Contract Price Addendum

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The Contract Price Addendum (CPA) allows you, as a certified organic or transitional producer with a written contract from a buyer by the acreage reporting date, to insure your crop at the contract price. You can buy a Federal crop insurance guarantee which more closely reflects the actual value of your certified organic or transitional crop. You have the choice, where available, to use either the contract price or the published Risk Management Agency (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.

For a listing of crops see Contract Price Addendum - Eligibility by Commodity.

Information on applying the CPA are 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. See the 'Prices' tab.
- For commodities insured using the Commodity Exchange Price Provisions (CEPP), CPA information can be found in the Commodity Exchange Price Provisions.
- For commodities without 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.

You must select contract pricing 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 (APH) - 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 which 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 which 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 your harvest price is $8 per bushel, per the CEPP, if you did not choose the CPA. 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 in the Actuarial Information Browser.

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 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 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 average price.

Contact a Crop Insurance Agent for More Information

All multi-peril crop insurance policies are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA Agent Locator.

Useful Links

USDA/Risk Management Agency Homepage
www.rma.usda.gov/

Actuarial Information Browser
webapp.rma.usda.gov/apps/ActuarialInformationBrowser/

RMA Map Viewer
public-rma.fpac.usda.gov/apps/MapViewer/index.html

Price Discovery
prodwebnlb.rma.usda.gov/apps/PriceDiscovery/

Regional Office State Directory
www.rma.usda.gov/RMALocal/Field-Offices/Regional-Offices

National Office

USDA/RMA/Stop 0801/Room 2004-South
1400 Independence Ave. SW
Washington, DC 20250

Email: FPAC.BC.Press@usda.gov

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.