



## Federal Crop Insurance for Specialty Crops

The current and previous farm bills—the Agricultural Act of 2014 (P.L. 113-79) and the Food, Conservation, and Energy Act of 2008 (P.L. 110-246)—enhanced the federal crop insurance program by expanding its scope and broadening policy coverage for specialty crops. Historically, the federal crop insurance program has covered primarily traditional field crops such as wheat, corn, and soybeans. In recent decades, the program has been expanded so that policies are now available for a wide range of commodities, including specialty crops. Despite this expansion of the federal program, coverage for specialty crops remains below that for traditional crops.

*Specialty crops* refers to “fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops (including floriculture)” (7 U.S.C. 1621). This definition covers an estimated 400 agricultural commodities, including fresh and processed fruits and vegetables, tree nuts (which excludes peanuts), a range of nursery plants (trees, shrubs, flowering plants), herbs and spices, coffee and tea, and also honey and maple syrup, according to U.S. Department of Agriculture (USDA) guidelines.

Other farm bill changes also benefit specialty crop growers. These include expanded Whole-Farm Revenue Protection (WFRP) insurance, enhanced assistance crops with no individual policy coverage, and permanent authorization of supplemental disaster assistance programs.

### Federal Crop Insurance Coverage

The federal crop insurance program provides farmers with risk management tools to address crop yield and/or revenue losses on their farms. Under the program, farmers can purchase subsidized policies that pay an indemnity when their production or revenue falls below a guaranteed level. The federal crop insurance program is permanently authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.). USDA’s Risk Management Agency (RMA) operates the Federal Crop Insurance Corporation (FCIC), which is the funding mechanism for the program. Insurance policies are sold and completely serviced through approved private insurance companies. The insurance companies’ losses are reinsured by USDA, and their administrative and operating costs are reimbursed by the federal government.

In purchasing a crop insurance policy, a producer selects a level of coverage (i.e., deductible) and pays a portion of the premium—or none of it in the case of catastrophic coverage—which increases as the level of coverage rises. The federal government pays the rest of the premium (62%, on average, in 2015). Premium subsidies received by all U.S. agricultural producers totaled \$6.1 billion in 2015. Total insurance protection (liability) for all federally insured crops (excluding livestock) was \$101.4 billion in 2015. (This total excludes liabilities under WFRP.)

Figure 1. Share of Fruit and Tree Nut Acres Insured

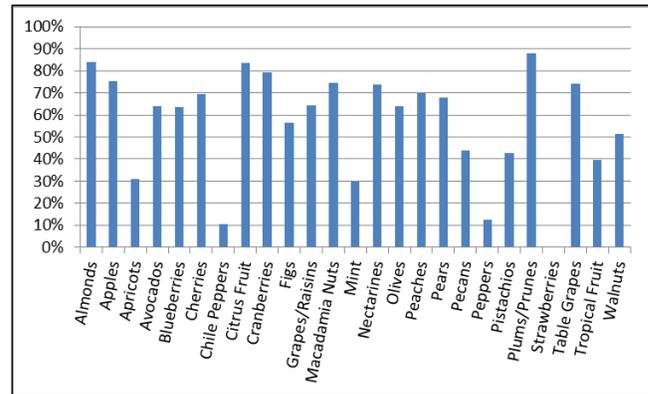
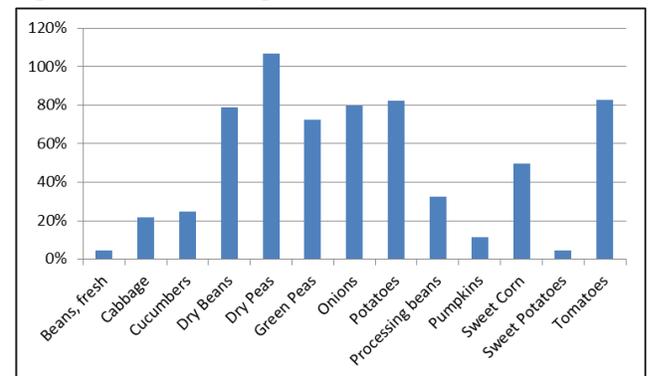


Figure 2. Share of Vegetable and Melon Acres Insured



Source: CRS from FCIC-reported data, April 2015. Data for dry peas are reported to be more than 100%.

Specialty crops account for a small but growing share of the federal crop insurance program. RMA data indicate that liabilities for specialty crops (excluding apiaries) totaled \$16.2 billion, or about 16% of the total liability for all federally insured crops. In 2000, the sector’s share of total crop insurance liabilities totaled less than \$8 billion. Specialty crops accounted for an estimated \$561 million in total crop insurance premium subsidies received in 2015, or about 9% of total subsidies paid that year. The average premium subsidy paid by the federal government in 2015 was 64% for specialty crops. Actual premium subsidies paid, however, ranged from about 50% (tree nuts, melons) to 90% or greater (potatoes, citrus, banana trees).

