

Whole Farm Revenue Protection

Presented by

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This presentation highlights features of the WFRP and is not intended to be comprehensive. The information presented neither modifies or replaces terms and conditions of the WFRP policy and the county actuarial documents.

What does Whole Farm cover?

- ▶ Revenue from all commodities produced on the farm:
 - ▶ Including animals and animal products
 - ▶ Commodities purchased for resale (up to 50% of total)
 - ▶ Excludes timber, forest, forest products and animals for sport, show or pets.

What does Whole Farm cover?

- ▶ Covers revenue 'produced' in the insurance year
 - ▶ A commodity not harvested or sold will count as revenue
 - ▶ A commodity grown last year and sold this year will not be covered.
 - ▶ For commodities that grow each year, like cattle, only the growth for the insurance year counts.
 - ▶ Example: Calves worth \$800 at beginning of the year and to be sold at \$2,000, the value insured will be \$1,200
 - ▶ Inventory and Accounts Receivable are used to get the 'produced' amounts
 - ▶ Prices used to value commodities to be grown must meet the expected value guidelines in the policy

What does Whole Farm cover?

- ▶ Replant costs (with approval)
- ▶ Loss of revenue during the insurance year due to:
 - ▶ Unavoidable natural disasters
 - ▶ Natural causes of loss and decline in the market price during the insurance period
 - ▶ When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be made.
 - ▶ Taxes must be filed for the insurance year before any claim can be made (2017 insurance years requires 2017 year farm taxes to be filed)

Coverage for Organically Grown Crops

- ▶ Organic growers can insure their organically grown (insurable) crops.
- ▶ Coverage available for transitional and certified organic acreage.
- ▶ Damage caused by insects, disease or weeds will be covered if recognized organic farming practices fail to provide an effective control.

What are the features of WFRP?

- ▶ All farm revenue is insured together under one policy
 - ▶ Individual commodity losses are not considered, it is the overall farm revenue that determines losses
- ▶ Premium subsidy is available and depends on farm diversification
 - ▶ Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
 - ▶ Farms with 1 commodity receive basic premium subsidy

What are the features of WFRP?

- ▶ Historic revenue is adjusted to reflect farm expansion
 - ▶ Automatic indexing process accounts for farm growth historically (Insured may opt out of Indexing)
 - ▶ Expanding operations provision allows for up to 35% growth over historic average with insurance company approval

Important Dates

- ▶ **Intended Farm Operation Report (IFOR)** due by Sales Closing Date:
 - ▶ AZ and CA: February 28
 - ▶ HI, NV and UT: March 15
- ▶ **Revised Farm Operation Report (RFOR)** Due: July 15
- ▶ Premium Billing and Contract Change Date: August 31
- ▶ **Final Farm Operation Report** completed earlier of:
 - ▶ The time an indemnity is claimed or
 - ▶ By next year's Sales Closing Date.
 - ▶ If not completed - limited to 65% coverage the next year.

Qualifying Person Criteria

- ▶ Be a U.S. citizen or resident;
- ▶ Be eligible to receive federal benefits;
- ▶ File a Schedule F tax form or Substitute Schedule F covering 100 percent of the farm operation;
- ▶ The entity must have tax returns for each year (5 consecutive years) of the revenue and expense history and farm operation as the insured person for the insurance year (check policy for exceptions);

Qualifying Person Criteria (continued)

- ▶ If you inherit, purchase or lease another person's farm operation, you may use the other person's tax returns if certain requirements are met; and
- ▶ Be engaged in the business of farming and derive revenue from the production of commodities

2016 Enhancements

- ▶ USDA-qualified *Beginning Farmers and Ranchers (BFR)* may qualify with 3 historic years of taxes if they have been farming also the previous year.
 - ▶ For 2017 - requires taxes to have been filed in 2013, 2014, 2015 and for the producer to have been farming in 2016.
 - ▶ Qualifying BFR's receive an extra 10% premium subsidy

