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Advantages and Tradeoffs of Unit Selection in Crop Insurance Planning

By James Sedman, Sedman Economics, and John Hewlett, University of Wyoming, Cooperative Extension Service[1]

Crop insurance is a useful tool for managing production risk. Unit selection is an important step in the process of planning crop insurance needs for an individual operation. In general, there are four types of insurable units – basic, optional, enterprise, and whole farm. Choosing a unit to insure will vary with the type of policy, for example revenue or multi-peril. Each of these options comes with benefits and tradeoffs. As with any insurance product, the more extensive and specialized the coverage, the higher the premium cost.

[1] *James Sedman is a consultant to the UW Department of Agricultural and Applied Economics and John P. Hewlett is a farm/ranch management specialist in the UW Department of Agricultural and Applied Economics.*

Basic units

A basic unit is all the farmed acreage for which a producer participates in crop production within the same county. A producer may have more than one basic unit per county. For example, a producer could claim a 100-percent share of 400 acres, a 50-percent share-lease on 200 acres with one landlord, and a 70-percent share-lease on 100 acres with another landlord. The main benefit of insuring basic units is the premium discount. However, a producer is less likely to receive indemnity payments where a basic unit may include insured acres where higher yields on some parts of the unit offset lower yields on other portions of the same unit.

Optional units

An optional unit is a basic unit that is further divided. It may contain more than one crop, although not all policies allow units by crop type. It may be located in a separate section, or it may be separated by dryland or irrigated crops. The main advantage of choosing this structure is that the smaller the number of acres in a unit the more likely spot losses, such as hail damage, will result in an indemnity payment. Insuring with optional units tends to increase policy premiums, which is its main disadvantage.

Enterprise units

An enterprise unit includes all of a producer's insurable acreage of an insured crop in a single county. To be considered, a producer must be able to include either one or more basic units located in two or more separate sections, or two or more optional units established by separate sections. As with basic units, premiums for enterprise units are generally lower than for optional units. The main disadvantage of insuring by enterprise units is that losses are less likely to trigger indemnity payments than for optional units due to the larger number of acres included.

Whole farm units:

Whole farm units are only available for revenue assurance policies. A whole farm unit includes all the insurable acreage of an insurable crop in a county in which the operator has a share. The acreage must qualify for at least two enterprise units and each crop must comprise at least 10 percent of the total liability of all crops produced on the farm.

Decision criteria

It is important to remember that yields on individual units tend to move together. This can make a difference when deciding which unit type to select. For example, the yield may decline enough to trigger an indemnity payment on one optional unit but not on another optional unit. Losses may not be great enough to trigger a payment if these units are insured as basic or enterprise units. Consideration should be given to whether the benefit of a more likely indemnity payment outweighs the cost of insuring with smaller units.

Producers should also examine production records to learn if historical yields tend to move together for different units. If they do, then basic or enterprise units may fit best. If not, then optional units may be worth the added premium.

Consult a local Farm Service Agency or crop insurance representative for more information on unit selection. For more information on crop insurance and articles on general agricultural risk management information, check the Western Risk Management Library at: agecon.uwyo.edu/RiskMgt/.

Early Detection/Rapid Response Efforts for New Weeds in Wyoming

By Stephen Enloe, weed specialist, University of Wyoming Cooperative Extension Service, and Slade Franklin, state weed and pest coordinator, Wyoming Department of Agriculture

Wyoming has its share of weeds, including troublesome Canada thistle, whitetop, and Russian knapweed. While many folks are committed to continue working on these longtime invaders, a recently initiated effort is working to stay ahead of potential new weed problems. The western United States is well stocked with invasive weeds, many of which are not yet in Wyoming, and the key to keeping them at bay is early detection/rapid response.

Under this system, weed discoveries are immediately reported, mapped if necessary, and quickly targeted for eradication. Information is rapidly distributed throughout the state and surrounding region via e-mail alerts linked with Web-based fact sheets containing plant pictures and descriptions, biological and historical information, and known methods for control.

The process is a team effort hinging on the cooperation of private landowners, agencies, and other stakeholders. For example, a local landowner may find a new invasive plant and report it to a county weed supervisor or a University of Wyoming Cooperative Extension Service office. A sample is then sent to UW's Rocky Mountain Herbarium, the Central Wyoming College Herbarium, or other plant experts for confirmation.

