

Fact Sheet:

Crop Insurance 101



Farming and ranching involve inherent risks. Unpredictable weather, market trends, disease, and more can all affect a producer's income and livelihood. Crop insurance can be an important tool in managing these risks.

Crop insurance protects agricultural producers in cases of crop, livestock, or revenue loss. Federal crop insurance, which is administered by the U.S. Department of Agriculture's Risk Management Agency (RMA), offers premium subsidies for coverage to help make it more affordable for producers. Insurance is commonly required for a producer to qualify for loans and other programs. This coverage has continued to evolve over the past century to better meet the needs of producers and today provides protection on more than 290 million acres nationwide.

Policies can be purchased to cover 50% to 100% of the expected crop value. This coverage is selected in 5% increments depending on the type of insurance, so producers can choose their level of protection. More than 100 commodities and specialty crops qualify for coverage, although available programs are dependent on the producer's county. Find available commodities at rma.usda.gov/en/Commodity.

Common coverage types

Many types of federal crop insurance policies are available. Options are also available for livestock operations and rangeland that fall outside of these broader categories. Common policies include the following:

➤ **Revenue protection** provides revenue coverage for production loss and crop price volatility. Coverage is based on the operation's Actual Production History (APH) and the estimated price of the crop at harvest. Producers can select coverage between 50% and 85% of their estimated revenue. If production losses or market prices fall below their expected values, producers are able to make a claim to protect their annual income.

- **Yield protection** is the most widely available option and protects against losses from natural causes such as drought, excessive moisture, hail, frost, diseases, and insect damage. This coverage is also based on an operation's expected yield from the APH, and a projected price used to determine coverage.
- **APH** coverage is similar to yield protection in that it insures based on yield history. The primary difference is that yield protection uses a projected price to determine insurance coverage. With APH coverage, a producer will select both the percentage of the average yield to insure (between 50% and 75%) as well as the percentage of a predicted price—between 55% and 100% of a crop price established annually by RMA.
- **Livestock policies** are available for dairy production, cattle, and swine. There are options for protecting against decreased dairy production and price declines.
 - **Dairy revenue protection** provides protection against revenue loss from yield or price declines.
 - **Livestock gross margin** protects against the loss from declines in market values of livestock, including both beef and dairy cattle, and swine.
 - **Livestock risk protection** provides protection against price declines for feeder and fed cattle and swine.
- **Pasture, rangeland, and forage** protects insured areas during times of drought. Rather than measuring production loss, RMA monitors local precipitation and uses that to determine claims.
- **Other types of crop insurance include:** Rainfall Index, Actual Revenue History, Apiculture coverage, Area Risk Protection Insurance, and Margin Protection (available for corn, rice, soybeans, and wheat).

For the 2023 crop year, the most popular forms of coverage by number of policies sold were revenue protection and yield protection. A close third was APH coverage.





Policies for all kinds of operations

Crop insurance options are available for farms of all shapes and sizes. Diversified, small scale, and organic operations are no exception and have programs designed with them in mind:

- **Whole Farm Revenue Protection (WFRP)** coverage is designed for diversified operations by covering various crops or livestock under a single policy. It is also an option for crops and livestock that might otherwise be uninsurable. Coverage is based on the operation's revenue history and is available in every county nationwide.
- **Micro Farm** is a WFRP option for small operations with less than \$350,000 in annual gross revenue. It was designed with small operations in mind, and has less reporting requirements than other forms of Whole Farm Revenue Protection.
- **Written agreements** allow a producer to request coverage for individual needs. Often, written agreements are used to insure crops that might not be otherwise insurable in a county or region. They are developed on a case-by-case basis alongside a producer's crop insurance agent, and subsequently sent to RMA for review and approval.
- **Organic operations** often sell their crops at a higher price, so RMA offers adjusted price elections that better reflect market prices for certified organic crops. Organic or transitioning operations that have agreements for higher prices may also consider the Contract Price Operation to insure their crops at the given value. The Transitional and Organic Growers Assistance (TOGA) Program is available to these producers, which offers additional premium discounts.

Securing coverage

While administered by RMA, federal crop insurance is sold by individual crop insurance agents across the country. Agents have a variety of experience, and it is important for producers to take the time to find agents and policies that suit their needs. The only requirement is that agents are licensed to sell federal crop insurance in the producer's state, but they do not otherwise need to be local.

To find an agent, producers should consider asking peers for recommendations, or visit RMA's Agent Locator tool, public-rma.fpac.usda.gov/apps/AgentLocator.

