

Risk-free SAVINGS

Warranty program protects against income loss

By Gene Lucht, Iowa Farmer Today

CARROLL -- It's one of the worst-kept secrets in agriculture. A lot of farmers have the habit of applying just a little extra nitrogen as "insurance" against yield loss.

The people at Agflex and American Farmland Trust (AFT) would rather have farmers get insurance some other way, and they have a way to do that as part of their Nutrient BMP CHALLENGE.

"What we're really doing is replacing product insurance with financial insurance," explains Tom Buman, vice president of Agflex, a small company based here that helped develop the warranty-type structure for the program. He stresses it is not an insurance product per se.

It is a way for farmers to protect themselves against what they perceive as possible lost income from not putting on enough crop nutrients.

"The goal is to get people who have been leery about trying university-recommended rates for nutrients to try this risk-free," says Regina Hirsch, an environmental consultant working with the AFT to sign up farmers for the new program.

First tried this past year in Ohio, the program is available this year to farmers in Iowa, Illinois, Indiana, Minnesota, Michigan, Ohio, Pennsylvania and Wisconsin who grow corn for grain or silage.

Participating farmers pay nothing up front.

They enroll a field before commercial fertilizer has been applied. They then apply normal fertilizer rates to a check strip in each enrolled field.



Stan, left, and Tom Buman inspect a soil probe used to ensure farmers use best management practices.

IFT photo by Gene Lucht

On the rest of the field, they apply university-recommended Best Management Practice (BMP) levels of nutrients, working through a local crop adviser on the process. After harvest, the adviser will check yields in the test strip and the rest of the field.

If you earn more money — not necessarily higher yields, but more profits — on the BMP area, you pay 33 percent of the additional profit up to a maximum of \$6 per acre. If you lose money following the BMPs, the company pays you for that difference.

This year could be interesting for farmers considering ways to improve their profitability because the price of commercial fertilizer has risen dramatically, Buman says.

“The people who are over applying have the most to gain (by entering the program),” Buman adds. “This is a chance for savings with no risk.”

He gives the example of an operation where a farmer has been applying 180 pounds of nitrogen at 28 cents/lb. and 75 lbs. of P at \$22.50/acre for a total fertilizer cost of \$72.90/acre.

If they change to a BMP rate of 150 lbs. of N at the same price and 35 lbs. of P at 30 cents/lb. — or \$10.50/acre — the total fertilizer cost would be \$52.50/acre. That’s \$20.40/acre less on fertilizer.

If the test plot under the old practices yields 180 bu./acre at \$2.20/bu. and the BMP area yields 165 bu./acre at the same price, the test plot would gross \$396/acre while the BMP would gross \$363/acre.

Even with the savings in fertilizer costs, there would be a net loss from the old program of \$12.60/acre.

That sum would be paid to the farmer in this program through the performance guaranty.

But, if the BMP field yields 190 bu./acre for a gross of \$418/acre, there would be a total savings of \$36.40/acre after the \$6/acre contribution to the guarantee.

The hope, Hirsch says, is this would not only save farmers money but would be an educational program that would lead farmers to reduce fertilizer usage.

For more information, farmers may contact Hirsch at 608-873-8393 or e-mail her at regina.hirsch@sbcglobal.net. They also may contact Agflex at 712-792-6248.

On the Web

<http://www.bmpchallenge.org/>

<http://www.agflex.com./>

<http://www.farmland.org./>