

# STRENGTHENING ORGANIC COVERAGE: CONTRACT PRICE OPTION

One of the benefits of raising organic crops is the ability to sell them for a premium price. In spring 2022, the price for a bushel of conventional soybeans was \$14.33, while a bushel of certified organic soybeans sold for \$27.41 (see table below). Federal crop insurance plans account for this by offering adjusted prices for certified organic products. However, another coverage option may offer even better protection: the Contract Price Option.

This option allows certified organic or transitional crop producers with written contracts from buyers to insure their crops based on their contracted price rather than the price set by the U.S. Department of Agriculture's Risk Management Agency (RMA), the agency that administers federal crop insurance.

The Contract Price Option can be added to a crop insurance policy to help a producer better cover a crop's value.

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**“[RMA] sets an organic price, but if you have a contract, and that contract has a higher price, then you can insure your crop at the contract price.”**

*-Scott Shriver, organic producer*

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## QUALITY COVERAGE FOR CONTRACTED ACRES

A producer's guarantee reflects the dollar amount per acre for which they are covered by insurance in the event of a loss. In most cases, the dollar value of the guarantee is determined by multiplying an average yield by a price established by RMA.

The Contract Price Option allows a producer to plug the contract price into this formula instead. The contract price can replace a projected price, harvest price, or price election, as they apply to the crop and plan.

There is an upper limit, or “maximum contract price,” at which this option is bound. It varies by crop, but the majority are bound at double the crop's conventional price set by RMA, or one and a half times RMA's organic price. See Table 1.<sup>1</sup>

In addition to certified organic crops, the Contract Price Option is a unique tool available for crops in the three-year organic transition process. During transition years, if a producer can set a contract at a higher price than conventional (such as a non-GMO grain contract), using the contract price option may also be advantageous.

TABLE 1. COMMODITY AND MAXIMUM CONTRACT PRICES PER BUSHEL, NEBRASKA

Commodity	2022 spring price—conventional	2022 spring price—certified organic	Maximum contract price—organic transition	Maximum contract price—certified organic
Corn	\$5.90	\$11.72	\$11.80	\$17.58
Soybeans	\$14.33	\$27.41	\$28.66	\$47.97
Wheat	\$9.19	\$18.66	\$18.38	\$27.99
Sorghum	\$5.88	\$12.28	\$11.76	\$18.42
Oats	\$3.30	\$6.27	\$7.40	\$15.68

## Sources

1. “Actuarial Information Browser, Crop Criteria.” U.S. Department of Agriculture, Risk Management Agency, [webapp.rma.usda.gov/apps/actuarialinformationbrowser/CropCriteria.aspx](http://webapp.rma.usda.gov/apps/actuarialinformationbrowser/CropCriteria.aspx). Accessed September 2022.



## SELECT COMMODITIES ELIGIBLE FOR THE CONTRACT PRICE OPTION

- Apples
- Barley
- Blueberries
- Cabbage
- Caneberries
- Canola/rapeseed
- Corn
- Cranberries
- Cultivated wild rice
- Dry beans
- Dry peas
- Figs
- Flax
- Forage production
- Fresh apricots
- Fresh nectarines
- Grain sorghum
- Millet
- Mint
- Oats
- Onions
- Peaches
- Pears
- Plums
- Popcorn
- Potatoes
- Prunes
- Rye
- Safflower
- Table grapes
- Tomatoes
- Walnuts
- Wheat

For the whole list of eligible commodities, visit:  
[rma.usda.gov/en/Topics/Organic-Crops/  
Contract-Price-Addendum-Eligibility-by-Commodity](https://rma.usda.gov/en/Topics/Organic-Crops/Contract-Price-Addendum-Eligibility-by-Commodity).

## MULTIPLE CONTRACTS

If a producer has multiple contracts with different prices for the same crop type, a weighted average projected price or price election is used.

For example, if a farm has 100 acres under two fixed-price contracts—one for 50 acres at \$10/bushel and the other for the remaining 50 acres at \$12/bushel—the weighted average is found by multiplying the contract price by acres and totalling them together:  
**(50 acres x \$10/bushel) + (50 acres x \$12/bushel) = \$1,100**

The total value is then divided by the total number of acres to determine the per-bushel weighted price:  
**\$1,100 ÷ 100 acres = \$11/bushel**

This value can then be used to determine policy coverage.

The Contract Price Option is only available for acres under contract. Acres with and without contracts can still be insured under the same policy, but those acres not under contract will be factored into the weighted average at the price established by RMA.

## HOW TO PURCHASE & INFORMATION TO HAVE READY

Producers who buy crop insurance are familiar with the sales closing date—the date by which they have to elect their coverage. For most spring crops, it's March 15, which is also when the Contract Price Option will need to be added to their coverage, even though contracts may not be finalized. This step keeps the option available to a producer, should contracts be set in the following months.

Written contracts need to be presented to the insurance agent by the acreage reporting date, which varies by state and crop, but is often July 15. Producers who decide to use the Contract Price Option likely will see a change in guarantee based on the higher price, as well as a related change in premium price.

Federal crop insurance policies can be purchased from private crop insurance agents. Find a crop insurance agent using RMA's Agent Locator Tool: [rma.usda.gov/Information-Tools/Agent-Locator-Page](https://rma.usda.gov/Information-Tools/Agent-Locator-Page).

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**“It was a learning experience when we got our first organic producer. One of the most important things that happened for our agency was the ability to use the contract price endorsement. We realized that organic farmers are often not able to insure the full value of their crop, unless they're able to insure at that contract price.”**

*-Scott Phillips, licensed crop insurance agent*

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CENTER for RURAL AFFAIRS

CFRA.ORG | INFO@CFRA.ORG | 402.687.2100

