Whole Farm Revenue Protection

Federal Crop Insurance Corporation Pilot Insurance Program

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What does WFRP cover?

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

What are the features of WFRP?

- Coverage levels 50-85%
  - 5% increments
  - Diversification of 3 commodities (commodity count) required for 80% and 85%
  - No catastrophic level of WFRP available
- Historic revenue is adjusted to reflect farm expansion
  - Automatic indexing process accounts for farm growth historically (Insured <u>may</u> opt out of Indexing)
  - Expanding operations provision allows for up to 35% growth over historic average with insurance company approval

What are the features of WFRP?

- Costs for market readiness operations may be left in the approved revenue
  - Minimum required to make commodity market ready
  - On farm, in-field or close proximity to field
  - No added value costs may be included

- Other Federal crop insurance policies covering individual commodities may be purchased
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP

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

WFRP Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy-Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

Where is WFRP Available?

- The entire United States…every county!
- The first crop insurance product available nationwide

WFRP limits for qualification:

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

- Covers up to $8.5 million of revenue
- Farm/ranch may have up to $1 million in expected revenue from animals and animal products
- Farm/ranch may have up to $1 million in expected revenue from greenhouse/nursery

What kinds of farms can benefit from WFRP?

- Well-suited for:
  - Highly diverse farms
  - Farms with specialty commodities
  - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
- Available to all farms or ranches that qualify
- There are some limits for qualification

How is the amount of insured revenue determined?

- WFRP insured revenue is <u>the lower of</u>:
  - Current year's expected revenue (determined on the farm plan) at the selected coverage level, or
  - The historic revenue adjusted for growth at the selected coverage level

Does diversification on the farm matter for WFRP? Yes!

- The number of commodities produced are counted toward the diversification requirement within WFRP
  - Each commodity must provide a calculated percentage of the expected farm revenue to be counted
  - Commodities providing small amounts of revenue may be grouped to meet the qualification

Does diversification on my farm matter for WFRP? Yes!

- The diversification measure determines:

  -Eligibility for WFRP

  - Potato farms must have 2 commodities
  - Commodities insurable with other revenue coverage must have 2 commodities

  -Eligibility for the 80 & 85% coverage levels

  - Requires 3 commodities

Does diversification on the farm matter for WFRP? Yes!

- The diversification measure also determines:
  - The amount of the diversification discount to the premium rate
  - Whole-farm premium subsidy for farms with 2 or more commodities

Other facts to understand about WFRP:

- WFRP 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 $2000, the value insured will be $1200
  - Inventory and Accounts Receivable are used to get to the ‘produced’ amounts
- Prices used to value commodities to be grown must meet the expected value guidelines in the policy

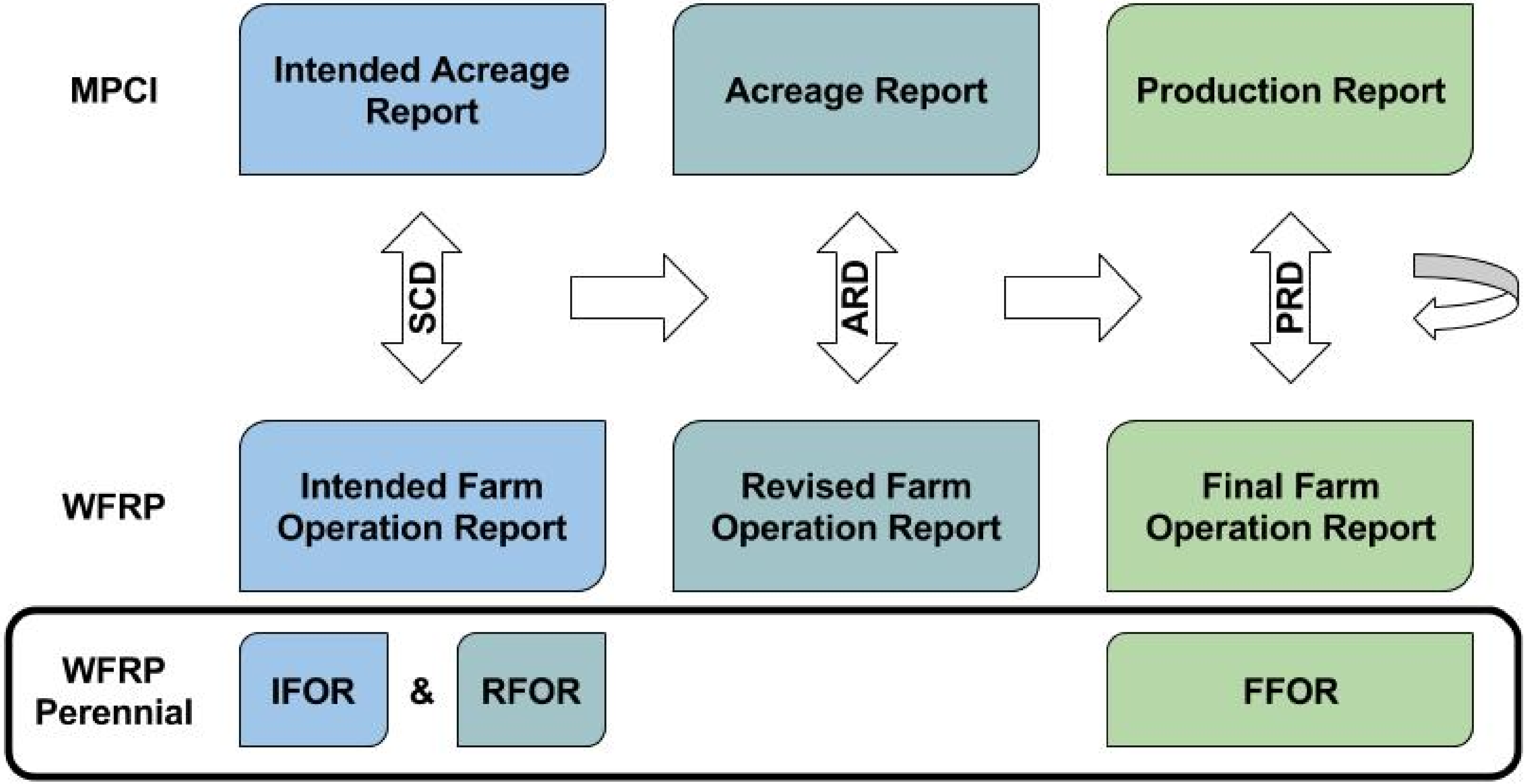
What causes a loss payment under WFRP?

