



# CROP INSURANCE IN MARYLAND

No. 2 Late Winter 2008

MARYLAND DEPARTMENT OF AGRICULTURE



*This information made possible in partnership with the USDA Risk Management Agency.*

Letter From  
Secretary Richardson

Crop Insurance  
Deadline Near

Energy Audits  
In Phase Two

Martin O'Malley  
Governor

Anthony G. Brown  
Lt. Governor

## PROTECTING 2008 PROFITS

With 2008 fall futures prices for corn around five dollars and \$12 for soybeans, those who grow grain should be optimistic and those who buy grain are probably worried.

But, there are a lot of potential things that can go wrong between now and this fall, when grain producers hope to take their profit to the bank.

Volatility stalks not only grain prices but also grain production costs. Some report fertilizer prices up 100 to 200 percent from a year ago. Seed prices are pushing \$100 per acre.

There are some producers who estimate corn production costs to run from \$275 to near \$500 per acre. At those costs, producers could actually lose money with corn at four dollars per bushel.

Some marketing advisors are recommending locking in an amount of production equal to pre-bought inputs while prices are near five dollars per bushel.

The conversation has shifted from, "If I should get crop insurance," to, "how much should I get?" Then too, producers should keep in mind that they must have crop insurance to be eligible for crop disaster payments. That includes getting Non-insured Assistance Program from Farm Service Administration if they grow crops for which crop insurance is not available.

The risks are especially high for those who grow their crops for on farm use. If there is a crop failure, they can end up paying for it twice (once to grow it and a second time to replace it.)

It doesn't cost to ask, so ask a crop insurance agent to provide you with some side-by-side comparisons, at different levels of coverage. But be sure you ask well before the March 17 deadline. Always get a printed quote for the protection that you buy. ■

## AGR-LITE PREMIUMS LOWER THAN MOST OTHER POLICIES

Because AGR-Lite premiums usually only cost between one percent to three percent of coverage value (compared to five percent to 10 percent for most other policies), many producers are taking a second look at the program.

AGR-Lite is especially suited to fruit and vegetable growers, those who direct market, organic producers, and small to mid-size nurseries.

AGR-Lite protects against losses in farm income based on the previous five years of federal tax records plus the current year's projections.

Producers with only one commodity are eligible for all 65% and 75% coverage options. 80 percent level coverage only requires three commodities.

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## Maryland Department of Agriculture

Office of the Secretary

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Fellow Farmers:

The deadline for signing up for crop insurance policies on spring planted crops, or for making any changes to existing policies, is March 17.

Please remember that you must have crop insurance to be eligible for crop disaster payments. If you grow crops which are not insurable in Maryland, you must get the Non-insured Assistance Program (NAP) from FSA to be eligible.



To get an idea of just how important crop insurance is to Maryland agriculture, consider the numbers from 2007.

By late January, with many more claims yet to be settled, there were: 5,242 policies in force in Maryland; 732,034 acres were insured; \$249,497,245 of insurance protection had been in place; and so far \$32,184,230 of claims had already been paid.

When you consider that the farmer share of the federally subsidized premium was \$9,440,988, you can see that more than \$3.40 were returned to Maryland for every dollar of premium paid in Maryland. After all the claims are adjusted and reported, that number should be considerably higher.

I realize that grain prices are volatile and that input costs have increased dramatically, especially fertilizer, and yet, as I write this, the futures prices for grains are high. I am glad to hear that many of you are locking in some of those high prices as a means to reduce your risks.

I hope it's a great growing season all across Maryland and that each of you has a good year.

Sincerely,

Roger L. Richardson  
Secretary

# FARM ENERGY AUDITS NOW IN PHASE TWO

Photo by Michael Wootton

The Maryland Department of Agriculture and various state, local, federal and private (EnSave) partners are currently accepting applications for farm energy audits in Garrett, Allegany, Washington, Frederick and Carroll counties.

“This is a great opportunity for farmers to find ways to make their operations more energy efficient and save money,” said Agriculture Secretary Roger Richardson. “This is just one of many steps the State of Maryland is taking to reduce energy use and help to improve our environment.”

Farmers will pay \$250 for their audit report, with the cost reimbursed if they implement one or more of the energy efficiency recommendations. In addition, there is both state and federal financial assistance available to help offset the cost of implementing audit recommendations.

Site assessments will uncover how much money farmers can save by improving the energy efficiency of their operations. For example, in 2006, EnSave conducted an energy site assessment on a 75-cow dairy farm, and uncovered equipment upgrades that would save 24,500 kilowatt hours per year. Assuming a retail electric price of 11 cents a kilowatt hour, that is about \$2,700 in savings each year.

