Drought Conditions: More Serious Everyday

As New Jersey agriculture prepares for the upcoming growing season, drought conditions and the prospects it brings are clearly on the minds of farmers as they plan on how to manage with the strong potential of less rain. The drought that has grown more serious this winter could have a disastrous effect on this year’s crop production, and becomes more of a reality with each day that passes without precipitation.

Most New Jersey counties are currently under a drought warning, and the National Weather Service gauges the current drought as ‘severe to extreme’ for the state of New Jersey.

According to preliminary numbers from the New Jersey State Climatologist 2001 was the 5th driest year since 1895.

Water supply reservoirs throughout the area are below normal and dropping. Currently, northeastern New Jersey reservoirs are at approximately 45%, approximately 35% below normal (see graph below).

In addition, the salt line in the Delaware River estuary is at mile 77, which is 9 miles upstream from normal at mile 68.

As the drought grows more serious everyday, it is important that New Jersey farmers consider all available precautions and risk management tools in order to protect their equity and prevent a total disaster.

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To put New Jersey’s drought situation in perspective, it is useful and necessary to look back to 1998. Reservoir levels by late 1998 had dropped to about the same levels as the current readings, just over 40 percent of capacity. January 1999 was quite wet and reservoir levels had returned to near normal, but precipitation amounts for the remainder of winter and spring were generally below normal.

The summer of 1999 was quite hot and dry. By early August reservoir levels had dropped to about 60 percent of capacity, about 10 percent below normal. Between mid-August and mid-September a tremendous amount of precipitation was recorded, primarily due to tropical storm Floyd. As a result, reservoir levels skyrocketed from 10 percent below normal to 10 percent above normal almost overnight.

From a reservoir level standpoint, things were returning to normal by late 1999. However, closer analysis of individual months reveals many months during 2000 that were near or a little below normal. And in the following year, 2001, every month was below normal, with the exception of March and June. Reservoir levels in 2001 were significantly below normal in the months of October, November, and December.

The drought we find ourselves in is a cumulative event that began in 1998. Precipitation deficits during the past 365 days have averaged between 10 and 13 inches. During that time, many months have passed with precipitation below normal and occasional months with precipitation above normal. Although the numbers vary somewhat from station to station, in general, since mid-1998 about 32 of the 43 months have had below normal precipitation.
Upcoming Crop Insurance Sales Closing

***March 15, 2002***

- Corn
- Soybeans
- Oats (Spring)
- Winter Squash
- Fresh Market Corn
- Processing Beans
- Processing Tomatoes
- Crop Revenue Coverage
  (Corn and Soybeans)

Crop Revenue Coverage

What Is It?

Crop Revenue Coverage, or CRC, brings to the farmer an alternative to the traditional yield based crop insurance. CRC protects the farmer from lost revenue caused by low yields, low prices, or a combination of both. Since it is based on minimum revenue per acre dollar amount, the producer does not have to experience a production loss to receive a loss payment. CRC is available in New Jersey for corn and soybeans only.

A **Base Price** is established according to the average Chicago Board of Trade (CBOT) futures price during February. Corn is based on the Dec. CBOT contract and soybeans is based on the Nov. CBOT contract. A **Minimum Guarantee** is the minimum revenue guarantee based on the Base Price, and the farmer’s average yield and selected coverage level.

A **Harvest Guarantee** is established at harvest using the Harvest Price (October average of Dec. CBOT corn and Nov. CBOT soybeans), and the farmer’s average yield and selected coverage level.

The farmer’s **Final Guarantee** is the greater of the Minimum or Harvest Guarantee. Once the crop is harvested, the actual yield is multiplied by the Harvest Price, to determine the Calculated Revenue. When the Calculated Revenue is less than the Final Guarantee, the farmer is paid the difference.

Who Needs It?

- Growers who plan to maximize profits and need cash flow protection.
- Growers who want to guarantee ability to repay operating loans timely.
- Growers who value reducing risk of losing hard-earned savings (equity).
- Beginning farmers who cannot afford an income interruption.
- Growers who need replacement coverage to buy grain for livestock feeding or to fulfill a marketing contract. This is especially important when prices are rising.
- Growers who need a minimum revenue guarantee with price protection, not just a bushel guarantee.
The insurance agents below are licensed to sell crop insurance in the State of New Jersey: Contact a crop insurance agent to find out more about purchasing crop insurance on your farm.

