



Contract Price Addendum

January 2014

Contract Price Addendum

A new initiative to support the continued growth of organic agriculture is now available from the USDA's Risk Management Agency (RMA). The Contract Price Addendum (CPA) allows you, as an organic producer who has a written contract from a buyer by the acreage reporting date, the ability to insure your organic crop at the contract price. You can now buy a Federal crop insurance guarantee that is more reflective of the actual value of your organic crop. You will have the ability, where available and at your choice, to use either the contract price or the published RMA price as the crop insurance projected price or price election, as applicable. The CPA is available for 62 crops (See page 4 for the Contract Price Addendum - Crop List for more information) beginning in the 2014 crop year, which covers the majority of insurable organic crops.

Contract Pricing Availability

- Ask your agent if contract pricing is available for your crop.
- If the actuarial documents specify the availability of contract pricing, you may use your contract price to determine your projected price, harvest price, or price election, as applicable. You will find CPA information in the following actuarial and policy documents:
 - ◇ The actuarial documents are on RMA's Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/.
 - ◇ For commodities that are insured using the Commodity Exchange Price Provisions, CPA information can be found in the Commodity Exchange Price Provisions at www.rma.usda.gov/policies/cepp.html.
 - ◇ For commodities that do not have revenue protection insurance plans available, CPA information can be found in the Special Provisions of Insurance. Please ask your agent for a copy of the Special Provisions of Insurance for your crop.
 - ◇ If a commodity type or practice allows or requires the use of a contract price through the Crop Provisions or Special Provisions of Insurance, the

CPA is not needed and is not applicable.

- ◇ Regardless of your plan of insurance, the Prices and Rates tabs identify if contract pricing is available for a particular commodity type or practice.
- To choose contract pricing, you must choose it by the sales closing date and provide a copy of the contract to your agent by the acreage reporting date. CPA coverage continues while your insurance policy is active.

How to Use Your Contract Price

Methods to determine the contract price by insurance plan are determined by choosing one of the two plans below.

Yield Protection (Area Yield Protection) or Actual Production History - If the contract provides a fixed price for the contracted production, the contract price will serve as the projected price or price election as applicable. If the contract provides for a premium amount over a base price to be determined and:

- The base price is set on or before the acreage reporting date - then the contract price (premium plus the base price) is the projected price or price election.
- The base price is **not** available by the acreage reporting date, the projected price or price election is the sum of the premium amount and the applicable projected price or price election. For example, assume your contract specifies the price you will receive for your production is \$2 per bushel over a base price. Your price election would be \$10 per bushel if you did not choose to use the CPA, and therefore \$12 per bushel (\$10 + \$2) if you choose to use the CPA.

Revenue Protection (including Area Revenue Protection) - If the contract provides a fixed price for the contracted production:

- The contract price under the CPA serves as the projected price. For example, assume your contract specifies the price you will receive for your contracted production is \$10 per bushel. Your projected price is \$6 per bushel, per the Commodity Exchange Price Provisions, if you did not choose this

CPA. Under the CPA, your projected price is \$10 per bushel, which is the contract price.

- The harvest price, under the CPA, is the difference of the applicable projected price and the contract price added to the applicable harvest price. For example, assume if you did not choose the CPA, your harvest price is \$5 per bushel, per the Commodity Exchange Price Provisions. Under the CPA, your harvest price is \$9 per bushel ($\$10 - \$6 + \$5 = \9).

If the contract provides for a premium amount over a base price that is available by the acreage reporting date, the contract is considered to be a fixed price contract.

If the contract provides for a premium amount over a base price that will **not** be available until after the acreage reporting date:

- The projected price under the CPA is the sum of the premium amount and the applicable projected price. For example, assume your contract specifies the price you will receive for your contracted production is \$4 per bushel over the base price and the base price will be determined after the acreage reporting date. Your projected price is \$7 per bushel, per the Commodity Exchange Price Provisions, if you did not choose the CPA. Under the CPA your projected price is \$11 per bushel ($\$7 + \4).
- The harvest price is the sum of the \$4 premium amount and the applicable harvest price. For example, assume if you did not choose the CPA, your harvest price is \$8 per bushel, per the Commodity Exchange Price Provisions. Under the CPA, your harvest price is \$12 per bushel ($\$8 + \4).

Limits and Maximum Prices

Every projected price or price election determined under “How to Use Your Contract Price” (page 1) is limited to the maximum contract price. Most organic practices have a maximum value of 2 times the announced conventional price election or 1.5 times the announced premium organic price election. You can find the maximum contract price in the Prices tab of the Actuarial Information Browser at webapp.rma.usda.gov/apps/actuarialinformationbrowser/.

