CASE STUDY

YIELD INDEX INSURANCE FOR NEW CROP TRANSITIONS



PRODUCTION CHANGE: Adopting a crop for the first time

FOCUS REGION: Southern Plains

EXISTING INSURANCE OPTIONS:

Farmers growing a new crop receive insurance coverage with county average Transition-yields (T-yields) since they don't have their own yield history data to use as insurance coverage. The T-yield for each crop varies by county and is based on the 10-year historical county average. Producers planting a crop for the first time can cover up to 65% of the T-yield, the second year up to 80% and the third year up to 90%.

To learn more:

business.edf.org/farm-finance/

INSURANCE GAPS:

T-yields are county averages, which can reflect a wide range of experienced yields across a county. If there have only been a few farms in a county growing a particular crop, those farms could have an outsized influence on T-yields. The T-yields can also be based on production that happened decades ago, not providing a realistic prediction of current yield potential. Farmers are further underinsured since they need to take 65%-90% of the T-yield over the first three years of adopting the new crop. T-yields that do not reflect a field's true production potential leaves a farmer underinsured, which presents a financial barrier to implementing new crops.

PROPOSED SOLUTION:

The proposed solution would apply process-based crop models to create field-level yield indexes representative of current-day production potential in the event that T-yields aren't adequate — ultimately providing producers effective protection to grow alternative crops that are adapted to current weather and water challenges. Process-based models are already trusted and imbedded in the models crop insurance companies use to select policies to reinsure with the Federal Government. They can be used to generate reliable yield indexes even in locations where alternative crops have not been traditionally planted and Praedictus Climate Solutions has had live solutions in the market since 2022 across many regions and crops. Such cutting-edge modeling efforts could be initiated as pilot-scale programs with existing insurance providers to demonstrate the efficacy of this approach. Successful pilot implementation could then be scaled across the FCIP.

KEY STAKEHOLDERS:

Producer groups, crop modelers, insurance companies, philanthropy, USDA Risk Management Agency.

CURRENT STATUS:

Farmer engagement and drafting pilot concept.

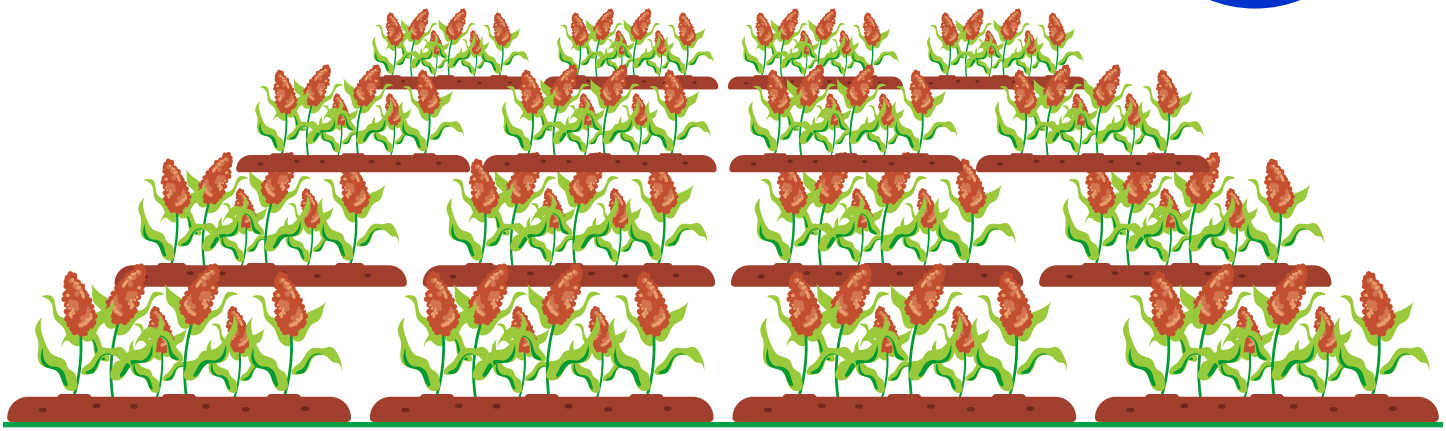
Farmers want to adopt new crops to meet changing markets and weather.

Providing adequate insurance coverage through the transition to new crops can help farmers adapt.

PATHWAY TO SCALE:

Engage RMA in pilot, support them in creating procedures to use crop models to provide transition insurance, or submit a private product through the 508(h) submission pathway.

Case study content provided by EDF and Praedictus Climate Solutions.



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