

Crop Insurance for Hawaii Growers

Hawaii Tropical Fruit and Trees
Macadamia Nuts and Trees

Presented by Bonnie Lind Feb. 18, 2021

AGRICULTURE Statistics

HAWAII

CROP INSURANCE
Edge America Growing

Top Crops

- Coffee
- Macadamia Nuts
- Floriculture

Hawaii crops contribute \$563.8 million to the economy

Source: cropinsuranceinamerica.org

Crop Insurance History

1930's	•Dustbowl and Depression deeply affected agriculture
1938	•Congress Authorized Crop Insurance •Experimental program
1980	•Crop Insurance became permanent •Allowed private sector to participate
1980's	•Nursery Program available in Hawaii
1997	•Macadamia Nut Program available in Hawaii
2000	•Private sector allowed to develop programs •Restrictions on covering livestock removed

CAT Level Introduced At \$50

Crop Insurance History

2007

• Hawaii Tropical Fruit Policy Available in Hawaii covering Coffee, Papaya, Bananas

2008

• AGR Lite Revenue Coverage Available in Hawaii

2015

• Whole Farm Replaces AGR Lite

2019

• Hawaii Tropical Fruit Policy becomes Permanent program

Crop Insurance Is Vital to Hawaii's Agricultural Sector



Crop Insurance covers 16,600 acres and provides \$125.3 million in protection



Farmers paid \$452,000 for insurance coverage



Insurers paid \$1.2 million to cover losses

Source: cropinsuranceinamerica.org

Crop Insurance can help growers:

Protect against the risks causing crop and revenue losses

Resulting from:

- Adverse weather
- Uncontrollable Insects and Disease
- Wildlife and wildfire
- Earthquake, Tsunami, Volcanic Eruption
- Failure of Irrigation Water Supply due to one of the above causes
- Removal of diseased trees when authorized by insurance company

Production loss only, not applicable to trees. Exceptions are Nematodes in Coffee, Papaya Ringspot Virus, Banana Bunchy top Virus



Crop Insurance can help growers:

Protect against the risks causing tree loss:

Destruction of Trees to control
Banana Bunchy Top Virus
Papaya Ringspot Virus

Coffee Trees may be removed due to Nematode
Infestation that has reached 50% and has caused a 40%
reduction in cherry production for the 2 previous years.

Under some programs, crop insurance can help growers protect against losses due to Market conditions.

Market Coverage examples:



Market glut due to inconsistent growing conditions



Missed market due to poor weather



NO COVERAGE IS PROVIDED AGAINST LOSSES DUE TO:

Damage caused by any person that affects the yield, quality, or price of the crop

Not following good farming practices

Farming a crop behind a water containment structure

No coverage for theft or vandalism



CROP INSURANCE ALLOWS PARTICIPATING GROWERS TO:

Project a minimum amount of production and/or income based upon insurance guarantees.

Accurate projections are necessary to prepare annual budgets and secure operating costs.

Plan for the future: Savings for College or Retirement

CROP INSURANCE ALLOWS PARTICIPATING GROWERS TO:

Provide additional security for their operating loans by assigning crop insurance benefits to lenders.

Repay loans with crop insurance payments in the event of a loss.

When crop losses hit, crop insurance helps keep farm families in the business of farming and:

Stabilizes the local economy beyond the farm gate

Helps make progress toward food-security

Keeps farm families contributing to the local economy and helps preserve off-farm jobs



WHAT DOES IT COST?

USDA is committed to making cost of crop insurance affordable:
Increased subsidies over the last 20 years

On Average, USDA pays *62% of premium cost

*Source www.rma.usda.gov

WHAT DOES IT COST?

Premium + Administrative Fees

Premiums are Individually determined by grower

Depend upon crop, county, coverage level,
and average yields or tree counts and age of trees

Subsidies help growers with the premiums

\$ 30 Administration Fee for Buy-up Policies
\$655 Administration Fee for Catastrophic Coverage

WHAT DOES IT COST?

Veterans and Beginning Farmers and Ranchers can receive fee
waivers and additional subsidy of premiums.

Limited Resource Growers can request Administrative Fees
be waived.

WHAT DOES IT COST?

Call an agent to get an estimate for your farm.

