

# Organic Crop Insurance Resources

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## SPEAKERS

Joe Tilian, Kate Hansen, Christa Hartsook, Speaker 3, Olivia Hanlon

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Christa Hartsook 00:15

Hello, and welcome to the small farms podcast, a production of the small farms program at Iowa State University Extension and Outreach. Our podcast covers the opportunities and challenges associated with real life.



Olivia Hanlon 00:28

In this episode, I visit with Kate Hansen, policy assistant with the Center for Rural Affairs and Joe Tilian. Insurance agent will tell you and Consulting Services Incorporated on crop insurance for organic farmers. I'm Olivia Hanlon, education extension specialist, and we hope you enjoy the show. Kate, I want to start with you since we've never had anyone from the Center for Rural Affairs on can you give me a little bit of background information on what your center does?



Kate Hansen 00:55

Yeah, thanks, Olivia. And thanks for having us on the center for Rural Affairs is a nonprofit established in 1973. And we work to strengthen small businesses, family farms and rural communities. So our main office is in Lyons, Nebraska, but we have four staff here in central Iowa and Nevada, and also staff in South Dakota and Minnesota. And so one topic area we work on is federal agricultural policy, which includes crop insurance. It's something I work on, and of course, what we'll be chatting about today.



Olivia Hanlon 01:24

So as part of your work, you've put together this new conversations from the field guide. Can you tell me a little bit about that?



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Kate Hansen 01:31

Certainly, we're really excited about this new guide, it focuses on crop insurance for organic grain operations specifically. And it's worth noting, we created it after hearing from a lot of farmers that resources specifically on organic for crop insurance are limited. So that's how we put it together. And we know that crop insurance for organic operations has expanded considerably in the past decade. So for example, prior organic farmers could only insure their crops using conventional prices. But now there are over 80 certified organic crops that can be insured at higher organic prices. And also a number of options and considerations for organic. So the guide really sheds light on what those unique options and considerations are. And it's kind of a guidebook for an organic farmer trying to navigate the crop insurance process.

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Olivia Hanlon 02:20

That sounds like a great resource. Could you tell us a little bit about how the guide is organized?

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Kate Hansen 02:25

Yeah, so in the process, I got to work with 14 really knowledgeable individuals, including Joe. So it's a compilation of their interviews, I spoke with seven organic farmers and seven crop insurance agents across the Midwest. And we tried our best to kind of make the guide field conversational or as conversational as possible. So as close as you could get to sitting down with the person and actually talking to them face to face. So there's a photo of them some background on them for the farmers maybe a bit about their operation. And then each interview delves into some specific topics. So with Joe, we talked, among other things about ensuring during transition years, for example, and our interviewees also came from a great sort of diversity of perspectives. So we had a number of agents who specialize specifically in organic. We had an Iowa farmer who reflected on his damage during the 2020 derecho show and kind of what the claims process was like for him, a Nebraska farmer who's also a crop adjuster and has that kind of dual perspective. And just a lot of great stories. And as I said, perspectives came out of it and are reflected in the guide.

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Olivia Hanlon 03:28

Yeah, so it sounds like you've covered a wide variety of topics, could you give us a little bit more into what all of those topics would be?

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Kate Hansen 03:35

So we addressed a number of things, first kind of general questions about crop insurance with an organic lens. So for example, we talked about the timeline for crop insurance in a given year, you know, when you need to buy it by and things like that. But we also include things like when you would need to get your agent, your organic certification documents. So just kind of with that eye to the organic reader. And then we also talk about those options unique to organic, which I think Joe will be able to speak on a bit in a moment. So for example, how do you ensure your organic crops at higher prices? We know that organic farmers work really hard

to manage their crops manage weeds deal with weather events. So how do you actually ensure the revenue you have out in the field? Other questions we address are how might the way you divide up your operation and a policy with what are called units have an impact? What are your options if a crop isn't available to ensure in your county, just to name a few, but I think it'd be a great read for of course, beginning and transitioning farmers, but also experienced farmers that just want to know, you know, am I aware of all my options? Is my policy really the best fit for me as it is right now? And even crop insurance agents who are trying to better understand the perspective of their organic clients? Because, you know, we sat down with them we have seven, right? They're really talking about what their considerations are with crop insurance.

