



COOPERATIVE EXTENSION
College of Agriculture, Forestry and Life Sciences

CROP INSURANCE OVERVIEW

Nathan Smith

Executive Farm Management Program

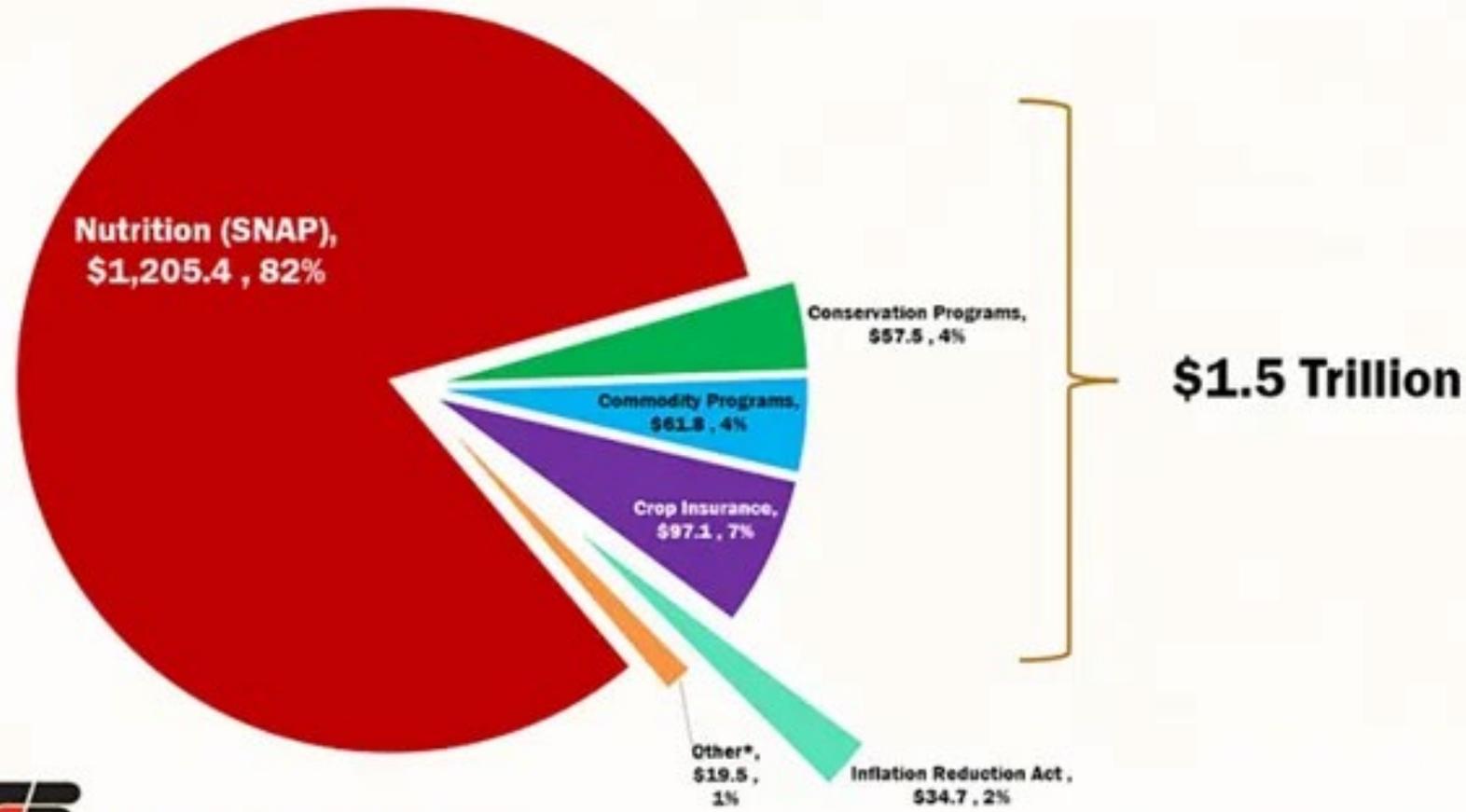
January 23, 2026

Federal Crop Insurance

- An insurance policy purchased by farmers to insure against multiple perils of nature.
- Sold by private insurance companies.
- Available for most major crops.
- Works like other property and casualty insurance except it is subsidized, administered, and underwritten by the federal government (USDA Risk Management Agency administers).
- The Federal Crop Insurance Act of 1938 (1947, 1949, 1980, 1994, 2000, 2008) authorizes the federal crop insurance program.
- **Now the centerpiece of the U.S. farm safety net.**

FIGURE 2: 10 - YEAR PROJECTED OUTLAYS | FARM BILL PROGRAMS

\$ Billions | 2024 to 2033 Projected

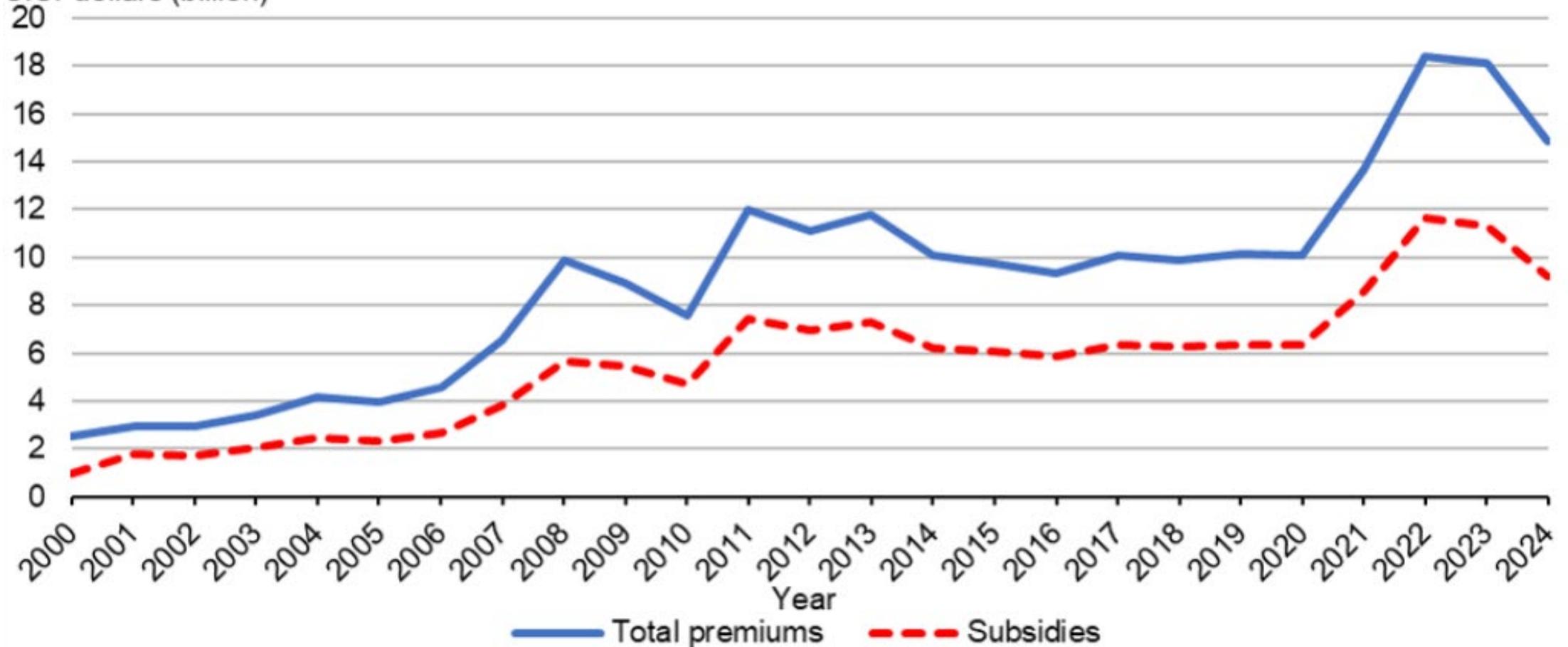


Why Is Government Involvement?

