

Specialty Crops Survey –Summary

By

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The last few years have been challenging for specialty crop producers as well as for all farmers. Trade agreements such as NAFTA, globalization, weather events (hail, drought, and wind storms), and low prices have impacted New York growers and stimulated new interest in tools to help cope with the risk that is inherent in agriculture.

In 2002, specialty crop producers in New York State were surveyed about their risk management and cropping practices. This study was a partnership endeavor among the USDA Risk Management Agency, New York Agricultural Statistics Service, and the Department of Applied Economics and Management at Cornell University. We defined specialty crops as including fruit, vegetable, floriculture, nursery, maple syrup, Christmas tree, turf, aquaculture, honey, and mushroom enterprises. In addition to these specialty crops, the surveyed growers also produced commodities such as milk, livestock, and field crops. New York specialty crop producers were among a select group being asked to provide input. Other states involved in this study were California, Florida, and Pennsylvania.

Specialty crops are important to New York agriculture. Specialty crops according to our definition returned about \$1 billion to New York farmers in 2001 and accounted for about 30 percent of total agricultural production value in the state. The value of New York vegetable production in 2001 totaled \$481 million. New York grows a wide variety of vegetables for processing and fresh market uses. Cabbage, sweet corn, potatoes, onions and snap beans are the top five vegetable crops produced in New York and had a combined production value of \$316 million in 2001. New York's fruit crops were valued at \$176 million in 2001. About 61 percent (or \$107 million) was from apples, another 25 percent was from grape production (\$45 million), and the rest was from other fruits such as cherries, pears, berries and stone fruits. The third important specialty crop category in New York is greenhouse and nursery production valued at \$315 million in 2001.

New York is an underserved state in terms of farmers' use of crop insurance and other risk management products and tools, and growers of specialty crops in particular make less use of these tools than other farmers. The primary objective of the survey was to determine why federal crop insurance and other risk management products are utilized at current levels by specialty crop producers in New York. A second objective was to determine how the design of crop insurance and other risk management tools could be improved to better meet the needs of special crop producers.

The New York Agricultural Statistic Service mailed 8,998 surveys to specialty crop producers in New York State in February 2002, with a follow-up mailing two weeks after the first mailing and telephone follow-ups a month after the first mailing. We received

2,808 usable responses for a response rate of 31.2 percent. Approximately two-thirds of all responses were obtained from the mail survey; the rest were obtained by a follow-up phone survey. Producers were asked to answer the survey based on information from their 2001 crop year.

Primary specialty crop enterprises represented in this survey included grapes (444 responses, 15.8 percent); Christmas trees (373 responses, 13.3 percent); greenhouse (318 responses, 11.3 percent); maple syrup (254 responses, 9.0 percent); apples (231 responses, 8.2 percent); sweet corn (191 response, 6.8 percent); nurseries (168 responses, 6.0 percent); and vegetables (151 responses, 5.4 percent). These eight specialty crops represented over 75 percent of the responses.

Major Findings

Yield Fluctuations-Just over 20 percent of respondents reported that their **largest yield fluctuation from the five year average** was greater than 50 percent. Yield volatility was greatest for bee and honey operations and for fruit (other than apples and grapes). Tart cherries and peaches are examples of fruit having large yield variations. Specialty crops with the most stable yields were greenhouse and nurseries, each indicating about 50 percent of operations with the largest fluctuations of just 10 percent or less.

Price Fluctuations- For **annual average price fluctuations in the past five years**, 10 percent variation or less was the overwhelming estimation (50 percent of those who responded). Price volatility was greatest for potatoes, apples, onions, and bees and honey, in each case with 15 percent or more of the operations indicating price variations of 50 percent or greater from the five year average in at least one year within the past five years.

Profit Fluctuations-Forty percent indicated less than a 10 percent **fluctuation in profit in the last five years**. Fifteen percent indicated that the largest fluctuation in profit was 50 percent or greater. By commodity, bee and honey was the most variable with 40 percent of operations responding having a profit fluctuation of 50 percent or greater. Large profit fluctuations occurred for apples, onions, potatoes, fruits, and other specialty crops, with each category having more than 20 percent of its operations experiencing fluctuations of 50 percent or greater. Greenhouses and Christmas trees had the most stable profits, with more than 50 percent of those responding to this question indicating that 10 percent or less was their largest fluctuation.

Main causes of lowest profits- **The main cause of lowest profit from the primary specialty crop** over the last five years was poor yield, attributed by 50 percent of respondents. Otherwise, low price due to high domestic production, high input costs, and low price due to increased imports were about equal in effect and, in total, accounted for about the same number of responses as poor yield. These responses suggest again that yield variations are more important than price variation as a cause of low profits. Poor quality of production was relatively unimportant, although, as expected, apple growers

placed much more importance on this factor than other specialty crop growers because of the loss of quality due to hail damage and other weather events in the past three years.

