CROP INSURANCE FOR ORGANIC OPERATIONS

CONTRACT PRICING AND THE 2020 DERECHO WITH SCOTT SHRIVER

Location:	Operation:	Acres:
Jefferson, Iowa	Organic corn, soybeans, and small grains (mostly wheat and barley)	Approx. 2,000

Scott Shriver farms approximately 2,000 certified organic acres in central Iowa. After earning a construction engineering degree, he worked in that industry for a number of years. He returned home about 25 years ago to take over the farm that has been in his family for generations. In the years since, he's also had the opportunity to acquire other farms.

Scott began transitioning to organic farming in 1998 when he acquired 40 unfarmed acres that were able to go straight into production without transition. Nearly 10 years later, after transitioning a couple of farms each year, his entire operation was 100 percent certified organic.

> "When we were first talking about organic, conventional farming was tough. Prices were down and it wasn't profitable. So, we started to try to make it more profitable, and it's gone from there."

Multi-peril revenue protection

To cover his organic corn and soybeans, Scott uses federal Multi-Peril Crop Insurance (MPCI) revenue protection. Coverage is available between 50 and 85 percent by 5 percent intervals, and Scott insures at the full 85 percent. This means he is guaranteed coverage for—and would file a claim if his revenue fell below—85 percent of his expected revenue.

Put simply, the revenue Scott is covering for a particular crop is 85 percent of his average yield per acre, multiplied by the number of acres, multiplied by the crop price per bushel. This is also known as his revenue guarantee.

When insuring his revenue, Scott's policy uses organic prices set by the U.S. Department of Agriculture's Risk Management Agency (RMA), which administers federal crop insurance. Known as organic price elections, these prices have only been offered since the 2011 crop insurance year, and the list has been expanded each year after. Scott has been using MPCI for about 20 years, and has therefore seen insurance offerings change over time.

> "Originally, they didn't have the organic prices structure, that's definitely the biggest change I've seen. They can insure you [now] at a higher rate."

Contract price option

In addition, Scott signs up each year for the contract price option, which is available for organic operations. Also called endorsements, options can be added to a MPCI policy for a small price per acre, and in some cases, for free. With this particular option, if a producer has a contract for their organic grain set early, then they can use those contract prices instead of organic price elections for the amount of crop contracted. In instances where the contract price is higher than the organic price, this can be a benefit to the producer because they are insuring more revenue.

> "[RMA] sets an organic price, but if you have a contract, and that contract has a higher price, then you can insure your crop at the contract price."

The contract price option needs to be added to the crop insurance policy by the sales closing date, typically March 15. However, signing up for the option in March does not require you to use it. The higher prices are solidified later, often July 15 when a farmer submits their finalized contract(s), and are reflected in the premium price due in the fall. While Scott signs up for contract pricing every year, there have been a number of years he chose not to use it. This doesn't have a huge impact on him, because his premium price would only increase if he chose to use the option. By signing up for it, Scott is simply ensuring he can use the option if he chooses.

2020 derecho

In his years of using crop insurance, Scott has seen his fair share of weather events that triggered claims. However, he's never seen anything like the derecho storm that hit Iowa in August 2020. While his past claims were typically made after harvest, Scott said the derecho's damage prompted him to take immediate action.

> "[In 2020], we had the drought, and then that derecho storm. The storm really triggered me to call my agent and say 'hey, we're going to have a claim this year. We have downed corn, we have beans that have been hailed on pretty badly.'"

Because Scott had soybean fields so severely damaged that he didn't think they were worth harvesting, a crop adjuster visited his farm to inspect them soon after the storm. Scott was concerned about three fields in particular. The adjuster evaluated two of those fields "at zero yield" and released the crop back to Scott, meaning he did not have to attempt harvest to file a claim. He was able to destroy the crop at his discretion. The third field, the adjuster thought might fill out a little better, and Scott had to wait until harvest to file a claim for it.

In other instances when Scott has had to file a claim, he said "the process has been pretty simple," and generally requires an adjuster to measure his grain bins after harvest.

> "I buy crop insurance to reduce risk of loss. You buy it every year, and hope you don't need it."

Q: What is your advice for organic producers thinking about buying crop insurance?

A: I would suggest other organic farmers look for an agent who is aware of the variations in the insurance for organic. I'd also say that the process is not too difficult, so it's nothing to be afraid of.

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

North Central Extension Risk Management Education

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