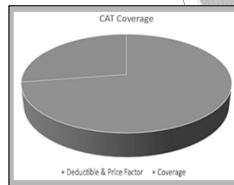
Or go to www.rma.uds.gov
And click on "Tools" and then "Cost Estimator"

AMOUNT OF COVERAGE AVAILABLE

Catastrophic (CAT) Coverage Level:
50% deductible 55% price factor

Not offered on Revenue Coverage or
Livestock Risk Protection

\$655 Administrative Fee
No additional premium



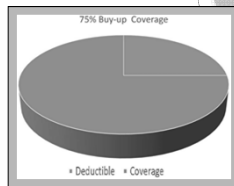
AMOUNT OF COVERAGE AVAILABLE

Buy-up Coverage Levels

15%-50% deductible
with no reduction in price

Maximum buy-up levels
vary by crop policy provisions

\$30 Administrative Fee + Premium



AMOUNT OF COVERAGE AVAILABLE

Most policies:

Guarantee up to 75% of
Approved Yields
Dollar Value of Trees
Nursery Inventory Insurance Value
or
Guarantee up to 85% of Approved Gross Revenue

TYPES OF COVERAGE - PRODUCTION GUARANTEE



Macadamia Nut, Coffee, Banana, Papaya

Coverage based upon an approved yield,
from Grower's Yield History or Transitional
(assigned) yields

Minimum age requirements

Minimum Age Requirements Fruit/Nut
Insurance


Coffee Cherry: Reached age 3 prior to the crop year

Papaya: 12 months old by 5/31 prior to the crop year (can
be insured at 9 months with RMA approval)

Papaya trees are not insurable if they have reached age
4 before the insurance period.

Bananas: Planted by 5/31 prior to the crop year

Macadamia Nuts: Have reached age 5th growing season by
Jan 1 of the insurance period




TYPES OF COVERAGE - PRODUCTION GUARANTEE
APPROVED YIELD EXAMPLE

Approved Yield Example : Actual + Transitional

Year	Total Production	Acres	Yield	Yield Type
2015				
2016		5	5520	Transitional
2017	30000	5	6000	Actual
2018	40000	5	8000	Actual
2019	27500	5	5500	Actual
Total			25,020	
Divide By Years			4	
Simple Avg			6255	
Approved Yield			6255	

Macadamia Nut
 Coffee
 Bananas
 Papaya




TYPES OF COVERAGE - PRODUCTION GUARANTEE
COVERAGE EXAMPLE

Guarantee Determination

Approved Yield		6255
Coverage Level	X	.75
Guarantee per acre	=	4691
Acres in farm	X	5.0
Guarantee for the Farm		31275

Macadamia Nut
 Coffee
 Banana
 Papaya



TYPES OF COVERAGE - PRODUCTION GUARANTEE
LOSS EXAMPLE

Loss Determination

Guarantee for the Farm		31,275
Production to Count (harvested and/or appraised)	-	20,000
Unit Loss	=	11,275
Price Election	X	\$1.80
Your Share		1,000
Unit Indemnity		\$20,295

Macadamia Nut
 Coffee
 Banana
 Papaya

TYPES OF COVERAGE - TREE BASED DOLLAR AMOUNT OF INSURANCE



Coffee Tree, Papaya Tree, Banana Tree, Macadamia Tree

Coverage established on Tree Count, Age and Per Tree Price Election

Minimum Age Requirements

Minimum Age Requirements Tree Insurance

Coffee Trees: Planted by 12/31 prior to the crop year

Papaya Trees: 12 months old by 12/31 prior to the crop year (can be insured at 9 months with RMA approval)

Papaya trees are not insurable if they have reached age 4 before the insurance period.

Banana Trees: Planted by 12/31 prior to the crop year

Macadamia Trees: Have reached age 1 by Jan 1 of the insurance period

Minimum Age Requirements Tree Insurance


Coffee Trees: Planted by 12/31 prior to the crop year

Papaya Trees: 12 months old by 12/31 prior to the crop year (can be insured at 9 months with RMA approval)

Papaya trees are not insurable if they have reached age 4 before the insurance period.

