



The Lake Erie Regional Grape Program



Electronic Crop Update for November 21, 2013

Visit our LERGP Website at: <http://lergp.cce.cornell.edu/> for a detailed calendar. Please remember to RSVP for those events that require one! UPCOMING EVENTS are also listed toward the bottom of this Update.

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Let us know if you have changed or are in the process of changing your email address so we can keep the Electronic Crop Update coming to your inbox!

Please email Kate Robinson at: kjr45@cornell.edu.

The members of the Lake Erie Regional Grape Program at CLEREL would like to extend our warmest wishes to you and your family for safe travels and a joyous time with your family and friends during all your activities this Thanksgiving!

Just a reminder that the offices of the Lake Erie Regional Grape Program will be closed Thursday November 28 and Friday November 29, 2013 for the Cornell Thanksgiving Holiday Break.

2014 LERGP Membership Enrollment

Greetings to all! It is that time of the year again and we are excited to share some changes that we have made to the enrollment process. We are hoping that these changes streamline the process and cause less confusion.

After some deliberation, we have decided that the Chautauqua county office will not be responsible for accepting Chautauqua County membership registrations this year. They will note our web-site and phone number on the enrollment card only. If you are a Chautauqua, Cattaraugus or Erie County, NY resident, own grapes within one or more of those counties, or are a grower that is considered outside of the program area, your avenues for enrollment are the following:

- 1- You may register online via our website using your credit card
- 2- You may print a pdf registration form from the website and mail it in or drop it off, along with your payment (Enrollment Form at the bottom of this Update!)
- 3- You may stop in and I can walk you through online registration right in the office

(Niagara County holds its own campaign but also makes enrollment available for growers via our website. The same options listed above are available to you.)

The only drawback to this change is that if you want to enroll in additional programs that the Chautauqua County CCE office offers, you will need to do that on their enrollment form. You will only be responsible to pay the base fee one time.

****Please note that the base fee for Chautauqua County has increased resulting in the overall fee to be higher. LERGP program fees remain unchanged.****

****Please note that the Erie County PA program will still be conducting its own membership renewal campaign. Please renew your membership through the appropriate venue.****

And, of course, you are free to give Kate a call anytime with questions at 716-792-2800 ext. 201.

BUSINESS MANAGEMENT: Kevin Martin

Expected Value of Crop Insurance

Updates in Crop Insurance

- Harvest costs are no longer subtracted from the price election when a grower chooses to harvest. Harvest costs, per ton, are deducted from the price election when the grower chooses not to harvest. In some cases a grower with yields less than one ton per acre may now choose to harvest. It may be less expensive to harvest than it is to deduct the harvest cost from the price election.
- The 85% coverage level remains permanently. Lower subsidies and higher premiums typically rule out this high level of coverage. Certain growers should consider such high levels of coverage. For example, growers with debt levels higher than \$2,000 per acre.
- The production report date of January 15, 2014 remains.
- The Concord price has increased to \$280

Who Gets Crop Insurance?

Before we begin, a few definitions out of the way.

Risk Adverse: A description of a decision maker who, when faced with two investments with a similar expected return (but different risks), will prefer the one with the lower risk.

Risk Adverse: A description of a decision maker who, when faced with two choices, will sacrifice a certain amount of expected value in exchange for less risk. The “certain amount” of expected value sacrificed increases with the amount of aversion to risk

Rational Basis: Despite the flattering name, Rational Basis is not the only valid decision making personality. It does describe an individual that pursues the highest expected value. Their only regard for risk is how it impacts expected value.

Risk-Seeking: This decision-maker is attracted to risk. A lower expected return, with higher risk is a preferable alternative. This decision-maker generally chooses this path in hopes of the best possible outcome, which likely has a much higher value than the expected outcome.