2016 Enhancements (continued)

- ▶ Record requirements for direct-marketed commodity sales were modified:
 - ▶ Acceptable sales records for direct marketed commodities are now records kept by the producer during the year (Contemporaneous Records)
- ▶ Recordkeeping aids (examples) for direct marketers are available on the WFRP web page (www.rma.usda.gov)
 - ▶ Shows records/information needed for WFRP

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

2010	=	99,500
2011	=	90,200
2012	=	100,100
2013	=	102,300
2014	=	104,900

Specialty Crop Example

99,400 = 5 Year Average Allowable Revenue

Step 2

Calculate the Indexed Average Allowable Revenue

99,400 = 5 year Average Allowable Revenue

1.045 Index Factor

\$103,873 = Indexed Allowable Revenue

Step 3

Calculate the Expanded Operation Average Allowable Revenue

99,400 = 5 year Average Allowable Revenue

1.1 Expanded Operation Factor

\$109,340 = Expanded Operation Allowable Revenue

Step 4

The **Whole-Farm Historic Average Revenue** is:

"the higher of" the 5 Year Average, Indexed, or Expanded Operation Revenue

In this example: \$109,340 expanded operation criteria

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Intended Farm Operation Report

Commodity	Amt	Unit	Yield		Value	Expected Revenue
Peonies	1	ac	36,000	stms	\$1.50	\$54,000
Swine	50	hd	212	lbs	\$2.00	\$21,200
Rhubarb	100	pnts	18	lbs	\$3.00	\$5,400
Hay (Other)	25	ac	5	ton	\$165.00	\$20,625
						\$101,225

Peonies (Cut Flowers): 1 acre / 3,000 plant / 12 stems per plant
 Rhubarb (Other Vegetables)

Expected Values - Including Organically Grown

- ▶ ***Expected Value*** - the price of the commodity the insured can expect to receive when the commodity is harvested:
 - ▶ Expected values must be reasonable, realistic, and consistent with available local market information, supported by verifiable records (except where direct market sales records are allowed) and take into account current local markets, cycles and trends.

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Approved Revenue is the "the lower of":

(1) The Whole-Farm Historic Average Revenue
(\$ 109,340

OR

(2) Expected Crop Revenue Intended
Commodity Report
(\$ 101,225)

In this example:

Approved Revenue = \$101,225

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

\$101,225

x 85%

86,041

Approved Revenue

Coverage level (deductible)

Insured Revenue (Asset protection)

(maximum amount of loss payable)

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

Actual 2016 revenue determined

Commodity	Amt	Unit	Yield		Value	Expected Revenue
Peonies	1	ac	20,000	stms	\$1.50	\$30,000
Swine	10	hd	212	lbs	\$2.00	\$4,240
Rhubarb	100	pnts	18	lbs	\$1.00	\$1,800
Hay (Other)	25	ac	4	ton	\$120.00	\$12,000
						\$48,040

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

At 85% Coverage Level:

\$ 101,225	Approved Revenue
x <u>85%</u>	Coverage level (deductible)
86,041	Insured Revenue (Asset protection)
- <u>48,040</u>	2016 Revenue to Count for insurance year
\$ 38,001	Revenue Loss (Indemnity payment)

Total Premium Cost: \$9,723
 USDA Pays 56% Subsidy
 Prod Premium Cost: \$4,278

How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2016 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2016 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

At 75% Coverage Level:

\$ 101,225	Approved Revenue
<u>x 75%</u>	Coverage level (deductible)
75,919	Insured Revenue (Asset protection)
- <u>48,040</u>	2016 Revenue to Count for insurance year
\$ 27,879	Revenue Loss (Indemnity payment)

Total Premium Cost: \$6,529

USDA Pays 80% Subsidy

Prod Premium Cost: \$1,306

What Does it Cost? – Depends on...

