

WHOLE FARM REVENUE PROTECTION

An Insurance Program to Manage Farm Risk

*An Introduction for Appalachian Harvest Organic
Grower Group*

*Presented by Wythe Morris, Consultant
AG Con Agricultural Consulting*





RISK MANAGEMENT

- *Why crop insurance? Why do I need crop insurance?*
 - *Crop insurance is one of many risk management options*
 - *5 Areas of Risk*
 - *Marketing*
 - *Financial*
 - *Legal*
 - *Human Resource*
 - *Production (Crop insurance is a key way to plan for production risk)*



WHOLE FARM REVENUE PROTECTION

- Revenue Safety net for all commodities grown under the farm entity under one policy
- Be at least a 3 commodity producer (diversify)
- Commodity- any agricultural product established or produced on your farm operation, except timber, forest, and forest products, animals for sport, show or pets.
- The number of qualifying commodities reduces the premium rate factor
- *Five years of tax returns (less for new and beginning farmers- 3)*
- *Other requirements*



**TAKE HOME
LESSON
TODAY...**


- Put WFRP on your radar
- Do your research
 - DOC 10.02
 - DOC 10.03
 - DOC 10.04
- Develop high level of recordkeeping skills
 - Traceability records
 - Direct Market records DOC 10.07
 - IRS Schedule F DOC 10.06
- **Work with a professional** who specializes in Crop Insurance
- Accumulate historical farm records that are required

- On your CD

FURTHER INFORMATION

Crop Insurance Basics: Duties, Myths and Truths

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Indigenous Food and Agriculture Initiative






Whole Farm Revenue Protection

WFRP
Dean Benson

Whole Farm Revenue Protection Modifications for 2016

Federal Crop Insurance Corporation Pilot Insurance Program
Risk Management Agency




A Risk Management Agency Fact Sheet

Whole-Farm Revenue Protection

August 2015

Whole-Farm Revenue Protection
Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is intended for any farm with up to \$3.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm identity preserved, specialty, or direct markets.

Availability
Whole-Farm Revenue Protection is available in all counties in all 50 states.

Causes of Loss
WFRP provides protection against the loss of insured revenue due to an insurable natural cause of loss that occurs during the insurance period and will also provide coverage for loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

Important Dates
Sales Closing, Cancellation, & Termination Dates: County Specific
January 31, February 28, or March 15
Renewal Farm Operation Report Date: July 15
Calendar Year Files: July 15
Final Year Files: July 15
Late Final Year Files: Final Year Begins August 15
August 15
October, November, or December: October 31
Contract Change Date: August 31
Talk to your crop insurance agent about the dates that apply to your county.

Insurance Year
The insurance year is a calendar year if you are insured by calendar year, or a fiscal year if you are insured by fiscal year.

Reporting Requirements
Revenue Report - You must submit a source of loss within 72 hours after discovery that revenue for the insurance year could be below the insured revenue. Insurances may be required for losses. You must have a claim made from the insurance year before any claims can be made. You must make claims no later than 60 days after the date you submit from the Bureau of the National Revenue Service (BRS). Claim payments for a revenue loss under WFRP are paid within 30 days after the determination of a payment due to insured as you are in compliance with the policy.

Coverage
WFRP covers your farm against the loss of farm revenue that you seek or expect to seek from:

- Commodities you produce during the insurance period, whether they are sold or not;
- Commodities you buy for resale during the insurance period; and
- All commodities on the farm except tobacco, flowers, and forest products; and animals for sport, show, or pet.

The policy also provides replace coverage:

- For annual crops, except those covered by another policy;
- Equal in the cost of replanting up to a maximum of 20 percent of the expected revenue; and
- When 20 percent or 20 acres of the crop needs to be replanted.

The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue. Coverage levels range from 50 percent to 85 percent. Coverage: Risk Premiums (CAR) coverage is not available.

The number of commodities produced on the farm are covered under a calculation that determines:

- If the farm has the diversification needed to qualify for the 85 and 80 percent coverage levels; there is a consistency requirement;
- The amount of production risk discount you will receive due to farm diversification; and
- The individual source farms with 1% more consistency will receive a lower farm revenue liability.

You can get WFRP alone or with other long-term level (additional) Federal crop insurance policies. When you buy WFRP with another policy, the WFRP payment is reduced due to the coverage provided by the other policy. If you have other Federal crop insurance policies of comparable coverage levels, you do not qualify for WFRP.

