

A Report from the
Risk Management Agency,
U.S. Department of Agriculture,
regarding:

The Department of Agriculture's Annual Report to the
Committee on Agriculture of the U.S. House of Representatives
and the Committee on Agriculture, Nutrition and Forestry of the
U.S. Senate Regarding the Progress Made in Developing and
Improving Federal Crop Insurance for Organic Crops

May 2019

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Introduction

The Risk Management Agency (RMA) provides this report, pursuant to Section 508(c)(6)(D) of the Federal Crop Insurance Act, as amended by Section 11023 of the Agricultural Act of 2014:

“The Corporation shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report on progress made in developing and improving Federal crop insurance for organic crops, including:

- i. the numbers and varieties of organic crops insured;
- ii. the progress of implementing the price elections required under this subparagraph, including the rate at which additional price elections are adopted for organic crops;
- iii. the development of new insurance approaches relevant to organic producers; and
- iv. any recommendations the Corporation considers appropriate to improve Federal crop insurance coverage for organic crops.”

This report provides: 1) a brief summary of our previous reports regarding our progress in establishing organic price elections and alternative options for organic coverage; 2) information on the availability of organic price elections for the 2019 crop year; 3) our ongoing efforts to obtain additional data and information to aid future development of price elections for crops for which we do not yet offer organic price elections¹; and 4) recommendations to improve RMA’s ability to set organic price elections. This is the sixth annual report to Congress on the progress of implementing organic price elections.

Progress in Implementing Organic Price Elections

Over the past 5 years, RMA has made tremendous progress in implementing organic price elections, nearly tripling the number of organic price offerings. For the 2019 crop year, RMA will offer 80 distinct organic price elections. At this time 100 percent of the crops covered by Federal crop insurance for the 2019 crop year have been assessed for organic coverage².

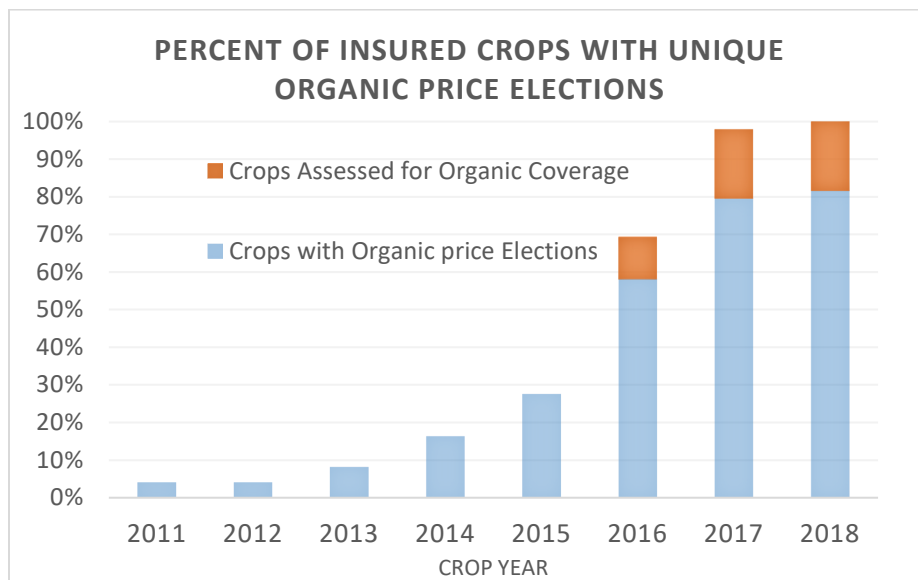
¹ ‘Organic price election’ refers to organic crops that receive a price election that is greater than the conventional price election. Organic crops that do not receive an organic price election are still insurable at conventional price election values, even if a premium price above that of the conventional practice is not available.

² Based on the distinct number of crops listed in RMA’s online Actuarial Information Browser. Crops with ARH plans of insurance, WFRP, nursery, clams, livestock policies, 508(h) submissions other than the cottonseed endorsement, and crop policies that require a contract are not included in the total. Crops that have been assessed for organic coverage but do not require an organic price election are counted toward meeting the requirement of offering organic coverage but are not included in the total crop count of 80. For those commodities identified as having an organic price, it does not mean RMA offers an organic price for all types and locations.

