United States
Department of
Agriculture

A Risk Management Agency Fact Sheet

Organic Farming Practices

Revised November 2016

Crop Insurance for Organic Farming Practices

Organic farming has become one of the fastest growing segments of U.S. agriculture. United States Department of Agriculture's (USDA) Risk Management Agency (RMA) recognizes organic farming practices as good farming practices and continues to move forward in improving crop insurance coverage for organic producers and producers transitioning to organic production to make viable and effective risk management options available.

In general, regulations governing the insurability of organic and transitional practices are the same as for conventional practices.

Coverage Availability

RMA provides coverage for:

- Certified organic acreage; and
- Transitional acreage (acreage transitioning to certified organic acreage in accordance with an organic plan).

Insurance can only be provided for any crop grown using organic farming practices when a premium rate for an organic practice is specified in the actuarial documents or there is an approved written agreement.

Insurable Causes of Loss

All production loss or insurance amount loss due to an insured cause of loss listed in the crop provisions apply to the organic and transitional to organic practices, unless otherwise specified in the special provisions. The following losses are not covered:

- Failure to follow good organic farming practices;
- Failure to comply with the USDA National Organic Program standards; or
- Crop contamination by drift of prohibited substances.

Reporting Acreage

On the date acreage is reported, you must have the following:

For Certified Organic Acreage:

A current organic plan and organic certificate (written certificate) are required; or written documentation may be provided from a certifying agent indicating that an organic plan is in effect.

For Transitional Acreage:

An organic plan is required or written documentation from a certifying agent that indicates an organic plan is in effect. The organic plan must:

- Identify the acreage that is in transition for organic certification;
- List crops grown on the acreage during the 36 month transitioning period; and
- Include all other acreage (conventional acreage in the farming operation).

Insurance Guarantees, Coverage Levels, and Premium Determination

The production guarantee or insurance amount, coverage levels, and prices are available in the actuarial documents, found on the Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/.

Crops grown in the buffer zone are insured using the applicable price elections, projected prices, harvest prices, insurance plan, and coverage level shown in the actuarial documents for the acreage it buffers.

Premium Organic Price Elections

RMA continues to expand premium organic price elections to extend the safety net provided by crop insurance and to provide fair and flexible solutions to organic producers. Premium organic price elections now exist for the majority of crops insured by RMA. RMA continues to evaluate all crops to establish organic price elections in future crop years.

A list of crops that have a premium organic price elections can be found at www.rma.usda.gov/news/currentissues/organics/organiccroplist.html.

In some cases, premium organic price elections are only available in certain locations and for certain types. For crops that do not yet have a premium organic price election, the price elections, insurance amounts, projected prices, and harvest prices, for both certified organic and transitional to organic crops are the same as those RMA publishes for non-organic practices for the current crop year.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

Price Discovery Tool

All approved organic price elections, projected prices, and harvest prices (by crop) are available on the Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/ under the 'Prices' tab. To see estimated prices based on current market information for revenue policies, see the Price Discovery Reporting Application at prodwebnlb.rma.usda.gov/apps/PriceDiscovery.

Whole-Farm Revenue Protection Pilot Program

The Whole-Farm Revenue Protection pilot program provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. This product also allows certified organic producers to use organic prices. The Whole-Farm Revenue Pilot Program fact sheet can be found at www.rma.usda.gov/policies/wfrp.html.

Contract Price Addendum (CPA)

The CPA allows a producer to use the contract price from a written contract with a buyer instead of the price election established by RMA, up to a maximum contract price. For those who have a contract, the CPA allows organic producers and producers who are transitioning to organic to buy a crop insurance guarantee that is more reflective of the actual value of their crop.

A list of crops covered by the CPA is available at www.rma.usda.gov/news/currentissues/organics/cpa_eligibility.html.

For more information about the CPA, please see the CPA fact sheet at www.rma.usda.gov/news/currentissues/organics/.

Important Dates

Be aware of the sales closing date to apply for crop insurance. The sales closing date is the last day to buy a new policy or change an existing policy's coverage level. If you are a policyholder you also have until the sales closing date to make any changes to your existing contracts. For crops in your state, you can find sales closing dates at your regional office or on the regional office website at www.rma.usda.gov/aboutrma/fields/rsos.html.

For More Information

You can find definitions related to organic practices in the most current Common Crop Insurance Policy, Basic Provisions, at www.rma.usda.gov/policies/2017policy.html. You can find crop insurance policies, crop provisions and handbooks on the RMA Organic Crops Page at www.rma.usda.gov/news/currentissues/organics/.

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection (CAT) policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and online at the RMA agent locator at www.rma.usda.gov/tools/agent.html. A list of insurable crops is available on the policies website at www.rma.usda.gov/policies/2017policy.html.

Contact Us

National Organic Coordinator
USDA/RMA
Mail Stop 0801
1400 Independence Ave., SW
Washington, DC 20250-0801
Phone: (202) 720-0723
Fax: (202) 690-2818
Email: rma.media.requests@rma.usda.gov

United States Department of Agriculture

A Risk Management Agency Fact Sheet

Contract Price Addendum

November 2016

Contract Price Addendum

The Contract Price Addendum (CPA) allows you, as a certified organic or transitioning producer, who has a written contract from a buyer by the acreage reporting date, the ability to insure your crop at the contract price. You can buy a Federal crop insurance guarantee that is more reflective of the actual value of your certified organic crop or crop which is transitioning to organic. You will have the ability, where available and at your choice, to use either the contract price or the published RMA price as the crop insurance projected price or price election.

