

# Organic Contract Price Endorsement Crop Insurance Proposal

SunOpta/Earthwise 5<sup>th</sup> Annual Organic  
Growers Workshop

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# Organic Crop Insurance Choices Today

- NAP (50/55) – This is the CAT policy type of crop insurance offered from FSA for Blue Corn and other commodities not offered from RMA.
- Traditional products. MPCCI, CRC, RA, IP, etc. Different offerings based on commodity and geographical location.
- APO – Added Price Option. Privately offered endorsement that adds additional price on top of traditional products. Coverage level 50-75%. Coverage level does not have to match (equal or less than) traditional coverage level of traditional product purchased. Must have 4 years database – no new producer.

# Why Contract Pricing For Crop Insurance?

- It is estimated that over 60% of organic row crops produced are acreage production contracts.
- Precedence in green peas, popcorn, seed corn, etc. using contracts to bind crop insurance coverage.
- Significant price discrepancy between conventional price offered and organic contract price received.
- Insuring a positive “buy/sell” margin is more important in high dollar crops as these acres represent  $\frac{1}{2}$  to  $\frac{2}{3}$  of total acres of the total acres farmed. If the other acres are low margin to breakeven, these acres make the P/L for the farm.

# Organic Margin Comparison

- 3 crop rotation, 2 crops must earn 150% expected total margins if one crop is breakeven.
- 4 crop rotation, 3 crops must earn 133% if one crop is breakeven.
- 4 crop rotation 2 crops must earn 200% if one crop is breakeven.

# Organic Contract Price Endorsement

- Purchase endorsement on a traditional MPCCI policy (no RA, CRC, or IP).
- Endorsement only applies to contracted acres only.
- May insure 72-100% of contract price
- Special varieties known to yield less (blue corn) may have a separate APH and T-yield.
- Price determined by production contract price. (different each year).
- Contract price must be established prior to acreage reporting date.
- Copy of contract indicating price, legal description, and delivery specifications must be presented at acreage reporting.
- Final claim settled by act of delivery on contract.

# 2005 Estimated Premium Data Clay County, MN Using \$8.25 Base Contract Price for Blue Corn

APH		50%	55%	60%	65%	70%	75%	80%	85%
80	premium liability	\$330	\$363	\$396	\$429	\$462	\$495	\$528	\$561
	producer premium	\$15.27	\$18.33	\$21.11	\$27.41	\$32.70	\$42.89	\$66.75	\$106.48
60	premium liability	\$248	\$272	\$297	\$322	\$347	\$371	\$396	\$421
	producer premium	\$16.42	\$21.37	\$24.61	\$31.96	\$38.12	\$50.00	\$77.81	\$124.12
40	premium liability	\$165	\$182	\$198	\$215	\$231	\$248	\$264	\$281
	producer premium	\$20.24	\$26.34	\$30.33	\$39.39	\$46.99	\$61.63	\$95.92	\$153.00
25	premium liability	\$103	\$113	\$124	\$134	\$144	\$155	\$165	\$175
	producer premium	\$2.49	\$3.24	\$3.73	\$4.85	\$5.78	\$7.58	\$11.80	\$18.82

