



**Title:** Financial Safety Net for Corn Farmers Who Use Nutrient BMPs

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**Organization:** IPM Institute of North America

**State:** WI      **Region:** Heartland

**Year of Funding:** 2000

**Theme:** Nutrient and Pesticide Management

**Situation:** Farmers routinely apply greater than recommended amounts of nitrogen (N) and phosphorus (P) fertilizer to ensure maximum yield. Best Management Practice (BMP) fertilizer rates, recommended by university experts, extension agents and state regulatory agencies, are designed to maximize economic returns to farmers over time, but in any one year they may result in lower yields. For example, excessive spring rains can cause nutrient loss through leaching and runoff, or bumper crop conditions may cause the crop to draw more nutrients than provided by BMP application rates.

**Objectives:** American Farmland Trust, with funding from USDA-CSREES, USDA-NRCS, US EPA and private foundations, has partnered with the IPM Institute of North America and Agflex to developed unique financial risk management products to protect farmers and their advisors from the economic consequences of yield loss when BMPs fail to deliver top yields.

**Methods:** We have produced two pilot products: an federal crop insurance endorsement and a commercial service agreement. Both products compensate corn farmers when BMP application rates for N and P fail to make top yields. A yield comparison is made at harvest using a check strip fertilized at a higher than BMP rate, and the balance of the field, fertilized at the BMP rate. The BMP rate is determined following the nutrient planning procedure recommended by university, extension and state regulatory experts. Nutrient planning information is audited to ensure conformance with state standards.

**Partnerships:** The project has been a partnership between American Farmland Trust, the IPM Institute, Agflex, a new Iowa corporation formed to commercialize the products, and Agren, an Iowa consulting firm

**Research:** Data from university researchers from across the corn belt were compiled and analyzed for frequency and extent of yield shortfalls after fertilization at BMP rates, to determine the cost of the financial risk management product. State agencies in three of the four pilot states for the Endorsement submitted a joint proposal to the USDA Risk Management Agency, and hired an educator to meet with key influencers, present at trade meetings and exhibit at trade shows. Agflex completed informational mailings to insurance agents and Certified Crop Advisors in the pilot states.

**Resources:** Funding sources include USDA CSREES, USDA NRCS, USDA Risk Management Agency, the Great Lakes Protection Fund and the Joyce, McKnight and National Wildlife Foundations and others. USDA CSREES Small Business Innovative Research funding leveraged private commercialization capital.

**Results:** The pilot federal crop insurance endorsement will be offered by two or more crop insurance companies in four pilot states (IA, MN, PA and WI) in 2004. The commercial service agreement was first piloted in Ohio in 2002 on 240 acres as part of an EPA 319 project operated by Ohio State Extension, and was expanded to watershed projects in Wisconsin (120 acres) and Minnesota (99 acres) in 2003. We anticipate more than 20,000 acres will be covered in six states in 2004. The commercial market for the products is a corn farmer who applies \$20 or more in N and P fertilizer over and above BMP rates.



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