Contract Pricing Availability

If contract pricing is available for your crop, you may use your contract price to determine your projected price, harvest price, or price election, as applicable. A list of crops covered by the CPA is available at www.rma.usda.gov/news/currentissues/organics/cpa_eligibility.html.

Information on applying the CPA can be found in the actuarial and policy tools and documents below.

- For contract pricing and availability for a particular commodity type or practice, follow the prompts on RMA's Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/ and see the 'Prices' tab;
- For commodities that are insured using the Commodity Exchange Price Provisions (CEPP), CPA information can be found in the CEPP at www.rma.usda.gov/policies/cepp.html; and
- For commodities that do not have revenue protection insurance plans available, CPA information can be found in the Special Provisions of Insurance. Please ask your crop insurance agent for a copy of the Special Provisions of Insurance for your crop.

If a commodity type or practice allows or requires the use of a contract price through the Crop Provisions or Special Provisions of Insurance, the CPA is not applicable.

To choose contract pricing, you must select it by the sales closing date and provide a copy of the contract to your crop insurance agent by the acreage reporting date. CPA coverage continues while your insurance policy is active.

How to Use Your Contract Price

Methods to determine the contract price depend on which of the following plans of insurance apply to your crop.

Yield Protection or Actual Production History - If the contract provides a fixed price for the contracted production, the contract price will serve as the projected price or price election. If the contract provides for a premium amount over a base price to be determined and the base price is set on or before the acreage reporting date, then the contract price (premium plus the base price) is the projected price or price election.

If the contract provides for a premium amount over a base price to be determined and the base price is not available by the acreage reporting date, the projected price or price election is the sum of the premium amount and the applicable projected price or price election. For example, assume your contract specifies the price you will receive for your production is $2 per bushel over a base price. Your price election (base price) would be $10 per bushel if you did not choose to use the CPA, and therefore $12 per bushel ($10 + $2) if you choose to use the CPA.

Revenue Protection - If the contract provides a fixed price for the contracted production, the contract price under the CPA serves as the projected price. For example, assume your contract specifies the price you will receive for your contracted production is $10 per bushel. Your projected price is $6 per bushel, per the CEPP, if you did not choose the CPA. Under the CPA, your projected price is $10 per bushel, which is the contract price.

If the contract provides a fixed price for the contracted production, the harvest price under the CPA is the difference of the applicable projected price and the contract price added to the applicable harvest price. For example, assume if you did not choose the CPA, your harvest price is $5 per bushel, per the CEPP. Under the CPA, your harvest price is $9 per bushel ($10 - $6 + $5 = $9).

If the contract provides for a premium amount over a base price that is available by the acreage reporting date, as in the above example, the contract is considered to be a fixed price contract.

If the contract provides for a premium amount over a base price that will not be available until after the acreage reporting date, the projected price under the CPA is the sum of the premium amount and the applicable projected price. For example, assume your contract specifies the price you will receive for your contracted production is $4 per bushel over the base price and the base price will be determined after the acreage reporting date. Your projected price is $7 per bushel, per the CEPP, if you did not choose the CPA. Under the CPA your projected price is

$11 per bushel ($7 + $4). The harvest price is the sum of the $4 premium amount and the applicable harvest price. For example, assume if you did not choose the CPA, your harvest price is $8 per bushel, per the CEPP. Under the CPA, your harvest price is $12 per bushel ($8 + $4).

Limits and Maximum Prices

Each contract price will have an upper limit, referred to as the maximum contract price, which can vary by crop. Most crops have a maximum value of 2 times the announced conventional price election or 1.5 times the announced premium organic price election. You can find the maximum contract price under the 'Prices' tab of the Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/.

More than One Contract Price

If you have multiple contracts with different prices for the commodity type or practice, a weighted average projected price or price election under the CPA is calculated by:

- Multiplying the acreage for each contract by the contract price; and
- Dividing the results by the total acres of all the contracts. Each contract price is subject to the maximum contract price. For example, assume there are 50 total acres of a commodity. There are two fixed price contracts that cover all of the production from the 50 acres.

One contract is for 25 acres of production at $7 per bushel and the second contract is for 25 acres of production at $8 dollars per bushel.

Step 1 (25 × $7) + (25 × $8) = $375
Step 2 ($375 ÷ 50) = $7.50

Contracted and Non-Contracted Acreage

The weighted average price of contracted and non-contracted acreage for the commodity crop type or practice is calculated by all of the following:

- Multiplying the contracted acreage by the contract price. Each contract price is subject to the maximum contract price;
- Multiplying the non-contracted acreage by the price determined by the CEPP or the policy, as applicable;
- Adding the results; and
- Dividing the result by the total acres of the commodity.

For example, assume there are 100 total acres of a commodity. There are two fixed price contracts that cover all of the production from 50 acres. One contract is for 25 acres of production at $7 per bushel and the second contract is for 25 acres of production at $8 dollars per bushel. For the remaining non-contracted 50 acres, a price election of $5 per bushel is used.

Step 1 (25 × $7) + (25 × $8) = $375
Step 2 (50 × $5) = $250
Step 3 ($375 + $250) = $725
Step 4 ($725 ÷ 100) = $7.25 weighted avg. price.

For More Information

You can find the Contract Price Addendum at www.rma.usda.gov/policies/2017policy.html.

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection (CAT) policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and online at the RMA agent locator at www.rma.usda.gov/tools/agent.html. A list of insurable crops is available on the policies website at www.rma.usda.gov/policies/2017policy.html.

Contact Us

USDA/RMA
Mail Stop 0801
1400 Independence Ave., SW
Washington, DC 20250-0801
Phone: (202) 720-0723
Fax: (202) 690-2818
Email: rma.media.requests@rma.usda.gov