



MIFFS - Michigan Food &
Farming Systems

CROP INSURANCE

A Guide for Farmers





WHY DO FARMERS NEED INSURANCE?

Insurance can be one of the most important tools a farmer has to protect their business when there is a disaster on the farm.

If a farm's crops, land or livestock are damaged or killed during an extreme weather event, the costs related to recovery, and loss of income can drain the farmers' finances and prevent them from being able to continue to farm in the future.

Farming is a very risky business because success relies, among other things, on the weather. Increases in extreme weather events like drought, storms, flooding and unpredictable frosts will continue to become more common with climate change.



WHAT DOES INSURANCE DO FOR FARMS?

Insurance can help lower your business risk by paying you back a portion of your crops value or a portion of the costs required to recover from the damage, in the event of a weather or climate related disaster.

- Crop and livestock insurance policies are purchased through private insurance companies and the cost of those policies is subsidized by the federal government through an agency known as the USDA Risk Management Agency.
 - An insurance policy is essentially a contract that promises that if certain risks or disasters take place, the insurance company will pay you a specific percentage of the value of the lost crop, livestock or damage.
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CROP INSURANCE

Crop Insurance Policies are commonly used by small scale farms that grow diverse types of crops like fruit, vegetables, herbs, or flowers.

Do you grow locally common crops that sell for a standard commodity price?

If you do, multi-peril crop insurance or Noninsured Disaster Assistance Program (NAP) may be the best policies for you. These policies pay claims based on the average price by weight or quantity of the crop in your area.



- Multi-peril crop insurance is for crops like corn, wheat or soy.
- NAP is for specialty crops like blueberries or apples.



NONINSURED DISASTER ASSISTANCE PROGRAM OR NAP

NAP policies cover specialty crops that are commonly sold for the same price by other farmers in your area.

WHAT DOES NAP COVER?

- NAP will cover up to 55% of the average market price for crops lost due to natural causes.
 - NAP only pays out if more than 50% of the crop is lost.
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WHAT TYPES OF CROPS DOES NAP COVER?

NAP is for specialty crops like blueberries or apples.



Do you get premium prices for your crops based on how they are produced and where you sell them?

Does your farm income include crop and livestock revenues?

Do you sell to organic or specialty markets?

WHOLE FARM REVENUE PROTECTION (WFRP)

Whole Farm Revenue Protection (WFRP) policies ensure a farm's established revenue for value of crops and livestock. It covers losses related to hail, flooding and disease.

WFRP covers up to 85% of a farm's lost revenue if the farm produces at least three different types of commodities.

WFRP only covers greenhouse products and livestock if their revenue equals less than 35% of total farm revenue.



WHOLE FARM REVENUE PROTECTION ELIGIBILITY REQUIREMENTS

- **Five (5) consecutive years of tax history – You must have filed tax returns and form Schedule F for five (5) years in a row with the IRS.**
- **Submit a WFRP application by early spring every year.**
- **Submit a farm history report documenting your crops and livestock inventory and revenue from the previous year every spring.**
- **Submit the farm's projected operations for the year, and a report of the farm's actual production and planting for the year once it is planted.**

MICRO FARM INSURANCE

Micro Farm Insurance is a new policy, similar to WFRP, for farms that generate less than \$350,000 in revenue per year.



What does Micro Farm Insurance Cover?

Micro Farm insurance doesn't require farmers to provide yield records for each crop.

It has options for 50% or 85% coverage.

Micro Farm insurance also covers value added income. Value added income is revenue generated from processing or artistry added to crops that allow you to market them for a higher price.





MICRO FARM COVERAGE ELIGIBILITY REQUIREMENTS

- **Be eligible to receive Federal benefits;**
- **Be a U.S. citizen or Permanent Resident;**
- **Have filed three (3) consecutive years of tax returns with a Schedule F tax form or other farm tax form that can be converted to a Substitute Schedule F;**
- **Have no more than \$350,000 of approved revenue (or \$400,000 if you had Micro Farm the previous year);**
- **Receive no more than 50% of total revenue from commodities purchased for resale;**
- **Submit a Whole-Farm History Report – Crop and livestock inventory along with prices; and**
- **Submit a Farm Operation Report.**



Advice for Filing an Insurance Claim or Disaster Loss

Most programs require you to notify your insurance agent of a loss within 72 hours or less. Always notify your agent of a disaster or loss as soon as possible.

Documenting your loss is essential to successfully filing an insurance claim that results in a payment.

There are 3 essential types of documentation and records that you need:

1. The value of the farm's assets before the disaster.
2. The value of the farm's assets after the disaster.
3. All costs incurred during the recovery over and above your normal operating costs.

Take pictures before anything is cleaned up, during clean up, and after. File your notice of loss before you start cleaning up and ask your agent if there is anything you need to do to document loss before you start the cleanup.

You need to begin documenting losses as soon as people and livestock are safe.



ASK YOUR INSURANCE AGENT ABOUT THESE PROGRAMS

Various Disaster Assistance Programs are available to farms in the event that a disaster emergency is declared for your location.

Livestock Disaster Programs

- Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Relief Program (ELRP)

Crop Losses

- Tree Assistance Program (TAP)

Farmland Damage Programs

- Emergency Conservation Program (ECP)
- Emergency Forest Restoration Program (EFRP)

Emergency Farm Loans

- Emergency Loan Program
- Disaster Set-Aside Program

Learn more about USDA Disaster Assistance Programs at:
www.farmers.gov/protection-recovery/disaster-tool



THANK YOU TO OUR PARTNERS!

This guide was developed as a starting point for farmers who are brand new to learning about farm insurance options.

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OUR MISSION

Michigan Food & Farming Systems (MIFFS) is a statewide nonprofit with a mission to connect beginning and historically underserved farmers to each other and resource opportunities; ensuring social justice, environmental stewardship, and profitability.

We leverage strategic, highly collaborative partnerships to create and enable networks of small-scale urban and rural farms that give rise to a resilient local food system. Our work supports entrepreneurial farm business development by serving as the bridge between the resources of USDA service providers, knowledge of subject matter experts, and wisdom from diverse communities throughout Michigan.

FOR MORE INFORMATION

**Visit our Risk Management Toolkit at:
<https://www.miffs.org/risktoolkit>**

**There you will find our favorite resources
on specific programs, fact sheets,
recordkeeping templates, and educational
videos**

Or talk to your farm insurance agent!



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