Adjusted Gross Revenue (AGR)

RME Fact Sheet
Risk Management Education
USDA - Risk Management Agency

The Adjusted Gross Revenue (AGR) insurance plan is a non-traditional, whole farm risk management tool. The AGR concept uses a producer's historic Schedule F tax form information as a base to provide a level of guaranteed revenue for the insurance period. AGR:

(1) provides an insurance safety net for multiple agricultural commodities in one insurance product;

(2) establishes a common denominator for commodity production-cash receipts;

(3) makes simple and straightforward use of income tax forms; and

(4) reinforces program creditability by using Internal Revenue Service (IRS) tax forms and regulations.

Alternative Plan

The AGR product provides the producer protection against low farm revenue due to unavoidable causes. Covered farm revenue is income from agricultural commodities reported on the Schedule F tax form, including incidental amounts of income from animals and animal products, and aquaculture reared in a controlled environment. Incidental livestock income represents the crop production value fed to livestock.

Coverage Levels

Eligible producers may choose one of three AGR coverages:

(1) 65-percent coverage level and 75 percent payment rate (65/75);

(2) 75-percent coverage level and 75 percent payment rate (75/75); or

(3) 80-percent coverage level and 75 percent payment rate (80/75).

The basic coverage is 65/75 and is available to all producers. To qualify for 75/75 coverage, a producer must produce at least three different agricultural commodities or eight different agricultural commodities for 80/75 coverage and each commodity must meet a minimum revenue amount.

AGR Revenue Protection

AGR protection is calculated by multiplying the approved gross revenue times the percent coverage level and payment rate selected by the producer. The approved gross revenue is the smaller of:

(1) the average of the producer's prior five years of Schedule F tax information filed with the Internal Revenue Service (IRS). The average gross revenue may be adjusted for expanding operations; or

(2) expected revenue for the insurance year. For example, a producer with a $100,000 approved gross revenue who chose 80/75 coverage would have $60,000 protection ($100,000 X .80 coverage level X .75 payment rate).

Loss Payments

Loss payments are triggered when the adjusted gross income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved gross revenue by the chosen percent coverage level (65, 75, or 80). Once a loss is triggered, the payment rate is 75 percent of the revenue shortfall. Loss payment for this example would trigger when the income for the insurance year is below $80,000 ($100,000 X .80 coverage level).

Producer Eligibility

- ♦ Filed 5 consecutive years of Schedule F tax forms. For 1999, the 1993-97 tax years.
- ♦ Had the same tax entity for 7 years (the 5-year history, previous year, and insurance year).
- ♦ Produces eligible commodities in pilot counties.
- ♦ Is a U.S. citizen or resident.
- ♦ Files calendar year farm tax return,
- ♦ Has no interest in another entity earning income from agricultural commodities,
- ♦ Has no more than 50 percent of allowable income is earned from the purchase and resale of agricultural commodities,
- ♦ Has no more than 35 percent of allowable income is from animals and animal products, and
- ♦ Must have Multiple Peril Crop Insurance (MPCI) when more than 50 percent of allowable income is from insurable crops, animals and animal products.

AGR Application Information

In addition to farm tax forms, the insured must provide:

(1) an annual farm report for the insurance year listing each commodity to be produced, the expected quantity of yield, and income;

(2) beginning inventories, if applicable; and

(3) planned changes that will result in less income for the insurance year than the historic average.

Producers choosing the 75/75 or 80/75 coverage must provide additional underwriting information about their commodity history.

Eligible Pilot Areas

Florida: Alachua, Gilchrist, Levy, Marion, Sumter, and Suwannee.

Maine: Androscoggin, Cumberland, Kennebec, and York.

Massachusetts: Barnstable, Berkshire, Bristol, Dukes, Essex, Franklin, Hampden, Hampshire, Middlesex, Nantucket, Norfork, Plymouth, Suffolk, and Worcester.

Michigan: Allegan, Berrien, Kent, Ottawa, and Van Buren.

New Hampshire: Belknap, Cheshire, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan.

AGR and Other Insurance

AGR complements other Federal crop insurance plans, MPCI, CRC, IP, and RA, by coordinating the insurance protection and benefits with the other plans. When producers purchase both AGR and other crop insurance plans, the AGR premium will be reduced. However, producers must purchase Federal crop insurance when more than 50 percent of their allowable income is from insurable crops, animals, and animal products.

Detailed Information

This summary is for general illustration only. Please contact a private insurance agent to learn more details about AGR.

Where to Purchase Insurance

AGR insurance policies are only available from private insurance agents. A list of crop insurance agents is available at all U.S. Department of Agriculture, Farm Service Agency county offices in the pilot counties.

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JANUARY 1999