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Federal Crop Insurance Considerations and Common Mistakes in Michigan

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With federal crop insurance now available to Michigan tart cherry growers and with other farmers considering or reconsidering crop insurance following adverse weather conditions in recent years, it is important to understand the different protections that crop insurance can provide and how to maximize those protections in the event of a loss.

Federal crop insurance has its origins in the Dust Bowl era of the 1930s, when Congress created the taxpayer-subsidized insurance program to protect farmers against crop losses. Today, the USDA's Risk Management Agency (RMA) manages federal crop insurance and contracts with the 19 Approved Insurance Providers (AIPs), the private insurance companies that provide policies to farmers.

The two most recognized types of crop insurance policies available to farmers are crop-hail policies and Multiple Peril Crop Insurance (MPCI). Crop-hail policies are not part of the federal crop insurance program and are provided directly to farmers by private insurers. Crop-hail policies can be purchased at any time during the growing season. MPCI, in contrast, is the crop insurance plan developed and rated by the USDA. MPCI policies offer a yield guarantee based on the Actual Production History (APH) of the individual producer and provide protection from a variety of natural causes, including drought, excessive moisture, freeze, and disease. Farmers considering federal crop insurance coverage can also choose among new coverage options that offer a combination of revenue and yield protection, including Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP), at varying levels of coverage for the insured crop. It is also important that farmers do not overlook Catastrophic (CAT) coverage, which, while only offering partial protection against significant crop failure, is essentially free.

Once the appropriate coverage is selected, there are several steps that an insured can take to reduce potential disputes and maximize recovery in the event of a loss. First, farmers must be mindful of several important deadlines, including:

- the deadline for applying for coverage
- the final planting date

- the acreage reporting date, and
- the deadline for filing notice of crop damage.

In addition, the RMA reports several common mistakes that can lead to a reduction or elimination of coverage, including underreporting or overreporting planted acreage, failing to report all farm serial numbers planted to the insured crop, failing to report the production of all farm serial numbers, failing to elect "New Producer" status, harvesting the crop in a manner other than insured (i.e., harvesting corn as silage when it is insured as grain), and destroying insured crop without the insurance company's approval.

Finally, perhaps the most important step a farmer can take is to organize and keep complete records relating to all insured crops. Farmers have a duty under their federal crop insurance policy to keep records related to the planting, replanting, inputs, harvesting, production, and sale of the insured crop. Well-organized records can be the key to preventing or winning a crop insurance dispute.

Record droughts in recent years, damaging frosts, and once-in-a-lifetime flooding have all highlighted the need for crop insurance as a risk management tool. At the same time, as crop insurance indemnities set new records in 2011 and 2012, crop insurance disputes also are likely to rise. For this reason, in addition to selecting the most appropriate policy, farmers must be proactive in following the policy requirements and retaining and organizing their records in order to minimize and prevent the delay or denial of coverage. And because the decision regarding what type of crop insurance policy and what level of coverage to purchase can be quite complex, it is important for farmers to consult with their insurance agent to carefully consider coverage needs.

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