

“Crop Insurance as a Risk Management Strategy for Georgia Peanut Producers: An Investigation of the Effectiveness of Crop Insurance as a Safety Net for Peanut Producers from a Whole Farm Perspective.”; A.S. Luke-Morgan*, S.M. Fletcher, Z. Shi, Abraham Baldwin Agricultural College.

Issue: By nature, agricultural production is a risky venture facing uncertainty from multiple factors, many of which cannot be controlled. To ensure long-run viability, economic stability is vital to Georgia’s peanut producers. The 2018 calendar year provided a harsh example of the economic impact Georgia agriculture faces from uncertainty in production and marketing. Many producers utilize risk management tools to mitigate the economic impact of uncertainty. Crop insurance is one risk management tool often regarded as providing a safety net for producers. This study investigates the effectiveness of crop insurance in providing a safety net for peanut producers in the state. This study expands upon previous research to analyze a whole farm scenario utilizing representative peanut farm data. Relationships between expected, APH, and payment yields are considered to determine the impact on the whole farm budget and, ultimately, economic stability of peanut operations.

Response: Crop insurance selection for a specific enterprise within a whole farm is multi-faceted. Decisions must be made on policy type for a range of coverage levels and pricing options. This study considered a portion of those options. As evidenced in prior research, the yield protection model generated a greater level of effectiveness than the revenue protection or catastrophic policies but was effective on less than one-third of the total observations for the peanut enterprises of representative peanut farms. Prior research also found that a higher coverage level resulted in higher levels of effectiveness, but even at the maximum level tested, 75 percent coverage, less than three out of five of the observations were deemed effective. Given these findings for the peanut enterprise coupled with the current economic crisis being felt by many agricultural producers, stringent observation of farm expenses is warranted. To remain economically viable, producers must weigh the benefit of every dollar spent.

Methods: First, both expected and payment yields were considered for peanuts, cotton, and corn. Next, the types and levels of crop insurance coverage and resulting premium were considered for each enterprise of a representative farm. The average crop insurance premium per acre across all commodities was also calculated for comparison between farms or regions. Finally, total crop insurance premiums were compared across commodities within a farm and among farms. To reflect the overall magnitude of crop insurance premiums the total across all commodities for a farm was calculated.

Preliminary Findings: The findings show great variability across crop insurance decisions for representative peanut farms. A mix of policy types and coverage levels both within and across farms were reported. The total annual expenditures for crop insurance premiums range from \$12,000 to almost \$200,000 per farm based on the total farm acreage, commodities covered, coverage types, and coverage level. The average per acre cost across all commodities range from \$6.01 to \$61.50. This analysis, coupled with discussions with RMA, has emphasized the importance of a knowledgeable crop insurance agent as farm management decisions are being made. The study has also highlighted the need to consider whole farm expenditures on crop insurance premiums over a multi-year period. Case studies are being developed from the findings to be used in educational settings.

Type of Crop Insurance Purchased on Representative Peanut Farms (Percent of total farms, n=22)

	Peanuts	Cotton	Corn
Insurance Type:	% of Farms Using Insurance Type		
<i>Catastrophic</i>	11%	6%	43%
<i>Yield Protection</i>	72%	33%	36%
<i>Revenue Protection</i>	17%	61%	21%

Fill Denotes Region:
 Horizontal Stripes—VC
 Vertical Stripes—SW
 Solid Fill—SE