Risk adverse farmers have had crop insurance for decades. Insurance is an easy sale to the risk adverse. They’re willing to accept a lower expected value in exchange for greater control of what that value is. For example, a risk adverse grower would annually pay \$40 per acre for insurance with a gross expected

value of \$350 once per decade. Over the course of a decade the grower expects to spend \$400 on insurance and receive payments of \$50. The expected \$50 loss is welcomed as protection against the possibility of experiencing more disasters than expected. For that reason, the risk adverse grower already has crop insurance, probably insured for 75% to 80%. Some risk adverse growers recognize that crop insurance is a poor tool for risk management, at least for their operation. Risk adverse growers in California use 25% more pesticides. We've identified growers here using umbrella training systems or sixty bud pruning. With these management strategies, on a site with very low probability of spring frost or winter injury it can be difficult to ever have the variance in your production levels to have a claim.

The risk seeking decision maker has the opposite dilemma. For those taking on too much production risk average yields can also fall low enough so that variance in production levels make it difficult to make a claim. If seeking some risk (think 120 bud pruning with no crop estimation, not minimal pruning with no crop estimation) crop insurance can be rather profitable. These risk-seeking growers tend to be larger commercial vineyards with multiple blocks. So long as they are not tempted to take too many production risks, the growers with the personality and financial conditions making them least likely to want crop insurance are most likely to profit.

On average the rational grower will have high levels of crop insurance and profit from it as well. The hypothetical that pleases the risk adverse farmer, in my mind, would be an extremely conservative estimate. To break even with crop insurance the grower does not need to have a disaster once per decade. The event does not need to take place that frequently, nor does it need to be an actual disaster.

Take, for example, the following hypotheticals:

In Figure 1 (*below*) the grower is best off with a moderate level of crop insurance assuming he is only able to make a claim once every eight years. In doing so his claim exceeds eight years of premiums by \$104. The ROR is greater when disasters coincide with high tonnage prices and is less when insured prices are below their 10-year average. For purposes here, we assume prices are \$250, which is where they are today.

Figure 1

Coverage Level	Premium	Insured APH	Years * Premium	Production in Claim Year	ROI: Crop Insurance	Years Between
50%	10.63	3.4	85.00	3.2	(35.00)	8
55.00%	14.49	3.74	115.94	3.2	19.06	8
60.00%	18.36	4.08	146.88	3.2	73.12	8
65.00%	26.52	4.42	212.16	3.2	92.84	8
70.00%	35.70	4.76	285.60	3.2	104.40	8
75.00%	49.73	5.1	397.80	3.2	77.20	8
85.00%	102.60	5.78	820.76	3.2	(175.76)	8

APH 7.2 44%

The payment the grower receives in Figure 1 is a disaster payment, with production at 44% of his average.

Figure 2 (*below*) shows a different story. This grower never really has a disaster. As such in the example below he benefits from very high levels of crop insurance. 85% coverage is expensive and he'll need to collect frequently to benefit. In this example he collects once in three years. His claim is not based on a disaster, but a below average year. With a 6.4 ton average, his 4.2 ton claim represents 66% of his normal crop load. For

the large majority this type of variance seems typical.

Figure 2

Coverage Level	Premium	Insured APH	Years * Premium	Production in Claim Year	ROI: Crop Insurance	Years Between Claims
50%	10.00	3.2	30.00	4.2	(280.00)	3
55.00%	13.64	3.52	40.92	4.2	(210.92)	3
60.00%	17.28	3.84	51.84	4.2	(141.84)	3
65.00%	24.96	4.16	74.88	4.2	(84.88)	3
70.00%	33.60	4.48	100.80	4.2	(30.80)	3
75.00%	46.80	4.8	140.40	4.2	9.60	3
85.00%	96.56	5.44	289.68	4.2	20.32	3

APH

6.4

66%

Raleigh Regional Office — Raleigh, NC

October 2013

Grapes

New York

Crop Insured

Grape varieties grown for wine or juice are insurable if the vines have:

- Reached the fourth growing season after being set out for all native and hybrid varieties, and reached the seventh growing season after being set out for all Vinifera varieties; and
- Produced an average of 2 tons per acre in at least 1 of the 3 most recent crop years.

