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Catastrophic coverage insurance provides low-cost crop insurance protection

By James Sedman and John P. Hewlett

Multi-peril crop insurance (MPCI) available through the Federal Crop Insurance Program has become an integral part of risk management planning for many agricultural producers.

This insurance provides protection against declines in yield caused by natural disasters. The product may help stabilize cash flow and profitability. The program includes an option to purchase protection against only catastrophic losses caused by such things as drought or hailstorms. Catastrophic coverage insurance (CAT) can provide protection against substantial loss at an extremely low cost.

The Need for CAT

CAT coverage was designed to cover operators who do not regularly experience substantial yield losses but want protection against catastrophic declines in yield. For example, a farm that experiences a devastating hailstorm once every 10 years on average and otherwise provides relatively stable yields may be a good candidate for CAT coverage. In addition, where input costs such as fuel, seed, and fertilizer are increasing rapidly, producers may be forced to cut per-acre costs for items such as insurance. CAT coverage provides protection against a greater than 50-percent-yield decline at an extremely low cost when compared to other crop insurance options.

How a CAT Policy Works

CAT coverage is similar to MPCI policies in that it uses actual production history (APH) yields to determine the coverage level. Producers must have at least four years of yield records to qualify their APH yield. If not, they must use an assigned transition yield number (usually less than their production level). The APH yield for a specific crop determines the level of coverage available. CAT policies pay indemnities for losses in excess of 50 percent of the APH yield at 55 percent of the Risk Management Agency (RMA) established price. While the protection is minimal compared to other crop insurance plans, the cost is minimal as well. A producer can sign up for CAT coverage for a flat fee of $100 per crop per county.

As an example, suppose a corn producer needs low-cost protection against a "once-in-10-year" hailstorm. This producer's APH yield is 120 bushels per acre, and the RMA established price is $1.90 per bushel. For $100, the producer insures 200 acres under a CAT policy. Now suppose the hailstorm occurs, wiping out the entire crop. The per acre yield indemnity is 60 bushels per acre (50 percent of 120 bushels per acre), and the per-acre price is $1.045 per bushel (55 percent of $1.90/bushel). This equates to an indemnity of $62.70 per acre ($1.045 per bushel times 60 bushels per acre). The indemnity could mean the difference between covering operating expenses for the year and losing the total amount invested.

CAT coverage is available for basic units only. Consult a crop insurance agent to determine insurance needs and whether a CAT policy will work for specific situations. For more information about this and other risk management topics on the Web, consult the Western Risk Management Library at http://agecon.uwyo.edu/riskmgt.

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Equality State farmers compete in global economy

By Jim Gill

These are exciting and challenging times for farmers in Wyoming with a number of potential market opportunities for their crops.

Sugar beet producers in Goshen, Platte, Fremont, Washakie, Big Horn, and Park counties are working extra hard to achieve a bountiful and sweet harvest.

All reports show this year's beet crop is off to a good start with minimal replanting due to frost, wind, and other factors.

Prices for refined sweetener are much improved over last year. All sugar in the state is now produced and processed by farmer-owned cooperatives, which parallels the national trend.

Seed, Oil-processing

Urban sprawl and a business-friendly atmosphere are driving some key agricultural businesses our way. Seed processing industries are a prime example. Growers in the Big Horn Basin are working with an expanded market for growing certified alfalfa, clover, brome, and other legumes and grasses. A new seed processing plant is being built near Worland.

Oil-producing crops for conversion to biodiesel are sparking quite an interest by growers and others in Wyoming and on the national scene. The University of Wyoming research and extension centers are responding by planting research plots at the Sustainable Agriculture Research and Extension Center (SAREC) near Lingle, the Sheridan Research and Extension (R&E) Center with grower cooperators at Riverton and Worland, and the Powell R&E Center.

Our thanks to Jim Krall and Jack Cecil at SAREC, Abdel Mesbah and Mike Killen at Powell R&E Center, and Justin Moss and Byron Nelson at Sheridan R&E Center who are making it happen. Many of these established plots will also evaluate spring wheat varieties to produce a high-quality, low-protein product for the Italian food markets. Spring wheat prices, like sugar, are on the gain.

Ethanol

Ethanol production is another area taking off. According to an article in the *Torrington Telegram*, Wyoming Ethanol will be expanding its production capacity from five to six million gallons per year to almost 12 million gallons in a $14 million expansion project. A possible ethanol plant is taking shape at Greybull. Big Horn Basin Ethanol is proposing to build a plant that will produce up to 20 million gallons per year.

Another new, farmer-friendly business coming to Wyoming is Heartland BioComposites at Torrington. This company will use straw and recycled plastics to make pallets and other construction materials. Several companies, including Blue Sun Biodiesel, LLC, out of Colorado and Wyoming Bio-Diesel in Gillette, are looking to Wyoming growers to produce oil crops needed to meet the increased demand for their businesses.

The UW College of Agriculture's Profitable and Sustainable Agricultural Systems Initiative Team is committed to helping growers access information and conduct needed research to determine the economic viability, the needed production assets, and other components of these and other emerging agricultural business opportunities.

Alfalfa Weevil

Alfalfa producers can bet on the presence of alfalfa weevils from year to year on their first cuttings (and oftentimes the second cuttings). Some years are worse than others. Alfalfa weevils overwinter as adults in the crowns of alfalfa plants and in plant debris in and around the edges of fields.

Not all weevil infestations will cause enough alfalfa damage to justify control efforts. Heavily infested stands have a grayish or frost-like appearance due to the dried, defoliated leaves. Larval surveys provide an economic threshold to help growers decide if some degree of control is needed.

Calculate the percentage of damaged terminals or count the number of larvae per stem or the number of larvae captured with a standard 15-inch diameter sweep net to determine the need for treatment.

Make stem counts by gently cutting several groups of 20 stems per field and shaking the larvae into a bucket.

Determine the larvae per sweep by averaging the counts from several sets of 25 sweeps.

If 30 to 50 percent of the terminals are damaged, if larval counts average 1.5 to 2 per stem, or if larvae average 20 per 180-degree sweep, then make an insecticidal treatment or cut the crop immediately.

Contact a local Cooperative Extension Service (CES) office for insecticide recommendations and precautions that should be taken. FMC's Furadan® 4F remains a popular and effective product for controlling this insect in alfalfa. It has a seven- to 28-day waiting period before harvest, depending on the rate of application. A listing of CES offices is available online at http://www.uwyo.edu/UWces/Counties.asp.

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