

Malting Barley Contract Option - New York

General Information

How did malting barley crop insurance coverage develop in New York?

The Risk Management Agency (RMA) has worked to improve malting barley crop insurance coverage for New York. RMA expanded barley crop insurance to 13 additional New York counties in crop year 2016. For crop year 2017, RMA further expanded barley crop insurance coverage into 16 additional counties for a total of 44 counties. The expansion of the base barley policy will provide coverage for a greater share of barley production in the state.

RMA has had challenges in developing a crop insurance program for malting barley farmers in New York. Since the malting barley industry in New York is relatively new, there is little historical data on production and risks. Cornell University's extension service has been helpful in providing production survey information they have gathered.

In 2017, RMA offered a malting barley policy (malt barley contract option) in four New York counties. Under the malting barley contract option, if the farmer holds a contract to sell malting barley, the farmer can insure his or her crop using the contract price, not to exceed 1.85 times the RMA established price for feed barley. It is important to note that this policy differs from the Malting Barley Endorsement, which is a separate product and is not available in New York.

What is the 2018 Expansion of the Malting Barley Contract Option in New York?

For 2018, RMA plans to expand the malting barley contract option to the remaining 40 New York counties. RMA has concerns that New York does not have the climate to grow malting quality barley. However, the malting barley contract option does not insure the malting quality characteristics of the barley grown. Rather, it only covers the same causes of loss as are already covered under the existing base policy for feed barley, while recognizing the greater value of the crop due to the existence of a malting barley contract.

In addition, the barley policy has several safeguards to protect against potential abuse. All barley claims are serviced by trained loss adjusters who will determine whether there had been an insurable (i.e. natural) cause of loss. Crop insurance policies have a deductible, which means that farmers experience a loss of production greater than their deductible before their policy begins to pay. This is a common mechanism used by insurance companies to assure that people still have an incentive to minimize risks despite being insured. For barley, this mechanism is even more pronounced as the contract option is limited to using the contract price, not to exceed 1.85 times the RMA established price for feed barley under the base barley policy. Anecdotally, malting barley contracts offer a much higher price premium than that, which provides additional incentive for the farmer to produce a successful crop.

To the extent that a loss occurs, the farmer's average yield, and therefore amount of insurance coverage, may decrease in succeeding years.

Overall, providing a contract price option for malting barley in New York appears to be a reasonable approach to recognizing the premium price that malting barley farmers are receiving, while safeguarding the integrity of the crop insurance program.

What is the difference between Malting Barley Endorsement and Malting Barley Contract Option?

The malting barley contract option is different from the Malting Barley Endorsement, which is not available in New York and likely will not be available for some time. The malting barley insurance options being offered in New York for 2018 will provide

malting barley farmers the ability to insure their crop at a higher price than the base barley policy in the event that they suffer a yield loss, provided the farmers have a malting barley contract in place. The Malting Barley Endorsement, offered in other areas of the country, provides an additional level of quality insurance for malting barley farmers. Farmers with the Malting Barley Endorsement could be indemnified if the malting barley they produce is rejected from the malting house because it does not meet industry standards for quality. Malting barley farmers in New York in 2018 may only be indemnified if their yields are low.

Another distinction between the two products is that the Malting Barley Endorsement allows malting barley to be insured at up to 2.50 times the base barley price. In 2018, New York farmers with contracts will be able to insure their malting barley using their contract price, not to exceed 1.85 times the RMA established price for feed barley under the base barley policy.

Research to date shows that malting barley produced in New York is still not consistently meeting industry quality standards. Until researchers are able to identify types of malting barley and growing practices suitable to the state, it would be not be actuarially sound to provide the quality adjustment provided in the Malting Barley Endorsement. Additionally, the Malting Barley Endorsement is a privately-owned insurance product, and expansion of it to New York requires the approval of the owner as well as review and approval by the Federal Crop Insurance Corporation Board of Directors.

What was offered in NY for 2017 and how does it compare to what will be offered in 2018?

For 2017, barley crop insurance is available to producers in 44 counties and to malting barley producers in four counties of NY. In 2018, the malting barley contract price option will be available in all 44 counties where the barley base policy is available.

What are RMA's plans to address the continued growth of malting barley production in NY?

RMA will continue to closely monitor malting barley research results and industry development. This year's malting barley expansion will provide RMA with information regarding producer demand for malting barley crop insurance and in developing production history which can be used in considering future expansion.

In which New York counties can producers currently apply for a malting barley contract option?

The malting barley contract option is currently available in the following counties: Cortland, Genesee, Ontario and Otsego.

In which counties does RMA plan to expand coverage for malting barley contract option?

In 2018, RMA plans to expand the malting barley contract option to the following counties: Albany, Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chenango, Columbia, Delaware, Dutchess, Erie, Franklin, Greene, Herkimer, Jefferson, Lewis, Livingston, Madison, Monroe, Montgomery, Niagara, Oneida, Onondaga, Orange, Orleans, Oswego, Rensselaer, St. Lawrence, Saratoga, Schoharie, Schuyler, Seneca, Steuben, Suffolk, Tioga, Tompkins, Washington, Wayne, Wyoming, and Yates.

Who can I talk to about enrollment in the malting barley contract option for New York?

For more information about how to enroll in the malting barley contract option, please contact the Risk Management Agency's Raleigh regional office at 919-875-4880.