Primer on Whole-Farm Revenue Protection Crop Insurance: Updates for 2016

Whole-Farm Revenue Protection (WFRP) provides a risk-management safety net for all commodities on a farm under one insurance policy. For the 2016 crop year, the program is available to producers across the country. Created as part of the 2014 Farm Bill, WFRP expands risk-management options for diversified, specialty crop, and organic producers, groups historically underserved by crop insurance.

As in its first year, the 2016 WFRP offers a whole-farm premium subsidy to farms with two or more commodities at levels similar to single-crop policies. Producers can choose coverage levels from 50% to 85% and insure up to $8.5 million of revenue. WFRP is significantly subsidized (up to 80%) for all but the two highest levels of coverage (80% and 85%).

Changes to WFRP for the 2016 crop year should make the program attractive to a wider group of producers. The modifications include:

- streamlining some aspects of the program, especially recordkeeping requirements for direct marketers, and providing recordkeeping aids tailored to assist such producers.
- reducing tax history requirements for qualifying Beginning Farmers and Ranchers (BFR) to three years of prior farm tax returns, as long as they also farmed the "lag year" before the insured year. BFR producers may also qualify for an extra 10% premium subsidy.
- offering higher coverage for expanding operations, increasing their insurance guarantee up to 35% of their average revenue history.
- eliminating a 35% limit on expected revenue from animals and animal products, and nursery and greenhouse products—while retaining the overall insurance cap of $1 million on revenue from these products.

WFRP BASICS

WFRP is managed by the USDA Risk Management Agency as part of its portfolio of federal crop insurance programs. It was introduced in 2015 as a pilot program in 45 states, replacing previously existing whole-farm policies AGR and AGR-Lite that offered lower coverage and were available in much more limited areas.

Unlike traditional yield or revenue insurance, WFRP is intended to cover the mix of crops and livestock grown or raised on a farm, not to insure a specific crop. Whole-farm offers higher coverage and subsidy levels for diversified producers, with premium discounts for increased diversity, and limited coverage for market readiness activities and expanding operations.

WFRP protects a farm against the loss of revenue from commodities that are produced during the insurance period, whether they are sold or not, and can also include commodities purchased for resale during the insurance period. All approved commodities on the farm can be covered, except timber, forest and forest products, and animals for sport, show, or pets. Approved commodities for counties can be found at the Actuarial Browser at the RMA website at **http://webapp.rma.usda.gov/apps/actuarialinformationbrowser2016/CropCriteria.aspx**. (Note: To make this work, fill in the commodity as Whole Farm Revenue Protection (0076), commodity year 2016, and the insurance plan as Whole Farm Revenue Protection

(76). Then choose a state and county to see what commodities are approved under the Commodity tab). If a particular commodity is not listed, a producer can utilize the 'other' commodity code for that general category.

A limited level of post-production costs that occur in the field or in close proximity to the field, which are reasonably considered as the minimum required to make a crop "market ready," can be left in the allowable revenue and expenses. Covered activities include washing, trimming, and packaging—but not those that add value, such as canning or freezing. The cost from all post-production operations that are not considered market-readiness operations must be adjusted out of the allowable revenue and expenses.

Losses occur when the Allowable Revenue from the production of commodities during the insurance year falls below the Insured Revenue. 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.

The last date to purchase will be January 31, February 28, or March 15, the same as other spring crop sales closing dates for the county. To find the county sales closing date, check with a crop insurance agent or the Actuarial Information Browser on the RMA website referenced above.

WFRP is available for purchase from local crop insurance agents who work for Approved Insurance Providers (AIPs) that have reinsurance agreements with the RMA. An agent locator is on the RMA website at **www.rma.usda.gov/tools/agent.html**. Because it is an RMA-developed product, agents are required to offer the WFRP program to all eligible persons, and must administer the program according to procedures in the WFRP policy and handbook.

Find more details and updates at the USDA RMA Whole Farm Revenue Protection website at **www.rma.usda.gov/policies/wfrp.html**.

