2008 Farm Bill

CROP INSURANCE and DISASTER Programs

The New SURE Program

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SW Michigan

2008 Michigan SURE Disaster Payments

- Many farmers have qualified for 2008 SURE payments and don’t know it.
  - Market year prices for corn and soys were just determined August 31, 2009
  - Payments in October, Nov, Dec, Jan???
  - Some farms will “max out” at $100,000 payment

- There may be SURE payments for 2009
- Maintaining eligibility for 2010 is quickly approaching for many farmers

1. SUpplemental REvenue Program (SURE)

- All Crops are Covered Including:
  - Corn, Soys, Wheat, Forages, Beans
  - Apples, Blueberries, Cherries, Peaches, Strawberries, Raspberries, Grapes and others
  - Potatoes, Squash, Pumpkins, Snaps, Sweet Corn, Tomatoes, Asparagus and others
  - Perennials, Bedding Plants, Nursery Crops, Xmas Trees, Greenhouse and others

- Makes payments to eligible producers on farms in disaster counties that:
  - incurred crop production or crop-quality losses or both during the crop year
  - OR a 50% whole farm loss in revenue

2008 Disaster Declaration

- USDA Designates 51 Michigan Counties as Primary Natural Disaster Areas
- Decision Allows Farmers and Ranchers to Apply for USDA Assistance

WASHINGTON, Jan. 26, 2009 - The U.S. Department of Agriculture designated 51 counties in Michigan, with some counties listed twice for each disaster condition, as primary natural disaster areas because of losses caused by various weather conditions.

Defining SURE Rules

Coverage is whole farm revenue (dollars) and includes all crops in all counties and crosses state lines.

Compare “total expected crop revenue” to “actual crop revenue”.

Prices used are determined by USDA, not by your own farm’s prices. (Crop Insurance and Producer MYA Price)

County requires a Secretary’s of Ag disaster declaration (includes contiguous counties) OR the whole farm must have a 50% expected revenue loss to be eligible.

Farmers in multiple counties will need a disaster declaration in one county being farmed?

Michigan has a very diverse crop mix, so often has declared disasters in many counties each year.
2008 Disaster

The following 41 Michigan counties were designated natural primary disaster areas because of losses caused by frost, freeze and cold weather that occurred from March 1, 2008, through May 31, 2008. Those counties are:

- Allegan
- Antrim
- Barry
- Benzie
- Berrien
- Cass
- Charlevoix
- Chippewa
- Clinton
- Eaton
- Genesee
- Grand Traverse
- Hancock
- Ingham
- Ionia
- Jackson
- Kalamazoo
- Kent
- Leelanau
- Lapeer
- Lenawee
- Livingston
- Mackinac
- Macomb
- Manistee
- Mason
- Missaukee
- Monroe
- Muskegon
- Newaygo
- Oakland
- Otsego
- Oscoda
- Osceola
- Saginaw
- Sanilac
- Shiawassee
- St. Clair
- St. Joseph
- Ticonderoga
- Tuscola
- Wayne
- Washtenaw
- Wexford
- Wolverine
- Wolverine
- Michigan 2008

Disaster #2 Michigan 2008

The following 28 Michigan counties were designated natural primary disaster areas because of losses caused by storms with excessive rain, flooding and high winds that occurred from April 12, 2008, through Sept. 16, 2008. Those counties are:

- Antrim
- Barry
- Berrien
- Cass
- Chippewa
- Clinton
- Eaton
- Grand Traverse
- Huron
- Ionia
- Jackson
- Kalamazoo
- Kent
- Leelanau
- Lenawee
- Mackinac
- Manistee
- Mason
- Missaukee
- Monroe
- Muskegon
- Newaygo
- Oakland
- Otsego
- Oscoda
- Osceola
- Saginaw
- Sanilac
- Shiawassee
- St. Clair
- St. Joseph
- Ticonderoga
- Tuscola
- Washtenaw
- Wexford
- Wolverine
- Wolverine
- Michigan 2009 Crop Disaster

- August 3, 2009 LANSING, Mich. - Governor Jennifer M. Granholm today officially requested federal disaster assistance from U.S. Department of Agriculture (USDA) Secretary Tom Vilsack for farmers in 27 Michigan counties who are facing fruit, vegetable, and other frost-sensitive crop losses because of severe frost, freeze, snows, and cold weather this spring. The requests were based upon 30 percent or more in loss estimates calculated locally in each county.
**Michigan 2009 Crop Disaster (cont.)**

- From November 1, 2008 to July 24, 2009, 27 counties experienced frost/freeze conditions that particularly affected fruit and vegetable production such as apples and cherries. The impacted counties are in both the Upper and Lower Peninsulas.

**2010 Crop Disaster ???**

- Very high odds in Michigan
  - You do not have to grow the crop that was impacted
  - Michigan is very diverse
  - Some crop somewhere will have yield or quality loss
- Do you want to stay eligible?
  - The only cost is that you have crop insurance
    - Level of crop insurance determines coverage level
    - SURE is a potential bonus on top of your existing crop insurance
  - There is no “sign up” ahead of time
- To be eligible, you must have crop insurance on all crops representing 5% or more of your “expected revenue” using established prices and yields.

