



HOPS CROP INSURANCE

2020 AMERICAN HOP CONVENTION

PORTLAND, OR

JANUARY 22, 2020

The Developer



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



Objective

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

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—

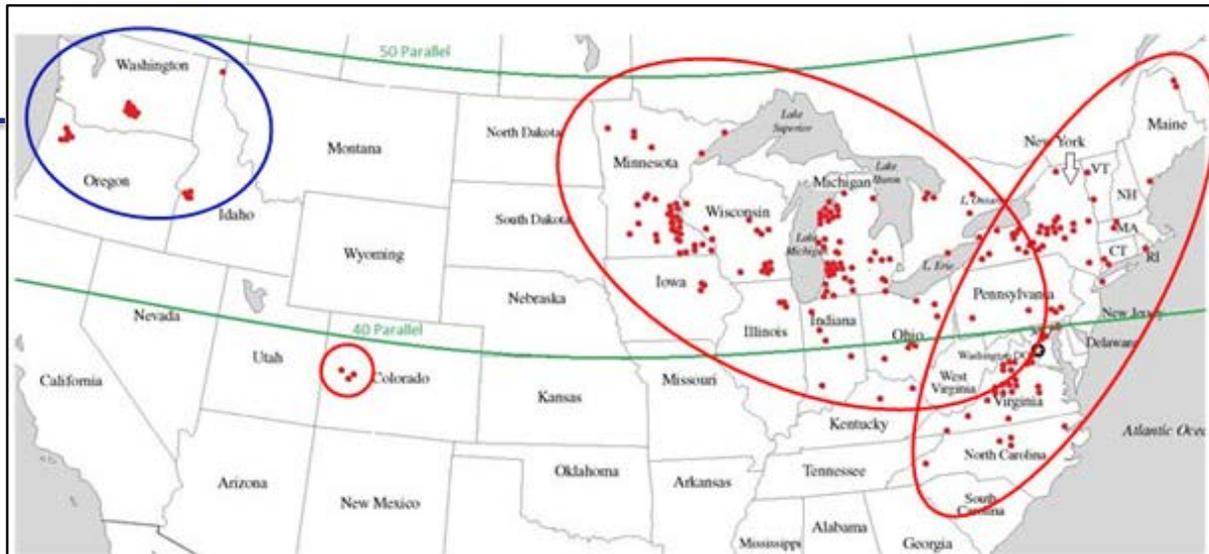
“(i) the results of the research and development carried out under subparagraph (A); and

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

U.S. Hops Industry 2018

- U.S. world's largest producer of hops (42% market share)
- Total acres – 57,772 (up 95% since 2012)
- 108 million pounds
- 29 states reporting hops production as of 2018

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.*

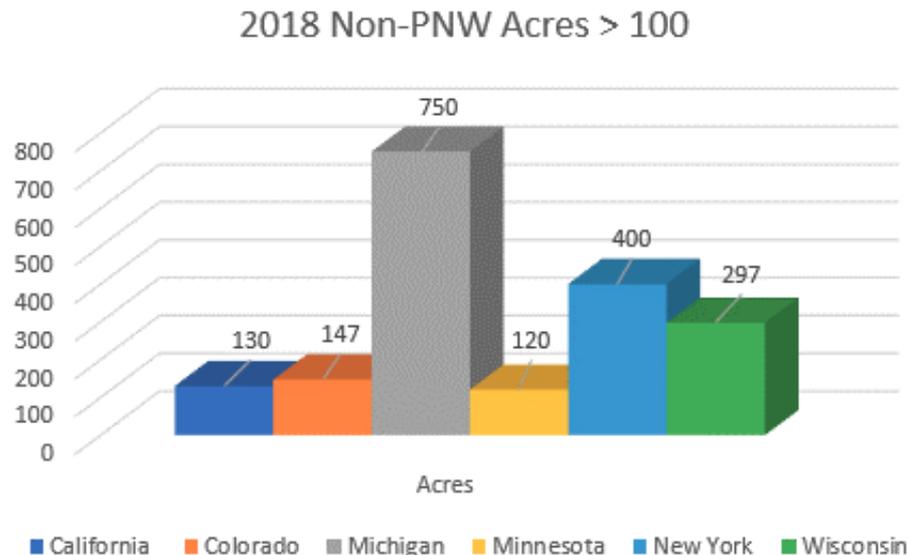
Need for Proposed Program



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

Hops Outside PNW

- 26 additional states reported hops production in 2018
- 2,433 acres; 1.5 million pounds
- Farms generally smaller in scale but able to respond to local brewer needs



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)
- Do CO or CA have a hop industry at this time?



Proposed Program

- APH Plan 90
 - Availability of producer production records
- 50-85% coverage levels
- Multi-peril coverage
- Sales Closing May 1
- Standard unit structure
- Areas to explore during development
 - Quality adjustment
 - Disease and insect coverage
 - Processor contracts
 - Trellis standards
 - Stable markets

Proposed Covered Perils



- **Adverse weather** including lightning;
- **Fire** (including smoke), unless weeds and other forms of undergrowth have not been controlled;
- **Earthquake;**
- **Volcanic eruption;**
- **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.

AgriLogic Response

- AgriLogic will explore coverage for insects, disease and organic production during the development phase of the project and will include all feasible components in the final program.
 - *No organic production reported to date.*
 - *Do producers want to exclude insects and disease or pay a higher premium for the coverage?*



Pricing Challenges

- Prices for hop varieties can vary substantially both by region as well as variety/type
 - \$5 to \$19 per pound
- Contracts not typical. Most sold direct to brewer on open market?
- Prices for dry baled hops vs. pelleted hops as reported by producers
 - Are all yields determined on dry baled basis? Potential for loss between harvest and baled hops?
- Need to determine value added costs involved with converting dry baled to pelleted

Yield Challenges

- NASS does not provide data for states outside PNW states so alternative data or methods will be necessary for rating and pricing
- Yields vary widely by location, variety, and year
- FSA acres do not match survey acres reported to USA Hops
- The need for individual producer data is imperative to program development
- *Please consider assisting by sharing your historical information.*

Project Timeline

- **2020 American Hop Convention**
January 22, 2020 Portland, OR
- **Great Lakes Hop and Barley Conference**
March 6-7 Ann Arbor, MI

Other Opportunities?

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



AL AgriLogic

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



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