweet corn, cotton, spring oats, peanuts,

tobacco, tomatoes and for an AGR-Lite policy. May 1, 2013, is the final sales closing date for a 2014 nursery policy.

If you have any questions regarding the NAP program, please contact your local FSA office. If you have any questions regarding crop insurance, you can use this locator to find an authorized crop insurance agency:

<http://www.rma.usda.gov/tols/agent.html>.