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Taking the Risk out of Growing

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Get the right insurance for your operation's needs

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Winter weather conditions are one of many risks that growers face.

Product contamination is just one of the risks growers face. Too much rain or too little, temperatures too high or too low, can also set the stage for crop failure. Throw in economic and labor conditions, and you may conclude that agriculture is a poor gamble.

Despite the obstacles and potential disasters, there are steps beyond traditional crop insurance that you can take to mitigate the risk inherent to the industry.

Product recall insurance

"I can insure the gold on Mr. T's neck, so I was amazed that there was nothing for growers," says Thomas Elms of the Thomas Group Insurance agency (www.thethomasgroupinsurance.com) in Stafford, Ariz.

Elms learned that coverage for packers, shippers and similar entities is readily available, but farmers have been left out in the cold.



Weather derivative contracts protect growers in the event of drought or excessive rain.

That situation now has been rectified. Elms has collaborated with Lloyd's of London (www.lloyds.com) to develop a product recall protection policy. Up to \$1 million in coverage is available in the United States as an endorsement to Lloyd's existing agricultural policy.

Elms says the nature of food recalls made the product development tricky. The term "recall" is cited by the media, according to Elms, but not federal agencies, making it difficult to identify conditions under which claims can be filed. The "trigger" underwriters settled on is governmental issuance of a health advisory.

"Lloyd's looks at this as a new venture with lots of liability," he adds. "If we can get a large pool of customers, premiums will decrease." Some type of approval program certifying a grower's compliance with good agricultural

practices may also drive down costs.

Taking charge of the weather

Putting an end to late freezes and ongoing droughts is every grower's dream. No one has developed the magic formula, but there is a product to help manage the financial sting.

Noninsurance weather derivative contracts have been around for more than a decade. This service protects revenue and helps control costs for any weather-sensitive enterprise. Jeff Hamlin, business development director at San Francisco-based WeatherBill (www.weatherbill.com) says his product is ideal for the agriculture industry.

"If there is a weather event that you worry about, we can take the financial risk away and pay you if it happens," he says.

For example, early strawberry harvests are financially rewarding for farmers in places such as California, Florida and Louisiana, but low temperatures at the wrong time can leave the fields loaded with spoiled fruit and bank accounts sitting empty. A grower can cast those fears away with a weather protection contract. If temperatures drop below 32 degrees during the covered period, a payout is automatically issued. Unlike insurance products, there is no damage assessment; the agreed-upon sum is paid based upon the weather conditions, regardless of their effect on a crop.

WeatherBill studies historical weather data to determine its risk in each contract. Pricing is based on the likelihood of the undesirable weather occurring. Contracts can be purchased as late as four days prior to the time period being protected, but for contracts issued 21 or fewer days in advance, current forecasts are evaluated. Thus, a short lead time will mean that pricing will be adjusted day by day and will likely be more expensive than for early birds. The coverage time period can be as long as several months, but Hamlin says most clients focus on crucial points when cash flow is most important.

These contracts also lessen the risk of a financial shortfall for events. If a pick-your-own apple orchard sees its highest traffic on the first two Saturdays in September, it can obtain coverage in the event of rain. If there is more than .25 inch of rain, for example, the contract would offer a cushion against the lost revenue.

WeatherBill is available for online purchase, and its Web site includes a user-friendly cost calculator.

Put your fingers on the facts

The concerns about food safety require intense record-keeping. The need to document farm practices is a big job, and accurate, accessible reports can help turn food safety concerns to buyer confidence. Agrian (www.agrian.com) is a company that assists everyone along the food chain to trace products from field to fork. Some of its services are even offered at no cost.

Agrian Grower and Documented Grower use Web-based tools to collect crop data and deliver it where needed. Agrian Grower, a cost-free tool, lets growers receive crop adviser recommendations online. Use reports can be forwarded electronically to state and county agencies. It facilitates GIS/GPS map tracking and looking up product labels, and its label database is free to manufacturers, making comprehensive information available to the agriculture industry. More than 160 companies, such as Bayer CropScience and Dow AgroSciences, representing 3,000 products are included. Any grower can access product label information, such as crop-specific guidelines, DOT facts and organic certificates.

Documented Grower includes the above services and additional features for an annual fee. The program manages food safety compliance documents that can be archived, uploaded and transmitted to food processors, handlers and shippers. Subscribers can use the Documented Grower logo on their marketing materials.

Agrian says that within a year of its 2007 launch, it was tracking data for more than 52 percent of California's crops. It offers similar services to handlers, processors and shippers.

Getting a seal of approval

Purfresh, Inc. (www.purfresh.com) provides food wash systems, cold chain technologies and other agricultural and food safety products. Its Quality by Purfresh program recognizes clients who meet certain food safety standards. Emphasis is placed on fresh and high-quality produce grown with the safest inputs, and the program encourages environmentally and worker-friendly processes. Qualifying growers may use the program logo on Their products and promotional materials to help distinguish their produce.

Lucky's Real Tomatoes received the designation last June, and it considers the program an opportunity to demonstrate its commitment to quality to consumers.

Good agricultural practices

Simply ensuring everyone employed in your operation is up-to-date and in compliance with good agricultural practices (GAP) can increase the safety of your products. Record-keeping and hand sanitation are two simple, inexpensive measures that can pay off handsomely.

There are many resources for GAP information. The University of California-Davis (http://groups.ucanr.org/UC_GAPs/GAP_Self-Audits/) offers online self-audits in several areas including water, soil amendments, and field and packing shed sanitation, and Cornell (www.gaps.cornell.edu/educationalmaterials.html) has published materials available in several languages, including educational booklets, posters, assessment tools and record-keeping forms. Your local cooperative extension service may offer workshops and other support.

Growing will never be an easy task, but by analyzing your operation and putting a risk mitigation plan into action, you can minimize the possibility that the next big food scare will fall at your doorstep.

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