CASE STUDY

CROP PLAN WARRANTY THAT REDUCES TRANSITION RISKS



PRODUCTION CHANGE: Applicable for any production change that can impact yields (e.g. winter cover cropping, reducing nitrogen fertilizer application, reduced tillage and use of biological inputs).

FOCUS REGION: U.S.-wide

EXISTING INSURANCE OPTIONS:

Farmers can access conservation and sustainability programs to receive financial incentives, like cost-share. However, none of these programs provide risk-sharing solutions. Growers Edge offers a customizable Crop Plan Warranty that compensates farmers if their production doesn't meet an established, expected benchmark when trying new agricultural products or practices. Some of the warranties available include seed and input bundles, specialty crop soil health programs and biological fertilizer programs.

INSURANCE GAPS:

No Federal Crop Insurance Program product exists to cover production risks from implementing new practices besides the Transitional and Organic Grower Assistance Program. TOGA provides crop insurance premium subsidies to producers transitioning to organic or managing certified organic grain or feed. An insurance gap exists that prevents farmers from sharing the risk of transitioning to new practices with the market. Without sustainability programs and insurance set up to pool the risks that new practices bring, many farmers are unable to safely innovate on their operations.

To learn more:

business.edf.org/farm-finance/

PROPOSED SOLUTION:

Crop Plan Warranty reduces the financial risk of transition to new practices, inputs, and crops for farmers. The warranty is set up by a supply chain partner such as an ag manufacturer, grain trader or CPG paying Growers Edge a flat per acre fee to cover a defined share of the farmer's yield risk over the crop plan period. If growers use the inputs as directed and yields fall below expected targets, the warranty pays the farmer, at no premium cost to them. The warranty is designed to be deleted. Once a grower has adopted a new practice successfully, they don't need the warranty anymore. The warranty approach can be customized and scaled to any new practice, crop or input that has a measurable outcome, in any region. This is the only product of its kind operating on a commercial scale. Growers Edge is a portfolio company of S2G Ventures and the product is backed by Munich Re, the world's largest reinsurer.

KEY STAKEHOLDERS:

Agricultural retailers, input manufacturers, farmers/growers, agronomists, data/technology providers, and reinsurers.

CURRENT STATUS:

Scaling up from existing 2+million acres.

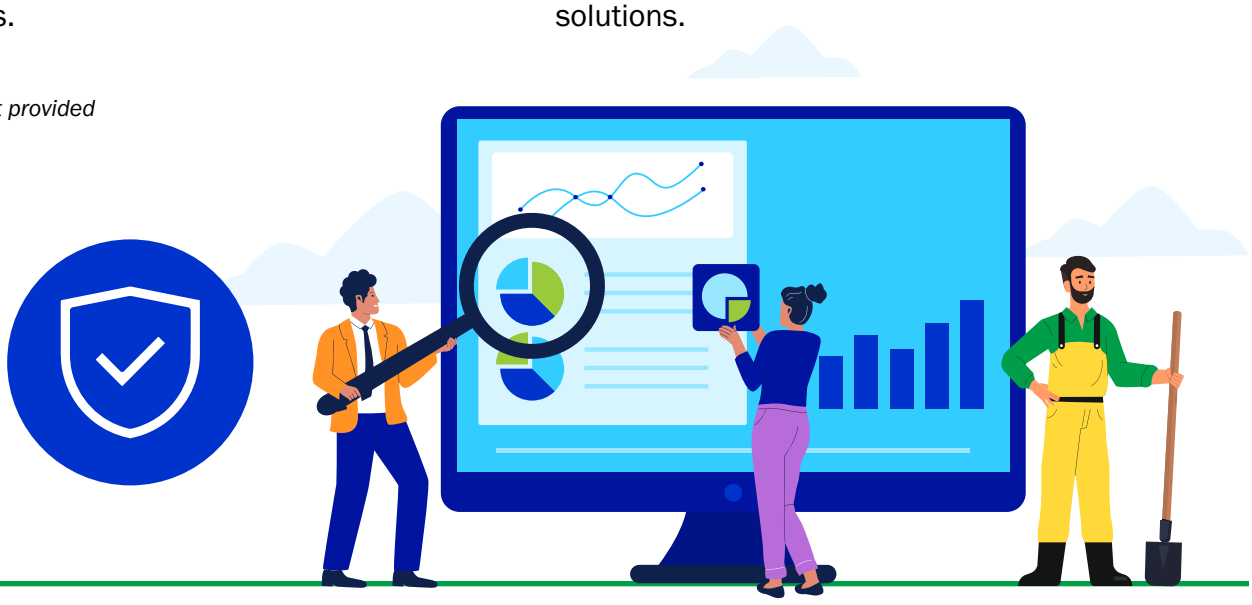
Farmers want to adopt new conservation practices — but transition risks hold them back.

Derisking the adopting of new practices with a warranty can boost farmers' confidence in testing the practices.

PATHWAY TO SCALE:

As enough data accumulates and farmers establish historic yields for new crops or practices, these field/county specific datasets can directly support the FCIP in developing federal crop insurance products that include better management practices and more diverse crops with sufficient actuarial history, overcoming the long-standing data gaps that have limited federally supported risk share solutions.

Case study content provided by Growers Edge.



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