



# **HOPS CROP INSURANCE**

**GREAT LAKES HOP AND BARLEY CONFERENCE**

**YPSILANTI, MI**

**MARCH 5-7, 2020**

# The Applicant



## *AgriLogic Consulting*

- Agricultural economic and insurance consulting firm
- Over 250 years combined experience in crop insurance program development, expert review, and administration
- Successful track record of developing and maintaining a broad array of sound risk management tools and insurance programs to the American agricultural producer.
- Has been in conversations with Hops Growers of America (HGA) about possibility of developing federal program for hops since 2015



# 2018 Farm Bill Requirement

## (12) HOPS.—

“(A) IN GENERAL.— The Corporation shall carry out research and development, or offer to enter into 1 or more contracts with 1 or more qualified persons to carry out research and development, regarding a policy to insure the production of hops or revenue derived from the production of hops.

“(B) REPORT.—Not later than 1 year after the date of enactment of the Agriculture Improvement Act of 2018, the Corporation shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that describes—

“(i) the results of the research and development carried out under subparagraph (A); and

“(ii) any recommendations with respect to those results.

# U.S. Hops Industry 2018

- U.S. world's largest producer of hops (39% market share)
- Total acres – 58,977 (up 98.7% since 2012)
- 113 million pounds
- 29 states reporting hops production as of 2019

96% of  
acres



4% of  
acres

# Other Insurance Available



- Washington, Oregon, Idaho ONLY
  - Property and Casualty (P&C)
  - Attached to farm property form (available past 30 years)
  - 95% of WA growers and 75% of OR/ID growers participate
- The Act restricts the RMA from developing pilots to provide coverage for crop risk if coverage for such risk is generally available from private companies
- *FCIC determined that current coverage is “generally available” in Pacific Northwest.*

## Objective

- Be responsive to the 2018 Farm Bill requirement
- Develop a federal crop insurance program for hops grown **OUTSIDE** the Pacific Northwest

# Need for Proposed Program



- P&C coverage not available outside of PNW
- Options for non-PNW states at this time:
  - Whole Farm Revenue Protection (WFRP)
  - Crop Hail Endorsements
  - Non-insured Assistance Program (NAP) - FSA