More than One Contract Price

If you have multiple contracts with different prices for the commodity type or practice, the projected price or price election under the CPA, as applicable, is calculated by:

- Multiplying the acreage for each contract by the contract price determined in “How to Use Your Contract Price” and add these results; and
- Dividing the results by the total acres of all the contracts. Each contract price is subject to the

maximum contract price. For example, assume there are 50 total acres of a commodity. There are two fixed price contracts that cover all of the production from the 50 acres. One contract is for 25 acres of production at \$7 per bushel and the second contract is for 25 acres of production at \$8 dollars per bushel.

$$\text{Step 1 } (25 \cdot \$7) + (25 \cdot \$8) = \$375$$

$$\text{Step 2 } (\$375 \div 50) = \$7.50$$

Contracted and Non-Contracted Acreage

The weighted average price of contracted and non-contracted acreage for the commodity crop type or practice is calculated by:

- Multiplying the contracted acreage by the contract price determined in the sections, “How to Use Your Contract Price” or “More Than One Contract Price.” Each contract price is subject to the maximum contract price.
- Multiplying the non-contracted acreage by the price determined by the Commodity Exchange Price Provisions or the policy, as applicable;
- Adding the results from the first two bullets; and
- Dividing the result from the third bullet by the total acres of the commodity.
 - ◇ For example, assume there are 100 total acres of a commodity. There are two fixed price contracts that cover all of the production from 50 acres. One contract is for 25 acres of production at \$7 per bushel and the second contract is for 25 acres of production at \$8 dollars per bushel. For the remaining Non-Contracted 50 acres, a price election of \$5 per bushel is used.
 - Step 1 $(25 \cdot \$7) + (25 \cdot \$8) = \$375$
 - Step 2 $(50 \cdot \$5) = \250
 - Step 3 $(\$375 + \$250) = \$625$
 - Step 4 $(\$625 \div 100) = \6.25 weighted average price.

More information

You can find the contract price addendum at www.rma.usda.gov/policies/2014/14cpa.pdf.

Where to Buy Crop Insurance

All crop insurance, including CAT policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www3.rma.usda.gov/apps/agents/.

Contact Us

USDA/RMA

Mail Stop 0801

1400 Independence Ave., SW

Washington, DC 20250

Phone: (202) 690-2803

Fax: (202) 690-2818

E-mail: RMA.CCO@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at www.rma.usda.gov/pubs/rme/fctsht.html.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

To file a complaint of discrimination, complete, sign and mail a program discrimination complaint form, (available at any USDA office location or online at www.ascr.usda.gov), to: United States Department of Agriculture; Office of the Assistant Secretary for Civil Rights; 1400 Independence Ave., SW; Washington, DC 20250-9410. Or call toll free at (866) 632-9992 (voice) to obtain additional information, the appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.

Crop List

Contract Price Addendum

Commodity Name	Plan	Use CPA ¹	Existing CP Option ²	Commodity Name	Plan	Use CPA ¹	Existing CP Option ²
ALFALFA SEED	APH	No	Yes	ORLANDO TANGELOS	APH	Yes	
ALL OTHER GRAPEFRUIT	APH	Yes		PAPAYA	APH	Yes	
ALMONDS	APH	Yes		PEACHES	APH	Yes	
APPLES	APH	Yes		PEANUTS	APH	No	Yes
AVOCADOS	APH	Yes		PEARS	APH	Yes	
BANANA	APH	Yes		PLUMS	APH	Yes	
BLUEBERRIES	APH	Yes		POPCORN	APH	Yes	
BUCKWHEAT	APH	No	Yes	PROCESSING APRICOTS	APH	Yes	
CABBAGE	APH	Yes		PROCESSING BEANS	APH	Yes	Yes
CAMELINA	APH	No	Yes	PROCESSING CLING PEACHES	APH	Yes	
COFFEE	APH	Yes		PROCESSING FREESTONE	APH	Yes	
CRANBERRIES	APH	Yes		PRUNES	APH	Yes	
CULTIVATED WILD RICE	APH	Yes		PUMPKINS	APH	No	Yes
DRY BEANS	APH	Yes	Yes	RIO RED & STAR RUBY	APH	Yes	
DRY PEAS	APH	Yes	Yes	RUBY RED GRAPEFRUIT	APH	Yes	
EARLY & MIDSEASON ORANGE	APH	Yes		RYE	APH	Yes	
ELS COTTON	APH	Yes		SAFFLOWER	APH	Yes	
FIGS	APH	Yes		SESAME	APH	No	Yes
FLAX	APH	Yes		SILAGE SORGHUM	APH	No	Yes
FRESH APRICOTS	APH	Yes		SUGAR BEETS	APH	Yes	
FRESH FREESTONE PEACHS	APH	Yes		SUGARCANE	APH	Yes	
FRESH MARKET TOMATOES	APH	Yes		SWEET CORN	APH	No	Yes
FRESH NECTARINES	APH	Yes		SWEET ORANGES	APH	Yes	
GRAPES	APH	No	Yes	TABLE GRAPES	APH	Yes	
GRASS SEED	APH	No	Yes	TOMATOES	APH	Yes	
GREEN PEAS	APH	No	Yes	VALENCIA ORANGES	APH	Yes	
LATE ORANGES	APH	Yes		WALNUTS	APH	Yes	
LEMONS	APH	Yes		CANOLA/RAPESEED	Combo	Yes	Yes
MACADAMIA NUTS	APH	Yes		CORN	Combo	Yes	Yes
MANDARINS	APH	Yes		COTTON	Combo	Yes	
MILLET	APH	Yes		GRAIN SORGHUM	Combo	Yes	
MINNEOLA TANGELOS	APH	Yes		RICE	Combo	Yes	
MINT	APH	Yes		SOYBEANS	Combo	Yes	Yes
MUSTARD	APH	No	Yes	SUNFLOWERS	Combo	Yes	
NAVEL ORANGES	APH	Yes		WHEAT	Combo	Yes	
OATS	APH	Yes		BARLEY	YP	Yes	Yes
ONIONS	APH	Yes					

(1) Organic Practices only (except for rice)

(2) Existing contract pricing provisions may not apply to all locations, types, and/or practices