Banana Trees: Planted by 12/31 prior to the crop year


Macadamia Trees: Have reached age 1 by Jan 1 of the insurance period



**TYPES OF COVERAGE –
TREE BASED DOLLAR AMOUNT OF INSURANCE
COVERAGE EXAMPLE**

Guarantee Determination		
Tree Count		500
Price Election	X	\$40.30
Value of Insured Trees	=	\$20,150
Coverage Level	X	.75
Guarantee	=	\$15,113

Macadamia Trees
Coffee Trees
Papaya Trees
Banana Trees




**TYPES OF COVERAGE –
TREE BASED DOLLAR
CLAIM EXAMPLE**

Loss Determination		
Total Dead Trees		300
Tree Reference Price	X	\$40.30
Coverage Level	X	75%
Value of Dead Trees	=	\$12,090
Value of Dead Trees		\$12,090
Value of Insured Trees	+	\$20,150
Amount of Damage	=	60%
Amount of Damage	=	60%
1-75% Deductible Percentage	-	25%
Percent of Insurable loss	=	35%
Value of Insured Trees		\$21,150
Percent of Insurable Loss	x	35%
Gross Indemnity		\$7,053


Macadamia Trees
Coffee Trees
Papaya Trees
Banana Trees

TYPES OF COVERAGE - DOLLAR COVERAGE



Nursery Commodity Insurance
Wholesale Growers only
Coverage is based upon Nursery Plant Inventory Value
Value established by USDA's DataScape software for pricing and grower's current inventory and pricelist


TYPES OF COVERAGE - DOLLAR COVERAGE
Nursery Commodity Insurance
 Amount of Coverage Example



Amount of Insurance Example

\$100,000	Plant inventory value
x	0.65 Chosen coverage level percentage
x	1.00 Producer share
\$	65,000 Unit amount of insurance

TYPES OF COVERAGE - DOLLAR COVERAGE
Nursery Commodity Insurance
 Claim Example



\$65,000 Unit amount of insurance

In the event of a loss, determinations made:

- \$100,000 Field market value before loss
- \$ 50,000 Field market value after loss
- \$ 50,000 Value of loss
- \$ 35,000 *Deductible
- \$15,000 Indemnity**


TYPES OF COVERAGE -
LIVESTOCK (PRICE) RISK PROTECTION

Coverage based upon head of cattle (feeder cattle only, in Hawaii)
 Locked in at price published on the day Coverage Endorsement is executed

Endorsement can cover up to 1000 head, 2000/year maximum

Coverage Endorsement periods vary from 13-52 weeks, grower chooses.

Ending Price is compared to the Coverage Endorsement Price



TYPES OF COVERAGE - WHOLE FARM REVENUE PROTECTION

AVAILABLE ON MOST HAWAII CROPS



Revenue Guarantee based upon grower's history

Determined from a 5-year average of data from tax returns & Schedule F.

Diversified growers eligible for 85% coverage and additional subsidy



Year	Revenue	Expenses	Net Income
2015			
2016			
2017			
2018			
2019			
2020			
2021			

TYPES OF COVERAGE - WHOLE FARM REVENUE PROTECTION

Covers all crops in the operation that produce an income.

Covers crops that don't have named policies as well as crops that DO have named policies. Additional discount for growers carrying both policies.



REQUIREMENTS - HELC

Highly Erodible Land Conservation & Wetland Conservation Compliance For Crop Insurance Participants




REQUIREMENTS - HELC

Who needs to be in compliance?
In order to receive crop insurance subsidies, a grower with a policy must:

Certify compliance by the billing date for their crop
 (Aug. 15 for most Hawaii Crops)

Premiums can be more than 2X higher without subsidy!!




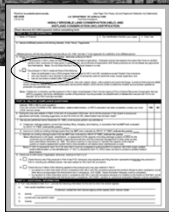
REQUIREMENTS - HELC

How does a person comply?

File Form AD-1026 at the local
 USDA Service Center

If one is already on file and the
 information is still current, no further action
 is necessary.

Only needs to be updated if changes in operation or
 entity occur.

GROWER OBJECTIONS TO CROP INSURANCE

“Too expensive”.

“Too much paperwork”.

“Don’t like government in my business”.

"Too expensive".

- ✓ Not one size fits all, it can be tailored to fit coverage and budget requirements.
- ✓ Small farmers may have only a \$30 fee, plus low premium.
- ✓ Beginning farmers and Limited Resource Growers may have fees waived.
- ✓ Beginning farmers and Veteran Farmers received additional subsidies.
- ✓ Larger farmers can keep costs down with CAT coverage.

