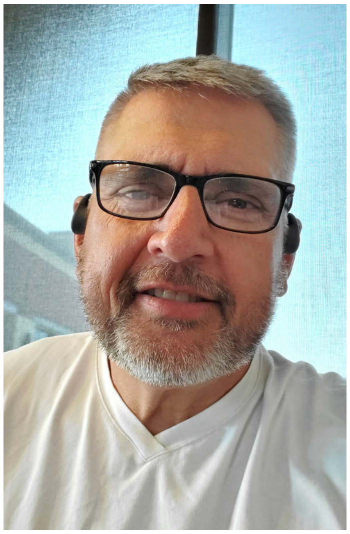

CROP INSURANCE FOR ORGANIC OPERATIONS

TRANSITION, UNIT CONSIDERATIONS, AND LATE AND PREVENTED PLANTING WITH JOE TOILLION

Location:
Jewell, Iowa

Licensed to sell crop insurance in:
Iowa and Missouri; looking to expand to other states

Joe Toillion's family has been in the crop insurance industry since the 1980s, and he has been selling crop insurance for about 15 years, after working for more than 20 years in the animal feed industry.

Today, Joe has his own crop insurance business and insures organic, conventional, and livestock operations. Of these three groups, he sells the most to organic producers and specializes in organic crop insurance.

> "For organic, you look back just a decade or so ago, and they didn't have specific organic prices for organic crops. They keep improving crop insurance for organics in a really good way. A lot of farmers just don't know that. For me, it's important to be specialized and aware of the options available."

Insurance during and after transition

When a parcel is certified organic, a farmer can often insure their crop at a higher value with federal crop insurance. However, during the three-year transition period to become certified organic, that benefit is not available. Joe said there are a few things to consider in purchasing crop insurance for transitioning acres. The goal is "to transition profitably," because "not many can take a hit for three years and come out on the other side in very good shape financially."

During transition years, if a producer can set a contract at a higher price than conventional (such as a non-GMO grain contract), then they can leverage that higher contract price to increase their guarantee. This option is available for revenue Multi-Peril Crop Insurance (MPCI), and is known as the contract price option.

Once a producer receives their organic certification, they will need to present it to the agent. To purchase MPCI for certified organic acres, producers need to begin establishing their organic actual production history (APH), which requires a minimum of four, maximum of 10, years of yield history. For new organic acres, a producer may use county-specific transitional yields, or T-yields, until they build up their own yield history.

However, if a producer already has certified organic acres in the same county as the newly certified acres, they can use a simple average, or their own history from those other acres. Insurance companies will use the higher of the simple average or the T-yields.

Joe notes the yield histories are crop-specific, and the complex crop rotations on organic operations lengthen the number of years it takes to establish the yield history.

> "The four years can be sort of deceiving. Especially for organic; they're raising oats, wheat, barley, rye, all these other things. It could take a long time to build up those four years of crop history."

Unit considerations

When purchasing a crop insurance policy, a farmer and their agent must decide how to divide up the operation, such as by parcels or enterprises. There are four choices, or unit types, available for MPCI, and each impacts how yields, coverage, and ultimately claims, are calculated. The most common units that Joe works with are enterprise and optional units.

> "The best way to find an agent is to talk with other organic farmers, and see if they like who they're working with. Getting that specialization is key."

Enterprise units combine all fields within a county as a single entity, while optional units treat each field or farm individually. This distinction is relevant if one field underperforms and another has a good year. Those two fields could potentially offset each other under a policy using enterprise units, and the farmer would not be eligible for a claim on the underperforming field. With optional units, however, the underperforming field would likely be eligible for a claim. Because of this, the premium for the insurance policy is usually lower for enterprise units compared to optional units.

> "That variation could be even more pronounced with organic production, because field-to-field yields can really vary just based on planting dates, the amount of rain they got, weather conditions during pollination, early growth, etc."

This is why Joe strongly advises producers to talk with their agents about the coverage right for them, weighing both the premium price and their potential coverage scenarios in the event of loss. Regardless of units, Joe also asks all of his customers to keep specific yield data by field, for a variety of reasons.

> "If they ever go off enterprise units, they'll have their own production history. Also, for audits, things like that, they'd need the production history for each chunk of ground and the records to back it up."

Late and prevented planting

The U.S. Department of Agriculture's Risk Management Agency, which administers federal crop insurance, sets dates by which each crop must be planted. If a producer plants later than that date, they will lose 1 percent of their crop insurance coverage each day, unless otherwise stated, that passes after the date, but their premium will stay the same. This may be an important consideration for organic crops, which are generally planted a few weeks later than their conventional counterparts.

If a producer is not able to plant before the official planting date, usually due to excessive moisture, MPCI will cover a certain percentage of the loss, often referred to as prevent plant. A farmer will work with their agent to file a claim, and then is eligible to be paid a percentage of their guarantee, which is typically 55 percent for corn and 60 percent for soybeans in the Midwest. Joe notes that farmers may want to think about their options strategically.

> "Honestly, I don't have prevented plant claims too often, but you'd be better off late planting if you can. For example, if you get corn planted 10 days after the planting date, then you're 10 percentage points less than your guarantee, which is still probably higher than 55 percent (for prevent plant)."

USDA United States Department of Agriculture | National Institute of Food and Agriculture

NORTH CENTRAL EXTENSION RISK MANAGEMENT EDUCATION

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