- Crop Insurance has a long history of underdevelopment.
- First private policy was for wheat (30's), ended up a major failure.
- Agricultural losses were too risky for private companies to insure.
- Crop losses tend to be correlated over large areas.
- Market Failure - The large correlated losses prevented commercial development of policies for many years.
 - Companies could not cover losses
 - Producers could not afford full premiums
- Solution was a government subsidized insurance program.
- But...**Moral Hazard** and **Adverse Selection** were problems.

Federal crop insurance premiums and subsidies

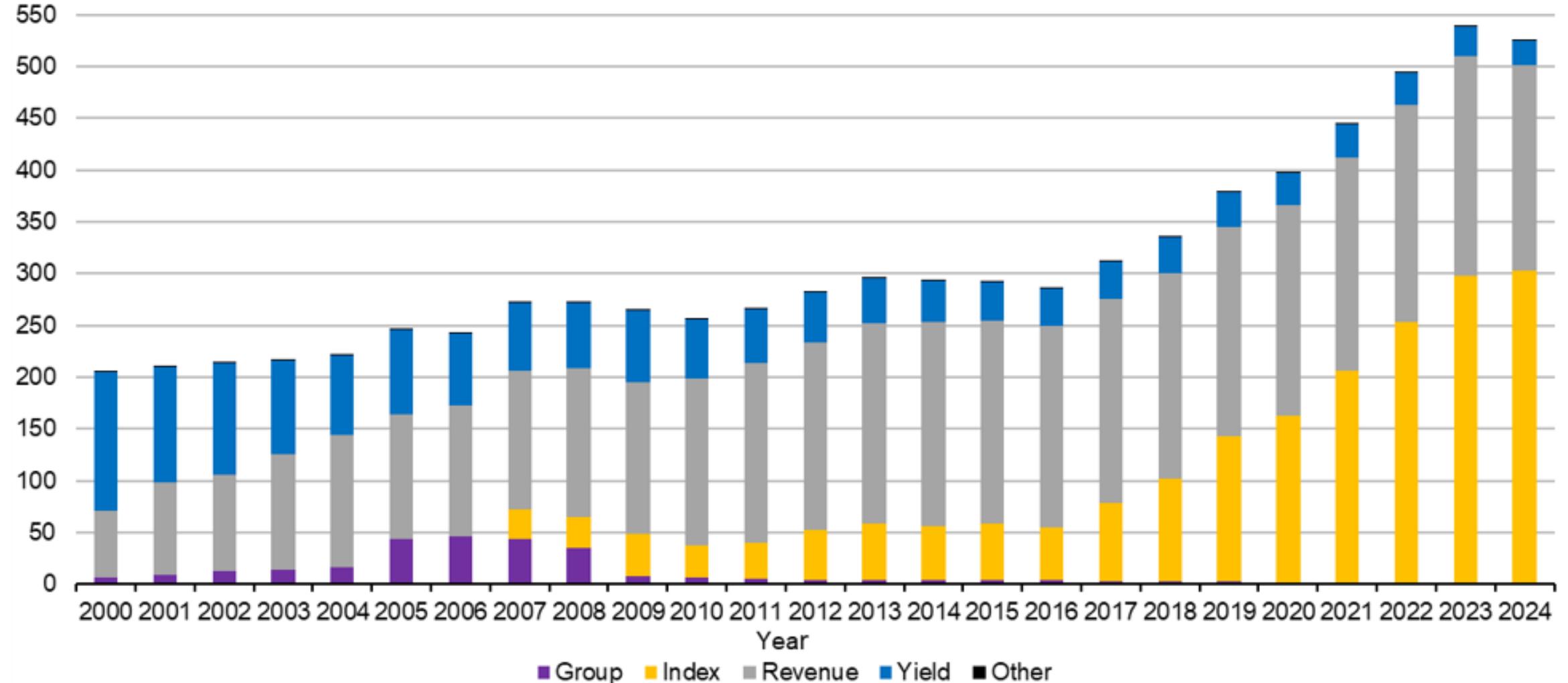
U.S. dollars (billion)



Note: Subsidies do not include State subsidies, additional subsidies, or Emergency Financial Assistance premium discounts.
Source: USDA, Economic Research Service using data from USDA, Risk Management Agency, Summary of Business Report, as of August 12, 2024.

