



# CROP INSURANCE FOR ORGANIC OPERATIONS

## UNIT TYPES AND THE CLAIMS PROCESS

### WITH ERIC MADSEN



Location:  
Audubon,  
Iowa



Operation:  
Organic corn, soybeans,  
oats, and hay



Acres:  
Approx.  
240

Returning to the family farm was always at the back of Eric Madsen's mind. A graduate of Iowa State University, Eric started out doing custom haying, and later worked for an organic seed company. Then, in 2010, he returned home to help out his father, and in 2012 began farming on his own.

Still working alongside his father, Eric's operation in Audubon, Iowa, consists of organic corn, soybeans, oats, and hay. During his farming career, Eric has used a few combinations and types of crop insurance for his operation.

### Coverage used

To insure his organic corn and soybeans, Eric uses Multi-Peril Crop Insurance (MPCI) revenue protection. He sees insuring these crops as especially important for organic operations, as they often provide the highest income throughout an organic crop rotation.

"I look at crop insurance as covering my risk. If we have [corn or soybeans] for two or three out of six years, those two or three years really need to pay. You need to focus on those couple years because they need to carry the weight."

Eric recently switched to a new crop insurance agent who has experience with organic operations, and together they decided to make changes to Eric's coverage. Previously, he was insuring with MPCI at a 75 or 80 percent coverage level, and also purchasing a private hail policy. Now, Eric is insuring at 85 percent and is not purchasing hail insurance.

While this is what seems to be a good fit for Eric's operation, there is no one-size-fits-all combination of crop insurance, especially for organic producers. Farmers should talk with their crop insurance agent about the specifics of their operation and risk tolerance.

### Unit types

Part of putting together an MPCI policy is determining what type of units are the best fit, or how to divide up an operation to insure the different land parcels or enterprises. Another change Eric made with the help of his agent was switching from enterprise units to basic units.

With Eric's previous unit type, enterprise units, one field with high yields and one field with low yields could potentially offset each other, and not trigger a claim. However, with basic units, a field with low yields would more likely trigger a loss, because the policy is insuring sections of the operation individually.



## Unit types defined

- **Enterprise units** take into account the entire crop planted and combine all fields together. At claim time, production across parcels will be added up to see an overall picture of whether a loss is triggered. This unit type receives the highest amount of federal premium subsidy.
- **Optional units** divide an operation by individual farms and crops, each with their own yield history. Each is evaluated individually at claim time.
- **Basic units** count all owned and cash-rented acres in the same county together, but each crop is separate, and if applicable, each share arrangement is separate. Each unit is evaluated individually at claim time.
- **Whole farm units** are the least commonly used type of unit structure, and combine in one unit all insurable acres of all crops the farmer grows within a single county. This is not related to Whole Farm Revenue Protection.

“ We’re now separating them out by each farm [using basic units]. It’s a bit more in premium cost, but the benefit is, if we have a problem out on one farm, that section will be looked at individually. It could be a benefit for organic in case one farm does badly and one does well. Then, they wouldn’t cancel out. ”

## Insights from the claims process

In 2019, a hail storm caused significant damage to Eric’s fields. At the time, the crop was not mature, and the hail stripped a lot of leaves off the plants. He called his agent promptly, but an adjuster did not make it out to inspect his fields until more than a month later. At that time, the crop was nearly mature and the damage was less observable to the adjuster. Eric could see there was more damage than the adjuster’s assessment suggested, and overall wasn’t very satisfied with the process.

Because of that experience, Eric has recommendations for organic farmers dealing with a severe weather event. First, advocate for yourself to get an adjuster to your farm sooner rather than later so they can see the crop damage. Second, Eric suggests taking photos and having your own documentation of the weather event. Now, Eric drives around and takes photos of damage at various locations. Finally, he says to clearly state how organic practices could impact crop damage differently.

“ Another thing some adjusters might not realize is that organic is on a different timing schedule. When the hail event occurred, most of the neighbors’ conventional crop probably was mature enough. But, our crop was not nearly as mature. You’ve got to really remind them that you’re on a different schedule. ”

**Q:** Is there anything else farmers should keep in mind?

**A:** Don’t be afraid to find an agent from far away. The individual agent is more important than the locality. They can sell in several states as long as they have their licenses. With today’s technology to communicate, distance isn’t a big deal. Having an agent who knows their stuff, especially for organic, is definitely more important.



“It was mind-blowing how much having a crop insurance plan fit for my operation made a difference. There are actually lots of different options you can look into.”



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*This material is based upon work supported by the U.S. Department of Agriculture-National Institute of Food and Agriculture under award number 2018-70027-28586*



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