

Crop Insurance for Organic Systems

ORGANIC FACT SHEET

FS 609

What is crop insurance?

Wederal Crop Insurance protects a farmer against production or revenue losses when crops do not meet a pre-set production guarantee. Covered losses include those due to adverse weather (frost, heat, drought, hail), fire, insects and disease, wildlife damage, earthquake or volcanic eruption and failure of irrigation water supply. Non-covered losses include negligence or wrong-doing, poor management and farming practices, failure or breakdown of irrigation equipment or facilities, and chemical drift.



How do I get crop insurance?

The USDA-Risk Management Agency (RMA) is the overseer and administrator of the Federal Crop Insurance Program. RMA handles the policy and oversight of the program, but insurance policies are sold and managed by private insurance agents. All sales, service and loss adjustments take place with the private agents. RMA shares the risk with the private companies.

Who is the USDA-Risk Management Agency?

The USDA-Risk Management Agency provides Federal Crop Insurance for farmers, training to enhance risk management skills and funding for a National Ag-Risk Education Library, with risk management information for farmers and educators. With their public and private partners, RMA works to find improved risk management strategies, to develop educational curricula and materials, and to train producers in effective use of risk management tools. The Risk Management Agency Regional Field Office for MN, WI and IA is located in St Paul, MN. There are nine other regional offices around the U.S. RMA is on the web at www.rma.usda.gov

How does Federal Crop Insurance work for organic crops?

Good news for organic producers is in the form of a new program developed in Pennsylvania called the "Adjusted Gross Revenue Lite" Program (AGR-Lite). AGR-Lite is an alternative to traditional crop insurance for organic producers. It provides protection against low revenue due to covered losses for the entire farm system. Using this coverage, farmers can take into account expected organic premiums, which previous Federal Crop Insurance programs did not adjust for. Most farm-raised crops, animals and animal products are eligible for protection under the AGR-Lite program.

In the AGR-Lite program, insurance coverage is based on 5-year average, total farm revenue. Other kinds of crop insurance cover only a specific crop, and only reimburse to a percentage of average commodity price. In basing coverage on total expected farm income, AGR-Lite accommodates organic premiums in insurance coverage and reimbursement. AGR-Lite is currently available in several states. As of the 2008 crop year, the program is available in 34 states, including Wisconsin and Minnesota.

Federal Crop Insurance does not cover GMO contamination. "Any loss of production or value due to contamination of a prohibited substance (intentional or unintentional) or contamination from a genetically modified organism with certified organic, transitional or buffer zone acreage is not insured." Congress wrote the Act governing Federal Crop Insurance, and it was their decision to not include chemical drift or GMO contamination. Any change in this policy would have to be made by Congress itself, so pressure may be put on Congressional representatives, rather than the RMA, to bring this policy more in line with the needs of organic farmers.

AGR-Lite is a boon to organic producers, as it provides protection against low revenue due to covered losses for the entire farm system

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How does AGR-Lite work?

The AGR-Lite program bases coverage on the previous 5 years of adjusted farm revenue as reported on an IRS form 1040 Schedule F. An annual farm report is submitted, with a listing of what commodities will be produced, expected quantities produced and expected prices for the covered year. The joy of AGR-Lite is that it not only covers typical organic commodity crops, but because of the whole-farm assessment, also can be used to cover specialty crops, animals and animal products.

At the beginning of the production year (by March 15th) the farmer chooses a coverage level (percentage of loss at which the insurance coverage will kick in) and a payment rate (percentage of loss to be reimbursed.) These two choices will determine the cost of the insurance premium. A top limit of \$1 million is the maximum coverage allowed under this program.

If a farm has a bad year due to natural occurrences such as bad weather, fire, insects, disease, wildlife damage, earthquake, or irrigation water supply failure, or if market fluctuations cause a loss from expected revenue during a covered year, a claim can be made. Negligence, mismanagement or wrongdoing by employees etc. are NOT covered.

In light of the insurance plan wording and the historical experience of Federal Crop Insurance programs, organic farmers must be especially diligent in proving that they have effective weed and pest management programs in place in order to substantiate a disease or insect claim. This is where your organic plan, on file with your certification agency, will come into play as support for pro-active preventive management. Claims will be supported only in extreme situations in which planned controls were not effective. AGR-Lite insurance is not intended to compensate for poor organic management.

What do I need to do to sign up?

Farmers must contact an insurance agent who offers the AGR-Lite program in their state before the March 15th application deadline. Your area Farm Service Agency should have listings of insurance agents that handle Federal Crop Insurance, or you can go to the RMA website at <http://www3.rma.usda.gov/apps/agents>.

Collect the previous five years of IRS Schedule F forms, which show the farm's total revenue. Think about the level of risk you would like to be protected for, and what percent of that you want to have returned to you as cash in the case of a crop failure. Crop Insurance must be renewed annually. Claims will be processed through your insurance agent.

If your state is not currently offering AGR-Lite, you may participate in the traditional Federal Crop Insurance commodity program, but will be assessed and compensated at non-organic commodity price levels. New programs such as AGR-Lite must come into states through the request and significant work of private industry, in conjunction with state agricultural offices. To request action on bringing this program to your state, try a call to your department of agriculture or an active insurance agent in your area.

Before the AGR-Lite program was developed, many organic farmers choose not to participate in the Federal Crop Insurance program. This new program offers a proven risk management strategy for those farmers who choose the option of federal agricultural insurance.

This new program offers a proven risk management strategy



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Visit the MOSES website for many more resources and tools, including our Resource Directory and the Organic Broadcaster Newspaper. Plan to attend our annual Organic Farming Conference each February.

Check out the online Calendar to view upcoming events, including MOSES trainings.