Crops that do not require an organic price election

Only 19 crops do not currently receive a distinct organic price election. These are identified as “Crops Assessed for Organic Coverage” in the chart below. These crops do not currently have an RMA established organic price election because either: a) there is no known organic production in insured areas; b) there is limited production and no available data that meets RMA’s data quality requirements; or c) pricing data suggests these organic crops do not receive a premium over conventional products.

These crops are: alfalfa seed, all other citrus trees, canola, carambola trees, chile peppers, cigar filler tobacco, cigar wrapper tobacco, fire cured tobacco, forage seeding, lemon trees, lime trees, limes, macadamia trees, mango trees, peppers, processing apricots, processing freestone peaches, sugar beets, and tangors.



Data quality requirements

All of RMA’s previous reports have stressed the importance of RMA’s data quality requirements and the need for more data in order to develop additional organic price elections. The lack of available quality data continues to be the single most significant constraint to offering additional organic price elections. In order to meet the data quality requirements, the data must reflect a representative sample of the relevant organic producer population, be accurate, unbiased, and be available to RMA on a recurring basis. Additionally, to use data directly to establish an organic

Section 508(h) of the Federal Crop Insurance Act allows private parties to develop insurance products (commonly referred to as 508(h) Submissions), including: 1) crop insurance policies, 2) provisions of policies, or 3) rates of premium. The 508(h) Submissions are exempt from Federal Crop Insurance Corporation requirements limiting coverage levels, rates, and prices under Section 508(h)(2). RMA does not have the regulatory authority to require the owners of these products to create organic price elections for their submissions. Therefore, crops and/or crop types insured under 508(h) submissions are considered exempt from RMA’s organic price election requirements.

price election, it must be volume-weighted and must reflect the price received by producers (i.e., the price must not include the cost of value-added services beyond the farm-gate level).

Existing data sources

The primary data sources RMA uses to establish organic price elections are the National Agricultural Statistics Service (NASS), the Agricultural Marketing Service (AMS), and private industry sources.

When available, NASS data typically meets RMA's data quality requirements and are the preferred data source for organic price elections. The data is accurate, unbiased, volume weighted, and representative. Prices are often reported at the farm-gate level. For some crops, prices are reported at a price point located further in the supply chain and separate post-harvest cost information is still required to determine farm-gate values.

AMS Market News collects organic and conventional price quotes at various points in the supply chain (e.g., farm-gate, Shipping Point, Terminal Market, Retail). For some crop types (mainly organic grain and feedstuffs), prices are volume-weighted and are reported at the farm-gate level. For other crop types (most specialty crops, including fruits and vegetables), reported prices are not volume-weighted and are reported at points located further in the supply chain. For price data that is not volume-weighted, RMA cannot use the data directly to establish organic price elections but can still use the prices to establish factors (or ratios) showing the historical premium of the organic price relative to the conventional price. These factors are applied to the conventional price election to establish organic price elections.

Trade groups and industry sources also contribute data that RMA uses to develop organic price elections. Private data sources fill a critical gap because they are often the only source of data available for specific crop types or marketing regions. RMA makes every effort to verify that proprietary data meets our data quality requirements. However, in some cases, RMA might not be able to verify the sample sizes and representativeness of private data sets. In other cases, the price data may not be reported at a farm-gate level. Also, RMA cannot guarantee the future availability of such data sets because a private party offers data to RMA at their discretion. Thus, not all private data can be used to develop organic price elections.

Additional Crop Insurance Options for Organic Producers

Contract price option offered under the Contract Price Addendum

The contract price option allows organic producers and those transitioning to organic practices who receive a contract price for their crop to get a crop insurance guarantee that is more reflective of the actual value of their crop. The contract price option is available for most crops and allows producers to use their personal contract price as their price election or choose existing crop insurance price elections.³

³ Contract price addendum availability can be found at <https://www.rma.usda.gov/en/Topics/Organic-Crops/Contract-Price-Addendum-Eligibility-by-Commodity>

Whole-Farm Revenue Protection (WFRP)

The Whole-Farm Revenue Protection (WFRP) plan of insurance provides a risk management safety net for all commodities produced 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), and those marketing to local, regional, farm-identity preserved, specialty, or direct markets. All certified organic commodities may be insured at their farm-level organic prices provided the farm meets eligibility requirements. For the 2016 crop year WFRP was expanded to cover all states and counties nationwide. Organic coverage under WFRP has grown rapidly, up to \$2.7 billion in total liability for the 2018 crop year.

