



CROP INSURANCE FOR ORGANIC OPERATIONS

FINDING A GOOD AGENT AND THE NEXT GENERATION WITH CARMEN FERNHOLZ



Location:
Madison,
Minnesota



Operation:
Organic corn, soybeans,
and small grains (wheat, oats,
barley, flax, alfalfa)



Acres:
Approx.
500

Photo courtesy of Water Resources Center, Minnesota State University, Mankato

Carmen Fernholz began farming in southwest Minnesota in 1972, and began organic practice in 1975. He now has approximately 500 acres of certified organic corn, soybeans, and small grains.

When he was in his twenties and in the early years of his career, Carmen says that mentorship from more experienced farmers made a huge impact on him. At the time, commercial fertilizers were beginning to be introduced into farming, with some opting not to go in that direction.

Now, Carmen is a mentor for the next generation. He is in the process of transitioning his operation to a younger farmer, who lives a few miles down the road and plans to keep it organic. Over the years, the two have worked together to plan the transition. Though he is still active in the operation, 2020 is the first year that Carmen is officially retired. Soon, he will introduce a cow-calf herd, while the younger farmer manages the rest.

As Carmen reflects on his career, he notes the ways crop insurance has been beneficial. As organic production has changed shape in the past few decades, so too have organic options for crop insurance.

Finding a good agent

Carmen became aware of crop insurance when it was required for a Farm Service Agency (FSA) program he was looking into. In those early years, Carmen purchased federal Multi-Peril Crop Insurance (MPCI) and occasionally added private hail coverage. Over time, insurance became increasingly meaningful as he invested more money in his crops. He would soon learn the importance of finding an agent who understood the details of his operation. Upon switching to a new agent, he appreciated that the agent took time to thoroughly explain his options to him. He's stayed with the agent ever since.

“ It was the first time that I really understood what crop insurance could do for a person. That crop insurance agent has been really critical for me. ”



“One day, at about 5 a.m., a severe windstorm hit our area. At 7 a.m., I had a call from my agent, wondering what my crop looked like.”

One example Carmen cites is that every year, his agent prepares a spreadsheet for him showing a price breakdown of his different coverage and price options. For a MPCI revenue protection policy, coverage levels are available from 50 to 85 percent, by 5 percent intervals. Carmen's agent will show him what 85 percent would cost, what 80 percent would cost, etc. and also walk him through potential scenarios of loss and payment with each option. Carmen said he appreciates this service from the agent, because it helps him visualize what will work best for him.



Finding a good agent, continued

In another instance, Carmen wanted to grow and insure dry field peas. However, Risk Management Agency (RMA) operates on a county level, and insurance was not available in his county for the crop. So, his agent filed a request for actuarial change and, in time, was able to get Carmen's dry field peas insured in the county.

“ If there is one takeaway, it's that your experience with crop insurance is going to be dependent on your crop insurance agent. ”

Crop insurance for the next generation of organic farmers

Carmen has seen a number of changes made for organic crop insurance throughout his career. He began purchasing crop insurance at conventional prices, but had to pay a higher premium. Now, organic producers can purchase revenue protection with organic prices, and in some cases, even insure at contract prices. Over the years, Carmen has also had good experiences throughout the claims process.

“ In organic farming, weather is a big factor, especially row crop farming where your weed challenges can get ahead of you very quickly if the weather doesn't cooperate. One particular soybean field was planted, but cultivating conditions were never close to ideal. So, the field absolutely got overwhelmed by weeds. When I talked to my agent, he got the adjuster out there, and he understood immediately what the challenge was, and why the weeds had taken over the soybeans. So, we ended up filing a claim due to the weather conditions. ”

The farmer said those weather conditions and events seem to have become more severe than they were 20 or 30 years ago. As he begins to think about the next generation of organic farmers, Carmen knows crop insurance is arguably more important for them, not only because of weather concerns, but also the investment required of beginning farmers.



“When I started farming, I had very little investment in equipment and land. Of course, as I wanted to ratchet up my operation, my debt load increased. But, with most young farmers today, even if they want to get into farming, they're going to have to accept a significant debt load from day one. Without any crop insurance, a young farmer with a crop failure one or two years is not going to be able to continue farming.”

Q: Why do you buy crop insurance?

A: I buy crop insurance so I can sleep at night.



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