United States Department of Agriculture
Risk Management Agency

Crop Insurance Works for Organic Producers

Crop insurance fills a growing need

Organic farming has become one of the fastest growing segments of U.S. agriculture. U.S. producers are turning to certified organic farming systems as a potential way to lower input costs, decrease reliance on nonrenewable resources, capture high-value markets and premium prices, and boost farm income.

One of the best ways to protect your valuable investment is by buying the protection that comes with a federally reinsured and subsidized crop insurance policy.

Currently, there are two options for organic producers when it comes to selecting which crop insurance policy fits your operation best:

1. Purchase any type of crop insurance plan approved for the crops that are insurable (currently over 358 commodities are covered); or
2. Purchase a "whole farm revenue" policy — Adjusted Gross Revenue (AGR) or AGR-Lite — that covers all agricultural production on the farm regardless of whether or not there is an individual insurance policy for the crop.

It doesn't cost to ask

Crop insurance is a complicated program to understand. The plan and coverage level that might be right for one farmer's operation may not be the best plan for his or her neighbor. Knowing how to choose may seem as complicated as learning how to speak another language, but it doesn't have to be.

Along with all the crop insurance tools that are available, come well-trained, certified, crop insurance agents who are ready and willing to help you understand your options.

A good crop insurance agent will be able to answer your questions and help you choose the right tools for your operation. It doesn't cost anything to ask.

For more information:
Contact a crop insurance agent. To find an agent, visit our online locator at: **http://www3.rma.usda.gov/apps/agents/**.

What is covered by crop insurance?

USDA's Risk Management Agency (RMA) provides coverage for…

1. certified organic acreage
2. transitional acreage being converted to organic acreage
3. buffer zone acreage

Covered perils under most crop insurance policies include losses due to the following causes if the damage is significant enough to lower yield below the deductible for the entire insured unit:

1. drought
2. excess moisture
3. freeze
4. storm damage
5. hail
6. insect damage, disease, and weeds if recognized organic farming practices fail to provide an effective control
7. other

Note: Contamination by application or drift of prohibited substances onto organic, transitional, or buffer zone acreage is not an insured peril. Policies also have some exclusions that you should become familiar with.

Hail is an insurable cause of loss under the Federal crop insurance program. However, separate coverage for spot hail damage, while it is available in most States from crop insurance agents, is not part of the Federal crop insurance program.

What is AGR-Lite?

Adjusted Gross Revenue Lite (AGR-Lite) is a federally subsidized, whole farm revenue insurance policy. This streamlined revenue protection policy provides protection against low revenue due to unavoidable causes, including market fluctuations.

AGR-Lite rewards those who have multiple commodities by making higher levels of coverage available. (The idea is that crop diversity spreads risk over more crops and more time, thereby reducing the insurance risk.) This makes AGR-Lite especially useful for organic producers.

A loss payment is triggered when the eligible AGR-Lite gross income for the current year is less than the approved AGR-Lite income (based on the 5-year average and the current year farm plan). Loss payments are made for income reduction because of natural disaster or market fluctuations.

AGR-Lite can work well to protect agricultural production for direct sales and all organic production. It covers: organic production; crops and animals that are not otherwise insurable; vegetables where yields were good but prices were low; herb and vegetable production — where excess moisture caused production to rot before reaching maturity; and, overall economic losses rather than spot losses which might be insignificant in the bigger picture.

AGR-Lite also works well as an umbrella coverage with other Multiple Peril Crop Insurance (MPCI) policies.

Transitioning to organic

When you begin to consider transitioning your farm to organic production, first choose a certifying agency (to find one near you, go to **http://www.ams.usda.gov/nop/indexIE.htm**). To "transition your land" means that the land you wish to certify as organic must be free of all prohibited substances for a minimum of 3 years before the harvest of a certified organic crop. To find out more, go to the National Sustainable Agriculture Information Service (ATTRA): **http://attra.ncat.org/attra-pub/organcert.html**

Growers selling $5,000 or less of organic products each year are not required to become certified; however, if they are selling their products as organic, they must follow the Federal organic standards.

What plan is right for me?

Multiple Peril Crop Insurance (MPCI)* provides comprehensive protection against weather-related causes of yield loss and certain other unavoidable perils. Indemnities are paid at a price you elect before planting the crop.

Revenue Products* provide revenue guarantees instead of MPCI yield guarantees. Revenue policies such as Crop Revenue Coverage (CRC), Revenue Assurance (RA), and Income Protection (IP), protect a grower's loss of revenue resulting from low prices, low yields, or a combination of the two.

Dollar Plan* protects against declining value due to damage that causes a yield shortfall for several crops.

* Currently there is an additional 5 per cent in premium charged to cover any additional risks associated with organic farming under the above plans.

Under the following plans of insurance, organic producers are not charged an additional 5 percent in premium:

Group Risk Plan (GRP) insurance is based on the county expected yield rather than individual farm yields. This plan can be useful when a farmer's individual yield tends to track the yield of the county (available primarily on field crops).

Group Risk Income Plan (GRIP) makes indemnity payments only when the average county revenue for the insured crop falls below the revenue chosen by the farmer.

Adjusted Gross Revenue (AGR) is a pilot program that provides protection against low revenue due to unavoidable natural disasters and market fluctuations that occur during the insurance year. AGR also provides limited animal and animal products protection. It can provide protection on farms with up to $13 million in gross sales.

Adjusted Gross Revenue Lite (AGR-Lite) is a streamlined version of AGR and offers protection to smaller farmers (up to $2 million in gross sales) for their crops, livestock, and animal products. This is a natural fit for organic farmers.

For a fact sheet on AGR-Lite, go to: **http://www.rma.usda.gov/pubs/rme/fctsht.html**

Other tools

Other risk management tools that are currently available online for organic producers include:

Georgia Organics: *Direct Marketing Strategies Workbook* available at:
http://www.georgiaorganics.org/markettool/

University of Minnesota: *Organic Farm Business Management Class:*
http://www.mda.state.mn.us/food/organic/bizmgmt.htm

Benchmarking Reports for organic crop and livestock operations: **www.finbin.umn.edu**

Cost-of-Production Calculator for Grapes/Tree Fruit in Pacific NW:
www.nwgrapecalculators.org