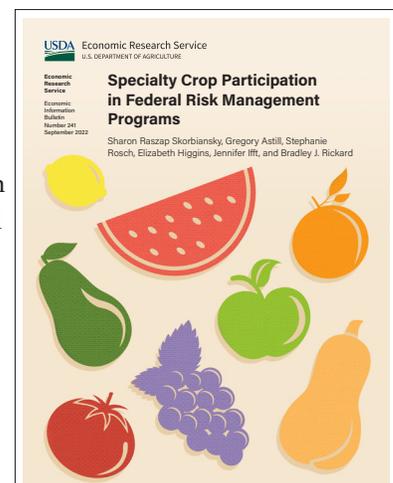


Specialty Crop Participation in Federal Risk Management Programs

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What Is the Issue?

Specialty crops is a broad term that includes fresh or dried fruits, tree nuts, vegetables, beans (pulses), and horticulture nursery crops. In 2020, these crops accounted for 25 percent of the value of U.S. crop production (USDA, ERS, 2021). Historically, specialty crop growers had fewer tools for managing risk than growers of major field crops like corn and soybeans. However, since 1994, several provisions in successive Farm Bills expanded U.S. Department of Agriculture (USDA) products for specialty crops. Organic specialty crops may be exposed to additional risks due to fewer market participants and poor data availability. Federal Crop Insurance Program (FCIP) products are available for a variety of organic and conventional specialty crops in counties where sufficient data are available for the USDA, Risk Management Agency (RMA) to issue an actuarially sound insurance product. For crops grown in counties with insufficient data to provide FCIP products, coverage is available through the USDA, Farm Service Agency (FSA) Noninsured Crop Disaster Assistance Program (NAP). This study characterizes recent changes in FCIP and NAP use by conventional and organic specialty crop farmers. Using a case study of growers in New York State, which has a high number of NAP applicants and a large and diverse specialty crops sector, this report describes the reasons some farmers choose whether to participate in these programs.



What Did the Study Find?

- The value of specialty crops insured by FCIP (i.e., liabilities) increased from about \$12 billion in 2011 to about \$21 billion in 2020 (not adjusted for inflation). The States with the most policies are top producers of fruits and vegetables—California, Florida, and Washington—and specialty field crops such as dry beans or dry peas—Montana and North Dakota.
- In general, States that have fewer FCIP policies have a higher number of NAP applications. In 2020, the States or U.S. territories with the highest number of conventional specialty crop NAP applications were North Carolina, Puerto Rico, and New York.

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- The number of specialty crop producers who applied for NAP coverage trended up—from about 8,000 in 2015 to over 9,000 in 2020. Changes to NAP, such as the addition of coverage that exceed the minimal level (called buy-up coverage) in 2015, likely made NAP a more attractive risk management tool.
- The number of crop-specific applications for NAP submitted by producers peaked in 2017 at 253,000 applications and then trended down to about 234,000 in 2020.
- In 2017, FCIP or NAP insured a large portion of acreage for some crops: about 93 percent for dry peas, 92 percent for dry beans, 87 percent for plums and cherries, and 83 percent for tomatoes.
- In 2017, FCIP or NAP covered a smaller share of acreage for other crops: about 47 percent for pecans, 39 percent for squash, 13 percent for kiwifruit, 11 percent for strawberries, and less than 1 percent for hazelnuts and lettuce.
- Insurance coverage remained relatively popular between 2015 and 2020. Buy-up coverage was included in about 80 percent of FCIP liabilities for organic specialty crops between 2015 and 2020, while FCIP liabilities with buy-up coverage for conventional specialty crops increased from about 72 percent to about 82 percent.
- The share of NAP applications for which farmers elected buy-up coverage was fairly close between conventional crops and organic crops in 2018, about 40 percent. Low levels of buy-up in conventional crops in 2019 and 2020 were likely related to the timing of the 2018 Farm Act.
- Discussions with nine New York specialty crop farmers revealed that five did not purchase any Federal risk management policy, three purchased FCIP, and one purchased NAP. These farmers generally reported the paperwork and cost associated with Federal risk management programs to be burdensome, especially for small and diversified farms.

How Was the Study Conducted?

This report uses publicly available and non-publicly available data from: RMA on the Federal Crop Insurance Program (FCIP) from 1988 to 2020; FSA on the Noninsured Crop Disaster Assistance Program (NAP) from 2011 to 2020; and National Agricultural Statistics Service (NASS) 2017 Census of Agriculture, Vegetables Summary, Crop Production and Quick Stats for the year 2017. RMA datasets contain the number of conventional and organic FCIP policies, the amount of conventional and organic acres covered, total liabilities, and the total value of farmer-paid premiums. FSA datasets contain the number of conventional and organic farm applicants and applications for NAP, and for 2017, the total amount of acreage covered. The authors also interviewed nine organic specialty crop producers across New York State chosen from the USDA, Agricultural Marketing Service (AMS) National Organic Program (NOP) Organic Integrity Database. The producers were interviewed twice—first between June and August of 2019 and then between May and June of 2021.