

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

July 2021

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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 summary of our progress in establishing organic price elections and alternative options for organic coverage, and 2) 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. This is the eighth annual report to Congress on the progress of implementing organic price elections.

Progress in Implementing Organic Price Elections

In recent years, RMA has made tremendous progress in implementing organic price elections. For the 2021 crop year, RMA will offer 84 distinct organic price elections; only 19 crops do not currently receive an organic price election². These crops do not currently have an organic price election because either: a) there is no known organic production in insured areas; b) there is

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 insured with the Actual Revenue History plan of insurance, Whole Farm Revenue Protection, nursery, clams, livestock policies, privately developed 508(h) submissions (other than caneberries, the cottonseed endorsement, and hemp), and crop policies that require a contract to determine a price are not considered. For those commodities identified as having an organic price, it does not mean RMA offers an organic price for all types and locations.

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.

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

RMA's previous reports have stressed the importance of RMA's data quality requirements to develop organic price elections. The lack of quality data continues to be the single most significant constraint to offering additional organic price elections. In order to meet 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 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. 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.

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, private parties offer data to RMA at their discretion. Thus, not all private data can be used to develop organic price elections.

Cooperative Efforts with Other USDA Agencies to Obtain Data

NASS Organic Producer Surveys

NASS has completed six organic surveys (2008, 2011, 2014, 2015, 2016, and 2019). RMA has provided funding for three of the six surveys. 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.

RMA will once again fund an organic survey to be conducted by NASS for the 2021 crop year, with results expected to be delivered late in 2022. This will be the fourth survey funded by RMA. With this fourth survey, RMA will have provided to NASS a total of \$6 million for these surveys. These surveys provide comprehensive organic information and will assist RMA in setting accurate organic price elections.

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 has recently completed a Memorandum of Understanding (MOU) with NASS to govern sharing of data between the two agencies. This MOU will help RMA set more accurate organic price elections by ensuring RMA has access to data not previously available.

Additional Crop Insurance Options for Organic Producers

Contract price option offered under the Contract Price Addendum

The contract price option was offered beginning with the 2014 crop year, and 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.

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.

New Policy Development

In 2020, RMA finalized development of and implemented a new plan of insurance, [Production and Revenue History \(PRH\)](#), which is designed to better handle commodities with less data, including organic agriculture. PRH uses 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 their production. In so doing, PRH overcomes the lack of price data that hinders RMA's ability to improve and expand organic price elections.

RMA began offering PRH for strawberries in Florida for the 2021 crop year and will offer it for strawberries in California for the 2022 crop year. RMA has recently awarded a contract to develop PRH policies for fresh market sweet corn, fresh market tomatoes, and peppers; PRH may be available for these crops as soon as the 2024 crop year. Peppers is a crop for which RMA does not yet have an organic price election. The current insurance plan for peppers requires cost of production information to operate, and no organic cost of production information in the locations peppers are currently insured is available. The availability of PRH will generate organic coverage for peppers.

There has been great interest in PRH for other crops, and these are under consideration for future development.

Outreach and Education

Throughout the year, RMA staff engaged in public outreach to educate and interact with producers about organic crop insurance options and to gather feedback about existing programs. In 2020, RMA attended industry conferences and grower meetings, presenting information about organic coverage and WFRP.

Conferences attended include: Illinois Specialty Crops, Agritourism, and Organic Conference; Ecological Farming Association Conference; Michigan State University (MSU) Farm Management for Small-Acreage, Diversified, & Organic Production Workshop; Northern Michigan Small Farms Conference; Mid-Atlantic Fruit and Vegetable Conference; Midwest Organic and Sustainable Education Service (MOSES) Conference; North Dakota State University Annual Crop Insurance Conference; Organic Farming Research Foundation (OFRF) Webinar; and Practical Farmers of Iowa Small Grain Producers teleconference.

In addition, numerous phone calls and meetings that discussed organic coverage and WFRP were held with various members of the crop insurance industry, as well as various producer groups.

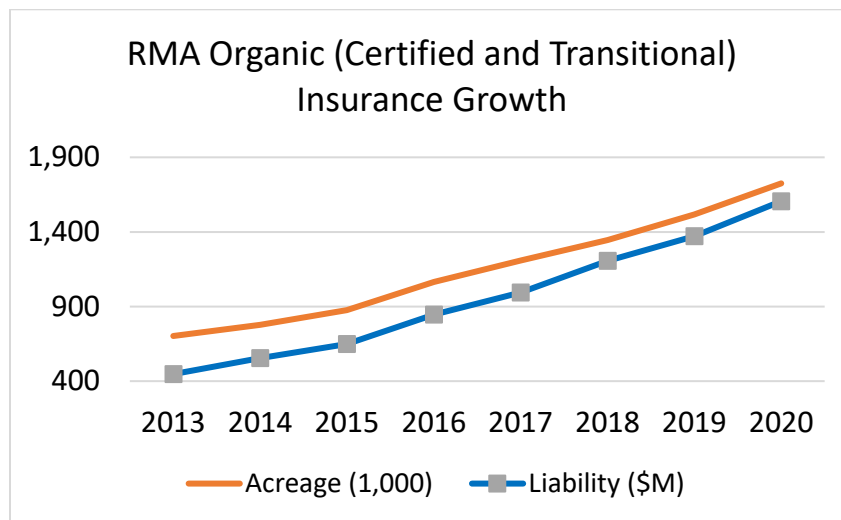
Flexibilities Due to COVID-19

COVID-19 created hardships for producers seeking crop insurance by impacting their ability to meet with their crop insurance agent to report mandatory records, submit applications, collect signatures, and more. In response to this, RMA provided flexibilities to producers and Approved Insurance Providers (AIPs) to allow them to complete these tasks while supporting their health and safety.

Crop insurance policy requires producers with certified organic acreage, or acreage in transition to organic, to have written certification or written documentation from a certifying agent showing an organic plan is in effect for the acreage by the acreage reporting date. A certificate and plan must be in place each year to qualify for organic or organic transitional practices. In addition to flexibilities granted to all crop insurance participants, for organic producers specifically, RMA granted the ability for organic producers to report acreage as certified organic, or as acreage in transition to organic, when they certify they have requested a written certification or other written documentation from a certifying agent on or before the acreage reporting date. Going forward, RMA will make this change permanent, recognizing that it is helpful for both organic producers and certifying agencies because organic certification does not necessarily happen in unison with crop insurance dates and cycles.

Conclusion

RMA's efforts to increase organic price election offering has resulted in tremendous growth in organic crop insurance participation. Since 2013, the number of organic and transitional acres insured increased 246 percent while liability increased 359 percent (see chart below).



Creating and maintaining organic price elections is dependent upon data availability. Organic price data that meets RMA standards for these crops is 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. Availability of such data has generally not increased over the past decade. As such, RMA has taken proactive steps to create an insurance policy, PRH, that generates prices for insurance offers using producers' own revenue history, thereby ensuring accurate organic price coverage. RMA will also be funding another organic survey to be conducted by NASS for the 2021 crop year.

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.