Acres covered under crop insurance by program type

Million acres



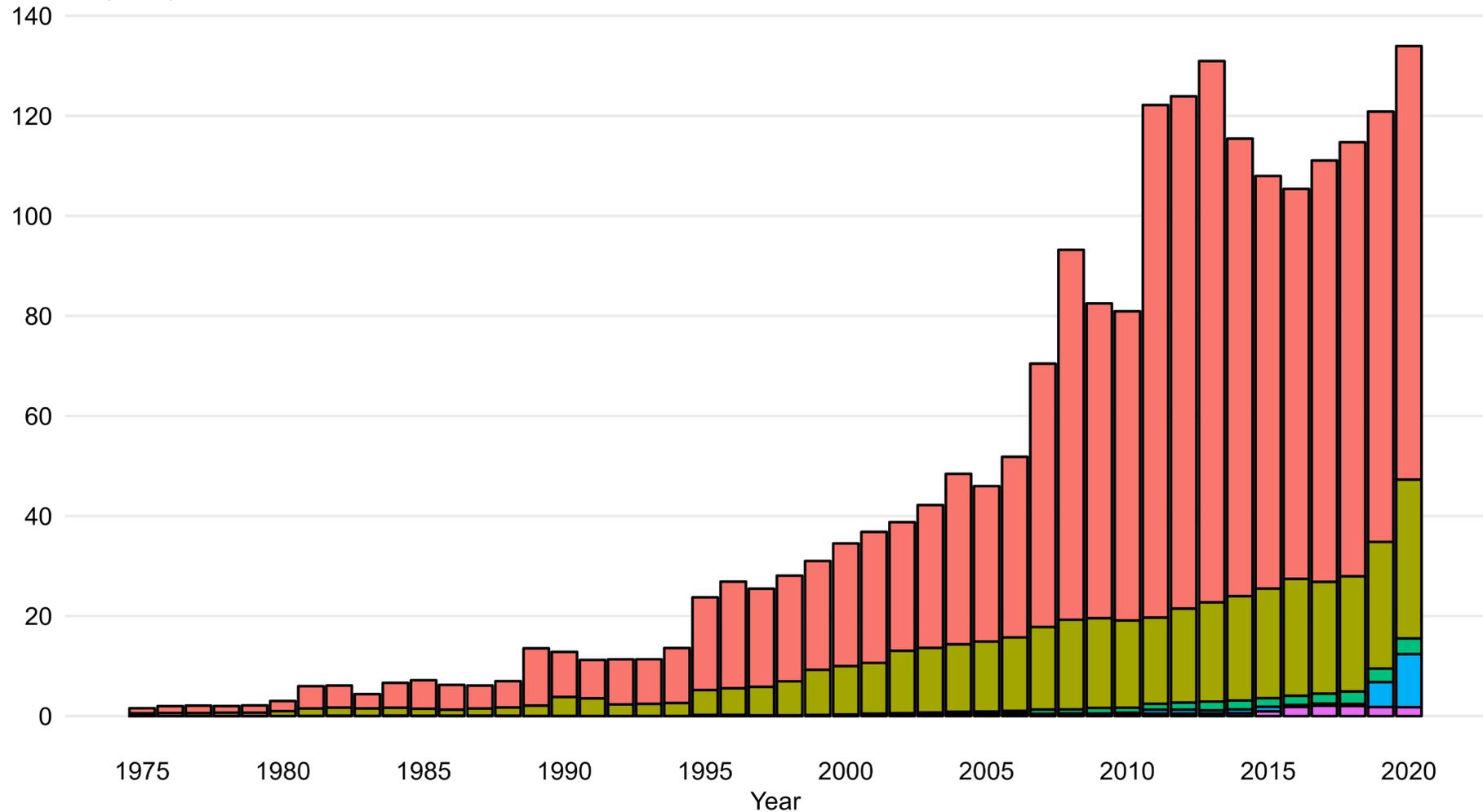
Source: USDA, Economic Research Service using data from USDA, Risk Management Agency, Summary of Business Reports, as of August 12, 2024.

US Federal Crop Insurance History

- Congress first authorized Federal crop insurance in the 1930s along with other initiatives to help agriculture recover from the combined effects of the Great Depression and the Dust Bowl.
- The [Federal Crop Insurance Corporation](#) (FCIC) was created in 1938 to carry out the program.
 - Pilot project or experimental
 - Limited to few major crops in the main producing areas.
- Crop insurance remained an experiment until passage of the [Federal Crop Insurance Act of 1980](#).

U.S. Federal Crop Insurance Program liability by commodity type, 1975–2020

U.S. dollars (billion)



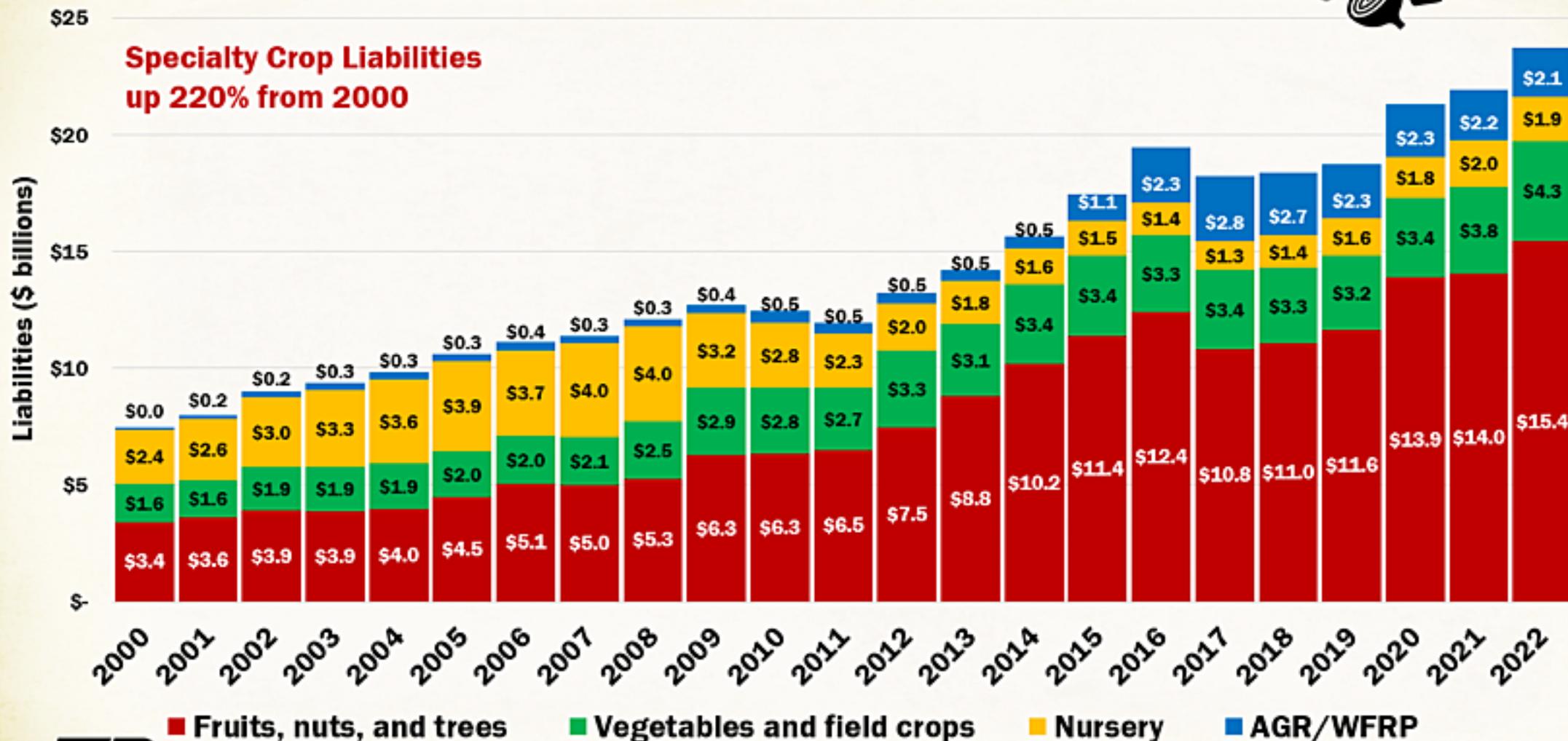
■ Row crops
 ■ Specialty crops
 ■ Forage crops
 ■ Livestock and animal products
 ■ Other

Notes: Row crops includes dry peas, barley, grain sorghum, buckwheat, corn, cotton, cultivated wild rice, hybrid corn seed, hybrid sorghum seed, oats, peanuts, rice, soybeans, wheat, and hybrid seed rice. "Other" includes all liability insured under a whole farm revenue policy. Specialty crops includes all other crops not explicitly listed under row crops and not grown for purposes of forage or grazing.