Figure 1

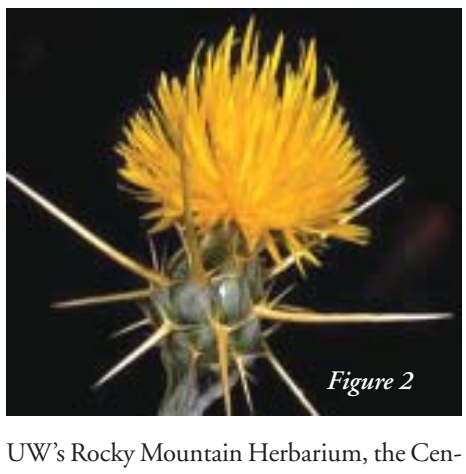

Figure 2

Once confirmed, the information is forwarded to the Wyoming Cooperative Agricultural Pest Survey, which cooperates with landowners, weed and pest control districts, or other agencies to coordinate mapping efforts if needed.

The state weed and pest coordinator then issues an alert which provides a link to the Wyoming Pest Detection Program Web site (www.uwyo.edu/capsweb) where control fact sheets are located.

In the meantime, a county weed and pest supervisor coordinates eradication efforts with landowner(s). Cost-share money may or may not be available to assist in the effort. It is important to understand there are no legal ramifications for landowners reporting a new weed not on the state noxious weed list. Reporting is strictly voluntary. Case studies are already underway on viper's bugloss, which is also called blueweed (Figure 1), and yellow starthistle (Figure 2).

To receive alerts, contact Slade Franklin by e-mail at sfrank@state.wy.us or by phone at (307) 777-6585.

Farmers Geared Up to Go

By Jim Gill, University of Wyoming extension educator, Big Horn Basin Area

Wyoming farmers are on the move. Most of the small grain crops including malt barley are growing. Farmers are getting sugar beets planted, and many growers are planting corn in anticipation that by the time it appears the heavy frosts will have abated. In spite of the drought conditions in many parts of the state, it is anticipated that sugar beet and corn acreages will be similar to last year. Many expect more dry beans will be seeded because the plants use less water and had a strong market base last year. Along with the drought, rising fuel and equipment prices and global trade issues are increasing anxiety in the farming community.

There are other worries too, as this is the time of year when cutworms can become active and destructive to newly seeded alfalfa, tender young sugar beets, and other emerging crops. The Army cutworm and variegated cutworm are generally the culprits. Treatments are justified when two or more worms per square foot are present. One of the more effective insecticidal treatments in beets and alfalfa is Lannate® LV applied at up to three pints per acre.

Farmers are encouraged to scout for the presence of alfalfa weevils as it won't be long until the first cutting is harvested. The light green larvae enjoy feeding on the terminal buds of growing plants. Feeding injury appears as small, circular holes in the leaves. As larvae increase in size, injury is more evident. Severely damaged fields take on a silvery appearance due to browning of injured leaf tissue. Cutting hay early is a consideration for light infestations of this insect. Heavy infestations will require treatment with an approved insecticide when 30 percent of the plants show feeding damage and larvae are present. To sample, inspect 20 stems from each of five sites in a field, recording the percent of damaged plants and whether larvae were found.

Furadan® 4F is one of many recommended and more effective treatments for weevil control. It is recommended that Furadan be applied at a rate of one-half to one pint per acre. Furadan is a restricted-use insecticide and must be applied by a licensed applicator.

Corn growers should be on the lookout for wireworms, seed corn maggots, white grubs, and corn rootworm infestations. Light infestations can often be contained with a seed treatment. Heavier infestations will require insecticidal treatments applied to the soil. Rotation is a key to avoiding these problem insects and is by far the cheapest protection. Newer seed treatments containing the chloronicotinyl insecticides (imidacloprid, thiamethoxam, and clothianidin) are systemic and can provide protection after emergence to many invaders. Recommended soil-applied insecticides to control these pests include but are not limited to Aztec®, Capture®, Fortress, and Lorsban®. For more recommendations, contact a Cooperative Extension Service office.