This fact sheet gives you a general overview of the crop insurance program and is not a complete policy. For further information and an explanation of policy management needs, contact a crop insurance agent.



CREDITS

- This presentation was adapted from a Webinar entitled **CROP INSURANCE FOR SMALL FARMS- A Crash Course**, May 14, 2015.
- Presenters included:
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 - Janie Simms Hipp, J.D., LL.M., University of Arkansas
 - Dean Benson and Gordon Killian, Northwest Farm Credit Services
- Other contributors included:
 - National Good Food Network
 - Wallace Center/ Winrock International
 - USDA Risk Management Agency



Whole-Farm Revenue Protection

August 2015

Whole-Farm Revenue Protection

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

Availability

Whole Farm Revenue Protection is available in all counties in all 50 states.

Causes of Loss

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss that occurs during the insurance period and will also provide carryover loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

Important Dates

Sales Closing, Cancellation, & Termination Dates

County Specific
.....January 31, February 28, or March 15

Revised Farm Operation Report Dates

Calendar Year Filers July 15
Early Fiscal Year Filers July 15

Late Fiscal Year Filers: Fiscal Year Begins:

August or September 30 days after start of fiscal year
October, November, or December October 31

Contract Change Date August 31

Talk to your crop insurance agent about the dates that apply for your county.

Insurance Year

The insurance year is a calendar year if taxes are filed by calendar year, or a fiscal year if taxes are filed by fiscal year.

Reporting Requirements

Revenue Losses - You must submit a notice of loss within 72 hours after discovery that revenue for the insurance year could be below the insured revenue. Inspections may be required for losses. You must have filed farm taxes for the insurance year before any claim can be made. You must make claims no later than 60 days after the date you submit farm tax forms to the Internal Revenue Service (IRS). Claim payments for a revenue

loss under WFRP are paid within 30 days after the determination of a payment due as long as you are in compliance with the policy.

Coverage

WFRP protects your farm against the loss of farm revenue that you earn or expect to earn from:

- Commodities you produce during the insurance period, whether they are sold or not;
- Commodities you buy for resale during the insurance period; and
- All commodities on the farm except timber, forest, and forest products; and animals for sport, show, or pets.

The policy also provides replant coverage:

- For annual crops, except those covered by another policy;
- Equal to the cost of replanting up to a maximum of 20 percent of the expected revenue; and
- When 20 percent or 20 acres of the crop needs to be replanted.

The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue. Coverage levels range from 50 percent to 85 percent. Catastrophic Risk Protection (CAT) coverage is not available.

The number of commodities produced on the farm are counted using a calculation that determines:

- If the farm has the diversification needed to qualify for the 80 and 85 percent coverage levels (there is a 3 commodity requirement);
- The amount of premium rate discount you will receive due to farm diversification; and
- The subsidy amount. Farms with 2 or more commodities will receive a whole-farm subsidy and farms with one commodity will receive a basic subsidy.

You can buy WFRP alone or with other buy-up level (additional) Federal crop insurance policies. When you buy WFRP with another policy, the WFRP premium is reduced due to the coverage provided by the other policy. If you have other Federal crop insurance policies at catastrophic coverage levels you do not qualify for WFRP.

WFRP insured revenue is the total amount of insurance coverage provided by this policy. Your crop insurance agent and Approved Insurance Provider determine the farm's approved revenue using the following information:

- Whole-Farm History Report;
- Farm Operation Report;
- Information regarding growth of the farm; and
- The coverage level you choose (50-85 percent) multiplied by the approved revenue is the insured revenue amount.

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	\$10,000,000
80	3	\$10,625,000
75	1	\$11,333,333
70	1	\$12,142,857
65	1	\$13,067,923
60	1	\$14,166,167
55	1	\$15,454,545
50	1	\$17,000,000

The Commodity Count in the table above is a measure of the farm's diversification, determined by the policy. The calculation determines the minimum proportion of revenue a commodity must contribute to the farm to be considered a commodity for WFRP. A farm's revenue would be evenly distributed if an equal percentage of revenue came from each commodity produced, for example, 25 percent from corn, 25 percent from soybeans, 25 percent from spinach, and 25 percent from carrots. The minimum proportion to be considered a countable commodity is one-third of that amount. In this example, for corn, soybeans, spinach, or carrots to each county, each commodity would have to make up at least 8.3 percent of the total revenue of the farm to count as a commodity under WFRP. Commodities with revenue below the minimum will be grouped together in order to recognize farm diversification (this will make the commodity count higher). The Maximum Farm Approved Revenue represents the maximum approved revenue for a farm to be eligible for WFRP given the \$8.5 million maximum liability allowed.