Source: USDA, Economic Research Service, using data from USDA, Risk Management Agency.

FIGURE 1: SPECIALTY CROP INSURANCE LIABILITIES

\$ Billions | 2000-2022 | FCIP and WFRP



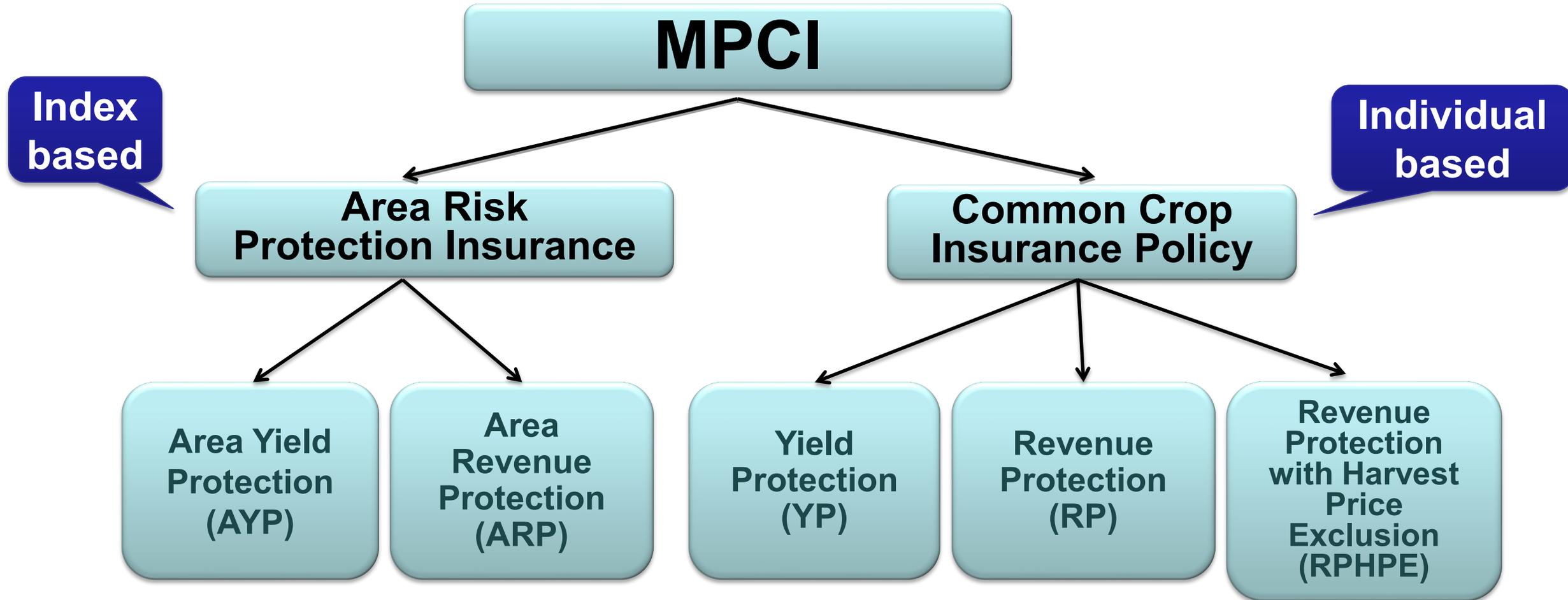
AMERICAN FARM BUREAU FEDERATION*

Source: AFBF Calculations, USDA Risk Management Agency

Multi Peril Crop Insurance Policies

- Yield Protection (YP)
- Revenue Protection (RP)
- Area Yield Protection (AYP) (formerly GRP)
- Area Revenue Protection (ARP) (formerly GRIP)
- Whole-Farm Revenue Protection (WFRP) (was Adjusted Gross Rev.)
- Actual Production History (APH)
- Dollar Plan (DO)
- Pasture, Rangeland, Forage – Rainfall Index (RI)
- Stacked Income Protection for Cotton (STAX)
- Margin Protection (MP)
- Noninsured Crop Disaster Assistance Program (NAP)– sold thru FSA

MPCI PLANS



Private Crop Insurance Policies

- Named Peril
 - Crop Hail
 - Lightning
 - Fire
 - Replant
 - Rainfall
 - Porcine Virus
 - Stored Grain
 - Hurricane/Excessive Wind
 - Others...

Companion/Endorsement Policies

- **Stacked Income Protection for Cotton (STAX)** – can be stand-alone or companion.
- **Supplemental Coverage Option (SCO)** – individual based coverage.
- **Enhanced Coverage Option (ECO)** – area-based coverage.
- **Hurricane Insurance Protection – Wind Index (HIP-WI)** - sustained hurricane-force winds from a named hurricane published by the National Hurricane Center (NHC) at the National Oceanic and Atmospheric Administration (NOAA).
- **HIP-WI Tropical Storm Option** – added in 2023.

NAP

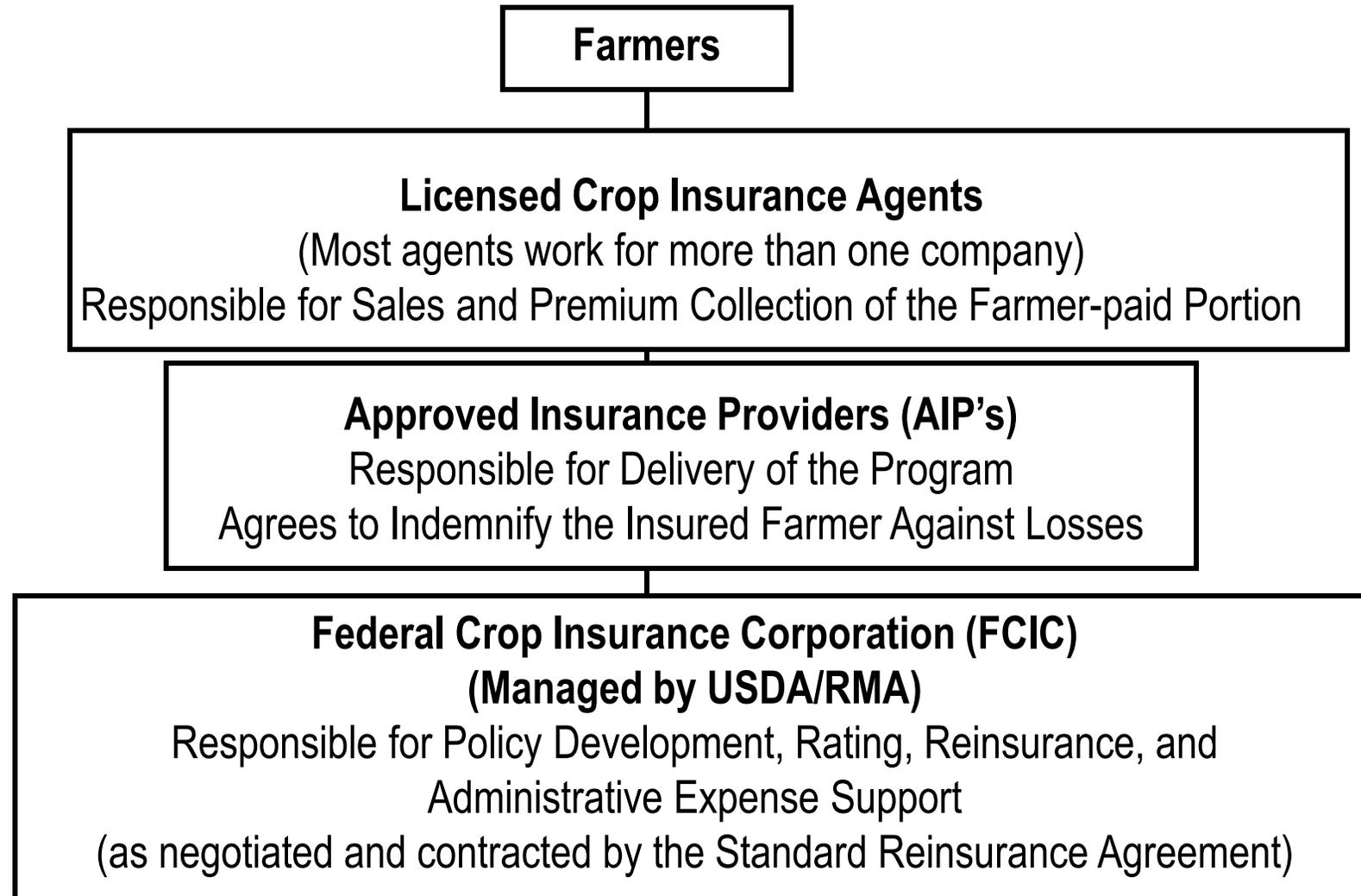
- Available through the Farm Service Agency not private insurance agents.
- Covers crops not covered by insurance programs.
- Does not cover all crops and no livestock.
- Meant as disaster coverage.
 - Covers losses greater than 50% of expected production based on approved yield and reported acreage.



