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### **Soybean Rust Considerations in Share-rent Arrangements and in Crop Insurance**

Some individuals have questioned how fungicide costs should be shared under crop-share arrangements. In addition, significant discussion has ensued concerning crop insurance coverage for rust-induced losses. These issues are covered in the following sections.

#### **Fungicide Costs and Share-Rental Arrangements**

Many share-rent arrangements share chemical costs (i.e., herbicide, insecticides, and fungicides) between landlords and farm operators in proportion to the shares of crop revenue. Under many 50-50 share-rent arrangements, for example, landlords receive 50% of the crop revenue and pay 50% of chemical costs. In these cases, fungicide costs for rust-control likely will be shared equally.

Questions of how to share fungicide costs arise under arrangements that do not share chemical costs in proportion to crop revenue. For example, some 2/3 – 1/3 leases, in which farm operators receives 2/3 of the crop revenues, have farm operators pay all the herbicide costs. In these situations, there may be ambiguity whether fungicide costs should be shared equally or be paid totally by the operators.

Written leases may not totally clarify how fungicides should be split because some may not specifically mention fungicides. For example, the “Illinois Crop-Share Cash Farm Lease” available in the law section of *farmdoc* has categories for herbicides and pesticides where splits in costs can be indicated, but does not have a category for fungicides. Technically, fungicides are a sub-category of pesticides and the cost likely should be split according the percentage indicated for pesticides.

In general, clarifying up front how fungicide costs will be shared is wise. In some cases, written leases will be ambiguous on how fungicides should be split. If an oral lease is used, the issue obviously needs clarification. Because fungicides provide protection against crop losses for both the farm operator and landlord, sharing fungicide costs in proportion to their shares of crop revenue seem fair if not specified in the written lease.

#### **Documenting Soybean Rust Activities for Crop Insurance Claims**

The Risk Management Agency (RMA) continues to clarify how Asian soybean rust will be covered under multi-peril crop insurance policies (see a recent press release on RMA’s website, <http://www.rma.usda.gov/news/2005/03/soybeanrust.html>).

As a general rule, multi-peril crop insurance policies will cover all naturally-occurring losses, including those from soybean rust, as long as “good farming practices” are used. By definition, good farming practices are recommended by agricultural experts so the crop will reach the production guarantee set

forth in the insurance policy. Economic considerations do not necessarily determine good farming practices. Failure to use a practice because it is uneconomical could invalidate the crop insurance coverage.

For soybean rust, concerns with good farming practices can be divided into two areas:

1. Detecting soybean rust. Failure to detect soybean rust because of negligence could result in loss of insurance coverage.
2. Controlling rust. Once rust is detected, farmers will have to engage in yield-loss control measures, which will usually involve spraying fungicides. RMA is not likely to provide guidance as to the type of fungicide to be used or the frequency of spraying. If questions arise about whether a farmer followed good farming practices, recommendations of agricultural experts will be relied on. Hence, documenting agricultural expert recommendations could prove beneficial if questions arise.

For those policies with claims, RMA may audit some farmers to validate that these farmers have followed good farming practices. The following may prove useful under an audit:

**Document rust monitoring activities:** Farmers are responsible for detecting soybean rust; hence, providing evidence that monitoring is taking place is warranted. This documentation could include 1) logs of scouting activities on their own farms and 2) lists of sources that are monitored to determine if rust is moving into the area (i.e., websites, Extension).

**Contact insurance agents if rust occurs:** Farmers should contact their insurance agents if rust occurs. As a general rule, farmers should report losses to their agents any time they expect losses to occur.

**Document spraying activities:** If rust is detected, farmers should document fungicide applications. This could include a field-by-field list of spray dates, fungicide applications, application methods, and applicators.

**Document why rust-infected fields are not sprayed:** Documentation should be kept if a field is not sprayed for some reason. Reasons for not applying fungicides include:

1. Fungicides were not available. In this case, documenting the suppliers that were called for spray seems warranted.
2. Applicators were not available to apply fungicide in a timely fashion. A log of applicators that were called, along with the wait time for application, seems warranted.
3. Weather conditions prevented spraying. Providing summaries of weather conditions may provide useful documentation.
4. Fungicide applications would not control yield losses. In some cases, fungicide applications may be ineffective at controlling losses. Documenting experts' advice in these cases seems warranted.

**Document no matter the crop insurance policy:** RMA specifically states that group policies (GRP and GRIP) fall under the good farming practice clauses. Hence, providing documentation is important even in the cases of group policies.

The above are “an ounce of prevention”. Given that the crop is being protected, most farmers will not run into coverage issues. The above activities provide evidence that good farming practices were being followed.

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