# 2005 Estimated Premium Data Clay County, MN Using \$5.00 Base Contract Price for Yellow Corn

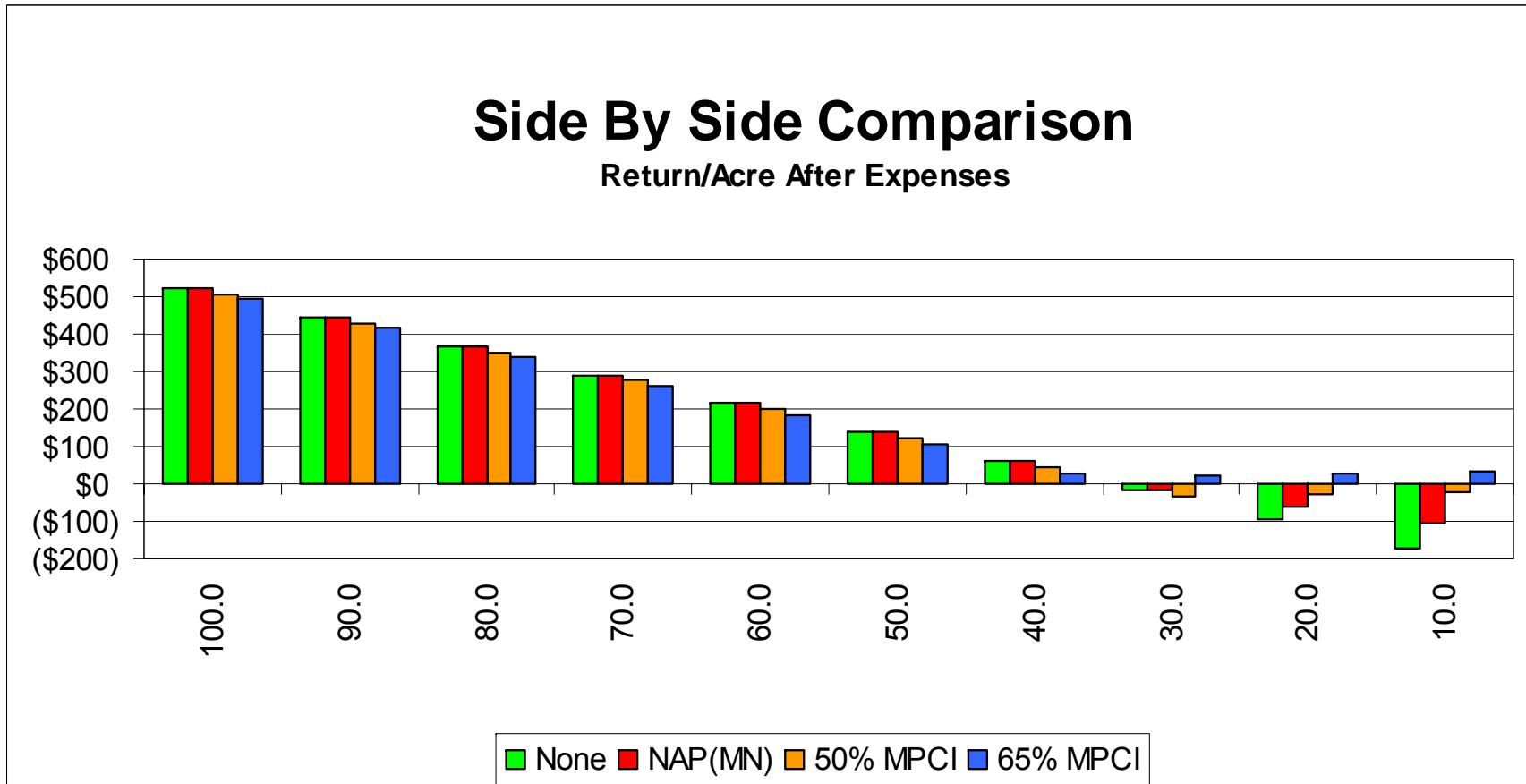
APH		50%	55%	60%	65%	70%	75%	80%	85%
	120 premium liability	\$300	\$330	\$360	\$390	\$420	\$450	\$480	\$510
	producer premium	\$9.44	\$12.29	\$14.15	\$18.37	\$21.92	\$28.75	\$44.74	\$71.36
	2005 premium @ \$2.20	\$4.15	\$5.41	\$6.22	\$8.09	\$9.64	\$12.65	\$19.69	\$31.40
	100 premium liability	\$250	\$275	\$300	\$325	\$350	\$375	\$400	\$425
	producer premium	\$7.87	\$10.24	\$11.79	\$15.31	\$18.27	\$23.95	\$37.28	\$59.47
	2005 premium @ \$2.20	\$3.46	\$4.50	\$5.19	\$6.74	\$8.04	\$10.54	\$16.41	\$26.16
APH		50%	55%	60%	65%	70%	75%	80%	85%
	80 premium liability	\$200	\$220	\$240	\$260	\$280	\$300	\$320	\$340
	producer premium	\$8.54	\$11.11	\$12.79	\$16.61	\$19.82	\$25.99	\$40.45	\$64.53
	2005 premium @ \$2.20	\$3.76	\$4.89	\$5.63	\$7.31	\$8.72	\$11.44	\$17.80	\$28.40