COVERAGE AND PREMIUMS

WFRP protects against the loss of insured revenue due to unavoidable natural causes of loss and declines in market prices that occur during the insurance period. It will also provide carryover loss coverage if the producer is insured the following year.

The approved revenue for coverage, as determined on a Farm Operation Report, is the lower of the expected gross revenue (adjusted) for the insurance year OR the whole-farm historic average gross revenue (adjusted), usually based on the previous five years.

The farm-level premium cost depends on the following:

- County where the farm is located
- Commodities produced
- Amount of farm revenue represented by each commodity
- Commodity count: the premium discount increases significantly for two to four commodities, with smaller discounts continuing for up to seven commodities (though more commodities can be included in the policy).

Producers can choose coverage levels that range from 50% to 85% in 5% increments. Farms with one commodity can qualify for WFRP and will receive the basic level of premium subsidy. The highest levels of coverage (80% and 85%) are only available to farms with three or more commodities.

The commodity count—also known as the diversification measure—determines the eligibility for coverage level, as well as the premium rate discount and subsidy. The count is a calculation, based on commodities that significantly contribute to farm income, rather than a simple count of any commodity produced. Thus, it is a measure of farm diversification that shows the farm has reduced its risk by producing significant amounts of multiple commodities. For example, a farm that makes 95% of its revenue from apples and 5% from pears would be considered to have only one commodity for purposes of WFRP. However, if 80% of farm revenue comes from apples and 20% from pears, the farm would be considered to have two commodities. Multiple commodities produced in smaller amounts may be able to be grouped together to better represent the farm's diversification.

Commodities to be insured are listed separately, with revenue and expenses estimated. WFRP covers revenue produced during the insurance year. For commodities like cattle, only the value represented by growth during the insurance year counts under that year's policy.

Producers can continue to buy WFRP alone or with other buy-up level (additional) Federal crop insurance policies, except for basic catastrophic (CAT) coverage. When combined with another policy, the WFRP premium is reduced due to the coverage provided by the other policy. However, any indemnities earned from these policies would count as revenue under WFRP to prevent duplicate payments for the same crop loss.

Producers can explore premium costs, based on state, county, and commodities, using RMA's Premium Cost Estimator at **http://ewebapp.rma.usda.gov/apps/costestimator**.

CLAIMS AND INDEMNITIES

With crop insurance, when revenue-to-count for the insurance year is lower than insured revenue, a loss payment, or indemnity, is paid. For WFRP, an indemnity is figured as:

> *Approved Revenue* x *Coverage Level* (deductible) = *Insured Revenue* – *Gross (adjusted) Revenue* as submitted on farm tax forms (usually the IRS Schedule F). The difference represents the *Indemnity Payment*.

For example, Farmer Jean has an Approved Revenue of $100,000, and has selected an 85% coverage level. Her Insured Revenue is $85,000. However, after a bad year, her actual 2016 gross (adjusted) revenue turns out to be only $50,000, so an Indemnity Payment would be $35,000.

Taxes must be filed for the insurance year before a claim can be made, except for replant claims. As with other crop insurance policies, the insured must provide a notice of loss within 72 hours of initial discovery that allowable revenue for the insurance year could fall below the insured revenue. In the event of a loss, the insured must submit a claim declaring the amount of loss no later than 60 days after the original date of filing tax forms for the insurance year to the IRS.

Adjustments will be made if actual expenses are less than 70% of approved expenses in the insurance year. In case of loss, if there are questions, producers must be able to show they used Good Farming Practices, which can be found in the Good Farming Practices Standards Handbook by USDA's FDIC and RMA, updated for 2015 and succeeding crop years, at **www.rma.usda.gov/handbooks/14000/2015/14060.pdf**.

OTHER NOTABLE ASPECTS OF WFRP

Replant coverage. Replant coverage is offered to help defray the costs of putting in another annual crop when there is an early-season failure. The loss must be at least 20% or 20 acres of the crop. A payment will cover the cost of replanting the damaged crop or crops, up to 20% of the farm's expected revenue.

