There are two types of crop insurance plans that fit nursery operations: the Nursery Dollar Plan and Adjusted Gross Revenue (AGR) / Adjusted Gross Revenue-Lite. They are both flexible tools that growers should at least be aware of. They shift unavoidable risks to an insurance company in exchange for a federally subsidized premium. Read on to find out more about how these plans work.

Crop insurance is a valuable risk management tool for all agricultural producers. It protects you from losses due to natural causes and in some cases, market fluctuations as well. With input costs rising and uncertainties such as weather and uncontrollable disease, how can you afford not to carry crop insurance?

Crop insurance works by ensuring a minimum cash flow for your operation. You receive a minimum guarantee, whether it be in bushels, tons, or dollars. If a hurricane wipes out your inventory, your guarantee still stands. This provides the financial stability you need for long-term marketing.

These days, lenders are concerned with reducing their risk exposure as well. Some lenders may require crop insurance in order to provide you a loan, as a way of protecting their own investment.

A nursery is insurable if at least 50% of its gross income is from the wholesale marketing of plants. Plants can be containerized or field-grown.

To begin, the policy contains an Eligible Plant List which lists over 20,500 different insurable plants. If your plants are on the List, next they must meet requirements for insurability, such as cold protection if they are being grown in certain hardiness zones. They must be grown using acceptable production practices.

Plants that are not insurable include stock plants used solely for harvesting buds, flowers, and greenery; Christmas trees; cut flowers; and bulbs, aquatic plants, and air plants (unless they have established root systems and are sold as ornamental plants).
Causes of Loss

Insurable:

- Adverse weather
- Fire
- Wildlife
- Earthquake
- Failure of Irrigation Water Supply (if due to an insurable cause of loss, such as drought)
- Delay in Marketability Resulting in Decreased Plant Value (if due to an insurable cause of loss)

Not insurable:

- Cold damage (if protection is required but not used)
- Disease and insects (unless effective control measures do not exist)
- Collapse/failure of buildings and power supply (unless caused by an insurable cause of loss)
- Failure of plants to grow to an expected size
- Inability to market products

How Does the Nursery Dollar Plan Work?

The plan works by insuring the dollar value of your inventory. You will be required to submit a Plant Inventory Value Report (PIVR), which summarizes the value of all plants in inventory.

Plant value is established using the lower of your wholesale price or the price listed in the Eligible Plant List Price Schedule. Your PIVR may be amended upwards twice during the crop year as long as you buy higher than minimum insurance coverage.

Once your PIVR is complete, you choose a coverage level—CAT, 50, 55, 60, 65, 70, or 75%. Multiplying your Plant Inventory Value (PIV) times the selected coverage level (for example, $100,000 times 75%) gives you your dollar guarantee. In this example, you would be guaranteed $75,000 of PIV.

Your guarantee comes into play if a natural disaster occurs and wipes out your inventory. Once you assess the damage, you can tell if your PIV dropped below $75,000, thus triggering a possible loss payment.

Customizing Your Policy

There are many options available to make the Nursery Dollar Plan fit your operation. The first, of course, is choosing a coverage level. The minimum coverage level is called Catastrophic (or CAT) and is fixed at 27.5% coverage. This means you must lose 72.5% of your PIV to trigger a payment! The cost for CAT coverage is $300 per policy.

Containerized and field-grown plants will always be treated as different practices (which results in separate insurance units), even if they are the same plant type. For instance, field-grown roses and containerized roses are 2 separate practices and you could pick different coverage levels for each.

If you insure field-grown, you are not required to insure containerized and vice versa, but you can insure both. You are required to insure all plants included in each practice.

If you buy higher levels of coverage than CAT (Buy-Up), then you have more options. First, you can separate your nursery into several different insurance units (additional basic) based on type. The chart on the following page shows the different plant types:
Peak Inventory Endorsement
This endorsement allows you to temporarily increase your inventory without paying a full year’s premium on the increase. The premium will increase only for the specified period when inventory is higher. An example would be stocking poinsettias in November and December. This endorsement can be elected at any time during the insurance period with a 30-day wait period.

Rehabilitation Endorsement
This endorsement helps cover the cost of rehabilitating field grown plants which have been damaged by an insured cause of loss and have a reasonable expectation of recovery. It provides up to 75% of the plants’ value to offset your pruning, setup, labor, and material costs. It must be elected at the time of application and must be carried on ALL field-grown plants if elected.

Nursery Grower’s Price Endorsement
This pilot program is available in New Jersey and allows you to insure specific plants at a higher price than listed in the Eligible Plant List Schedule, thus increasing your PIVR. This also must be purchased on or before the sales closing date (May 3, 2010).

Plant Types
- Deciduous trees (shade and flower)
- Broadleaf, evergreen trees
- Coniferous, evergreen trees
- Fruit and nut trees
- Broadleaf, evergreen shrubs
- Coniferous, evergreen shrubs
- Small fruits
- Herbaceous perennials
- Roses
- Ground cover and vines
- Annuals
- Foliage
- Palms and cycads
- Liners (container grown)
- Other plant types, as listed in the Special Provisions

Options
Using additional basic units if you have Buy-Up protection, you could insure your most valuable plant types at higher coverage levels than the rest. For example, if roses are your biggest business, you could cover your roses at 75% and everything else at 60%. Don’t forget you can also insure your field-grown and containerized roses at different levels also.

Buying additional Optional Endorsements provides another way to customize your policy.

“If roses are your biggest business, you could insure your roses at 75% and everything else at 60.”
Adjusted Gross Revenue (AGR) / AGR-Lite

Nursery growers have a second option for insuring their operation! AGR and AGR-Lite are whole-farm insurance policies, covering the farm’s revenue.

It is based on the grower’s past financial performance using 5 years of past Schedule F tax forms. A series of equations determines your approved adjusted gross revenue for the insurance year, and you insure a percentage of that dollar figure. For example, you could insure 65% of $100,000 approved AGR, and your loss trigger for that year is $65,000.

When you file taxes for next year, you will know that you triggered a loss payment if your actual AGR is below your loss trigger (and it was due to adverse weather or market fluctuations).

Your loss payment equals the difference between actual AGR and your loss trigger, times your payment rate (chosen by you, either 75% or 90%). Premiums for AGR and AGR-Lite are generally 1-5% of your approved adjusted gross revenue.

AGR and AGR-Lite are similar to the Nursery Dollar Plan in that they both insure a sum of money, but AGR and AGR-Lite are broader plans. They protect from market fluctuations as well as adverse weather. They are also useful if your operation produces other agricultural products—they cover a wide variety of commodities.

AGR/AGR-Lite are “umbrella policies”–they cover your bottom line while individual policies can cover spot losses! AGR requires that other insurance plans also be purchased if they are available, and AGR-Lite does not require it but allows it. Premium is reduced on AGR/AGR-Lite if another policy is used. This means you could have Nursery Dollar Plan and AGR/AGR-Lite and enjoy the benefits of both!

There are a few differences between AGR and AGR-Lite. AGR is designed for larger operations with a maximum liability of $6.5 million, while AGR-Lite’s maximum liability is $1 million. AGR limits how much revenue can come from animals or animal products, and AGR-Lite does not. Talk to an insurance agent by Jan 31 for AGR and March 15 for AGR-Lite for more information!