- ▶ County
- ▶ Number and diversity of crops
- ▶ Types of crops insured

Subsidy Portion of Total Premium Paid by USDA

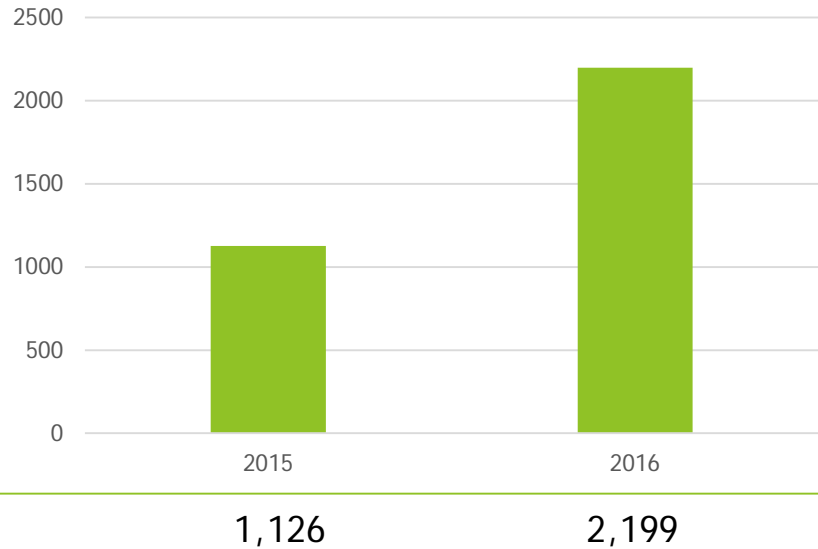
Coverage Level

Premium Subsidy

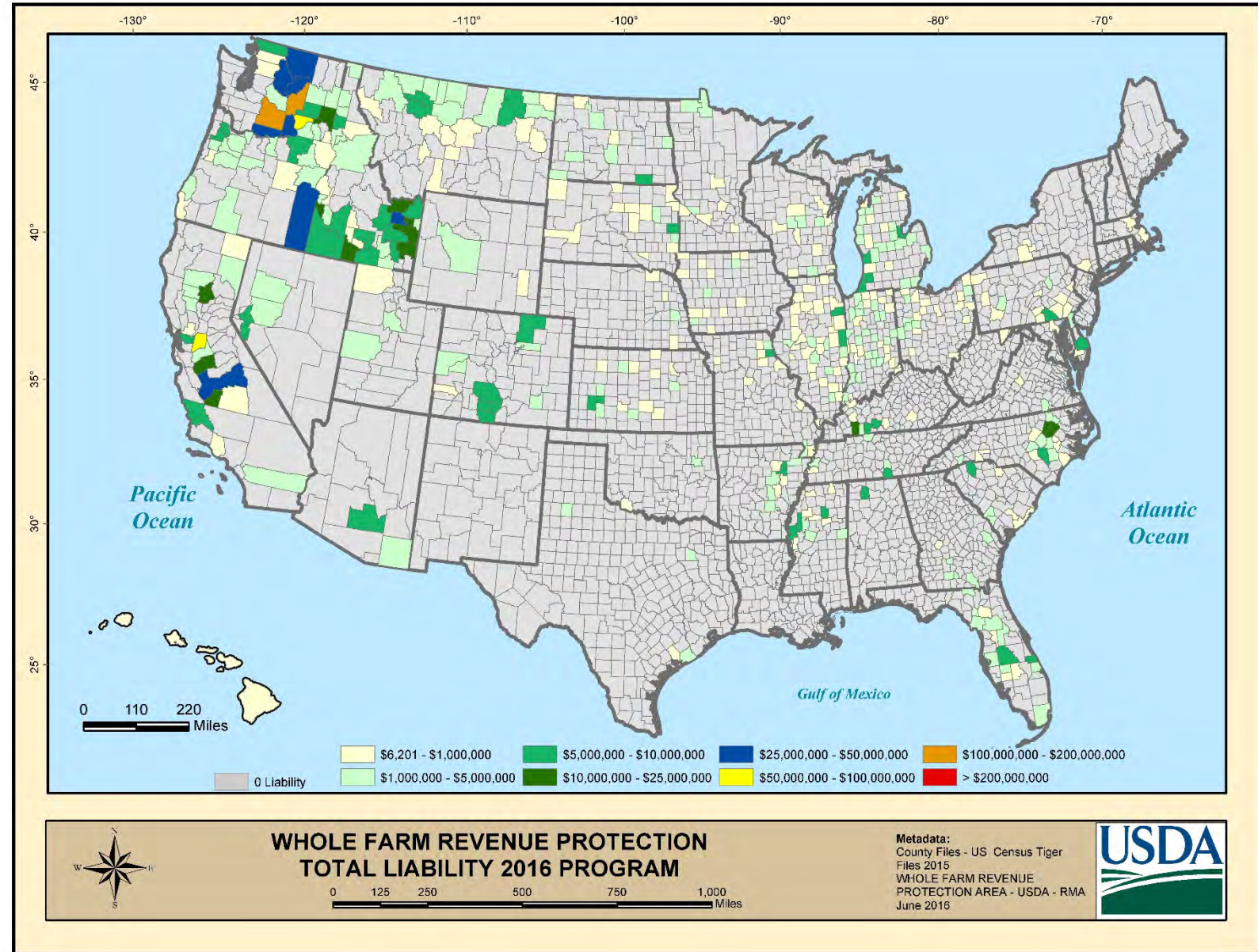
Coverage Level	50	55	60	65	70	75	80	85
Basic 1 Commodity	.67	.64	.64	.59	.59	.55		
2 Commodity Count	.80	.80	.80	.80	.80	.80		
3 Plus Commodity Count	.80	.80	.80	.80	.80	.80	.71	.56

