

CLIMATE CHANGE

By Julie Berry

Crop insurance mitigates risk

Jeremy Forrett, Vice President, Crop Growers, LLP, Farm Credit East, based in Homer, NY, recognizes that weather is an important factor when farmers decide to purchase crop insurance. But, Forrett encourages farmers to develop a risk management plan that also includes protecting their investment, securing adequate feed inventory levels and meeting their business goals.

An important partner in a farm team that develops a risk management plan can be a crop insurance agent. An agent will meet with a farmer to learn about their business, their risk tolerance and help develop a plan to support them succeed.

"Weather is a part of doing business. It is an inherent risk. We know that crop insurance does reduce the weather risk," Forrett said. "With the awareness to the risk of mother nature, we can make better risk management decisions."

Costs associated with producing a crop has increased in value overall. Cost to produce corn now averages \$525 an acre, so a loss of 500 acres is a \$250,000 loss, Forrett said. Hurricane Irene cre-

Develop a risk management plan with your team, including a crop agent.

ated havoc for farmers in 2011. June 2015 was the third wettest year in history. Western NY was in a crop loss year, with lower yields and reduced quality. 2015 crop year claims were paid to over 1,000 out of 4,600 NYS crop insurance policies.

With increased rainfall events, the planting window continues to shrink, and losses will likely continue. Crop insurance can help mitigate risk.

"The prevented planting piece of the crop insurance policy has become an important part in this changing weather environment," Forrett said.

Prevented planting provisions can provide valuable coverage when extreme weather conditions prevent expected plantings. Farmers should make planting decisions based on agronomically sound and well documented crop management practices.

"Insurance can support better management decisions. That starts with evaluating risk. Know your goals and communicate your goals," he said. "Make sure a plan is in place to achieve your goals."

Insured crops vary by county, but include barley, cabbage, corn, dry beans, oats, onions, forage seeding, forage production, grain sorghum, green peas, potatoes, soybeans, snap beans – fresh market/processing, sweet corn – fresh market/processing and wheat.

In 2002 policy liability was \$133 million, with 678,000 acres insured. In 2014 it was \$542 million, with 1.1 million acres insured.

Farmers are purchasing or increasing crop insurance coverage because of:

- Increased input costs
- Wet spring conditions that prevent planting
- Greater need for quality feed
- Feed inventory requirements
- Crop maturity concerns

Forrett also advises farmers to develop a risk management plan:

- Evaluate your farm's risk exposure
- Understand your cost of production
- Develop a relationship with a crop insurance agent who is committed to and understands your business
- Learn about the available products
- Develop a plan and stay the course

The number one barrier to participation in crop insurance is education, Forrett said. And, in a year where farmers are looking to cut costs with depressed milk and grain markets, he advises to stay focused on long-term goals. "During a downturn it is even more important to stay the course with your risk management plan," he said. "That's when you need it most." □

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