



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

May 24, 2000

INFORMATIONAL MEMORANDUM: R&D-00-028

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Kenneth D. Ackerman /s/ Tim Hoffmann for
Administrator

SUBJECT: Draft Organic Pilot Endorsement

BACKGROUND:

The number of organic producers is increasing about 12 percent per year and now stands at about 12,200 nationwide, most of them small farmers. There has been a commitment by the Secretary of Agriculture to help provide protection for small farmers and the fast growing organic sector of agriculture. On March 7, 2000, the Secretary announced a new proposal for uniform and consistent national standards for organic food. At the same time, the Secretary announced that USDA will establish a pilot organic crop insurance program to help organic farmers better manage their risk.

Under current crop insurance rules, producers must grow insured crops using good farming practices (control measures generally used in the county, recognized by the Cooperative State Research, Education, and Extension Service), in order to receive full insurance protection. Therefore, an insured using an organic practice is expected to use the same control measures to avoid disease, insects, and weeds as the producer using a conventional farming practice. However, for organic producers to achieve and maintain organic certification, it may not be possible to use the same insect, disease, and weed control measures (e.g., chemical controls) as the producer using conventional practices. As a result, if there is loss of production that could have been avoided had generally used and recognized control measures been applied instead of alternative organic control measures, the insured would be assessed an uninsured cause of loss for such production.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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Based on concerns expressed by organic producers and the Secretary's commitment to organic producers, the Risk Management Agency (RMA) has been exploring ways to offer full protection to organic producers. Insurance providers, their trade associations, and organic grower groups have been informally notified on various occasions that RMA was working on a preliminary pilot organic insurance product.

The RMA has drafted a pilot organic crop insurance endorsement that will expand the definition of good farming practice and outline the rules and requirements applicable for producers who want to elect coverage under the endorsement. As drafted, the endorsement would cover crops grown on certified organic and transitional acreage. Transitional acreage means acreage in the process of being certified organic.

For transitional acreage, RMA is considering offering the same price election currently offered on the actuarial documents for the crop. However, for certified organic acreage, RMA is considering evaluating whether a higher price election and/or contract price election could be offered that would better reflect the market prices for certified organic production. If feasible, such pricing options would be permitted by the endorsement and described on the crop's Special Provisions. There may be a higher premium rate charged for either the transitional or certified organic acreage or both. The production guarantee will be determined using actual production records and organic transitional yields, according to standard actual production history (APH) procedures.

The endorsement would be offered as a pilot program only in States that currently have organic regulations in place and that meet the industry standard of not applying prohibited substances for at least 36 months prior to harvest of a crop. This pilot program would apply only to APH based plans of insurance above the catastrophic level of insurance, excluding revenue products; i.e., Crop Revenue Coverage, Revenue Assurance, Income Protection, etc. RMA is considering piloting this product for the following crops and States for the 2001 crop years:

Apples: Washington, Colorado (Delta County), Maryland
Almonds: California
Spring wheat: North Dakota
Soybeans: Iowa, Minnesota, North Dakota, South Dakota, Maryland

Cotton, fall wheat, citrus, fresh tomatoes, fresh peppers, and potatoes are some of the other crops for which interest in organic coverage has been expressed and are being considered for the 2002 crop year.

RMA is seeking comments and recommendations from insurance providers and other interested parties regarding this proposed pilot program for the 2001 crop year. We are providing a draft endorsement for your consideration.

ACTION:

Please submit any comments and /or recommendations not later than June 7, 2000, to:

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Anyone wishing additional information on this proposed program may also contact Mr. Nelson Maurice at (816) 926-7914 or Mr. Bill Smith at (816) 926-7733.

DISPOSAL:

This Informational Memorandum is for the purpose of transmitting information and the expiration date is December 31, 2000.

Attachments