U.S. Whole Farm 2016 Participation

Whole Farm Policies Sold in U.S.
2015-2016 Comparison



51% increase in policies sold



Local Crop & Livestock Insurance Agents

► For more information on:

- Program - Policies (including pilot program)
- Cost Estimator - Premium Calculations
- Program Participation
- Find a crop/livestock agent

► Log on to:

www.rma.usda.gov

USDA Risk Management Agency
United States Department of Agriculture

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Monday 6/27/2016

More Flexibility for Double Cropping
Insurance Changes Expand Farm Safety Net for Double Cropping
[Learn More About Double Cropping](#)
[Find a Crop Insurance Agent to Discuss Available Options](#)

Popular Topics

- Appendix III/M-13
- Bulletins and Handbooks
- Crop Policies and Pilots
- Federal Crop Insurance Corp
- Field Offices: ROs | COs
- Frequently Asked Questions
- Information Browser
- Laws and Regulations
- Livestock Policies
- Reinsurance Agreements

What's New | Newsroom | **USDA Blog**

RMA Map Viewer
RMA expanded Actual Production History Yield Exclusion and Supplemental Coverage Option to include more crops and more counties for 2016.

STAX/SCO Cotton Production Area Definitions
Maps illustrating production areas defined for STAX and SCO cotton are now available.

RMA clarifies prevented planting standards in the Prairie Pothole Region
Visit your crop insurance agent for more information.

Quick Links

- Agent/company locator
- Calendar events
- Cost estimator
- Crop Indemnity Maps
- Crop Insurance Decision Tool (CIDT)
- Price Discovery
- Rainfall-Veg Indices
- Summary of Business

RMA's Priorities

- Bulletins and Handbooks
- County Crop Programs
- Fact Sheets
- Farm Bill
- Opportunities
- Partnership Agreements
- Policies
- Publications
- State Profiles

Beginning Farmers and Ranchers

Civil Rights

Farm Risk Plans

Organic Crops

Prevented Planting

SRA

Whole-Farm

THE FARM BILL

Questions???



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