<table>
<thead>
<tr>
<th>NAME:</th>
<th>TELEPHONE::</th>
<th>LOCATION:</th>
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<tbody>
<tr>
<td>P. Hart</td>
<td>(609) 298-5488</td>
<td>Bordentown, NJ</td>
</tr>
<tr>
<td>C. Gallagher</td>
<td>(856) 358-8161</td>
<td>Elmer, NJ</td>
</tr>
<tr>
<td>F. Gasparon</td>
<td>(856) 358-8161</td>
<td>Elmer, NJ</td>
</tr>
<tr>
<td>G. Uhland</td>
<td>(856) 358-8161</td>
<td>Elmer, NJ</td>
</tr>
<tr>
<td>C. Yost</td>
<td>(856) 358-8161</td>
<td>Elmer, NJ</td>
</tr>
<tr>
<td>S. Hazard</td>
<td>(908) 788-9080</td>
<td>Flemington, NJ</td>
</tr>
<tr>
<td>G. Newborn</td>
<td>(908) 788-9080</td>
<td>Flemington, NJ</td>
</tr>
<tr>
<td>S. Simone</td>
<td>(908) 788-9080</td>
<td>Flemington, NJ</td>
</tr>
<tr>
<td>J. D’Agostino Jr.</td>
<td>(609) 561-8404</td>
<td>Hammonton, NJ</td>
</tr>
<tr>
<td>G. Wheeler</td>
<td>1-800-234-7012</td>
<td>Mullica Hill, NJ</td>
</tr>
<tr>
<td>J. Gartsdide</td>
<td>(717) 432-5119</td>
<td>Dillsburg, PA</td>
</tr>
<tr>
<td>D. McCarty</td>
<td>(913) 323-5728</td>
<td>Millville, PA</td>
</tr>
<tr>
<td>J. Forrett</td>
<td>(913) 323-5728</td>
<td>Cazenovia, NY</td>
</tr>
<tr>
<td>D. Sweetland</td>
<td>(913) 323-5728</td>
<td>Fabius, NY</td>
</tr>
<tr>
<td>J. Belfield</td>
<td>(804) 762-9974</td>
<td>Richmond, VA</td>
</tr>
<tr>
<td>R. Weller</td>
<td>(804) 762-9974</td>
<td>Richmond, VA</td>
</tr>
<tr>
<td>M. Durussel</td>
<td>(517) 659-2112</td>
<td>Munger, MI</td>
</tr>
<tr>
<td>M. Durussel</td>
<td>(989) 648-4618</td>
<td>Munger, MI</td>
</tr>
<tr>
<td>K. Bodley</td>
<td>(913) 323-5746</td>
<td>Wellsville, KS</td>
</tr>
<tr>
<td>A. Petersen</td>
<td>(913) 323-5746</td>
<td>Leawood, KS</td>
</tr>
<tr>
<td>K. Eriksen</td>
<td>(815) 338-1918</td>
<td>Woodstock, IL</td>
</tr>
<tr>
<td>M. Schwasta</td>
<td>(618) 656-4240</td>
<td>Edwardsville, IL</td>
</tr>
<tr>
<td>J. Chapman Jr.</td>
<td>(509) 786-1525</td>
<td>Fresno, CA</td>
</tr>
<tr>
<td>D. Benson</td>
<td>(509) 248-7460</td>
<td>Prosser, WA</td>
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For More Information…

For more information regarding
➢ Risk Management
➢ Crop Insurance
➢ The Agricultural Re-Engineering Initiative

PHONE: Kathy Tisdale (South Jersey)
856.769.0090

Mike Anderson (North Jersey)
908.788.1339

FAX: 856.769.1439

INTERNET: http://salem.rutgers.edu
EMAIL: gsari@aesop.rutgers.edu

Rutgers Cooperative Extension of Salem County
David Lee, Professor
51 Cheney Road, Suite 1
Woodstown, New Jersey 08098

Seasonal U.S. Drought Outlook Map courtesy of Climate Prediction Center

Combined Northeast Reservoirs Chart courtesy of Department of Environmental Protection

For more drought information log on at: http://www.njdrought.org

Risk Management & Crop Insurance – March 2002