

# RISK CHOICES – CHOOSING ORGANIC PRODUCTION INSURANCE

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Commercial organic crop producers are running a business. To be successful in any business, you need to identify risks that can negatively affect your business and then choose good strategies to manage these risks.

The sad reality is you can't make risks go away. All you can do is develop strategies that will either avoid, transfer, or lessen the risks. Experienced organic crop producers will tell you that one of the greatest risks they continually face is the possibility of obtaining a production shortfall due to natural perils beyond their control. A production shortfall usually results in a revenue shortfall, potentially even to the point of putting you out of business.

Organic crop producers should be asking themselves what they can do to reduce the risk of having a production shortfall – because, like all producers, they will experience a shortfall at some point. How can you reduce the risk of a production shortfall? For organic producers, that is where production insurance comes in. Production insurance transfers a portion of your production risk to Manitoba Agricultural Services Corporation (MASC). If your yield falls below the production insurance guarantee, MASC will make up the difference at a predetermined price per unit – it is like having a guaranteed minimum wage. The benefit of production insurance is not only in receiving a payment when you have a production shortfall, but in terms of security when you don't. For example, with the security of a MASC minimum yield and price guarantee, you can be more aggressive when negotiating loans and marketing contracts, and you'll even be able to sleep better at night.

Organic crop producers in Manitoba can select to insure their acreage under either the MASC organic or conventional insurance programs. However, because under its conventional programs MASC expects the same level of management (e.g. weed control) as conventional producers would achieve and does not recognize an organic price premium, many organic crop producers select the organic insurance program option. Under the organic insurance program, MASC recognizes an organic price premium and accepts management prac-

tices used by organic producers for coverage purposes. Fifty-four producers, representing roughly one-third of organic acres of eligible organic crops, were protected by MASC organic insurance coverage in 2006.

In Manitoba, the three major organic crops (wheats, flax, and oat) have an organic insurance option available. To be eligible for organic crop insurance, you must be an experienced organic grower able to present at time of application a market certificate from a CFIA- or USDA-recognized certifier. If organic insurance is selected, all acres of the eligible organic crop must be insured, excluding transition acreage. Acres of land in transition from conventional to certified organic can only be insured as conventional production, not organic. It is also important to recognize that the probable yield used for coverage by MASC starts out as a provincial average, but as a producer's own production information is available, it is incorporated into the producer's own individual coverage.

Table 1 has been provided to give you a feel for what coverage is available to Manitoba organic crop producers and what it might cost. Although the 70% coverage example is presented, producers have the option of selecting a lower cost (50% coverage) or higher cost (80% coverage) program as well. Most producers select 80% coverage. To determine what you would receive for coverage on your farm and be charged for premium, you need to discuss the program with your local MASC insurance agent. It is important to note that the governments of Manitoba and Canada cost-share in administering this program and also subsidize the premiums, which means producers receive extremely good value for their insurance premium.

Production insurance may not address all your

**TABLE 1 - MASC ORGANIC INSURANCE EXAMPLES**

Prob. Average (2007)	RS Wheat	Flax	Oat
Unit Value (\$/bu)	5.72	8.97	3.05
Prob. Yield (bu/ac)	23.2	11.5	46.6
70% bu Cov (bu/ac)	16.2	8.1	32.6
70% Cov (\$/ac)	92.66	72.65	99.43
70% Total Rate (%)	13.6	18.2	17.8
70% Prod Premium (\$/ac)	5.05	5.28	7.08

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risk management needs, but it is one strategy selected by many organic crop producers to address the major risk of production shortfall. Organic crop producers already recognize that there is more to business than maximizing profits. Those producers who chose to recognize the importance of minimizing losses through production insurance will accrue the greatest dividends. If you are an organic crop producer who is not already insured, you can improve your risk management today by contacting your local MASC insurance office. The deadline to sign-up for 2007 coverage is March 31, 2007. Financing options for organic producers are also available from MASC. Contact your local MASC Lending Representative for more details.