

## **NUTRIENT BMP ENDORSEMENT A RISK MANAGEMENT TOOL**

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The U.S. Department of Agriculture's Federal Crop Insurance Corporation (FCIC) has approved a new pilot insurance plan, Nutrient BMP Endorsement. The new insurance will be available to eligible farmers in Minnesota, Iowa, Wisconsin, and Pennsylvania for the 2003 season. The Nutrient BMP Endorsement is an optional endorsement to a farmer's Multi-Peril Crop Insurance (MPCI) or Crop Revenue Coverage (CRC) crop insurance policies for corn.

Nutrient BMP Endorsement was created to give producers a risk management tool. Producers are required to follow their state's extension service agronomic recommendations and best management practices (BMP) for nitrogen. Some producers may be reluctant to adapt extension recommended application rates because they believe these rates might not optimize their yield potential. In the event that lower nutrient application rates are recommended, this insurance could help manage the risk of a possible reduction in yield.

### **Why Purchase Nutrient Management Endorsement**

The producer's goal is to maximize yield while minimizing production costs. However excess nitrogen and phosphorous from commercial fertilizer and manure applications are related to impaired surface and groundwater sources in Midwest states. The continued reluctance by producers to adapt extension recommendations for fear of less than optimized yields hinders the adoption of environmentally and economically sound nutrient management practices. Nutrient BMP Endorsement could lessen the producer's perceived risk.

### **How Nutrient BMP Endorsement Works**

A certified crop consultant works with the farmer to develop a nutrient management plan for the insured acres. Also the consultant helps set out a comparison strip. The farmer will fertilize one of those strips with whatever rate of fertilizer he or she feels is adequate to ensure a maximum yield potential. The remainder of the insured acreage is fertilized at the recommended nutrient management plan rate. If the yield on the nutrient management rate strip is less than the strip fertilized at a higher rate, the farmer is paid an indemnity minus a 5 percent deductible. Producers may take out the policy on nitrogen and phosphorous or on individual components.

### **Qualified Crop Consultant**

To provide the nutrient management planning information and determine placement of the check strip, the consultant must be currently certified by one of the following organizations: National Alliance of Independent Crop Consultants (NAICC), American Society of Agronomy (ASA, Certified Crop Advisor Program) or ARCPACS in a discipline applicable to the area of Crop science, or certified by a government agency as eligible to complete nutrient management plans.

### **The Check Strip**

The check strip, or comparison strip, is an area of the insured field that is fertilized at a rate higher than the recommended BMP rate. The check strip must be 40 to 60 feet wide and run the length of the field, excluding end rows.

## **Nutrient Management Plan**

A nutrient management plan, or Nutrient BMP Plan, is required to purchase the endorsement. Summary information from the plan is required on the application, and the insured producer must make the entire plan available for insurer inspection on request. The plan must follow the University of Minnesota-Extension nutrient recommendations and best management practices. This will include allowance for manure credits, organic matter, soil tests, and legume credits.

## **The Corn Crops that Currently Qualify**

The corn must be intended for grain and be eligible for and covered by an MPC or CRC insurance policy. The corn acreage may not be irrigated and a crop other than corn (e.g., soybeans, alfalfa) must have been planted in the field the previous year. Also the same hybrid must be planted across the entire endorsement management unit.

## **The Price of the Endorsement (Subject to Change)**

The price of the endorsement varies by service option and state. The full-service price is \$9.13 per acre in Wisconsin and \$9.39 per acre in Minnesota and Iowa. At crop maturity, if the farmer determines that yield is satisfactory and does not call for an adjustment, a \$2 per acre adjustment credit will be applied. The endorsement price also includes a \$1.25 per acre fee to have the insurer hire a certified crop consultant to set out the comparison, or check strips. The farmer may avoid this fee in whole or in part by making his or her own arrangement to have the strips set out, as long as this is done by a certified crop consultant approved by the insurer.

## **Claim Adjustment**

If the farmer suspects a yield loss greater than the 5 percent deductible on an insured field, he or she will call the insurer to arrange for an adjustment. An adjuster will visit the insured field, supervise farmer harvest of the strips, weigh the harvested production using a weigh wagon or portable scale, and compare the yield of the check strip to the yield of the adjacent strips.

## **Conclusion**

Nutrient BMP Insurance is a risk management tool to minimize real or perceived economic implications due to adopting lower nutrient application rates. It promotes the adoption of the extension service nutrient recommendations that are both environmentally and economically sound.

Nutrient BMP Endorsement is subject to final review by Risk Management Agency. However the endorsement should be available for purchase in January 2003. The endorsement must be purchased by March 15, 2003.

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