Animal/Livestock Insurance Policies

- Dairy Revenue Protection (DRP)
- Livestock Risk Protection (LRP)
 - Fed Cattle,
 - Feeder Cattle,
 - Swine
- Livestock Gross Margin (LGM)
 - Cattle,
 - Dairy,
 - Swine

BASIC COMPONENTS OF THE CROP INSURANCE PROGRAM



12 USDA Approved Crop Insurance Providers 2025



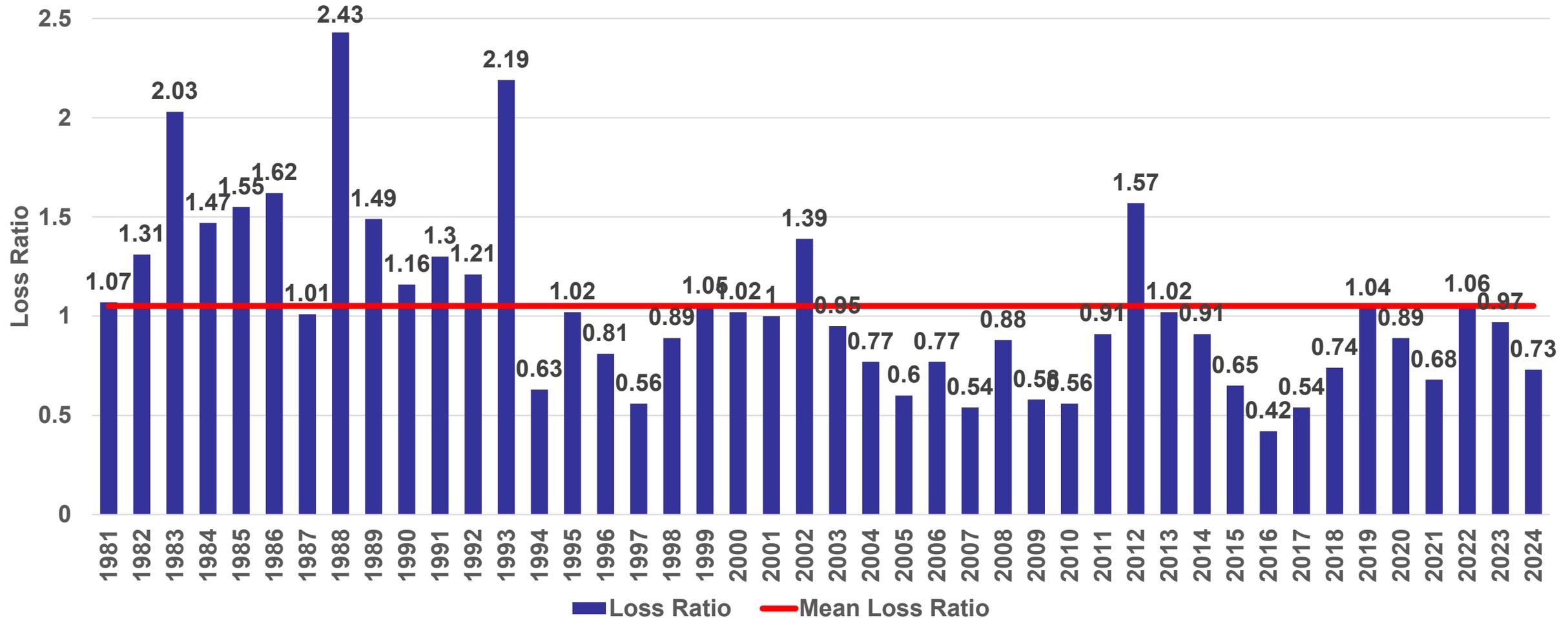
2025 Insurance Plans in Force in NC



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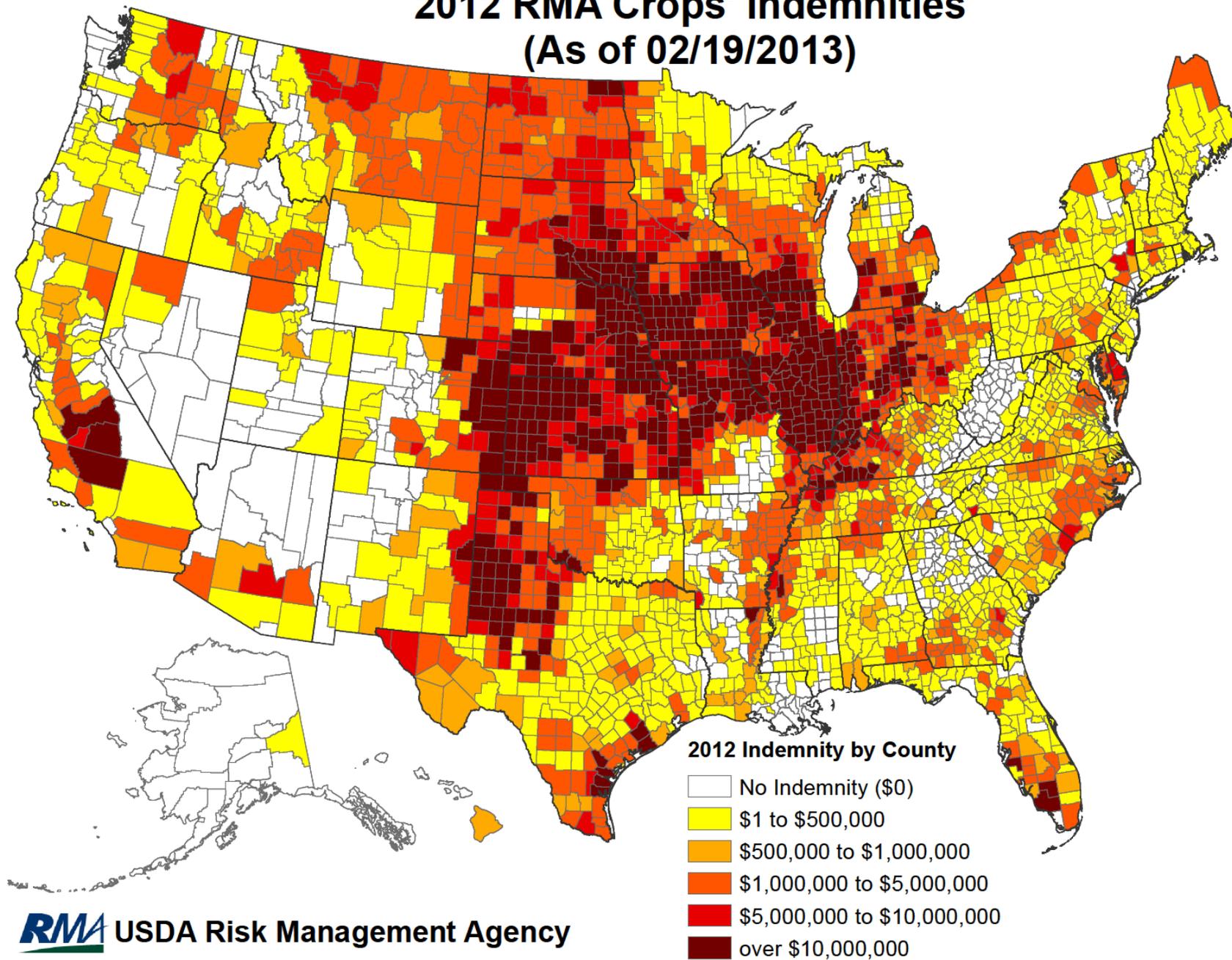
Delivery Type	Insurance Plan	Policies Sold	Policies		Units		Quantity		Companion/Endorsed Acres
			Earning Prem	Indemnified	Earning Prem	Indemnified	Quantity	Type	
RBUP	APH	3659	1326	595	6151	1697	146512	Acres	0
RBUP	APHPC	1	1	0	1	0	819000	# of Shellfish	0
RBUP	DO	9	4	1	10	1	354	Acres	0
RBUP	DO	11	10	4	41	10	0	Not Reported	0