**O** Olivia Hanlon 04:51

That makes a lot of sense. So Joe, now we'll move on to you and kind of delve into the more specifics that she touched on there. Let's talk about insurance options for organic producers what's out there, and how is it different from what conventional producers can access.

**J** Joe Tilian 05:08

So the basic policies through MPCl, which is multi peril, crop insurance, which is subsidized by the federal government, they work similar with they're based off of \$1 amount per acre, and you have a yield history, you have a spring price, you have a fall price, they take what you raise times a fall price subtracted from your spring gearing, those things work exactly the same. The difference between organic is with organics now that this has been going on doing, I've been doing a really good job in the last five years. And it started a few years before that, but the feds have actually captured a way of pricing crops for organics, that treats organic farmers much more fairly than it has in the past. For example, in the past, you know, you're raising a crop that has value, you know, corn, for example, you have, you're raising a crop that has value of \$10 per bushel. And in the past, you could only insure that, you know, the conventional price, which could have been somewhere between 350 and 450 a bushel, so you're really handicapped as far as protecting your risk protecting your your revenue potential. So now they have very, I think, especially in last couple of years, they've really collected a lot of data to make a comparison of what organic crops are valued compared to conventional. And they have factors to take that into consideration to ensure producers at a much a much higher level. And then in addition to that, they offered a contract price option, which goes above crop insurance of basics and basic spring price and fall prices. And if they can go say for example, if you're raising organic soybeans, or organic corn or any of the organic products that are insured in your area, you can go to a processor and get a contract with them for a higher price higher than the organic starting price, you can actually use up to 150% of the spring starting price to guarantee your crops. So you could, for example, the organic spring price is \$10. And you can get \$20 per bushel corn price from a contractor from a processor on a contract could use half of that and actually increase your coverage up to \$15 a bushel instead of 10. So that that's you know, if you're raising 150 bushels of corn per acre, that's your guarantee that's substantial. And that's how they can cover themselves. And really, it's very fair, when they first started trying to get organic prices a few years back, they just didn't have the information and they didn't have honestly a lot of interest in it. And now that's completely changed, you know, or organics production is they expand crops per county and per state every year, they keep adding more and more and more. So it's not only fair, it's pretty exciting that a producer who you know, has a crop, but has, you know, value two or three times what conventional crops are,

they can protect themselves from that. And that's what crop insurance is for you. I always tell people, you buy crop insurance, you can sleep at night, you know, so when the derecho storm rolls through like it did this summer in August, you know, you have assurance that you have coverage. And that's what it's for.

 Olivia Hanlon 08:10

That sounds like a great option for our organic producers out there. And once they're established as organic, but let's talk a little bit about the transition period. I know that's a hard one for most organic producers. So are there insurance options that are different when we're looking at that transition period?

 08:25

Yes. And it's similar to the contract option if they're available, for example. So you have to transition for three years and cut me off. If you want to add any this at any time, I don't want to steal your thunder. But she's done a ton of work on this. And I'm just a pawn in the process. But so if you're transitioning your acres to organic, you have a three year period where you cannot use anything other than organic practices and organic products, okay, so you can't put in hydrous ammonia on your corn or anything else. You can't buy commercial fertilizer, you know, even though you're not spraying it with chemicals, you still can't use any of those things. So it is a very extensive and it's very costly process. I mean, basically, you have to raise organic products for three years, and you get regular prices for him. So that way they can they can improve themselves and get a little more coverage as they can take that contract price option if they can go to a processor and and maybe get a non GMO being contract or something like that, or, or raise peas, beans, sweet corn, popcorn, wheat, those things that they can get a higher price, they can use up to 150% of the transition price with transition prices to conventional prices, they can use up to 150% of that and grow their coverage grow their guarantees. So that's kind of how that works. And that's fairly new. That's that's happened in the last couple of years. So yeah, so the feds have given a lot of attention to that. I know the university's ag universities have helped a lot in that process as well, you know, by just being a voice for people, you know, farmers and whatnot. And so yeah, we We really appreciate you that so yeah, you can get more than just a transitional coverage price by getting, you have to have a contract. Now you can't just say, Well, I think I can get this for it and tell me what the key in your policy, you have to give me the piece of paper that says Here it is, this is how many and it's got to be for all of your all of your production, it can't be for, you know, I got a contract for 100 bushels and I'm going to raise 10,000. It can't work like that either. People have tried that. But so anyway, if you can, if you can get a contract for that, or let's just say you get a contract from an ethanol plant, if you're raising corn or something that's, that's higher than higher than the norm, you can use those.