Counties Available

See New York actuarial documents at webapp.rma.usda.gov/apps/actuarialinformation/browser2014/cropcriteria.aspx for insurable counties. Grapes in other counties, including Vinifera grapes, may be insurable by written agreement if specific criteria are met. Contact an insurance agent for more details.

Causes of Loss

- Adverse weather conditions, including hail, frost, freeze, wind, drought, and excess precipitation
- Failure of irrigation water supply if caused by an insured peril during the insurance period
- Fire caused by an insured peril during the insurance period
- Insect damage and plant disease except for insufficient or improper application of control measures
- Wildlife

Insurance Period

Coverage begins on November 21 and ends the earliest of:

- 1) Total destruction of the crop;
- 2) Harvest of the crop;
- 3) Final adjustment of a claim;
- 4) Abandonment of the crop; or
- 5) November 20.

Duties in the Event of Damage or Loss

- 1) If crop damage occurs, you must give notice within 72 hours of initial discovery of damage;
- 2) If you previously gave notice of crop damage, you must also provide notice at least 15 days before the beginning of harvest to claim an indemnity; or
- 3) If the crop will not be harvested, you must give notice at least 3 days before the date harvest should have started.

Important Dates

Sales Closing Date November 20, 2013
Production Report Date January 15, 2014
Acreage Report Date January 15, 2014
Premium Billing Date August 15, 2014

Coverage Levels and Premium Subsidies

Coverage level options range from 50 to 85 percent of your average yield (5-percent increments) and are subsidized as shown in the table below.

Item	Percent							
Coverage Level	50	55	60	65	70	75	80	85
Premium Subsidy	67	64	64	59	59	55	48	38
Your Premium Share	33	36	36	41	41	45	52	62

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of \$300.

Price Elections

Coverage levels and price election percentages may vary by grape type. The prices shown below will be used to calculate premium and indemnity. The price used to determine your indemnity on unharvested acreage will be the price election minus the harvest cost (\$35/ton).

Insurable Native Varieties	Price/Ton
Niagara	\$280
Concord	\$280
Catawba	\$320
Elvira	\$280
Dutchess	\$410
Isabella	\$475
Diamond	\$455
Delaware	\$365
Ives	\$405
Golden Muscat	\$375
Labrusca	\$290
All Other Natives	\$290

Insurable Hybrid Varieties	Price/Ton
Chambourcin	\$785
Traminette	\$885
Baco Noir	\$595
Geneva Red 7	\$580
Dechaunac	\$495
Rosette	\$400
Seyval Blanc	\$615
Vignoles	\$710
Aurore	\$380
Cayuga White	\$580
Vidal Blanc	\$625
Vincent	\$620
Chardonel	\$750
Cascade	\$320
Leon Millot	\$630
Chancellor	\$675
Valvin Muscat	\$705
Castel	\$600
Colobel	\$645
Rougeon	\$530
Villard Blanc	\$720
Melody	\$545
Noiret	\$565
Chelois	\$775
St Vincent	\$470
Marechal Foch	\$635
Corot Noir	\$565
Landot Noir	\$565
All Other Hybrids	\$320

Insurable Vinifera Varieties	Price/Ton
Cabernet Franc	\$1,190
Cabernet Sauvignon	\$1,630
Chardonnay	\$1,165
Gamay	\$1,630
Gewurztraminer	\$1,500
Merlot	\$1,780
Pinot Blanc	\$1,455
Pinot Noir	\$1,600
Sauvignon Blanc	\$1,665
Riesling	\$1,315
Pinot Gris	\$1,580
Viognier	\$1,640
Syrah	\$1,760
Sangiovese	\$1,690
Dornfelder	\$1,200
Carmine	\$1,165
Muscat Ottonel	\$1,535
Lemberger	\$1,300
All Other Viniferas	\$1,165

Loss Example

Assume Concord variety with an approved yield of 6 tons per acre, 65-percent coverage level, 100-percent share, and a one-acre basic unit.