RBUP	ECO-RP	826	407	0	2760	0	0	Acres	93125
RBUP	ECO-YP	272	139	0	809	0	0	Acres	13504
RBUP	HIP-WI	19645	9207	0	49514	0	0	Acres	2240535
RBUP	HIP-WI	23	22	20	22	0	0	Not Reported	0
RBUP	HIP-WI	1	1	0	1	0	0	# of Shellfish	819000
RBUP	MP	8	2	0	2	0	0	Acres	1004
RBUP	RI	34	32	30	123	61	8266	Colonies	0
RBUP	RI	650	584	538	2960	1350	92460	Acres	0
RBUP	RP	27531	11164	3964	35572	10118	2770024	Acres	0
RBUP	RPHPE	114	60	12	120	22	8925	Acres	0
RBUP	SCO-RP	814	354	0	2247	0	0	Acres	73577
RBUP	SCO-YP	467	235	0	1070	0	0	Acres	19417
RBUP	WFRP	101	100	13	100	13	0	Not Reported	0
RBUP	YP	4512	1528	361	5861	1015	289281	Acres	0
RCAT	APH	27	8	0	13	0	775	Acres	0
RCAT	DO	30	24	0	24	0	0	Not Reported	0
RCAT	YP	381	122	3	153	3	59977	Acres	0

Crop Insurance Loss Ratio, 1981-2024

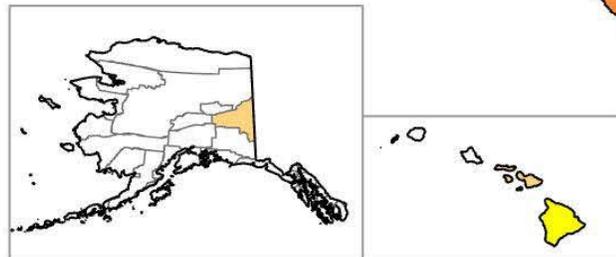
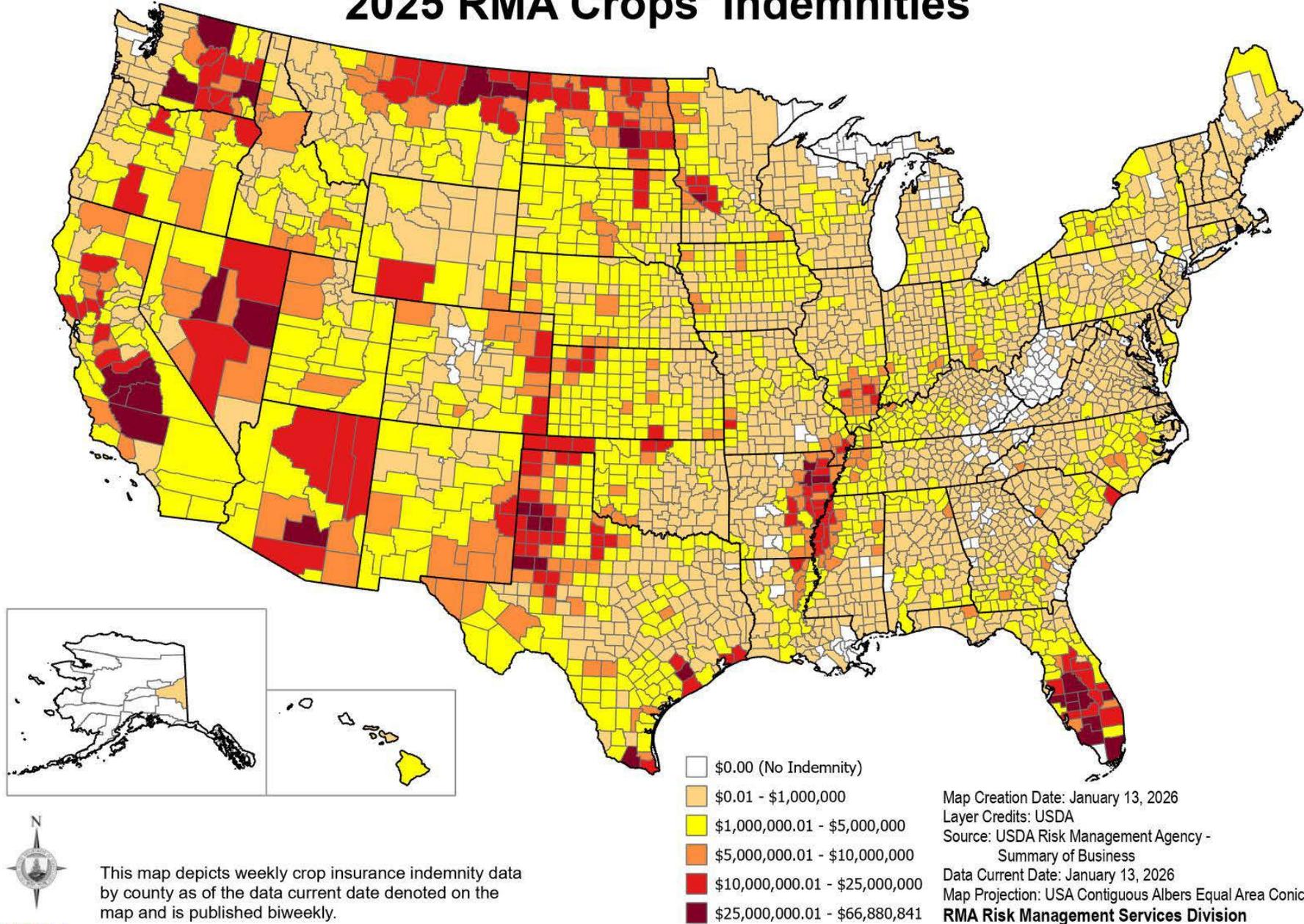


