COLLEGE OF AGRICULTURE & NATURAL RESOURCES
DEPARTMENT OF AGRICULTURAL AND RESOURCE ECONOMICS

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New Crop Insurance Option for Diversified Operations: Whole Farm Revenue Protection


PHOTO: MDA, EDWIN REMSBERG

Beginning with the 2015 crop year, diversified Maryland crop or livestock producers will have the option of using WFRP in all Maryland counties, with coverage levels ranging from 50 to 85 percent.

The 2014 Farm Bill authorized USDA's Risk Management Agency (RMA) to develop a new type of revenue insurance product, Whole-Farm Revenue Protection (WFRP). WFRP provides a risk management tool for all commodities on farms with up to $8.5 million in insured revenue. WFRP is not intended for one specific crop, like corn, wheat, or soybeans like traditional revenue and yield insurance products, but is intended to cover all crops and livestock grown on a farm. This new product will replace the Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite policies.

How Does WFRP Work?

Beginning with the 2015 crop year (which began on October 1, 2014), diversified specialty crop, mixed grain, organic, or livestock producers will have the option of using WFRP. WFRP is currently available in all Maryland counties. Coverage levels range from 50 to 85 percent, but Catastrophic Risk Protection (CAT) coverage is not available along with WFRP.

Beginning with the 2015 crop year, diversified Maryland crop or livestock producers will have the option of using WFRP in all Maryland counties, with coverage levels ranging from 50 to 85 percent. Premium subsidies range from 55 to 80 percent which makes the protection very inexpensive.

WFRP will protect farms against loss of expected farm revenue from either crops produced during the insurance period (whether sold or not), commodities bought for resale during the insurance period, and all commodities on the farm but excludes timber, forest, forest products, and animals for sport, show, or pets.

For example, Chris operates a diversified farming operation which includes diversified vegetable

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WFRP also provides coverage on replants including annual crops.

production for sale at a roadside stand; Chris also purchases additional vegetables from neighbors for resale at this stand. In addition, Chris produces lambs for both meat and for use by 4-H and FFA members as show animals. For WFRP purposes, Chris would be able to insure all his production except those lambs raised for sale as show animals.

WFRP also provides coverage on replants including 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 the lesser of 20 percent or 20 acres of the crop needs to be replanted.

The insurance year for WFRP will depend on how you file your taxes. If you file your taxes on a calendar year (January 1 to December 31) then you will use a calendar year. If you use a fiscal year (Ex: July 1 to June 30) to file your taxes, then you will use the fiscal year for WFRP.

Sales closing and coverage modification dates in Maryland will be March 15 each year. Finally, farm operation reporting deadlines will vary among operations. Check with your local crop insurance agent to determine what your reporting deadlines would be. If you do not have a local crop insurance agent, see http://www.rma.usda.gov/tools/agent.html.

Covered Revenue

The amount of revenue covered by WFRP will depend on the lower of the expected revenue or your whole-farm historic average revenue. Your expected revenue would be the insured revenue from the production of commodities during the current insurance period reported on the Farm Operation Report. The whole-farm historic average revenue is 5 consecutive tax years' Schedule Fs minus the year immediately before the insurance year. For example, if you look at purchasing WFRP in 2015, you would use Schedule F's from 2009 – 2013 and exclude 2014.

The maximum approved revenue covered by WFRP will depend on the number of commodities grown on the farm. Table 1 shows the coverage level, minimum number of crops needed to get that coverage level, and maximum farm approved revenue. Growing just one commodity will allow a farmer to get coverage from the 50- to 75-percent levels and increasing the number of commodities to three would allow a maximum coverage of 80 to 85 percent.

Table 1.

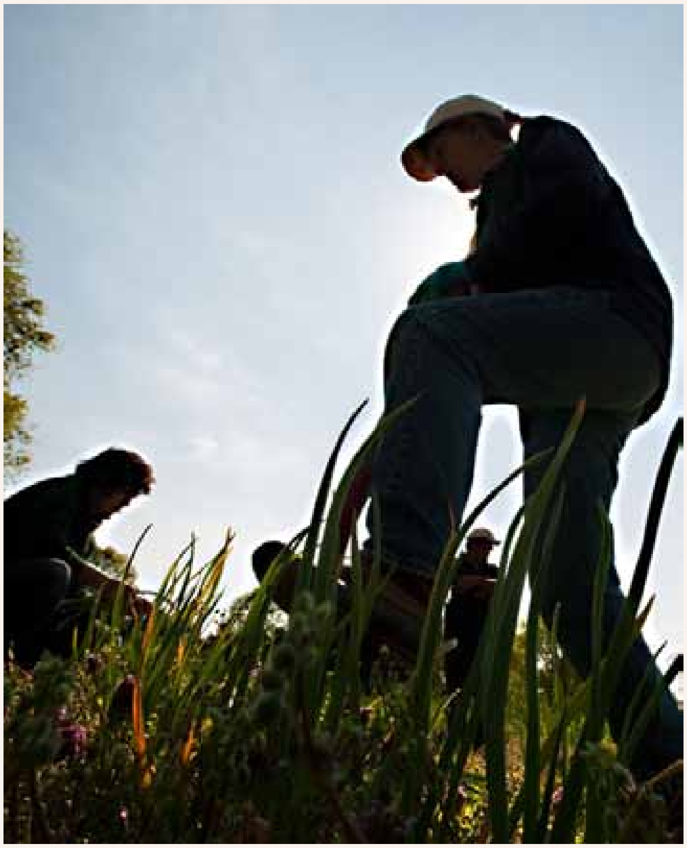
WFRP Coverage Levels, Number of Required Commodities, and Maximum Approved Revenue

Coverage Level	Minimum Number of Commodities 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

Losses occur when the farm's "Allowable Revenue," or the farm's actual revenue the IRS requires to be reported on farm tax records, falls below the covered level of the insured revenue. For example, suppose your insured revenue is at $1,000,000, you grow two crops, and insure at the 75-percent coverage option. During the insured year, your actual (allowable) revenue is $650,000. Based on this, you would experience protection or a covered loss of $100,000 (or $1,000,000 * .75 - $650,000). The premium subsidy would be 80 percent.

Growing Farming Operations

WFRP recognizes that operations may grow and expand over time so that insurance guarantee would need to be increased. Operations which have expanded over time can potentially increase their approved revenue amount based on an indexing procedure, or, if the operation can show it has physically expanded (land, animals, facilities) so that it has the potential to produce at least 10 percent more revenue than the historic average, the insurance company may approve it as an expanding operation to reflect that growth in the insurance guarantee.



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Eligibility

Producers considering WFRP will need certain documents in order to qualify for the policy. Producers looking at this option will need 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 which can be converted to a Substitute Schedule F;
- Have 5 consecutive years of farm tax history (for the 2015 WFRP insurance year, farm tax records from 2009-2013 must be available);
- Produce at least 50 percent of their agricultural commodities in counties where WFRP is available and the balance in neighboring counties;
- 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 selected (see table 1 above)
- 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 chosen with the WFRP insurance plan.
- Meet the diversification requirements of the policy by having two or more commodities if a commodity raised 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.

Premiums

The farm's premium level will depend on a few factors. WFRP premium will take into account the county or counties where the crops are grown, types of commodities grown, percentage of revenues from each commodity grown, and number of commodities grown.

Premiums for WFRP are subsidized. To get the full premium subsidy, the farmer will need to produce two or more commodities. This full premium subsidy will be up to 80 percent depending on level of coverage selected. Farmers producing only one commodity will receive the basic premium subsidy.

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