New Policy Development

RMA is currently researching new insurance designs to better handle commodities with less data, including organic agriculture. The most promising concept is designed to use the producer’s personal production and revenue history to establish a yield-based guarantee valued at what the producer has historically been able to obtain for it. In so doing, the new plan of insurance would overcome the lack of data that hinders RMA’s ability to improve and expand organic price elections.

Cooperative Efforts with Other USDA Agencies to Obtain Data

AMS Specialty Crops Market News

AMS Specialty Crops Market News collects and reports organic price data on a wide range of crops at price points located throughout the supply chain. The Shipping Point price is the price point that best approximates the price received by the farmer because this price contains fewer value-added services than prices further down the supply chain (i.e. Terminal Market/Wholesale and Retail).

The table below contains a list of organic crops reported by AMS Specialty Crops Market News at the Shipping Point level. At this time, RMA has developed organic price elections for all crops reported at the Shipping Point level by AMS Specialty Crops Market News where RMA has an applicable plan of insurance, except as noted below.

AMS Organic Specialty Crop Reporting (Shipping Point)			
Crops for which RMA offers organic coverage in location(s) where AMS collects data	Crops for which RMA offers organic coverage in location(s) other than where AMS collects data	No organic coverage is provided by RMA	Crops not insured by RMA

Apples, Avocados, Blueberries, Cabbage, Lemons, Grapes, Onions, Oranges, Pears, Potatoes, Strawberries, Tomatoes (Grape), Tomatoes (Plum)	Green Beans, Sweet Corn, Tomatoes	Bell Peppers, Sweet Potatoes	Anise, Artichokes, Asparagus, Broccoli, Beets, Cantaloupes, Carrots, Cauliflower, Celery, Cilantro, Eggplant, Greens, Honeydew, Lettuce, Misc. Melons, Mango, Misc. Berries, Oregano, Parsley, Radish, Spinach, Squash, Watermelons
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In the table above:

- Organic coverage refers to insurance plans that cover a single crop. All organic crops can be covered with an organic price under the Whole Farm Revenue Protection plan of insurance.
- Strawberries are insured under an Actual Revenue History (ARH) plan of insurance, which allows for organic coverage.
- Green beans are not insurable in California, the only shipping point reported by AMS. The existing plan of insurance covers production in New York, North Carolina, and Virginia. Beginning with the 2017 crop year, RMA offered an organic price election in these three states, however expanding reporting to include these states would help RMA enhance the accuracy of these organic price elections.
- Tomatoes are insurable under two different plans of insurance. In Central/South Florida, tomatoes are insurable under a cost of production plan of insurance and price data is insufficient to determine organic costs of production. In other states (Alabama, Arkansas, California, North Florida, Georgia, Maryland, Pennsylvania, South Carolina, Tennessee, and Virginia), tomatoes are insurable under a yield-based plan of insurance and expanded reporting would help RMA to develop organic price elections. The existing plan of insurance covers production for cherry, grape, plum, round, and other unspecified types. In covered states, AMS is currently only reporting the grape type.
- Bell peppers are only insurable under a cost of production plan of insurance in Florida. AMS currently does not report data for Florida. Expanded reporting to include Florida could help RMA develop an organic price election but price data alone is insufficient because organic costs of production are also needed.
- Sweet potatoes are insured under a 508(h) Submission and are exempt from Federal Crop Insurance Corporation price requirements. They are insurable only in Louisiana, and AMS collects data for California.

[AMS Livestock, Poultry and Grain Market News](#)

Prices for organic grains and feedstuffs are reported, when available, both at the farm-gate level and delivered to an elevator. Some crop prices are also reported for forward contracts. Regular reporting on some organic grains is limited to the point that the data does not meet RMA's data quality standards. Given the irregularity of price reporting of these crops, it is not possible to determine a season average price or an appropriate factor to establish an organic price election using these data.