**SURE Triggering**

- In or contiguous to a Secretary of Ag Disaster Declared County (or a 50% revenue loss)

- Requirements:
  - A 10 percent yield loss due to natural causes on at least one crop of economic significance for SURE eligibility. Economic significance means the expected revenue from the crop must be at least 5% of total farm revenue.
  - Loss is calculated on whole farm crop “expected revenue” compared to the “actual revenue”
  - Average or above average revenues in other significant crops could offset the loss in one crop
  - This is different than past programs; each crop does not stand on its own

**SURE Guarantee**

- “SURE Guarantee” = planted acres x % crop insurance coverage x APH/program yield x Crop Insurance price election x 115% (use 120% for NAP)

- SURE cap = 90% of expected revenue for each crop. Planted acres x APH/proven yield x insurance price guarantee

- APH = Actual Production History

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**Lush 14-16 inch tall irrigated drilled soybeans 1 week after July 3, 2008 Hail Storm**
SURE

- SURE, CCP and ACRE all use the same producer Market Year Average prices in their calculations.
  - Value is not known at insurance sales closing dates (just finished 2008 corn/soybean marketing year Aug 31, 2009)
- Built in advantage in calculating payments
  - Insurance “base prices” use “futures prices” with no basis
  - Producer Market Year Average Prices are “cash prices”
- 2008 “Base Price” Corn $5.40, Soys $13.36
- 2008 “MYA Price” Corn $4.06, Soys $10.00

SURE Payment Limitations

- $100,000 for SURE
- Not part of $40,000 Direct Payment/ACRE Limitation
- Not part of $65,000 Counter-Cyclical /ACRE Limitation

Insurance Type Definitions

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APH</td>
<td>Yield insurance</td>
</tr>
<tr>
<td>RA basic</td>
<td>Revenue insurance with an increasing guarantee if prices rise by harvest.</td>
</tr>
<tr>
<td>RA-HPO, CRC</td>
<td>Revenue insurance with an increasing guarantee if prices rise by harvest.</td>
</tr>
<tr>
<td>CAT</td>
<td>Catastrophic coverage at 50% of APH yield and 55% of indemnity price.</td>
</tr>
<tr>
<td>NAP</td>
<td>FSA coverage for crops not insurable in a county.</td>
</tr>
<tr>
<td>GRIP</td>
<td>SURE regulations for group insurance policies are not available yet.</td>
</tr>
</tbody>
</table>

2010 Crop Insurance Sales Closing Deadlines

- Must have these insurance policies in place to be eligible for SURE.
- Does not matter what level to be eligible, but insurance level will determine the SURE “revenue guarantee”

Corn Historical Prices

<table>
<thead>
<tr>
<th>Crop Description</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base -CRC, RA, GRIP</td>
<td>$2.59</td>
<td>$4.06</td>
<td>$5.40</td>
<td>$4.04</td>
</tr>
<tr>
<td>Multit Peril Crop Insurance</td>
<td>$4.75</td>
<td>$4.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvest - CRC, GRIP</td>
<td>$3.03</td>
<td>$3.58</td>
<td>$4.13</td>
<td></td>
</tr>
<tr>
<td>Harvest RA</td>
<td>$3.56</td>
<td>$3.82</td>
<td>$3.74</td>
<td></td>
</tr>
<tr>
<td>MYA Producer Price</td>
<td>$3.04</td>
<td>$4.20</td>
<td>$4.06</td>
<td></td>
</tr>
</tbody>
</table>
Summary

- In 2008, if you had Crop Insurance on all of your crops even if you did not collect crop insurance indemnities you may be entitled to SURE payments
- For 2009 we have numerous counties requesting disaster declarations enabling eligibility for SURE
- Deadline is rapidly approaching to purchase crop insurance in order to be eligible for 2010 SURE disaster program
- Michigan growers have a comparative advantage in the diversity of crops often triggering disaster declarations

Summary

- Local FSA offices have little information on SURE at the current time
- Please encourage your farm organizations and US Congress to solidify program specifics. This is the 3rd year where winter wheat producers have made crop insurance decisions without needed information on SURE
- You must have some level of crop insurance on all significant crops (5% of revenue) to be eligible for SURE
**More Information**

Local FSA Office
Local Extension Office

**Web sites:**
Roger Betz [https://www.msu.edu/user/betz/](https://www.msu.edu/user/betz/)
G. A. "Art" Barnaby, Jr., Ph. D. [www.AgManager.info](http://www.AgManager.info)
Carl Zulauf materials [http://aede.osu.edu/people/zulauf.1](http://aede.osu.edu/people/zulauf.1)
Michigan Farm Bureau Web Site: [http://www.michfb.com/issues/farmbill](http://www.michfb.com/issues/farmbill)

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**MANAGING RISK DEALS WITH THE UNKNOWN!**

It Does Happen!

Storm July 3, 2008
Southern Eaton County

Path was 4 miles wide and 35 miles long.