6	Approved Yield per acre
x .65	Coverage level
3.9	Acre guarantee
– 1.0	Production-to-Count
2.9	Loss per acre
x \$280	Price election (<i>Concords</i>)
\$812	Indemnity per acre
– \$29	Estimated Premium
\$783	Indemnity/Acre

Where to Buy Crop Insurance

All multi-peril crop insurance, including CAT policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA Web site at:

www3.rma.usda.gov/apps/agents/

Contact Us

USDA/RMA

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www.rma.usda.gov/aboutrma/fields/nc_rso/

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LERGP WEBSITE LINKS OF INTEREST –

- **Table for: Insecticides for use in NY and PA:**
<http://lergp.cce.cornell.edu/submission.php?id=69&crumb=ipm|ipm>
- **Crop Estimation and Thinning Table:** http://nygpadmin.cce.cornell.edu/pdf/submission/pdf65_pdf.pdf
- **Appellation Cornell Newsletter Index:**
<http://grapesandwine.cals.cornell.edu/cals/grapesandwine/appellation-cornell/>

Veraison to Harvest newsletters: <http://grapesandwine.cals.cornell.edu/cals/grapesandwine/veraison-to-harvest/index.cfm>



UPCOMING EVENTS:

Go to <http://lergp.cce.cornell.edu/> for a detailed calendar of events.
Please remember to RSVP for those events that require one!



MARKETING FOR PROFIT: TOOLS FOR SUCCESS ONLINE COURSES/WEBINARS – FREE

Coming November 1: The Marketing for Profit: Tools for Success webinar series will be available online as a full marketing course for farmers and farm educators. The course will cover all 5 Assessment tools, the webinar presentations and includes all resources and links associated with each webinar. Those completing the full course of webinars will be fully prepared to complete a business and marketing plan and add profits to their farm business. In addition, they will receive a Certificate of Achievement and eligibility for Farm Service Agency (FSA) loan credits.

To access the online course, register at <http://www.nyfarmersmarket.com/work-shop-programs/online-marketing-for-profit-course.html>.

- For information and to register for the webinars and links to archived webinars, go to: <http://www.nyfarmersmarket.com/work-shop-programs/webinars/program.html>.
- For information and to register for the Online course for Marketing for Profit: Tools for Success, in cooperation with Cornell Cooperative Extension, Broome County, go to: <http://www.nyfarmersmarket.com/work-shop-programs/online-marketing-for-profit-course.html>.
- For more information contact Diane Eggert at deggert@nyfarmersmarket.com or David Grusenmeyer at dgrusenmeyer@nyfvi.org.

PLEASE NOTE: Next Electronic Crop Update will be Thursday December 5, 2013

Lake Erie Regional Grape Program Crop Update is an e-mail newsletter produced by the Lake Erie Regional Grape Program and sent out by subscription only. For subscription information, please call us at 716.792.2800 ext. 201. For any questions or comments on the format of this update please contact Tim Weigle at: thw4@cornell.edu.

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This publication may contain pesticide recommendations. Changes in pesticide regulations occur constantly, and human errors are still possible. Some materials mentioned may not be registered in all states, may no longer be available, and some uses may no longer be legal. Questions concerning the legality and/or registration status for pesticide use should be directed to the appropriate extension agent or state regulatory agency. Read the label before applying any pesticide. Cornell and Penn State Cooperative Extensions, and their employees, assume no liability for the effectiveness or results of any chemicals for pesticide usage. No endorsements of products are made or implied.

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*Contact the Lake Erie Regional Grape Program if you have any special needs such as
visual, hearing or mobility impairments.*

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