Ranking of risk management tools- Over the entire sample, producers reported that “diversified marketing” was the preferred risk management tool, followed by “commodity diversification”. Crop insurance was the third preference.

In terms of availability of risk management tools, however, three-fourths (76 percent) of respondents indicated that crop insurance was not available to them. For the remaining producers, 62 percent (or 15 percent of the total sample) indicated that they used crop insurance. When available, government programs and diversification (both in commodities and in marketing) were the most adopted risk management practices relative to availability.

For various specialty crops, important differences from the total group of respondents were noted. Grape, onion, and apple producers ranked crop insurance high as a risk management tool. This is not surprising in that crop insurance products have been available for these three groups for quite a while, and each of these commodities is important enough (in terms of number of producers, acreage and insurable events) for insurance companies to offer targeted service. Diversification into multiple commodities was the most preferable risk management tool for vegetable producers. Bee and honey (with government programs in place in past years, in contrast to other specialty crops) and onion producers both rated government programs as a relatively favored tool.

Purchase of crop insurance- **The survey asked whether producers had purchased any crop insurance within the past five years.** “Yes” responses were given by about 24 percent (643 respondents) of surveyed respondents who answered this question; 76 percent indicated that they had not purchased any in the past five years. In terms of number of years that crop insurance had been purchased, 45.3 percent of those who had purchased it had done so in each of the last five years (Table 15). Thus, we can say that of the 2,808 respondents in the total sample, 248, or less than 10 percent, were “regular users” of crop insurance. The main reasons producers purchased crop insurance was the (1) the risk of crop loss and (2) because crop insurance was required for other USDA programs. This suggests that most bought Catastrophic (CAT) coverage since that, in the past, has been the minimum required by USDA for participation in government programs. (Over twice as many acres were insured for CAT coverage in New York in 2002 than for buy-up policies, although the acreage of buy-up has increased greatly in the last five years.)

Differences between fresh vs processing producers-Fruit and vegetable producers were separated into two groups; those with sales of over 70 percent of their primary specialty crop into either fresh or processing, yielding a subset of 1,393 growers. **This analysis yielded key differences between processed and fresh market growers as to their perceived risks and preferred risk management alternatives.**

- (1) For both groups, poor yield was the overwhelming cause of low profits. For fresh growers, however, poor quality was the second leading cause of low profits, mentioned by 13 percent of growers vs. five percent for processing producers.
- (2) For fresh growers, the preferred risk management tool was diversification into multiple commodities followed by diversified marketing. For processing growers, the preferred tool was crop insurance, which is significantly different than for fresh growers.

These results suggest that crop insurance has worked better for processing growers than for fresh, probably due to quality (size, color, cosmetic appeal) being a greater consideration for fresh produce than for fruit and vegetables for processing use. There is much concern in New York State now for an improved and more realistic quality loss option for apple growers.

Recommendations for the future

Based on responses to the survey and the summarized findings from above, we have made recommendations to the Risk Management Agency:

- Since poor yield was identified by half of respondents as the main cause of lowest profit, more emphasis should be placed on improving crop insurance products for crops with highly fluctuating yields: onions, grapes, potatoes, and sweet corn.
- Bee and honey and maple syrup are good candidates for new insurance products. Both have highly fluctuating yields and a fairly large number of producers in the state.
- Major sources of risk and crops to address:
 - Drought (onions, potatoes, sweet corn, other vegetables, nursery, and Christmas tree operations).
 - Adverse temperature (greenhouse, grape, and maple syrup).
 - Pests and diseases (bee and honey)
 - Hail (especially for apples, -along with a new pilot quality option)
- Adjusted Gross Revenue (AGR) is especially well suited for crops with high price and/or profit variability (apples, potatoes, onions) and operations with diversified cropping, especially vegetables and direct marketing operations. However producers need the option to have higher coverage levels (i. e. greater than 80 percent) with higher premiums. Producers who specialize in a single commodity (apples, potatoes, and onions, for example), should be offered the option of higher coverage levels than the current 65 percent, at a higher premium.
- We recommend that a new product, AGR Lite, developed in Pennsylvania, be extended to New York growers.
- Problems with current crop insurance products, identified in four “listening sessions” held around the state, were noted. Major problems were various policy or underwriting features associated with Actual Production History (APH), production to count, and staged production guarantee. Also, the lack of a sufficient number of well-qualified adjusters serving the state was a problem.