Reporting on organic prices for dry edible beans was added in September 2015. Data for dry edible beans is now reported at two different points in the supply chain and are reported by type, which has contributed to RMA’s development of new price elections.

The table below contains a list of organic crops reported by AMS Livestock, Poultry and Grain Market News. RMA has developed organic price elections for all crops regularly reported by AMS Livestock, Poultry and Grain Market News, with the exception of triticale, which is a 508(h) submission. Some crops have organic price elections derived from other data sources.

Crop Reported	RMA Organic Coverage
Barley	Yes
Corn	Yes
Dry Edible Beans	Yes
Grass and Alfalfa Hay	Yes
Millet	Yes
Oats	Yes
Roasted Soybeans	<i>-not insured</i>
Rye	Yes
Sorghum	Yes
Soybean Meal	<i>-not insured</i>
Soybean Oil	<i>-not insured</i>
Soybeans	Yes
Spring Wheat	Yes
Straw	<i>-not insured</i>
Triticale	<i>Insured as a 508(h) submission.</i>
Winter Wheat	Yes

NASS Organic Producer Surveys

With the release of the 2016 Organic Producer Survey in September 2017, NASS has completed five organic surveys (2008, 2011, 2014, 2015, and 2016). RMA has provided funding for three of the five surveys. Since 2011, RMA has worked with NASS to improve survey methods and expand data collection to include specific crop types and varieties not listed in previous surveys. The 2016 survey reflected over fourteen thousand certified organic producers and five million acres of organic farmland.

RMA continues to work with NASS to improve survey questionnaires to increase the likelihood that organic data collected will be able to be published. To ensure NASS is able to continue conducting organic surveys on an annual or biennial basis beyond the 2018 crop year, a designation of funds specifically for organic data collection may be necessary.

2018 Farm Bill

The 2018 Farm Bill contained the following language “Data collected by the National Agricultural Statistics Service, whether published or unpublished, shall be provided in an aggregate form to the Corporation for the purpose of providing insurance.” RMA is currently working with NASS to implement this change. RMA will evaluate any additional data provided by NASS to assess whether additional organic price elections can be offered.

Outreach and Education

Throughout the year, RMA staff has engaged in public outreach to educate producers about organic crop insurance options and to gather feedback about existing programs. In 2018, RMA:

- Attended industry conferences and grower meetings, presenting information about organic coverage and WFRP. Conferences attended include: Midwest Organic and Sustainable Education Service (MOSES) Organic Farming Conference, Napa Valley Grapegrowers’ Organic Winegrowing Conference, Florida Organic Food and Farming Summit, FARMWALK 2018: Organic Orchard Pest Management, Minnesota Cover Crop Workshop, Washington Small Fruit Conference, the Great Lakes Fruit, Vegetable, and Farm Market EXPO;
- Funded a webinar series to educate growers on conducting variety trials on organic and specialty crop farms. The series was produced through a partnership with the Organic Seed Alliance, University of Wisconsin- Madison, and MOSES; and
- Met with organic producers in California, Illinois, Texas, and Washington.

Conclusion

RMA is pleased to report significant achievement in developing organic price elections. For the 2019 crop year, 100 percent of the crops insured by Federal crop insurance have been assessed for organic coverage. Organic price elections are now offered everywhere that data is available.

Creating organic price elections for additional crops will be dependent upon data availability. Organic price data that meets RMA standards for these crops is especially scarce, and data that meets the requirements for actuarial soundness and good insurance principles is necessary before organic prices can be added for additional crops. A potential solution for select crops going forward is RMA’s ongoing work to explore new plans of insurance that could allow the producer’s personal production and revenue history to establish a yield-based guarantee valued at what the producer has historically been able to obtain.

RMA continues efforts to locate and analyze new sources of data. Every crop is evaluated annually to determine if there are new or updated sources of organic information sufficient to develop or enhance organic price elections. RMA will continue to pursue opportunities for the acquisition of additional organic price data and information, given funding availability. Whenever possible, RMA will continue to improve the farm safety net by adding additional organic price elections.