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# Risk Management Tools for the Grass Seed Industry Briefing

## Background

Oregon is known as the Grass Seed Capital of the world. Grass seed is primarily grown in the Willamette Valley and the industry has a well-developed network that includes highly productive seed growers, marketers, exporters, consultants, and partners. Oregon's grass seed industry produces around 90 percent of U.S. grass seed, bringing in $639.2 million to the state.[1]

In addition, Oregon is a specialty crop state, producing over 220 commodities.

Because Oregon's commodities are so unique, broad-brush risk management tools do not often meet the needs of our industry, resulting in significant financial harm in events of extreme weather or other natural events.

Due to the specialized nature of the grass seed industry, few insurance tools and financial assistance resources are available to producers in Oregon, and those that are available do not meet agronomic needs of crops, provide little coverage in catastrophic events, and are limited in funding.

There are three insurance programs available to Oregon grass seed producers through the United States Department of Agriculture (USDA) Risk Management Agency (RMA) and Farm Service Agency (FSA), but each of which have limitations. These insurance programs include Whole Farm Revenue Program; Noninsured Crop Disaster Assistance Program (NAP); and Multi-Peril Crop Insurance.

Finally, the only federal financial assistance program that supports the grass seed industry is what has evolved into the Emergency Relief Program (ERP). This program, while conceptually beneficial, has severe limitations for the grass seed industry specifically as it is tied to NAP and NAP's limitations create an economic disadvantage for grass seed producers.

Detailed below are the overviews and challenges related to each program specific to the grass seed industry and proposed solutions to enhance and tailor risk management tools to the needs of Oregon producers.

### Whole Farm Revenue Program (WFRP)

WFRP provides a risk management safety net for all commodities on a farm under one insurance policy and is available in all counties nationwide. This insurance plan is available for any farm, including micro farms, with up to $17 million in insured revenue. Coverage is available from 50 to 85 percent in five percent increments.

[1] https://www.oregon.gov/oda/shared/Documents/Publications/Administration/ORAgFactsFigures.pdf

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Producers that use the program benefit by coverage of all crops grown. The program also sets a guaranteed gross income for the farm, providing protection against market downturns as well as yield losses.

**Subsidies**
One of the benefits that is offered with this program is an 80 percent subsidy from 50 to 75 percent coverage levels for two or more qualified crops, provided it is conservation compliant. Generally, at 75 percent coverage, due to subsidies offered, if a producer qualifies, the premium is affordable for producers.

However, at 80 and 85 percent coverage levels, the subsidy is reduced, leaving those needing higher coverage levels at a disadvantage.

Additional resources offered include an additional 10 percent subsidy for beginning farms and qualified veterans.

**Conservation Compliance Barriers**
A significant barrier for some producers is the conservation compliance requirement of RMA insurance programs and the subsequent impact on eligibility and timeliness of coverage. Eligibility for RMA insurance is dependent upon the producer being a USDA program participant, in the Willamette Valley not all producers currently participate in USDA programs. While the Farm Services Agency manages the paperwork and coverage, conservation compliance is reviewed by Natural Resource and Conservation Service (NRCS) adding significantly more time, resources, and regulatory engagement.

This regulatory barrier can become very costly if NRCS in its review finds for example that tiling and other drainage actions were performed in a potential wetland prior to becoming a program participant no matter how inconsequential the area affected may have been.  If this happens, to qualify, the producer must mitigate with NRCS by either removing the tile or paying for development of a wetland on an equal amount of acreage, which is expensive, with a likely result that WFRP's cost is unlikely to support a producer as intended in low yield years.

**Additional Challenges**
Additional challenges include:
- Loss is determined by a farm's total gross revenue, not by individual losses by crop type.
- A producer must wait until taxes are filed for the covered year to determine the amount of loss for the covered year, rather than accrual.
- The value-added nature of seed production post-harvest sales are not covered.
- If seed is cleaned on the farm, this is considered making the seed wholesale market ready. If seed is cleaned off the farm, then the cost of seed cleaning is deducted from the gross revenue and is not covered. In a loss situation the seed cleaning that is done off the farm is also deducted. This is not problematic, however, if the producer packages the seed, or blends the seed to create a seed mix, and it is sold directly to the consumer, the value of the additional processes for blending the seed and packaging is not included in the coverage.

- The program is administratively cumbersome, requiring significant record keeping of production and accounting.

**Noninsured Crop Disaster Assistance Program (NAP)**
The current NAP policy is a catastrophic level risk protection plan of insurance coverage. The program is run through the USDA FSA and is the only policy available to wholly insure all grass seed on its own in Oregon. This program is limited to only $300,000, if purchasing buy-up coverage and insures all varieties of grass seed grown by the producer as one unit.

**Challenges**
- In addition to limitation of coverage, Oregon producers typically produce more than one variety of grass seed on the farm, along with legumes for seed and other type of seed commodities such as oilseeds.
- The NAP program does not provide adequate coverage and rarely has paid a claim for grass seed as NAP considers all types of grass seed (perennial ryegrass, annual ryegrass, tall and fine fescue, orchard grass, bent grass, etc.) as one insured unit. A producer may experience a loss on a certain type of grass, but the other grass yields may place the producer above their guarantee.
- Each of these grass types have different values and different average yields, and many are contracted at higher values, which in a loss under the NAP program, uses a value that is not based on the producers received price, but a price determined by FSA.

