

# INSURING THE FUTURE

An innovative insurance program promotes conservation practices while removing the financial risk that may discourage producers from using conservation techniques.

Five years ago, Jim Cubie was sitting in a meeting on crop insurance reform. The group was discussing how farmers are hesitant to use conservation practices for fear their productivity will dip down. The group finally hit on a solution that puts a new spin on already existing policies offering "defined peril" insurance, which covers such things as hail or flooding. Why not define conservation practices as "potential perils" and offer insurance to provide financial support?



Jim Cubie

Such insurance is being introduced for the 2000 crop year and could mean farmers will be more likely to adopt conservation practices into their management plans.

The problem up to now? Farmers tend to overuse fertilizers and pesticides to compensate for varying weather conditions. For example, a successful crop may require a certain amount of fertilizer to achieve a certain yield, assuming normal rainfall. Farmers may apply more than the recommended amount for a normal year because it may rain more than expected.

Risk is the biggest reason for this over use sources say. A 1995 USDA Economic Research Service Study surveyed a number of farmers to determine why they were not implementing Integrated Pest Management (IPM) and Best Management Practices (BMP) technologies—using techniques to control point and nonpoint source pollution. The study found that while farmers understand the practices and believe they cut costs, they still do not adopt them. The study further found that farmers perceive the risk of some conservation IPM or BMP practices to be as high as 70 to 80 percent of their cost.

Take the problem of corn rootworm. The Agricultural

Conservation Innovation Center's studies show that farmers often apply insecticides that aren't needed. Tom Buman, president of Agren, Inc. in Carroll, Iowa, the company putting together the framework for the insurance program, agrees. "From university research, I'd say 50 percent of the fields being treated for this don't need to be," he says.

This is where the insurance kicks in. A certified professional scouts for corn rootworm beetles in July and August and makes a "treat" or "don't treat" recommendation. If a "don't treat" recommendation is made, the grower either assumes the risk or applies for the insurance. A root-rating analysis is made to determine if loss has occurred and an insurance claim is made. At crop maturity, if the grower determines that the harvest is significantly affected, an insurance claim is filed and paid.

The cost of the insurance is about \$5 per acre. The cost to treat corn rootworm ranges from \$12 to \$15 per acre.

"The farmer should be saving far more in product savings than he's spending in insurance," Buman says. "With rootworm, we're looking at an almost 3 to 1 savings."

Corn rootworm isn't the only problem the insurance is addressing. Policies are being developed for legume and manure crediting, potato late blight, cold soils, and rainfall/nutrient and weed management.

Tom Green, a consultant for ACIC in Madison, Wisconsin, works closely with potato growers who have experienced late blight. "This disease can cause a crop to be infected and lost in a few days," Green says. "It's the same blight that caused the Irish Potato Famine."

Extension services in Wisconsin have developed software to collect weather information that tells potato growers when to worry about late blight, Green says. "We begin testing in early June, and the weather information allows growers to put off spraying until mid-July," he says. "By identifying the conditions that cause the problems, growers can save one to six sprays."

In the past, if the weather information has been wrong, it was the growers' problem, so many treated their potatoes whether it was recommended or not. The insurance will cost \$4 to \$7 an acre, com-

pared to the \$15 to \$30 for spraying. A bonus in this is an indemnification fund that allows growers who report an infection in their field to get a payment for destroying the crop. "In the past, growers were reluctant to report the problem, because they thought they could stay on top of it and save their crop," Green adds. "This is an incentive that allows the disease to keep from spreading while paying for the crop to be destroyed."

With the money saved on pesticides and fertilizer, and the promotion of agricultural conservation techniques, the picture appears to be a win-win situation for everyone. Yet, most of the parties involved in setting up the insurance program predict a slow start.

"We have to talk to most people a couple of times before they understand it," ACIC's Cubie says. "It's a big intellectual step, but a rational farmer will buy the insurance."

Agren's Buman agrees. "Farmers are reluctant to not treat a field, because there's the possibility they'll fail," he says. "We really don't know until we offer it how many people will take advantage of it."

Mike Carter, director of government and grower relations for the Wisconsin Potato and Vegetable Growers' Association, says his group sees the insurance as one tool that can be used in agricultural conservation. "To be honest, most of our growers are already using BMP," Carter says. "We're always looking for new ways to use IPM and not just using spraying to control late blight."

Carter adds that there seems to be a skepticism among growers about any kind of crop insurance. "It covers the crop from seed until the severity gets to a certain level, so it's a short-term protection," he says. His group continues to look at other ways to implement BMP, including using chemical with reduced toxicity, studying overwin-



Tom Buman performing a chlorophyll test.

tering patterns on insects, using certified seed, and spending almost \$300,000 a year on research, some of which is spent exploring exactly how late blight is spread.

Cubie predicts that within five to 10 years defined peril insurance will be more widely used and that more agricultural problems, especially those that can use weather prediction models, will be available.

"This program has big advantages: It increases the economic value of IPM and BMP systems, and the conservatism is built in," Cubie says. ♣

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