Coverage for livestock, and nursery and greenhouse plants. WFRP will cover livestock, and nursery and greenhouse plants. Coverage is limited to $1 million in revenue from those particular commodities. The previous limit of 35% of the farm's revenue has been lifted.

Increased coverage for an expanding operation's revenue. The new WFRP policy allows a farm to insure up to 35% more than their historic average revenue if the farmer can show the farm is growing, thanks to such changes as using higher-yield varieties, expanding farm acreage, or adding a hoop house. In 2015, policies only allowed up to 10% increased coverage for expanding operations. An automatic indexing provision can still apply, as well, to account for farm growth.

PAPERWORK REQUIREMENTS

To obtain WFRP coverage, producers must keep good records. Paperwork required will include:

- Crop Insurance Application Form – to assess eligibility
- Whole-Farm History Report – shows historical revenues and expenses
- Farm Operation Report – shows intended production plan for farm during the insurance year (due by February 28 or March 15, depending on location). The Farm Operation Report has three sections: Intended, Revised, and Final. If a producer follows the intended plan, he will not have to submit a Revised Farm Operation Report, but only sign the report as complete. (The Revised Farm Operation Report is similar to the Acreage Report used for other types of crop insurance.) At the end of the insurance year and prior to the next year's sales closing date, the producer will complete the Final section.
- Five consecutive years of Schedule F or substitute farm tax forms. For the 2016 insurance year, tax information from 2010-2014 is required. Exceptions to allow a shorter tax history are now available for USDA-qualified Beginning Farmers and Ranchers, as well as producers who were physically unable to farm one year, and tax-exempt entities, such as tribes.

- Information supporting a farm expansion, if a producer wants the farm to be considered as an expanding operation (insurance agents have discretion to approve).
- Other supporting records may include organic certification forms, inventory forms, or accounts receivable information.

Changes in recordkeeping requirements for 2016 will allow “contemporaneous” sales/marketing records to be used to calculate the farmer’s actual revenue during the insurance year. Previously, farmers needed third-party verified records, which were impractical for those that market directly to the public, such as at farmers’ markets. This change should make the program more practical for a segment of farmers who have had little access to crop insurance. RMA will also provide recordkeeping aids for direct marketers on its Whole-Farm web page.

MAJOR BENEFITS OF WFRP

- Gives producers a means to insure a wide variety of crops and livestock products that have not been insurable.
- Provides coverage that reflects higher values for specialty markets, such as for unique varieties, organic products, seeds, and grass-finished or humanely produced livestock products.
- Provides higher levels of coverage and federal support for premium costs, similar to conventional crop insurance products.
- Offers potentially reduced costs for insurance, based on diversification discount and the ability to mix and match WFRP coverage with other insurance products.
- Reduces the risks of trying new crops or livestock products.
- Improves insurance options for rapidly expanding operations.

MAJOR CHALLENGES WITH WFRP

- Requires extensive recordkeeping for application and claims, though the requirements have been eased somewhat in the program’s second year. Very high levels of diversity make application paperwork and recordkeeping especially challenging. However, the change to allow producers to use marketing records to calculate revenue, along with new recordkeeping aids, could help make the program more viable for many.
- Requires producers to provide five years of tax history in most cases. Even for beginning farmers and others who qualify for some exceptions, the tax history requirements may be an obstacle.
- Prohibits use of “catastrophic” level (CAT) risk-protection coverage in conjunction with WFRP.

Updated September 2015. Compiled by Ann Y. Robinson, NCAT Midwest Regional Office Director, and Jeff Schahczenski, NCAT Agriculture Policy and Funding Research Director. NCAT acknowledges the USDA Risk Management Agency and the National Sustainable Agriculture Coalition as sources of information. Information in this document does not replace or supersede any procedures or modify any provisions contained in the complete insurance policies.

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