 Olivia Hanlon 10:32

That is some good information for folks to have. I didn't know that there were options for when you're making that transition. So I guess this question may go more towards Kate, is there a spot in the guide where we can learn more about specific policies,

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Kate Hansen 10:46

I don't think there's a particular spot, most of it is talking about what Joe was just discussing multi peril crop insurance, which is federally subsidized, but we're full of specific highlights, one being whole farm revenue protection. So this is a newer product, and it covers the entire revenue of an operation based on your tax records, as opposed to your harvest or your yields. So this is something that's kind of best fit for diversified operations, there's actually a higher subsidy and lower premium rate available if you have several commodities. And it might be an option. For example, if you have, you know, a number of products, and maybe you want to layer with multi peril. So let's say you have corn beans, and maybe a third crop an organic, of course, a number of crops in the in the rotation. So you could layer multipro crop insurance for your corn and beans, with whole farm for other crops if you wanted to. And that was an option kind of emphasized by a few of the agents I spoke with. So this once again, is kind of an option for those crops that may be harder to insure with more traditional methods, and also for those highly diversified operations.

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Olivia Hanlon 11:51

Okay, so when we're looking at those policies, and we think we want to go about finding our insurance agent, Joe, how do we go about that?

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11:58

Call me. But my selfish plug for the podcast is I cover Iowa and Missouri and I'm going to add more states I'm working on that. But anyway, you can go online to the USDA website, they have agents listed on there, they don't really break them out for what their specialties are. There's not a lot of agents that focus on organics, a lot of them will tolerate it, because it's part of their book, I've had agents call me up and say, Hey, will you will you write this guy's insurance for me just because I'm not up to speed on a lot of things with organic and honestly, they don't want to. So yeah, you can go to the USDA page and find an agent for your area. And honestly, Kate's guide could probably give you some help with that as well. Maybe steer you in the right direction, talk to your fellow organic producers, they'll let you know if their guy is worth his salt or not. And that's a good way referrals, you know, I don't advertise or anything like that. But I get a lot of referrals every year. And a lot of it's not patting myself on the back. But I specialize in this stuff. And a lot of guys just don't want to mess with it. You know, if you if you got 100,000 acres of conventional crops, a small amount of organic production is going to take up a lot of time away from that. So yeah, it's just ask, you know, look at the resources, the industry resources, look at the government resources on the USDA website, those kinds of things, that's the best way I would also

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Kate Hansen 13:15

add to, I think lesser known is that you don't have to work with an agent geographically close to you. So as long as they're licensed in the state you're in, you can work with them. And with technology nowadays, it's very easy to you know, on the phone via email, get everything settled. So don't be afraid to you know, find someone with organic specialization or someone that really clicks, even if they're not right down the road. And also, just to reiterate what what

Joe said, this is really something that came through from my farmers, just making sure that you have someone that's willing to sit down with you willing to run your numbers spend the time with you, as I said, all of the metrics about at least federal crop insurance are set by the government. So no one agent can say, hey, I can offer you you know, a better premium deal or I have sort of something special I can offer you at least with the federal. So really what you're looking for to distinguish between agents is the service they can provide and how much they're willing to actually look at your unique operation and talk through your options with you. But those

 Olivia Hanlon 14:11

are a couple of great tips for people to keep in mind when they're looking for those agents. Okay, is there anything else we need to know about the guide itself?