# 2005 Estimated Premium Data Clay County, MN Using \$15.00 Base Contract Price for Soybeans

APH		50%	55%	60%	65%	70%	75%	80%	85%
	35 premium liability	\$263	\$289	\$315	\$341	\$368	\$394	\$420	\$446
	producer premium	\$3.72	\$4.87	\$6.08	\$8.86	\$12.06	\$17.94	\$27.87	\$44.11
	premium @ \$5.00 price	\$1.24	\$1.63	\$2.03	\$2.96	\$4.02	\$5.99	\$9.29	\$14.72
APH		50%	55%	60%	65%	70%	75%	80%	85%
	30 premium liability	\$225	\$248	\$270	\$293	\$315	\$338	\$360	\$383
	producer premium	\$3.81	\$5.00	\$6.24	\$9.09	\$12.37	\$18.41	\$28.59	\$45.24
	premium @ \$5.00 price	\$1.27	\$1.67	\$2.08	\$3.03	\$4.12	\$6.13	\$9.53	\$15.08
APH		50%	55%	60%	65%	70%	75%	80%	85%
	25 premium liability	\$188	\$206	\$225	\$244	\$263	\$281	\$300	\$319
	producer premium	\$4.00	\$5.24	\$6.54	\$9.53	\$12.97	\$19.30	\$29.98	\$47.45
	premium @ \$5.00 price	\$1.33	\$1.75	\$2.18	\$3.19	\$4.32	\$6.45	\$9.99	\$15.85

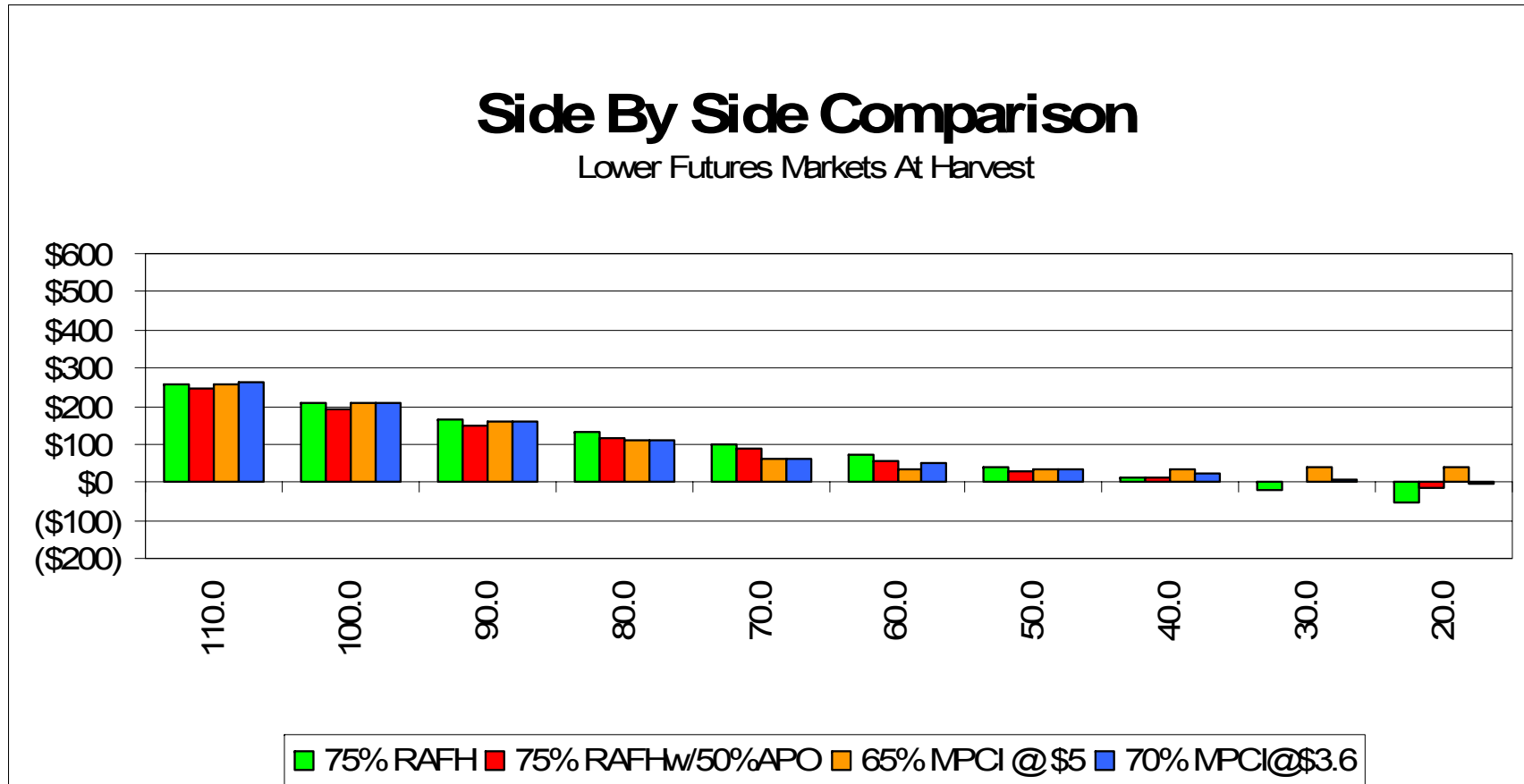
# 60 Bu APH Organic Blue Corn Comparison

Inputs including drying, trucking and land @ \$250/A plus insurance cost.



