CROP INSURANCE IN MARYLAND

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MARYLAND DEPARTMENT OF AGRICULTURE

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Larry Hogan
Governor

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Lt. Governor

Leading the Charge

Chip Bowling Brings Maryland Agriculture to National Stage

Photo by Edwin Remsberg

Chip Bowling, a third generation farmer in Southern Maryland, is the current president of the National Corn Growers Association and the only farmer from the East Coast to serve in this leadership role.

At 53-years-old, Chip Bowling likes to describe himself as a young farmer. Considering the median age of farmers in the United States is roughly 58, according to the USDA, his argument is valid. Still, as a third-generation farmer in southern Maryland, Bowling has certainly been around long enough to know first-hand how much agriculture has changed in the state.

"I remember back when I was a kid and you were a farmer, people actually knew who you were and they knew it meant something to the community," said Bowling. "Out in the Midwest, that's still the case. It's not really that way here in Maryland anymore and I would say for the East Coast."

Riskier Road

Bowling's family has been farming at the southern tip of Maryland in Charles County since the mid-1700s and has a long history of raising cattle and pigs and growing tobacco along the Wicomico River.

"When we grew tobacco here, our risk was way less. Every acre was irrigated.

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Maryland Department of Agriculture

Office of the Secretary

Agriculture | Maryland's Leading Industry

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Dear fellow farmer,

I'm "Secretary Joe" now, but I have always been "Farmer Joe" as well.

As Secretary of Agriculture, a major part of my role here in Governor Larry Hogan's administration is to look for ways the state can support a profitable future for our farmers. With my "Secretary Joe" hat on, I recognize that much of what we do as a state is help my fellow farmers manage risk.

For example, Maryland Department of Agriculture works daily to ensure farmers have strong markets for our crops. MDA staff develop and implement plans to shore up consumer support for local agricultural products. I'm proud of the Maryland's Best-Fresh Local program. An assessment of that program we just completed indicates that for every $1 MDA spent on promotion and advertising, $15 has been returned to the Maryland agricultural industry. That promotion of about $80,000 annually has been directed toward radio, Maryland Public Television, newspapers, billboards, Orioles games, local chefs, farmers markets, farm stands and at our Buyer-Grower Expo. The economic evaluation of Maryland's Best marketing campaign finds that the program has helped increase sales of produce direct to consumers by 24 percent over the past 5 years, while the rest of the nation has seen relatively flat growth. Our farmers have benefited by about $7.6 million in increased sales from this state initiative.

We are also working to develop international markets for soybeans, grain, poultry, livestock genetics and processed foods. By diversifying our markets, we manage risk associated with limited markets.

There are legal risks the state works to reduce with our partners at the University of Maryland's Agriculture Law Education Initiative and MDA's own ACRES ag mediation program.

The risk of lost markets for animal diseases is tackled daily by a committed staff in our Animal Health section. Meanwhile, our resource conservation folks are reducing our farmers' legal and environmental risks by helping them stay in compliance with laws protecting the Chesapeake Bay and its tributaries.

Then there is the financial risk that waits for all farmers every year: the potential for drought, excessive rain, hail, hurricanes, pests and plant disease. Along with good irrigation for those who can, the best thing we can do to protect ourselves from financial disaster is to participate knowledgeably and fully in federal crop insurance. It is a proven winner in Maryland, saving our farmers more than $155 million in the last seven years and more than $238 million in the last 13 years – income we would not have had in this state without crop insurance.

March 15 is the deadline to sign up for crop insurance for most spring-planted crops. I encourage you to find a crop insurance agent and talk to them ASAP. That's Secretary Joe and Farmer Joe talking!

Sincerely,

Joseph Bartenfelder

Joseph Bartenfelder
Secretary

Crop Insurance and Low Commodity Prices

Current prices for corn and soybeans are about half of what they were when they reached peak levels in the summer of 2012 and the price outlook for the next year and beyond is for crop prices to stay around current levels.

Therefore, it is fair to characterize the price outlook for crops as "extended period of prices well below their historic highs in the 2008-2012 period." What are the implications of this for farmer decisions about crop insurance?

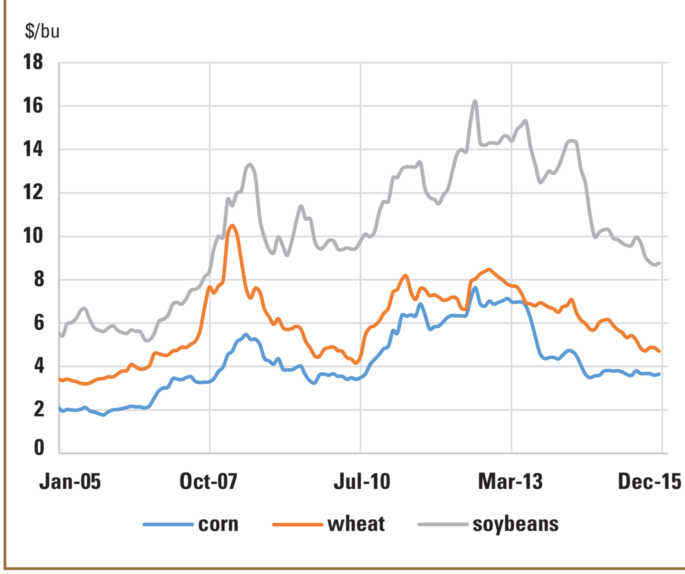
Are expected indemnity payments higher or more likely during a period of low commodity prices?

