

# CROP INSURANCE HANDOUT

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## Questions to Ask Yourself Before Buying Crop Insurance for Grapes

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### 1. Potential Causes of Loss

- What are the major risks for my vineyard?
- What is the likelihood of them occurring?

### 2. Objectives

- What do I want my crop insurance to do in a BAD year?
  - Cover production costs?
  - Security to make marketing decisions even with low/no crop to harvest?
  - Peace of mind?
- What do I want my crop insurance to do in a GOOD year?
  - Guarantee loan collateral?
  - Provide security to make marketing decisions?
  - Add confidence to my farming decisions?
  - Increase my opportunity for profit?

### 3. Financial Considerations

- What is my variable cost of production?
- Does my operating loan include enough money to cover my crop insurance premium?
- Can I afford to pay/suffer/bear the deductible on my present insurance policy/ies?
- What is my risk-bearing Capacity?
  - How much can I afford to lose and still stay in business?
  - What size of loss can I experience and still meet my cash flow requirements?
  - How much damage can I withstand without affecting my ability to do business?

### 4. Lending Related Questions

- Does my lender require some level of insurance (i.e. collateral) before funds are provided?
- Does my lender provide operating loan money for insurance?

### 5. Additional Business Considerations

- Does my landlord/partner/etc. have adequate insurance coverage on their portion of the exposure?
- What will be the impact on my net worth if I don't have adequate crop insurance coverage?
- How much money will I need to hold in cash reserves if I don't buy crop insurance?
- How much of the crop do I want to forward contract before harvest?

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## 6. Record Keeping

- Have I identified reliable sources of outlook information (e.g. crop production, utilization, and price forecasts)?
- Do I have five or more years of production records to calculate my average yields?
  - By block and/or location
  - By type and variety of grapes
  - Do I have accurate acreage data – planting date, number of acres, spacing?
  - Can I associate my production with specific block and location?

## 7. Insurance Products

- What crop insurance products are available in my county/state?
- Have I considered an APH policy or Written Agreement?
  - What coverage level do I need?
  - Do I insure at the basic or optional unit?
  - Do I have relatively stable production from year-to-year?
- Do I qualify for AGR?
  - Do I have the necessary records?
  - Is my operation diversified?

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### For More Information Contact:

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Visit the NC State Crop Insurance Website:

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