Loss Ratio = Total Indemnities/Total Premiums

2012 RMA Crops' Indemnities (As of 02/19/2013)



2025 RMA Crops' Indemnities



This map depicts weekly crop insurance indemnity data by county as of the data current date denoted on the map and is published biweekly.

The information displayed in this map is intended to serve as an aid in displaying data provided or stored by the Risk Management Agency. It does not modify, replace or supersede any USDA published policy provisions or procedures. Maps created by USDA Risk Management Agency are for spatial and visual context for depicting the basic information for "where". Maps are not considered a survey. General Reference Only.

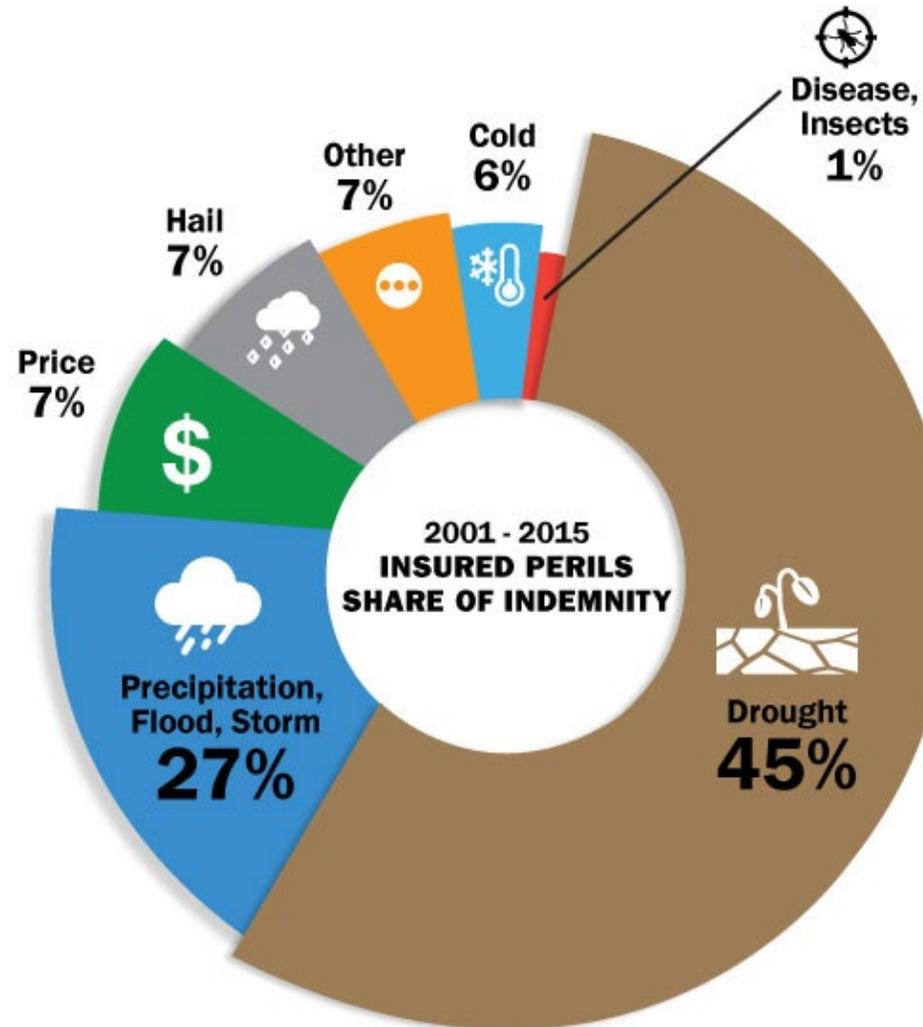
Crop Cause of Loss

- A “cause of loss” is entered for crop insurance claims when filed with the insurance company.
- Cause of loss data for indemnified policies is tracked by the United States Department of Agriculture’s Risk Management Agency.
- The major causes of loss that triggered crop insurance indemnities is summarized and compared by state, the southeastern region, and the United States (U.S.).

What Losses Are Covered?

- Adverse weather conditions
i.e. drought, flood, freeze, hail,
wind...
- Fire
- Insects
- Disease
- Wildlife
- Earthquake
- Volcanic eruption
- Failure of the irrigation water
supply

National Cause of Losses



Southeast Region

Defined as 14 states:

