SUMMARY OF CHANGES FOR THE ORGANIC PRICING METHODOLOGIES FOR BARLEY, CORN, COTTON, FLAX, GRAIN SORGHUM, OATS, RICE, RYE, SOYBEANS, SUNFLOWERS, AND WHEAT (25-CEPP-MO)

The following is a brief description of changes to the Organic Pricing Methodologies for Barley, Corn, Cotton, Flax, Grain Sorghum, Oats, Rice, Rye, Soybeans, Sunflowers, and Wheat for the 2025 and succeeding crop years. Please refer to the Organic Pricing Methodologies for Barley, Corn, Cotton, Flax, Grain Sorghum, Oats, Rice, Rye, Soybeans, Sunflowers, and Wheat document below for complete information.

- The 2025 crop year is the first year that revenue coverage is offered for flax, and flax is now added to this document. Prior to the 2025 crop year, flax was insured under the Actual Production History plan of insurance.

25-CEPP-MO
(Released November 2024)

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

Organic Pricing Methodologies for Barley, Corn, Cotton, Flax, Grain Sorghum, Oats, Rice, Rye, Soybeans, Sunflowers, and Wheat

The Commodity Exchange Price Provisions (CEPP) provide the authority to derive factors as "determined by RMA" to establish organic prices, as applicable. This document contains the methodologies used to derive these factors.

1. Organic Barley

For the most recent five years, annual organic barley prices from the Agricultural Marketing Service (AMS) are divided by annual conventional barley prices from AMS. A simple average of these annual factors is computed to produce the organic barley price factor.

This ratio is multiplied by the conventional barley price factor computed in accordance with the barley methodology paper. The resulting factor is the organic barley factor. A single organic barley factor is used for all locations specified in the barley CEPP.

2. Organic Corn and Soybeans

National organic corn and soybean prices are published bi-weekly by AMS. RMA uses the low end cash bid price, when available. Otherwise, the low end spot transactions price is used. The bi-weekly prices are averaged for each month to derive monthly organic prices.

To compute the corn factor, the monthly organic corn prices are divided by the corresponding monthly average price of the Chicago Board of Trade (CBOT) December corn futures contract. To compute the soybean factor, the monthly organic soybean prices are divided by the corresponding monthly average of the CBOT November soybean futures contract. A simple average of these factors over the most recent five years (60 monthly factors) provides the basis for each respective factor. A single corn factor and a single soybean factor are used for all locations specified in the corn and soybean CEPPs.

3. Organic Cotton

Proprietary industry data that represents a majority of the United States organic cotton market is made available to RMA. Season average organic market prices are compared to National Agricultural Statistics Service (NASS) season average conventional market prices to derive a linear relationship between conventional and organic prices. The average Intercontinental Exchange (ICE) futures price for October of the pre-harvest year (e.g., October 2018 for the CTZ19 contract) is used to forecast an expected organic premium for the harvest year's crop based on the linear relationship. The amount resulting from this calculation will be added to the discovered ICE cotton #2 futures prices as described in the CEPP. Due to the proprietary nature of this data, the factor cannot be calculated independently. The value will be released prior to the contract change date.

4. Organic Flax

Data used to derive the organic flax factor is gathered from USDA NASS Organic Surveys and NASS flax prices received by U.S. farmers. Due to inconsistent reporting of organic price data, the method may vary from year to year based on data availability. As such, a specific methodology is not presented, and the factor will be released prior to the earliest flax contract change date.

5. Organic Grain Sorghum

To compute the organic grain sorghum factor, national organic grain sorghum prices from data contained in the Organic Production Surveys, beginning in 2011, are obtained. The average October futures price for the CBOT December corn contract is derived by year for the years corresponding with the Organic Production Surveys. From these, a ratio is derived for each year that equals the national organic grain sorghum price divided by the associated average corn futures price.

The average of the ratios is multiplied by the conventional grain sorghum price factor to generate the organic grain sorghum factor. A single factor is used for all locations specified in the grain sorghum CEPP.

6. Organic Oats

Data used to derive the organic oats factor is gathered from USDA NASS Organic Surveys, NASS oats prices received by U.S. farmers, and AMS market information. Due to inconsistent reporting of organic price data, the method may vary from year to year based on data availability. As such, a specific methodology is not presented, and the factor will be released prior to the earliest oats contract change date.

7. Organic Rice

Growers are eligible to insure organic rice production under terms detailed in RMA's Contract Price Addendum (CPA), using the price in the contract to establish coverage for the crop insurance program (see www.rma.usda.gov/-/media/RMA/Policies/Contract-Price-Addendum/2014/Contract-Price-Addendum.ashx).

The organic rice price factor reflects the low end of the range of the most recent five years of organic contract prices submitted to RMA under the CPA. The organic rice price factor is set conservatively to minimize the impact RMA coverage might have on price negotiations between growers and buyers. Due to the proprietary nature of this data, the factor cannot be calculated independently. The value will be released prior to the contract change date.

8. Organic Rye

Data used to derive the organic rye factor is gathered primarily from USDA NASS Organic Surveys. Due to inconsistent reporting of organic price data, the method may vary from year to year based on data availability. As such, a specific methodology is not presented, and the factor will be released prior to the rye contract change date.

9. Organic Sunflowers, Oil and Confectionary Types

Data used to derive organic sunflower seed factors is gathered from USDA Organic Production Surveys, NASS oilseed prices received by U.S. farmers, and proprietary industry data. The organic price available for oil type sunflowers each year is divided by the average conventional oil type price for that year to get an annual organic to conventional ratio. The organic sunflower factor for oil type sunflowers is an average of the annual organic to conventional ratios. The factor for organic confectionary types is set to equalize organic prices for confectionary and oil types. These factors are multiplied by the discovered conventional prices for sunflowers as described in the sunflowers CEPP. Due to the proprietary nature of this data, the factor cannot be calculated independently. The value will be released prior to the contract change date.

10. Organic Wheat

For the most recent five years, national monthly organic wheat prices from AMS reports are divided by monthly conventional NASS wheat prices. A simple average of these monthly factors is computed for each crop year, and the resulting annual factors for the past five crop years are averaged to produce the organic wheat price factor. Due to the nature of the data, a single wheat factor is applied to all the discovered conventional prices as described in the wheat CEPP. In the case of the durum type, the product of the organic wheat price factor and the durum factor will be applied directly to the average daily settlement price, as described in the CEPP (see separate durum wheat methodology paper).