**Multi-Peril Crop Insurance (MPCI)** – This pilot program was created for Minnesota, North Dakota, and extends to Idaho, and is tailored to their farming practices. The coverage is available for bluegrass and perennial ryegrass, and while, it is available in Oregon through written agreement, there are significant limitations to the program.

**Challenges**
- Oregon's Willamette Valley is located only 50 miles from the Pacific Ocean and the growing season is much different from Minnesota and North Dakota. Due to the temperate climate in the Willamette Valley, the growing season is much longer, and the establishment of a planted field is much earlier than what it would be in Minnesota and North Dakota. The current grass seed policy in Minnesota and North Dakota only provides coverage for first year of establishment and the earliest date that coverage can attach is May 22. Grass seed fields are planted in early fall and usually established by early December in Oregon; therefore, coverage should attach much sooner than it does in North Dakota and Minnesota.
- For Oregon producers' coverage can only be attained with a written agreement using the Minnesota and North Dakota the grass seed policy. This coverage only attaches by May 22 and Oregon grass seed is normally harvested in late June through early July, so the coverage would only provide protection for a six-to-eight-week window.
- Oregon growers are significant producers of annual ryegrass, tall and fine fescues, and orchard grass, etc. MPCI does not extend to those crops.
- Additionally, to qualify, eligible grass seeds must be grown under contract, and is limited to two years of production for bluegrass and the first year after establishment for perennial ryegrass, it must also be insured the following year and reseeded. In Oregon,

for many of our crops, stands last for several years, and therefore would cause an economic disadvantage for growers in the state. While this is the only insurance available specific to grass seed, it is extremely limited in coverage and not reflective of the crops or production style of Oregon grass seed producers.

**FINANCIAL ASSISTANCE**

**Emergency Relief Program (ERP)**

Finally, the federal government offers an assistance program through the Emergency Relief Program. Evolved through the Wildfire and Hurricane Indemnity Program + (WHIP+) and other financial assistance, this program was modified to offer financial relief to producers experiencing loss from natural disasters in 2020 and 2021 through USDA FSA.

Producers who receive ERP payments are required to purchase crop insurance or Noninsured Crop Disaster Assistance Program (NAP) coverage for the next two available crop years. Challenges related to the NAP requirements are outlined above.

Alternatively, there are several loan programs offered through FSA. These provide a supportive backfall. However, they do not provide that direct risk management tool that producers are seeking, particularly as we have seen a significant increase in extreme weather and other natural events.

**Solutions**

1. **NAP –** Because NAP is a critical program for producers to use to access ERP resources, tailoring coverage to each grass seed crop – and others – as many producers also produce clover and other rotational crops, rather than lumping crops together will make this resource an effective program for Oregon grass seed growers and create beneficial use engagement in the program by Oregon specialty crop growers.

2. **ERP – While ERP is a critical program, producers, not only in the grass seed crop production would benefit from the following:**
   - Continue the ERP program with modification to support specialty crops in 2023. Disasters have continued to harm crops and livestock. This program offers a resource for financial relief, however, would best support Oregon's and other specialty crops with adjustments to the distribution. For example, ERP phase two payments was based on a producer's tax history, by using a prior tax year as a base year and comparing it to a tax year of when the disaster occurs or the following year of taxes can be used if the income it is the year that the income form the crop that is impacted is received in the following tax year of the disaster. The problem is that revenue for grass seed form a single harvest year may be received over a two-to-three-year period. A fair way to distribute funds would be based on actual production of the crop and use the price history of the crop to determine payment. This would offer a steady backfall for disaster.

   - Phase Two of the ERP is often where grass seed producers can engage in the program as many do not currently benefit from purchase of the NAP program, and Phase One is open to those with NAP coverage. Changing Phase Two of the

ERP to from a base tax year reporting to accrual will support realistic needs of the industry.

- Waive the 72-hour reporting requirement for the disaster at minimum for 2023 disasters. This will help with weather events that have a long-term impact on crops that would be realized only at harvest. We would also request that due to the nature of events impacting crops for 2023, that the definition of disaster be modified to "multiple adverse climate events that equate to a single large disaster." For grass seed of multiple varieties, yields have been down 10 – 80 percent depending on region, crop, and weather conditions. In addition, typically, under ERP a disaster must be declared in a county or adjacent county to qualify. Because those definitions may not encompass the reality of events that impacted 2023 crops due to the nature of the events (i.e., extended period of dry weather until around November 7, 2022, cold winter and spring 2022-2023, and a late spring 2023). we request this requirement also be waived for the year of 2023.

3. **New Policy for Grass Seed and Legumes -** Oregon grass seed growers are unique and need specific resources for insurance. We request the Federal Farm Bill include direction for the USDA Risk Management Agency to create an insurance policy for grass seed and legumes, with the directive to work with the industry to develop a policy that supports the needs of Oregon production.
   - ***Farm Bill Section: Title XI, Crop Insurance***
     - *"United States Department of Agriculture Risk Management Agency shall establish a grass seed and legumes insurance policy through industry input."*