



# Organic Farming Practices

February 2013

## USDA Guidelines Provide Crop Insurance for Organic Farming Practices

Organic farming has become one of the fastest growing segments of U.S. agriculture. USDA's 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, so they will have viable and effective risk management options available to them.

### Coverage Availability

RMA currently provides coverage for- 1) certified organic acreage; 2) transitional acreage (acreage on which organic farming practices are being followed that does not yet qualify to be designated as certified organic acreage); and 3) buffer zone acreage.

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

### Insurable Causes of Loss

Covered perils under most crop insurance policies include losses due to the following causes if the damage is significant enough to lower a yield below the deductible for the entire insured unit: drought, excess moisture, freeze, hail, prevented planting (for crops eligible for prevented planting, see Basic Provisions, 2011-BR), insect damage, disease, and weeds, if recognized organic farming practices fail to provide an effective control method that may result in losses.

*Note:* Contamination by application or drift of prohibited substances onto organic, transitional, or buffer zone acreage is not an insured peril. Policies may also have other specific exclusions.

If any acreage qualified as certified organic acreage or transitional acreage on the date you report such acreage (even if such certification is subsequently revoked by the certifying agent or the certifying agent

no longer considers the acreage as transitional acreage for the remainder of the crop year), that acreage will remain insured under the reported practice for which it qualified at the time the acreage was reported. Any loss due to failure to comply with the organic standards is considered an uninsured cause of loss.

### Reporting Acreage

On the date you report acreage you must have- 1) for certified organic acreage, a current organic plan and recent written certification (certificate) in effect from a certifying agent, 2) for transitional acreage, a certificate or written documentation from a certifying agent indicating that an organic plan is in effect\*; and for both 3) records from the certifying agent showing the specific location of each field of certified organic, transitional, buffer zone, and acreage maintained and not maintained under organic farming practices.

You are required to maintain separate Actual Production History (APH) databases for conventional, transitional, and certified organic acreage. Also, all buffer zone acreage production has to be added to the acreage it buffers.

\*Note: Acreage transitioning to a certified organic farming practice without an organic certificate or written documentation from a certifying agency must be insured under the conventional farming practice.

### Current Updates Price Elections, Insurance Dollar Amounts, and Premiums

Separate organic price elections, projected prices, and harvest prices as applicable, are currently available for cotton, corn, soybeans as well as processing tomatoes, avocados, and stonefruit crops: fresh freestone peaches, fresh nectarines and plums in California. For all other crops, the price elections, insurance amounts, projected prices, and harvest prices that apply to both certified organic and transitional crops will be the price elections, insurance amounts, projected prices, and harvest prices, as applicable RMA publishes for the crop grown using conventional means, for the current crop year.

Note: All approved organic price elections, projected prices, and harvest prices will be available on the Actuarial Information Browser under the 'Prices' tab. To see estimated prices based on current market information for organic corn, cotton, and soybeans, check out the "Price Discovery Reporting Application". Both the Actuarial Information Browser and the Price Discovery Tool are available under the RMA "Information Browser" at <http://www.rma.usda.gov/tools/>

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## Office of Inspector General - Audit of Organic Crop Insurance

On Feb. 22, 2013, USDA's Office of Inspector General (OIG) issued an audit of the USDA Risk Management Agency (RMA) Federal crop insurance program for organic farming practices. [OIG Audit 05601-0006-KC](#) found that Transitional yields (T-Yields)\* offered to organic growers generally exceeded what they had produced using organic farming practices for the crop years of 2008-2010, resulting in excessive payments.

OIG recommended that T-yields be adjusted downward by 35 percent or by an appropriate percentage determined by RMA. The 35 percent figure was based on a broad estimate contained in the external study of organic premium rates mentioned above conducted with data generally available through crop year 2007.

\*A T-yield, is an average yield for a county, determined by RMA in the collection of data, which growers may use to substitute for low yields in their yield history ('yield substitutions') or to ensure an overall minimum level of insurance coverage. The purpose of the T-Yield is to minimize the downward impact on insurance coverage that can occur after an unusually bad year, or series of years.

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## Steps RMA will take to Comply with the OIG Audit Findings

**First step** RMA will take to comply with the audit findings is to **eliminate** the 5% surcharge for all other crops\* insured under organic farming practices.

\*In response to the 2008 Farm Bill, an external study on organic premium rates

[www.rma.usda.gov/pubs/2010/written-rating.pdf](http://www.rma.usda.gov/pubs/2010/written-rating.pdf) recommended that RMA: Lower T-yields, where warranted, for organic production, and; Eliminate the 5% premium surcharge. RMA eliminated the 5% surcharge in 2011 for 10 crop insurance programs: Figs; Florida Citrus Fruit; Florida Fruit Tree (Pilot); Macadamia Tree; Nursery; Pears; Peppers; Prunes; Texas Citrus Tree; and Texas Citrus Fruit.

**Second Step** RMA will take is to establish a differentiated insurance offer for organic production that, for organic prices reflects the difference in prices between organic and conventional production where sufficient price data exists. Organic crops under current analysis showing potential for differentiated price election in crop year 2014 or 2015 include: almonds, apples, pears, additional stonefruits, blueberries, table grapes, wheat, barley and oats.

## Third Step RMA will take is to make changes to the organic T-Yields beginning with crop year 2014 T-yields.

- Historical T-yields prior to 2014 will not be changed and may continue to be used in established yield history.
- T-yields for organic growers will be crop-specific where sufficient data exists and will be based on lowest level of aggregation supported by the data. Initial adjustments for 2014 will be based on appropriate levels of aggregation (i.e. national, regional, state) with the expectation adjustments will become more refined (i.e. district, county) as organic participation increases.
- For crops with insufficient data, RMA will establish organic T-yields based on yields observed for related organic crops.
- Organic T-yields, as well as conventional T-yields, will be updated on a periodic basis, generally every 3 years to account for changes that occur over time and increasing amounts of available data. As more data becomes available, RMA will refine and update its estimates of the relationship between organic/conventional yields to a more specific geographical level (i.e., national versus region, state, district or county) with the expectation adjustments will become more refined (i.e. district, county) as organic participation increases.

Organic Producers should contact their approved insurance provider/Agent should they have any questions about the changes to T-yields and guarantees.

## Definitions can be found in the Common Crop Insurance Policy Provisions

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### Where to Purchase and Insurable Crops

You should talk to your crop insurance agent to get specific information and deadlines.

To find a **list of crop insurance agents** see:

<http://www.rma.usda.gov/tools/agent.html>

For a **list of insurable crops**, see:

<http://www.rma.usda.gov/policies/>

More information on RMA's Organic Crop Insurance Program can be found on RMA's Website:

<http://www.rma.usda.gov/news/currentissues/organics/>

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## Contact Us

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<http://www.rma.usda.gov/aboutrma/fields/rsos.html>

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