 Kate Hansen 14:19

Yeah, I think just I hope it sparks conversations between farmers, agents, farmers and other farmers. And of course, if you have any questions or want a hard copy in the mail, feel free to give me a call or email me. You can also download it for free on our website at [CFRA.org/publications](http://CFRA.org/publications). So that's our publications page. And it's it's right on there for download.

 Olivia Hanlon 14:39

Awesome. And then Joe, is there anything that we didn't cover today that you'd like to add on?

 14:44

Now? There's a lot but we don't have five hours. So you know, I think the basics have been covered very well. This guide that Kate and her company have put together is really outstanding. There really hasn't been anything like this in the industry before and they're just going to continue to improve on that as they get more experienced. And they get more data on their end. So, you know, start there. There's a whole lot of other stuff in crop insurance that affects organics. But you know, one thing I'll talk a little bit about what the derecho storm, there were so many claims this year, and guys found out that this has been the policy forever. But not only did they have to send in their organic certification, prove that their organic certified, they have to send in their organic plan, I don't have one on my desk here. But I know one of my customers over in Panora, they raise so many different crops that their, their organic plan is a third ring binder that's probably got 200 pages worth of information in that. So they need to they need to have that on a zip file or something like that. So they can, you know, they can forward it quickly. I got a pretty good scanner, I've scanned a lot for guys, and I have that for them on file. But that's something that was people learned the hard way this year, you know, I got a lot of phone calls, hey, I sent my certification, and why do they need the organic plan, I said, well, that's just part of the process, you know, and we got through it just fine. But like anything else in life, communication is really key. And, you know, for myself, personally, I want to give people as much information as there is to share with, that's why resources like this are very beneficial, and give people information, steer them in the right direction for their

operations. You know, we did talk a little bit about types of units, you know, units in production. So you have basic units, you have optional units, and you have enterprise units. And those three enterprise units treat your whole farm as one big field. So the Feds give you a huge discount, and your premium price for that it's sometimes in some places, it's half of what a regular you know, basic user, and optionally it would cost you but also a year like this is when you find out that you know, you don't have the coverage that you thought you did. Because if one if one field does way better than another one, it's all averaged together. So your losses are less significant, your payment is less significant. And that's a huge huge deal. You know, guide guys found out this year that they're way better off, you know, taking basic units and or optional units, because they're their losses were covered much, much better, they were paid fairly for their losses. And crop insurances is all about, you know, what you harvest in the fall and versus what you plant in the spring, what your what your crop history was in years past. That's what it's based off of. So you're like this with you with the derecho storm, we also had a lot of drought in Iowa and northern Missouri had just a lot of drought. And so with organic producers going with basic units, or optional units as much beneficial because they can vary from field to field with organics, you cannot use C treated coatings, things like that, you can't use any of that. So just a difference of three or four days between when you plan and something can really equate to great yield or average yield or bad yield. Come fall. So those are things that you know, with the unit structure of a policy, I really want explain all of that beyond price sticker, you know, guys are, we're all frugal, you know, we all want the best deal that we can get. It's like okay, I can do this for you know, oh enterprise units, or \$18 an acre and an option units or \$34, I think I'm gonna go at the enterprise unit. So if you don't explain what they're buying to them very well and accurately and thoroughly, you know, you get people that are mad and only got paid this. It's like, Hey, dude, we went over all this, you know, so, you know, having resources and publications in the industry are very beneficial with all those things. So that's about the only thing I think of that we didn't talk about very

 Olivia Hanlon 18:21

much. Yeah, I would have to agree with you there. Crop insurance is something you could delve in for days and days. But it sounds like you guys have a great resource put together for folks out there and I really appreciate you guys coming on to talk about it today.

 Kate Hansen 18:32

Cool. Thanks so much for having us. Olivia.

 Speaker 3 18:35

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