Seed cost benefit for processing crops

This benefit applies to processing green and wax beans, processing green peas, processing lima beans and processing sweet corn crop plans. It applies to a grower whose processor contract specifies that the processor may invoice the grower for the cost of the seed and where the processor has agreed to pay the seed cost portion of the grower's premium.

Seed cost benefit

The purpose of the seed cost benefit is to provide compensation for the cost of seed when an insured peril results in a:

a) Reseeding or replanting benefit;
b) Production shortfall claim (zero production);
c) By-passed acreage benefit.

The seed cost benefit compensates insured growers for the actual seed costs as invoiced by the processor, up to a maximum amount as set out in the *Ontario Processing Vegetable Grower's Contract* or the amount set out in Agricorp's annual information sheet for processing crop plans, if an eligible processing crop must be reseeded or is not harvested due to an insured peril.

The seed cost benefit premium is identified separately on Agricorp's invoice to allow the customer to invoice the processor for the portion of the premium that is associated with the seed cost benefit.

Reseeding or replanting benefit

A reseeding or replanting benefit is paid when a processing crop fails to germinate or produce an adequate plant population due to an insured peril. Both the processor and Agricorp must agree that the insured grower may reseed. Agricorp pays a reseeding benefit to the grower based on the original crop planted and according to the *Contract of Insurance: Terms and Conditions.* The reseeding or replanting benefit includes the seed cost benefit plus planting and tillage costs associated with reseeding, as determined by Agricorp in accordance with generally accepted industry standards.

Insured growers must report damage and obtain written authorization from both Agricorp and the processor before reseeding or replanting. The grower must also complete and sign a *Spring Reseeding Form* and provide a copy of the processor's seed cost invoice.

> ***Example (for illustrative purposes only)***
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> *The maximum reseed benefit is $258 /acre and includes a maximum seed cost benefit of $215/acre. An insured grower contracts and plants 100 acres of green peas. Excessive rain damages 20 acres and they must be reseeded. The grower reports the damage to Agricorp. An Agricorp adjuster meets with the grower and agrees to the reseeding of 20 acres. The grower obtains written authorization to reseed from the processor, and the processor sends an invoice to the grower for the cost of the seed (in this case, $215/acre x 20 acres = $4,300). The grower forwards the invoice to the adjuster.*

Agricorp determines tillage and planting costs to be $43/acre. Agricorp issues a cheque to the grower and any assignees for a reseeding or replanting benefit of $5,160 ($258/acre x 20 acres). For this claim, the seed cost benefit is $4,300 and the balance of the reseed claim is $860.

Production shortfall claim (zero production)

A seed cost benefit is payable in addition to a production claim on any acres that had zero production due to an insured peril. If the yield from the insured acres is less than the grower's guaranteed production (GP) for the contract, a seed cost benefit may be paid.

No seed cost benefit is payable:

- On any acres from which any crop was harvested
- If the yield from the harvested acres is equal to or greater than the grower's total guaranteed production for that contract (the processor is deemed to have recouped the cost of the seed through the proceeds of the crop).

Insured growers must contact Agricorp immediately to report damage if an insured peril results in the possibility of zero production on some or all insured acres. The grower must sign a *Production Claim Form* and provide a copy of the processor's seed cost invoice.

Example

An insured grower contracts and plants 100 acres of green peas with a total GP of $45,000. 20 acres are damaged by root rot due to excess rainfall. The grower reports the damage to Agricorp, and an adjuster inspects the crop. The adjuster and processor agree that the damage was caused by an insured peril and the 20 acres will not be harvested. The remaining 80 acres yield $36,000, which is less than the total GP for the contract. The processor invoices the grower for the cost of the seed (in this case, $215/acre x 20 acres = $4,300). The grower mails or faxes the invoice to the adjuster. Agricorp pays the grower (and any assignees) a production claim of $9,000 ($45,000 - $36,000), plus a seed cost benefit of $4,300.

By-passed acreage benefit

By-passed acreage is acreage that was suitable for harvest and suitable for processing, but was not harvested due to an insured peril. Insured perils for by-passed acreage benefit are excessive heat or excess rainfall only. Any other reason for unharvested acres will be reviewed on a case-by-case basis by Agricorp to determine if it will be accepted as an insured peril. Agricorp, the grower and the processor must meet and agree on the number of acres to be by-passed within 48 hours of the decision not to harvest. By-passed acres are eligible for the seed cost benefit only if the total guaranteed production of the contract is not met.

Insured growers must notify Agricorp if there is a possibility of by-pass. The grower must sign a *By-pass Claim Form* and provide a copy of the processor's invoice for seed costs to Agricorp.

In accordance with the terms of the grower's processing contract, the processor pays 15 to 45 percent of the by-pass claim, depending on the processor's percentage of by-passed acreage for the year. The grower pays 0 or 5 percent depending on the crop. Agricorp pays the balance of the by-pass claim up to 80 percent.

Example

An insured grower contracts and plants 100 acres of green peas. 20 acres are by-passed due to excess heat. The grower reports the by-pass to Agricorp. The grower, the processor's field representative, and the adjuster meet and agree to the by-passed acreage and a yield potential (for average farm yield (AFY) purposes).
If the total guaranteed production on the 100 acres is $40,000 and the yield from the 80 acres harvested is greater than $40,000, no seed cost benefit is paid on the 20 acres. The high yield from the 80 acres harvested has offset the total cost of the seed on the remaining 20 acres.
If the yield from the harvested acres is less than the total guaranteed production on the planted 100 acres, a seed cost benefit on the 20 by-passed acres may be paid. The processor invoices the grower for the cost of the seed ($215/acre x 20 acres = $4,300). The grower mails or faxes the invoice to the adjuster. Agricorp and the processor together pay the grower a by-passed acreage claim on the 20 by-passed acres. Agricorp pays the grower (and any assignees) a seed cost benefit of $4,300.

Losses due to uninsured perils

Losses due to uninsured perils (e.g. improper use of pesticides, third-party damage) are not covered by Production Insurance and will be deducted from the grower's GP before any claim is calculated.

If the harvested yield is equal to or greater than the GP (adjusted for losses due to uninsured perils), no production claim or seed cost benefit is payable.

If the harvested yield is less than the GP after being adjusted for losses due to uninsured perils, and if other acres were not harvested due to an insured peril, a seed cost benefit is only payable on the unharvested acres.

Quota clause (processing green and wax beans and processing sweet corn)

No seed cost benefit is payable for acreage not harvested under the quota clause.

The quota clause is a negotiated limit to the processor's' liability for unharvested sweet corn acreage (approximately 2,000 pounds over the grower's AFY) and unharvested green and wax bean acreage (approximately 125% over the grower's AFY) as described in the grower's industry contract.

Production Insurance Documents (PIDs) form part of the Contract of Insurance (Contract) and are to be used in the interpretation of the Contract and the determination of claims under the Contract. Except where provided otherwise, each PID shall be in force for the crop year in respect of which it is made and shall continue in force for each subsequent crop year until it is cancelled or replaced.

Where there is any conflict between the provisions of a PID and the provisions of Part I of the Contract of Insurance, the provisions in the PID take precedence. Where there is any conflict between the provisions of a PID and the provisions of an Insuring Agreement (i.e. Part II or other Parts specific to crops) of the Contract of Insurance, the provisions of the Insuring Agreement take precedence.

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