Alabama

Arkansas

Florida

Georgia

Kentucky

Louisiana

Maryland

Mississippi

North Carolina

Oklahoma

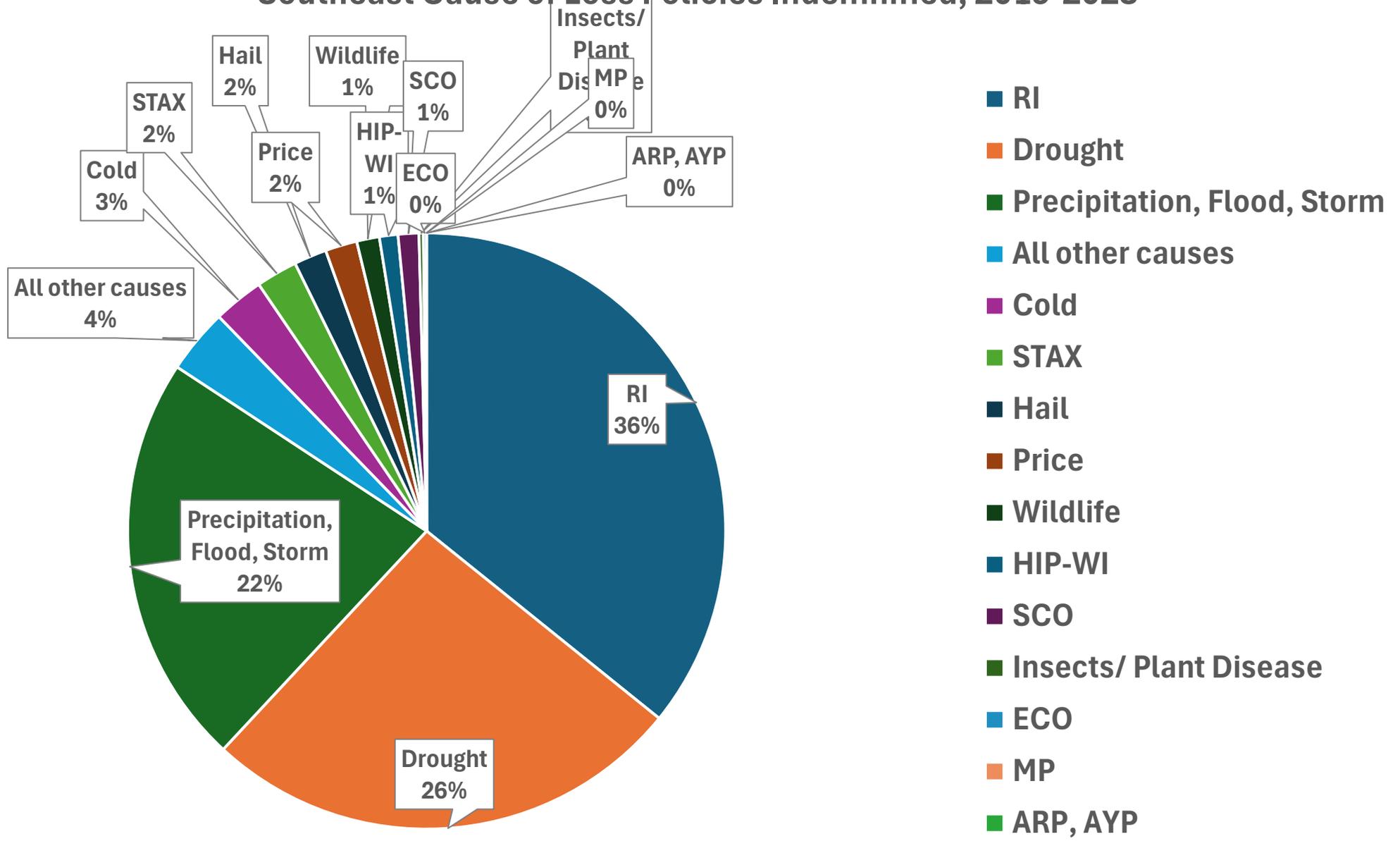
South Carolina

Tennessee

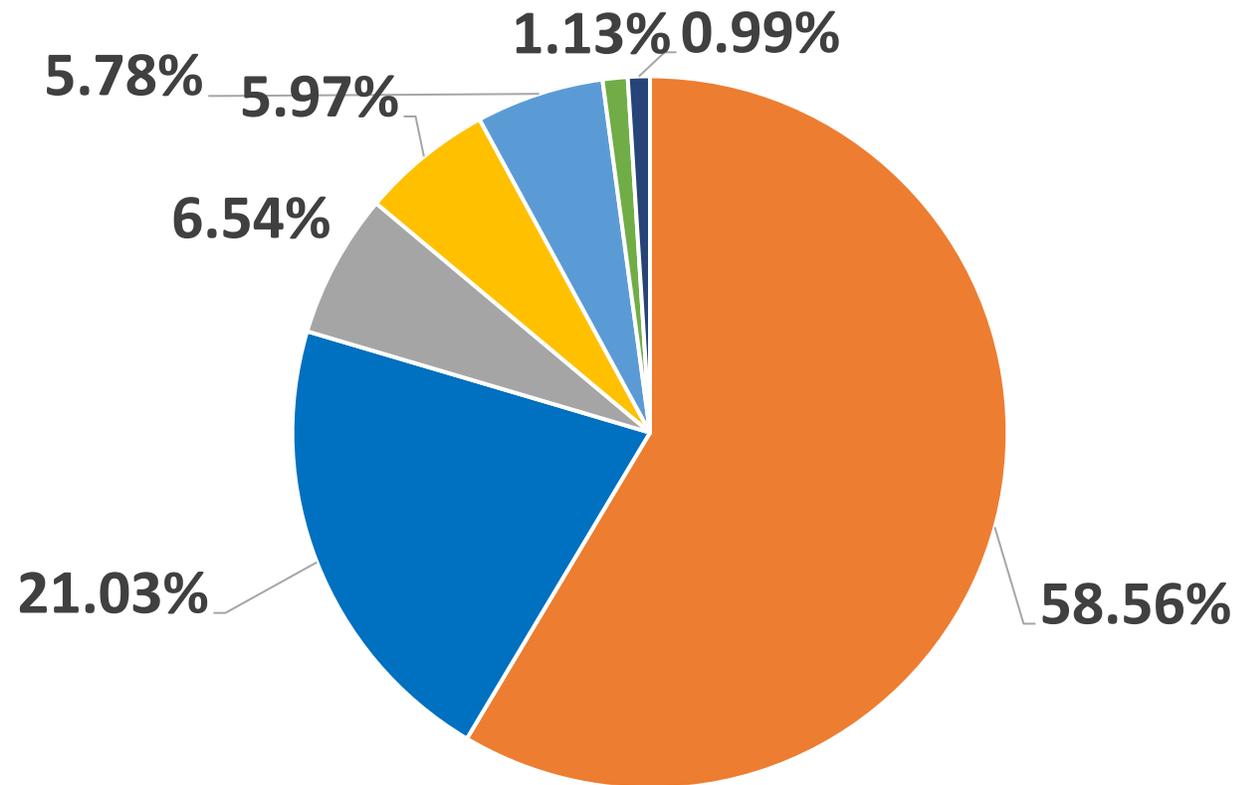
Texas

Virginia

Southeast Cause of Loss Policies Indemnified, 2019-2023



2024 North Carolina Cause of Loss, Indemnified Policies



- Drought
- All other causes
- ARPI/SCO/ECO/STAX/MP/PACE
- Hail

- Precipitation, Flood, Storm
- Price
- Cold

Take Home Message

- Get off CAT- the first level of buy up gives you optional units, replant payments, 45% more coverage, maintains Emergency Loan eligibility, etc., for very little cost per acre
- You **MUST** prove your yields
- The 65-75% level provides the best dollar subsidy compared to your cost and is generally the best buy-all things considered.
- The revenue-type products are attractive when prices are volatile.
- **Find a crop insurance agent who excels at service, does the extra things to customize your risk management.**

THANK YOU



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<http://www.clemson.edu/extension/agribusiness>

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