"Too much paperwork".

- ✓ Crop Insurance policy set-up requires a certain amount of paperwork. Some policies more than others.
- ✓ An experienced agent is trained to help you with this.

"Don't like government in my business".

- ✓ Most programs require *significantly* less disclosure on forms than a tax return does.

Keep the payoffs in mind:

- ✓ Managing your risks & weathering the storms and crop losses
- ✓ Expanding your operation or meeting other goals
- ✓ Economic Stability of your community
- ✓ Peace of mind
- ✓ Keep on Growing!

SUMMARY

Crop Insurance supports Farms.

Farms staying in business helps farm families and communities, local shops & businesses.




SUMMARY

There are many Crop Insurance options

USDA Subsidies help insured growers keep insurance costs down

Growers can provide crop insurance policy as collateral for operating loans and expansion



SUMMARY OF PROGRAMS AVAILABLE	ELIGIBLE FARMS	YIELD COVERAGE	TREE DOLLAR COVERAGE	DOLLAR COVERAGE	REVENUE PROTECTION	PRICE COVERAGE	APPLY BY
COFFEE	25+ months	✓					DEC 31
COFFEE TREES	Planted by Dec 31		✓				DEC 31
BANANAS	Planted by June 1	✓					MAY 31
BANANA TREES	Planted by Dec 31		✓				DEC 31
PAPAYA	12-36 mos	✓					MAY 31
PAPAYA TREES	12-36 mos		✓				DEC 31
MACADAMIA NUTS	1 st Leaf	✓					DEC 31
MACADAMIA TREES	2 nd Leaf		✓				NOV 30
WHOLESALE NURSERY (40% DR 3)	All Plants on list		✓	✓			NO DEADLINE
WHOLE FARM REVENUE PROTECTION	Have 5 years Tax & Sales Record, 3 years for beginning farmer				✓		MAR 15
LIVESTOCK RISK PROTECTION	Grower of Feeder/Fed Cattle					✓	NO DEADLINE
DAIRY RISK PROTECTION							

Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
2004	130	25,971	97,879,478	1,169,224	614,543	0.53
2005	139	26,529	77,968,808	913,299	387,341	0.42
2006	128	26,638	89,402,854	1,079,769	170,235	0.16
2007	173	30,030	105,871,203	1,624,400	28,209	0.02
2008	156	29,481	120,946,363	1,953,230	1,809,650	0.93
2009	128	28,220	98,261,949	1,454,607	717,155	0.49
2010	130	28,174	110,775,618	1,500,308	964,974	0.62
2011	160	35,981	111,235,655	1,596,940	2,627,456	1.66
2012	163	29,650	118,474,501	1,767,210	796,124	0.45
2013	152	29,077	113,766,912	1,641,071	856,129	0.52
2014	151	28,976	113,276,219	1,693,371	1,750,572	1.03
2015	182	29,220	119,767,172	1,805,139	667,210	0.37
2016	192	28,903	121,569,918	1,446,380	1,012,252	0.70
2017	161	28,544	117,989,255	1,100,288	921,238	0.84
2018	155	28,451	120,797,498	1,187,783	1,106,200	0.93

*Data current as of February 18, 2019. For current data go to FROK's Summary of Business tool.

Crops	Insured Acres	Total Acres	Percent Insured
Macadamia Nuts	11,764	18,006	65%
Tropical Fruit - Banana	379	Not Available	Not Available
Tropical Fruit - Coffee	4,314	9,872	44%
Tropical Fruit - Papaya	145	Not Available	Not Available

Program	County Availability
Whole Farm Revenue Protection	All Counties

Dollar Liability Program	Total Dollar Liability
Macadamia Trees	\$52,807,862
Nursery	\$8,693,452
Tropical Tree - Banana	\$508,085
Tropical Tree - Coffee	\$18,967,088
Tropical Tree - Papaya	\$182,628
Whole Farm Revenue Protection	\$3,275




Questions?

THANK YOU!

For More Information:

Contact Bonnie Lind
888-276-7728



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Keep Growing

HawaiiCropInsurance.com
CropInsuranceInAmerica.org
RMA.USDA.GOV
RCIS.com