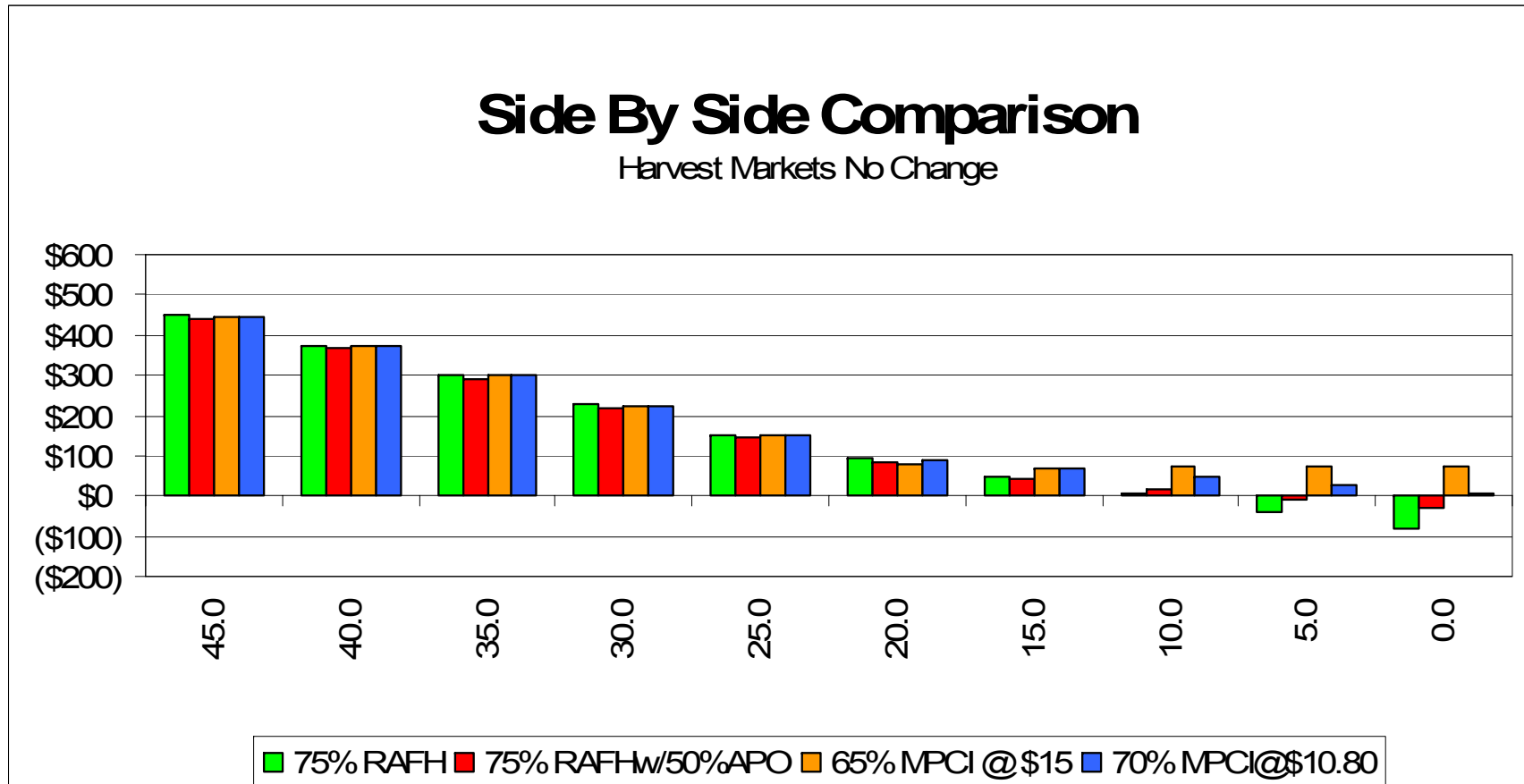
# 100 Bu APH Organic Yellow corn Comparison

Inputs including drying, trucking and land @ \$270/A plus insurance cost.



# 30 Bu APH Organic Soybean Comparison

Inputs including trucking, land, etc. @ \$200/A plus insurance cost.



Thank you for your  
participation and  
discussion.