RMA reports that the number of acres covered by federal crop insurance totaled 296 million acres for the 2015 crop year. Of this, the number of specialty crop acres totaled 8.6 million acres, or about 3% of total acres covered. Vegetable and melon acres covered by federal crop insurance totaled nearly 4 million insured acres while fruit, tree nut, and tropical crop acres accounted for the remainder. USDA does not report acreage coverage for nursery crops.

According to RMA, federal crop insurance covered roughly 73% of USDA-reported specialty crop acreage. This compares to an estimated 85% of planted acreage for major field crops covered by federal crop insurance. (USDA data is available for a subset of 38 specialty crops.) Market penetration, however, often varies widely by the type of crop. For fruits and tree nuts, the share of federally insured acres ranges from less than 1% (strawberries) to nearly 90% (plums/prunes) (**Figure 1**). For vegetables and melons, insured acres range from 5% of total acres (e.g., fresh beans, sweet potatoes) to more than 80% of acres (e.g., dry peas, potatoes, citrus) (**Figure 2**).

Although many specialty crops are eligible for crop insurance, coverage is still unavailable for some crops. Specialty crops that do not have access to federal crop insurance include asparagus, beets, broccoli, carrots (fresh and for processing), cashews, cauliflower, celery, chives, dates, eggplants, garlic, hazelnuts, leeks, lettuce, some melons, spinach and other leafy greens, squash, and most root crops. Some crops may be covered by other types of insurance coverage, such as plans based on historical farm income (e.g., whole farm insurance programs).

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Many of the new crop insurance products introduced each year are intended to broaden coverage of fruits, vegetables, and tree nuts. The number of insurance products covering specialty crops has increased in recent years.

Still, specialty crop growers face a number of challenges pertaining to expanding insurance coverage, including generally small acreages, multiple crop varieties and farming practices (which contribute to greater complexity and cost), quality and price discovery issues, grower interest, non-weather risks, and other coverage limitations. In some cases, USDA has reportedly not pursued policies for particular commodities because producers have expressed concerns that offering insurance could adversely affect the market (i.e., because an insurance policy reduces producer risk, farmers may plant more acreage, which could drive down prices and total crop revenue). This has been a concern for specialty crop growers and explains in part lower levels of insured acreage compared with other crops.

Federal crop insurance policies for specialty crops (and other crops as well) are generally either yield-based or revenue-based. For most yield-based policies, a producer can receive an indemnity if there is a yield loss relative to the farmer’s “normal” (historical) yield. Insurable causes of loss include drought, excess precipitation, hail, frost, freeze, fire (if due to natural causes), and insects and disease. Revenue-based policies protect against crop revenue loss resulting from declines in yield, price, or both. Nursery crop producers can be protected against plant damage or losses in value due to adverse weather, failure of irrigation water systems, fire, and wildlife.

Participation is greatest in the leading specialty crop producing states, such as California, Washington, Florida, Michigan New York, and Oregon. Participation rates in

these states range from about 50% to 70%, with up to 90% participation in Florida.

## Whole-Farm Revenue Protection

The 2014 farm bill required RMA to provide a whole-farm crop insurance policy option to producers and authorized higher premium subsidy levels for whole-farm policies over other policy types. The WFRP pilot policy was first offered in 2015. It insures 50% to 85% of revenue for all commodities on a farm under one insurance policy, including (but not limited to) farms with specialty or organic commodities that lack individual policy coverage or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. Tax returns determine the historical revenue guarantee and revenue for the insured crop year. Participation is low but has increased significantly in the last two years.

RMA estimates there were about 1,100 WFRP policies receiving premium subsidies in 2015, rising to nearly 2,700 policies in 2017. Premium subsidies totaled more than \$100 million in 2017. Total liability is estimated at \$2.8 billion in 2017, up from \$1.1 billion in 2015. The average premium subsidy rate paid by the federal government was about 70% (2015-2017).

WFRP is currently available in all counties nationwide as a stand-alone policy or in combination with other policies. WFRP does not offer catastrophic (CAT) level coverage (high deductible, 100% premium subsidy) and cannot be combined with CAT level policies.

## Alternative Options to Crop Insurance

The 2014 farm bill also enhanced financial assistance to producers of noninsured crops (or crops with no current individual policy coverage, including some specialty crops) and also permanently authorized supplemental disaster assistance programs benefitting specialty crops.

In lieu of available federal crop insurance for some specialty crops, the Noninsured Crop Disaster Assistance Program (NAP) provides an alternative option for producers. NAP provides financial assistance to producers of noninsured crops when low yields, loss of inventory, or prevented planting occur due to natural disasters. Specialty crops currently eligible for NAP include mushrooms, flowers, ornamental nursery crops, Christmas trees, turfgrass sod, and ginseng.

Two supplemental agricultural disaster assistance programs also provide assistance to orchard crops and beekeepers for certain losses. The Tree Assistance Program (TAP) provides payments to qualifying orchardists and nursery tree growers to replant or rehabilitate trees, bushes, and vines damaged by natural disasters. The Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP) provides assistance to beekeepers and other types of producers.

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