Crop insurance does not promise higher indemnity payments because of lower prices. Crop insurance can protect a farmer from prices that are unexpectedly low, but not from low prices that are anticipated.

Consider a corn farmer who has a normal yield of 120 bushels an acre. The following table demonstrates a high-price era compared to a low-price era if that corn farmer buys revenue insurance. In both eras, the yield is below normal, and the price is 90% of the expected price. Because expected (and actual) prices are low in the low-price era, indemnity payments are low.

The same general lesson applies to farmers who buy yield insurance. Of course in this case the indemnity payments are triggered only by yields – not by prices. But the size of the indemnity payment (when there is one) is influenced by prices, and in a low price period, indemnity payments will be relatively low.

Crop Prices Jan. 2005 - Dec. 2015



Increased survival risk in a period of low crop prices.

In a year when crop revenue falls below critical levels, the farm household is in a severe crisis. Can loan terms be renegotiated? Can family members find off-farm employment to help out? Will the family be able to afford college costs for the upcoming year? As prospects increase for these kinds of difficult decisions as will happen during a period of low commodity prices – farmers may well decide that crop insurance provides needed protection against the lower than needed revenues.

Example for farmer with Revenue Insurance

	High-Price Era	Low-Price Era
Expected farm yield (AYH)	120 bushels/acre	120 bushels/acre
Expected harvest price	$7/bushel	$3.50/bushels
Insurance coverage level	80%	80%
Insured Revenue Level	$672/acre	$336/acre
Actual farm yield	100 bushels/acre	100 bushels/acre
Actual harvest price	$6.30/bushel	$3.15/bushel
Actual Revenue	$630/acre	$315/acre
Indemnity payment	$42/acre	$21/acre

Source: Paul Goeringer and Howard Leathers

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We knew every year that we'd have a good crop of tobacco and it was a high-profit crop," said Bowling.

When Bowling and his family took the tobacco buy-out in 1999, they had to come up with a new game plan and started to rely solely on row crops; corn, soybeans, wheat and grain sorghum specifically. Dealing with a heightened level of risk was also new territory, which caused Bowling to turn to crop insurance.

"The input costs that we have now, the cost of machinery, fertilizer, chemicals, owning land, renting land – the risk is so high now that I wouldn't even think of farming anything row crop-wise if it weren't for crop insurance," said Bowling. "I try to buy the maximum level of crop insurance that I can every year."

Stand Up and Speak Your Mind

Bunker Hill Farm, where Bowling now farms roughly 1,800 acres of grain, is located in Newburg, MD just five miles from the Virginia border but also only 45 miles from Washington, DC. Farming in the shadow of the nation's capital has proved to be convenient for Bowling, who is currently serving as President of the National Corn Growers Association, the first farmer from the East Coast to be elected to this leadership role.

"It's been very rewarding," said Bowling. "I spend a lot of time in DC and I spend a lot of time traveling the country and in some cases traveling the world representing the nation's corn farmers and I'm very proud of that."

Bowling calls his involvement with the National Corn Growers "happenstance." He first became involved with the Maryland Grain Producers as a way to meet people and to learn more about farming grains in Maryland, but ended up discovering a passion for advocating on behalf of agriculture.

Photo by Edwin Remsberg

Bowling and his family had a long history of growing tobacco along Maryland's Wicomico River but made the switch to grains following the federal tobacco buy-out in 1999.

"The only way to get something done is to stand up and speak your mind. And hopefully when you say something, people listen and it makes sense," says Bowling.

As debates intensify over GMOs, the renewable fuel standard and how to feed a rapidly expanding global population, Bowling says now is the time for more Maryland farmers to step up and speak out.

"We won't solve any of our problems if we sit and do nothing," he says. "The only way to make a positive influence is to get involved and if you get involved, good things will happen. I can guarantee that." ■

Spring Deadline Draws Near

March 15 is the deadline to sign up for crop insurance, including Whole-Farm Revenue Protection, or to make changes to existing policies on most spring-planted crops.

Crops in Maryland with this March 15 deadline are: corn, soybeans, grain sorghum, lima beans, snap beans, sweet corn, tomatoes and machine harvested pickling cucumbers. Now is also a great time of year to become better informed and familiar with how crop insurance and new Farm Service Agency programs can be utilized to construct effective risk management.

Information on various policies and deadlines is available at **www.rma.usda.gov.** ■