USDA drops 5% organic surcharge on tree crops

Sep 25, 2010 by Pesticide Action Network

The National Sustainable Agriculture Coalition (NSAC) reports that the US Department of Agriculture (USDA) has finally announced plans to eliminate the five percent surcharge imposed on organic producers for certain tree crops. This partial elimination of the crop insurance surcharge was, at least in part, the result of a hard-won provision in the 2008 Farm Bill in which Congress directed the USDA to evaluate available data on risk of loss between organic and conventional systems and to determine whether the surcharge was justified. The crops for which the surcharge is now being removed are figs, pears, peppers, prunes, macadamia trees, Florida citrus fruit, Texas citrus fruit, Florida fruit trees, and Texas citrus trees. The surcharge will continue for now on all other crops.

In addition to the surcharge, organic producers are only reimbursed for the conventional rather than organic crop price when they suffer a loss. The Farm Bill also directed USDA’s Risk Management Agency (RMA) to offer producers of organic crops separate price determinations that reflect actual prices received for organic crops. In the August 31 announcement the agency also offered an “organic price election” for cotton, corn, soybeans and processing tomatoes.

Both policy changes are a great step in the right direction. The USDA has promised to continue to accumulate and evaluate data necessary to eliminate the surcharge and offer an organic price election on a wider range of crops. To that end it has released three reports; one on assessing risk and two on pricing. The reports explain the difficulty in providing definitive answers for lack of adequate data.

The February 2010 risk report states, for example: “For some crops, regions, and years, organic crops have lower losses than their conventional counterparts. This is true even at the risk region and state levels of aggregation. In many crops, conventional crops have a higher level of loss than organic crops in extreme risk circumstances (very high losses, as established by the loss ratio or loss cost ratio for the conventional production), but a lower level of losses when responding to lower levels of risk.” The report concludes that despite insufficient data, “Public policy precludes the option simply to maintain the existing surcharge.

The September 2009 pricing report, also states lack of data with which to make definitive conclusions but does recognize the “substantial unintended consequences of this pricing approach is to underinsure U.S. organic production”. It recommends that RMA relaxes data requirements suggesting that resulting prices may fall short of producers’ expectations but will likely be more acceptable that current price policies. In its March 2010 report it does relax data requirements allowing it to develop independent organic price elections for corn, cotton and soybeans.