Eligibility

Eligibility for WFRP coverage requires you to:

- Be eligible to receive Federal benefits;
- Be a U.S. citizen or resident;
- File either a Schedule F tax form or other farm tax

form that can be converted to a Substitute Schedule F for a specified number of years (see Information You Provide below);

- Have no more than \$8.5 million in insured revenue, which is the farm revenue allowed to be insured under the policy multiplied by the coverage level you select (see table above);
- Have no more than \$1 million expected revenue from animals and animal products;
- Have no more than \$1 million from greenhouse and nursery;
- Have no more than 50 percent of total revenue from commodities purchased for resale;
- Have buy-up coverage levels on any Federal crop insurance plans you choose with the WFRP insurance plan;
- Meet the diversification requirements of the policy by having two or more commodities if a commodity you are raising has revenue protection or actual revenue history insurance available; and
- Meet the diversification requirements of the policy by having two or more commodities, if there are potatoes on the farm.

Information You Provide

There are certain documents you must provide to your crop insurance agent to get Whole-Farm Revenue Protection insurance. For the Whole-Farm History Report you must provide:

- 5 consecutive years of Schedule F or other farm tax forms (it must be possible to complete a Substitute Schedule F form if you filed farm tax forms other than Schedule F). For the 2016 insurance year, tax forms from 2010-2014 are required except:
 - ◊ If you qualify as a Beginning Farmer or Rancher (BFR) under our procedures, you may qualify with 3 consecutive years of Schedule F or other farm tax forms if you also farmed during the past year (it must be possible to complete a Substitute Schedule F form if you filed farm tax forms other than Schedule F). For the 2016 insurance year, tax forms from 2012-2014 are required and you also must have farmed during 2015;
 - ◊ If you were physically unable to farm for 1 of the 5 required historic years but were farming the past year, you may qualify; or
 - ◊ If you are a tax exempt entity (such as a Tribal entity) and have acceptable third party records available that can be used to complete Substitute Schedule F tax forms for the 5-year history.
- Information supporting expansion if the producer wants the farm to be considered as an expanding operation due to the farm operation physically

expanding over the last few years, including increased acres, added equipment such as a greenhouse, new varieties or planting patterns, or anything else that expands production capacity (other than just a change in price); and

- Any supporting information required, including other signed tax forms, to show the farm tax forms are accurate and were filed with the IRS.

Growing Farm Operations

Operations that have been expanding over time may be allowed to increase their approved revenue amount based on an indexing procedure, or, if you can show that your operation has physically expanded (land, animals, facilities, or production capacity) so it has the potential to produce up to 35 percent more revenue than the historic average, your insurance company may approve your operation as an expanding operation to reflect that growth in the insurance guarantee.

Prices

Prices used to value commodities must be based on the guidelines for prices in the policy. Organic prices that meet the policy requirements are allowed for valuing organic commodities.

Market Readiness Operations and Post Production Costs

Market readiness operations such as on-farm activities that occur in or near the field and are the minimum needed to remove the commodity from the field and make it market ready can be left in the allowable revenue and expenses. The cost from all other post production operations not considered market readiness operations must be removed from the allowable revenue and expenses, including activities that increase the value of a commodity such as canning, freezing, and processing activities.

Losses

Claims are settled after taxes are filed for the insurance year. A loss under the WFRP policy occurs when the WFRP revenue-to-count for the insured year falls below the WFRP insured revenue. Revenue-to-count for the insured year is:

- Revenue from the tax form that is approved revenue according to the policy;
- Adjusted by excluding inventory from commodities sold that were produced in previous years;
- Adjusted by including the value of commodities produced that have not yet been harvested or sold; and
- Any other adjustments required by the policy such as those from uninsured causes of loss.

If the farm operation does not have expenses during the insurance year of at least 70 percent of the approved expenses the insured revenue amount will be reduced by 1 percent for each percentage point the actual approved expenses are below 70 percent of the approved expenses.

Premium Subsidy

Farms with two or more commodities will receive a whole-farm premium subsidy as long as the minimum diversification requirements are met. Farms with one commodity will receive the basic level of premium subsidy.

Buying Whole Farm Revenue Protection

You can buy Whole-Farm Revenue Protection from a crop insurance agent by the sales closing date shown for each county in the actuarial documents at webapp.rma.usda.gov/apps/actuarialinformationbrowser/. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/tools/agent.html.

Contact Us

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