In Phase I of the Maryland Farm Energy Audit pilot program, completed just over a year ago, 25 farmers on the Eastern Shore



Steve Faust (L) conducting an energy audit with Mark and Vickie Sump at their poultry farm.

received energy audits through the federal Conservation Security Program (CSP). The audits identified potential savings of 471,000 kilowatt hours of electricity annually, 46,000 gallons of propane annually and approximately \$300,000 in annual productivity benefits (or increased yield).

Now in its second phase, the Maryland Farm Energy Audit Program is a collaborative cost share program funded by USDA's Natural Resources Conservation Service in Maryland and the Maryland Energy Administration. Other program partners include MDA, the Maryland Eastern Shore and Western Maryland Resource Conservation and Development

Councils, the Maryland Agricultural and Resource-Based Industry Development Corporation, Sustainable Agriculture Research and Education, Washington County Soil Conservation District, USDA Rural Development, EnSave, Inc., and Maryland's farmers.

Producers must have a minimum electricity usage of 10,000 kilowatt hours annually. This is a first come first served program. For more information, contact Corey Conant at (800)732-1399, or [coreyc@ensave.com](mailto:coreyc@ensave.com). Information is also available online at [www.md.nrcs.usda.gov](http://www.md.nrcs.usda.gov), click on *Technical Resources*, then *Energy Audit*, or contact a local NRCS office. ■

## Don't Make This Mistake

A few producers who failed to check their “entity type” have discovered that they only received half of their expected indemnity when they made a claim.

Be sure to check your entity type. Your entity must match up with the information you give FSA.

If you are farming as an individual and you are married, you should be listed as

a SPOUSAL entity. The spouse of an insured is considered to receive a benefit from the farming operation and therefore presumed to have a 50 percent share of the entity for crop insurance reporting purposes (unless they can prove they are two separate entities). SBI information (including the spouse's SSN) must be provided by the applicable sales closing date. ■

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Insurable causes of loss include natural hazards, such as drought, too much moisture, and other weather events. That now also includes wildlife, and unavoidable or uncontrollable disease and insect damage and price fluctuations.

The sign-up deadline for new applicants is March 17.

AGR-Lite is a streamlined, whole-farm revenue protection policy. It provides protection against low revenue due to unavoidable causes, including market fluctuations. It's a good plan for organic producers and direct marketers.

## AGR-LITE AS AN UMBRELLA POLICY

Many growers have Multiple Peril Crop Insurance policies on a variety of insurable crops. For them, AGR-Lite can serve as an umbrella policy. The AGR-Lite premium is pro-rated (down) to take into account that the MPCCI coverage has reduced overall risks. At this very affordable price, AGR-Lite can



protect against severe losses in those crops that are not insurable in Pennsylvania and affect the whole farm's gross income.

## THE 10-MINUTE HAIL STORM

A 10-minute hail storm can wipe out all of the crops on the farm. It can turn cabbages into mud covered cole slaw. It can make any vegetable crop unharvestable.

It can shred perennial plants. It can destroy a complete apple or peach harvest...and a lifetime of savings!

It can reduce your usual annual income by, let's say 75%. With that in mind, take a look at this table showing how AGR-Lite could work in that scenario.

The Risk Management Agency calculated this example:

\$100,000 average qualifying farm income of previous 5 years

75% level of coverage selected at enrollment

75,000 Loss trigger

- 25,000 Income in current year

50,000 Difference

90% Payment rate (policyholder self insures 10%)

\$45,000 Loss payment

\$70,000 Income with AGR-Lite

\$25,000 Without AGR-Lite

## CROP INSURANCE DEADLINE NEAR

Eleven spring planted, Maryland crops share a March 17 deadline for signing up for federally subsidized crop insurance. It is also the deadline for making any changes to existing policies.

Given the high futures prices, and the potential volatility, making changes may be high on the minds of many grain producers. High levels of crop insurance protection will allow grain producers to forward price, with confidence, a higher percentage of their expected yield.

The eleven crops are: oats, forage seeding, corn, sweet corn, fresh sweet corn, processing beans, grain sorghum, soybeans, fresh market tomatoes, tomatoes, and Maryland tobacco.

March 17 is also the deadline for signing up for new AGR-Lite policies. This whole

farm revenue insurance is attracting more and more interest from producers who direct market, small to medium size nurseries, organic producers, and very diversified farms. The deadline for making changes to existing AGR-Lite policies was January 31.

Producers who have questions about their crop insurance options should contact a crop insurance agent well before the March 17 deadline. ■



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## AG STATS ON INTERNET

Agricultural statistics from USDA's National Agricultural Statistics Service (NASS) are very important to the development and implementation of crop insurance.

County and state statistics are available at: [www.nass.usda.gov](http://www.nass.usda.gov).

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