Managing risk is essential for farmers, who face unpredictable and uncontrollable threats from the weather, pests, disease and the markets.

National Association of Wheat Growers
415 Second Street NE, Suite 300
Washington, DC 20002
www.wheatworld.org
(202) 547-7800

Risk Management

Crop Insurance and Title I Programs

Agriculture is arguably the industry most susceptible to natural disasters. While scientific and technological advancements have enabled producers to increase production efficiencies, farmers and farm businesses are still uniquely vulnerable to crop production losses from weather hazards, insects, market fluctuations and other events over which they have no control.

Today, farmers can use a combination of crop insurance and farm programs to provide a safety net for their annual crop production.

NAWG's Risk Management Priorities

NAWG works with its affiliated state associations, growers throughout the country, fellow agriculture organizations and government entities at the local and federal levels to craft and implement sound farm policy programs. NAWG's top priorities in this area are:

- opposing any reductions to the baseline available for the federal crop insurance program.
- supporting enhancements to the federal crop insurance program that will benefit wheat growers.
- supporting giving farmers multiple options in Title I, including a revenue program with farm-level, by-commodity coverage.

Did You Know?

More than three-quarters of all U.S. wheat acres are covered by crop insurance.

Want to Know More?

Visit www.wheatworld.org/riskmanagement and www.wheatworld.org/farmbill to learn more about NAWG's work related to crop insurance and the farm bill. Visit www.cropinsuranceinamerica.com for more on the federal crop insurance program. Visit www.usda.gov for more about the implementation of the 2014 farm bill.

Crop Insurance

Farmers today are partially guarded from the inevitable acts of Mother Nature and volatile price swings by a strong crop insurance program. By helping to ensure the stability of U.S. farmers, crop insurance helps to provide a stable and affordable food supply – a necessary government responsibility that allows society and the larger economy to grow and allows us to protect ourselves against threats at home and abroad. Since the inception of federal crop insurance in the early 1930s, the program has become the most important cost-share, farm risk management tool available.

The federal crop insurance program provides risk management tools to address production and revenue losses. Today, approximately 75 percent of total policy premiums come from revenue protection policies, while the remaining 25 percent come from yield protection policies. On average, the federal government contributes 60 percent of crop insurance premiums, while a producer pays 40 percent out of pocket.

According to National Crop Insurance Services, more than 46 million acres – or 86 percent – of the country's total wheat acres were covered by a form of crop insurance in 2014. Coverage levels for the top three wheat-producing states - Kansas, Montana and North Dakota - are around 85 percent of total acres.

Farm Bill Title I Programs

Farm programs outlined in Title I of the farm bill are similarly important for wheat farmers putting together their risk management packages for the planting season.

The passage of the 2014 farm bill brought many changes to risk management options. For one, direct and countercyclical payments (DCP) and the Average Crop Revenue Enhancement Program (ACRE) in the 2008 farm bill were eliminated. Farmers now have the option between the Price Loss Coverage Program (PLC) and the Agriculture Risk Protection Program (ARC).

PLC payments are triggered when the market price for a covered crop is below a fixed reference price.

ARC payments are triggered when the farm's revenue from all crops or the county's revenue for a crop falls below 86% of a predetermined/benchmark level of revenue. NAWG would like to see the 2014 farm bill and Title I program implementation seamless and dependable for farmers to allow them to make adequate planting decisions.

BUDGET CUT THREATS

Like the farm bill as a whole, crop insurance and farm safety net programs are frequently subject to real or proposed budget cuts. NAWG has emphasized on many occasions that additional cuts beyond those made before and during the 2014 Farm Bill's lifespan may jeopardize the capability of these two risk management tools to protect our growers.