

## Seed cost coverage for processing crops

Seed cost coverage for processing crops 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 coverage

The purpose of this coverage is to provide compensation for the cost of seed when an insured peril results in a claim under:

- Replant coverage
- Zero production claim
- By-passed acreage coverage

Seed cost coverage 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 *Rates, Dates and Updates* information sheet for processing crop plans, if an eligible processing crop must be replanted or is not harvested due to an insured peril.

The seed cost coverage 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 coverage.

### Replant coverage

A seed cost claim is paid under replant coverage 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 replant. A claim may be paid to the grower based on the original crop planted and according to the *Contract of Insurance: General Terms*. Replant coverage includes the seed cost invoiced up to the maximum plus planting and tillage costs associated with replanting, 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 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)***

*The maximum claim under replant coverage is \$258 /acre and includes a maximum seed cost payment of \$215/acre. An insured grower contracts and plants 100 acres of green peas. Excessive rain damages 20 acres and these acres must be replanted. The grower reports the damage to Agricorp. An Agricorp adjuster meets with the grower and*

*agrees to the replanting of 20 acres. The grower obtains written authorization to replant 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 replanting payment of \$5,160 (\$258/acre x 20 acres). For this claim, the seed cost payment is \$4,300 and the balance of the replant claim is \$860.*

### **Zero production claim**

A claim under seed cost coverage 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 claim under seed cost coverage may be paid.

No claim is payable under seed cost coverage:

- 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 payment of \$4,300.*

### **By-passed acreage coverage**

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 coverage 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 seed cost coverage 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 Agricornp. 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 claim 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 claim under seed cost coverage may be paid on the 20 by-passed acres. 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. Agricornp and the processor together pay the grower a by-passed acreage claim on the 20 by-passed acres. Agricornp pays the grower (and any assignees) a claim under seed cost coverage of \$4,300.*

### **Losses due to uninsured perils**

Losses due to excluded perils 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 claim under seed cost coverage is payable.

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

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

No claim under seed cost coverage 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.

### **Contact us**

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