- Natural causes of loss and decline in market price during the insurance period
- Taxes must be filed for the insurance year before any claim can be made (2017 insurance year requires 2017 year farm taxes to be filed)
- When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be made.

What information is required?

- Five years of farm tax forms
  - For 2017, requires tax forms from 2011-2015
    - Exceptions are made for Beginning Farmers and Ranchers, Qualifying persons not required to US Tax Return (Tribal Entities), and producers that were physically unable to farm one year.
- Type of tax filer
  - Calendar year tax filer
  - Fiscal year tax filer and what the fiscal year is
- Information about what will be produced on the farm during the insured year
  - Used to complete the Intended Farm Operation Report
- Other information as applicable
  - Such as supporting records, organic certification, inventory or accounts receivable information

The WFRP Farm Operation Report



What is the timeline for WFRP?

- Sales begin upon release of actuarial materials
- Last day to purchase: Sales Closing Date
  - County specific date- Jan 31, Feb 28 or March 15
  - Intended Farm Operation Report is completed

- Revised Farm Operation Report Due (like an acreage report)
  - July 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)
  - By end of first 30 days of fiscal year for August, September, October fiscal years
  - By Oct 31 for November and December fiscal years

What is the timeline for WFRP?

- Billing dates
  - August 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)
  - December 1 for Late Fiscal Filers (August-December fiscal years)
- Final Farm Operation Report completed earlier of:
  - Time of loss determination
  - By next year's Sales Closing Date
  - If not completed-limited to 65% coverage the next year

How do producers buy WFRP protection?

- Purchase through a Crop Insurance Agent:
  - The agent locator tool on RMA's website:

  http://www.rma.usda.gov/tools/agent.html

Question Areas Causing Revisions For WFRP 2017

Revisions – CAT & Breeding Animals

- CAT provision revised to indicate that having a CAT policy for any crop makes a producer ineligible for WFRP, even if the crop isn't planted
  - Always the intent of the provision, but previous language unclear
  - More on CAT in Discussion Items

- Clearer directions on insurability of breeding animals
  - Only breeding animals planned to be sold are insurable-list as market animals
  - Insurable revenue still limited to growth during insurance period

Revisions –Controlled Substances & CCC Loans

- Controlled substances provisions: **absolutely not insurable with WFRP**
  - Status of controlled substance ONLY determined by Federal regulations
  - Producer ineligible to purchase WFRP if they have expected revenue from controlled substances at SCD
  - Policy voided if producer adds controlled substance after SCD

- CCC loans forfeited now allowable revenue for all commodities
  - Functionally the same as selling the commodity
  - For some crops CCC loans (not just forfeited) are allowable revenue due to structure of industry

Revisions – STAX & Perennials

- Beginning in 2017 STAX will be available with WFRP
  - Change to STAX provisions, not WFRP
  - Previously, STAX automatically self-cancelled if WFRP was purchased

- Perennial commodity producer allowed to file Revised FOR at SCD
  - Only applies to a producer with no intended annual commodities
  - Provisions regarding updating the Revised FOR still apply

Additions - Expected Value Examples

- Specific provisions added on acceptable sources, including examples
  - Examples intended to clarify and prevent most common issues
- Role of AIP is significant: **must agree the price best reflects expected value**

Requirements with Examples

1. During the insurance period when commodity will be produced
2. In the producer's market area
3. When the commodity is harvested
4. At the time the expected value is determined

Additions - Marketing Contracts

- Requirements similar to RMA's processing crop policies
  - Producer commits to produce and deliver the commodity
  - Buyer commits to purchasing the commodity and provides a base price

Questions?

www.rma.usda.gov