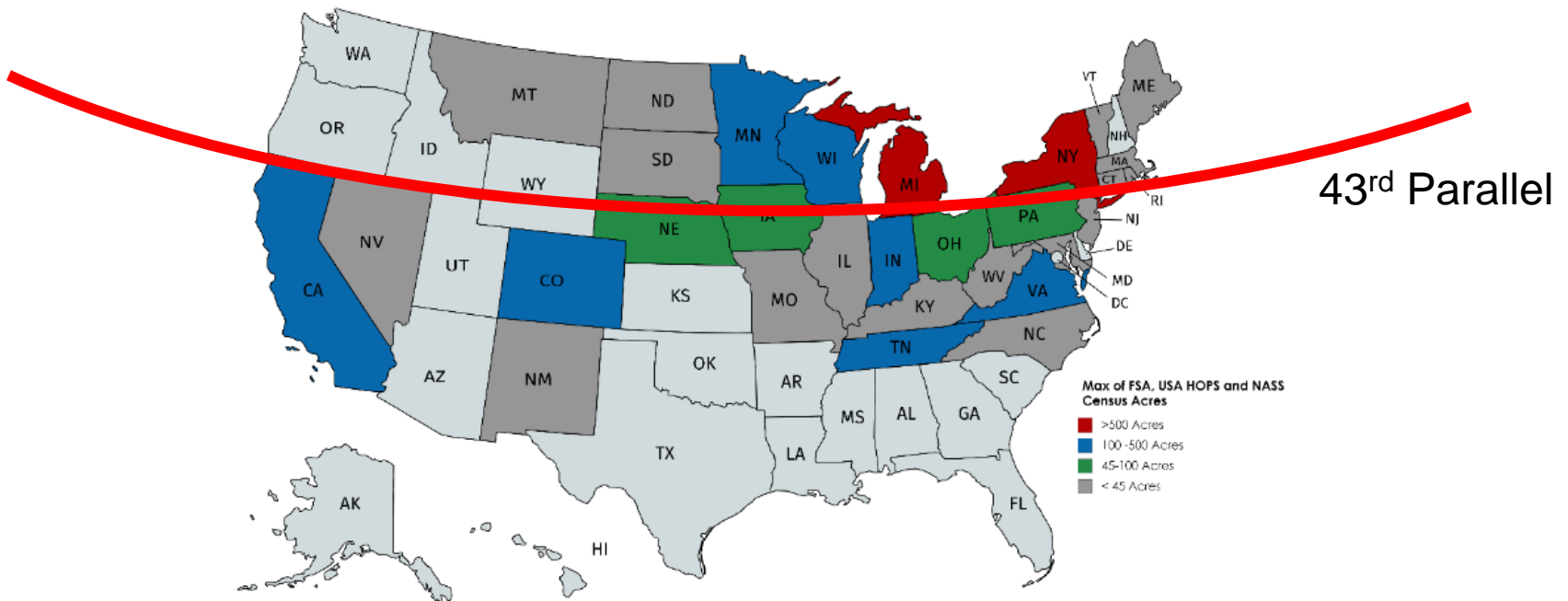
# Proposed Program

- APH Plan 90
  - Uses producer level yields
- 50-85% coverage levels
- Multi-peril coverage
- Sales Closing May 1
  
- TBD
  - Scope
  - Disease and Insect Coverage
  - Contract Requirements
  - Prices
  - Rates



# Other States/Scope of Offering

- 26 additional states reported hops production in 2019
- 2,386 acres; 1 million pounds (down 33% from 2018)



# Proposed Covered Perils

- **Adverse weather** including lightning;
- **Fire** (including smoke), unless weeds and other forms of undergrowth have not been controlled;
- **Earthquake;**
- **Volcanic eruption;**
- **Disease and Insect** (if proper management practices are followed);
- **Failure of the irrigation water supply** if caused by an insured peril that occurs during the insurance period; and
- **Collapse of trellis** if caused by an insured peril (e.g. wind) that occurs during the insurance period, excluding any damage due to failure to construct and maintain trellis in accordance with standard practices acceptable to us.

# Data Received to Date

- MI – 5 producers, 20.5 acres
- MN – 5 producers, 89 acres
- NY – 2 producers, 17 acres
- OH – 5 producers, 8.75 acres
- WI – 2 producers, 3.5 acres
- A few other states with only one response
  - (e.g. TX, IL, IN, KS, NE)



# Yield Challenges

- No published yield data outside PNW
  - 2019 PNW - 1981 pounds/ac (other states average 360 pounds/ac)
- Yields vary widely by location, variety, and year
- No comparable crop for yield proxy/variability analysis

## Assumptions:

- Yield curve
  - Baby hops year 1 (no harvest); Year 2 – X%; Year 3+ (typical)
  - Will begin insuring after year 1 (12+ months post propagation)
- Yields determined on dry basis
  - Ever weighed wet?

# Pricing Challenges

- Prices:
  - Vary substantially both by region as well as variety/type
  - No pricing reported outside PNW – 2019 = \$5.68/lb (dry hops)
- Pelleted hops as reported by producers
  - Non PNW Range \$8.50 - \$15/lb pelleted
- Need to be “edge of field” – Wet or dry?
  - Cost of drying? Cost of pelletization?
- Do producers dry/pelletize hops themselves? Brewers growing their own hops?
- Most growers are selling direct to brewer and not using wholesaler/distributor

# Other Questions

- Should there be a minimum plants/acre requirement?
- Should there be a minimum acreage requirement for ‘commercial operation’? (e.g. 1 acre, 5 acres)
- Are contracts typical? Should they be required for insurance?

## **Crop insurance covers growing crop only thru harvest**

- Is there a scenario where grower would harvest, but not dry?
  - Need for pre-harvest appraisal.
  - Wet (80%) to dry (10%) conversion factor?
- Potential for loss between harvest and drying (would be uninsurable)

# Project Timeline

- **2020 American Hop Convention**

January 22, 2020      Portland, OR

- **Great Lakes Hop and Barley Conference**

March 5-7      Ypsilanti, MI

- ✓ **Deliver completed program to FCIC July or October 2020**
- ✓ **Available to producers for 2021 Crop Year, If approved by FCIC**



# AL AgriLogic

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Photo Source: Stock.XCHNG, Case IH, & USDA ARS



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