

Building your 2015 Risk Mgt. Plan

Whole Farm Revenue Protection new Farm Bill crop ins. protection programs for FARMERS

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Crop Insurance Decision Tool

Risk Management Agency

Your Selection



corn

Planting Time

Your APH:
 Projected Price:
 Expected County Yield:

Insurance Choices

Additional Coverage: ☒ SCO
 Underlying Insurance Plan:
 Underlying Coverage Level:
 50% 85%

Harvest Time

Your Actual Yield:
 0 210
 Harvest Price:

Send Feedback

Coverage Amounts (per acre)

Protection Amounts	Coverage Range	Producer Premium*Pro
SCO	21% (86% - 65%)	\$0.00
Revenue	65% (65% - 0%)	\$0.00
Total	86% (86% - 0%)	\$0.00

\$560.00

Expected Crop Value:

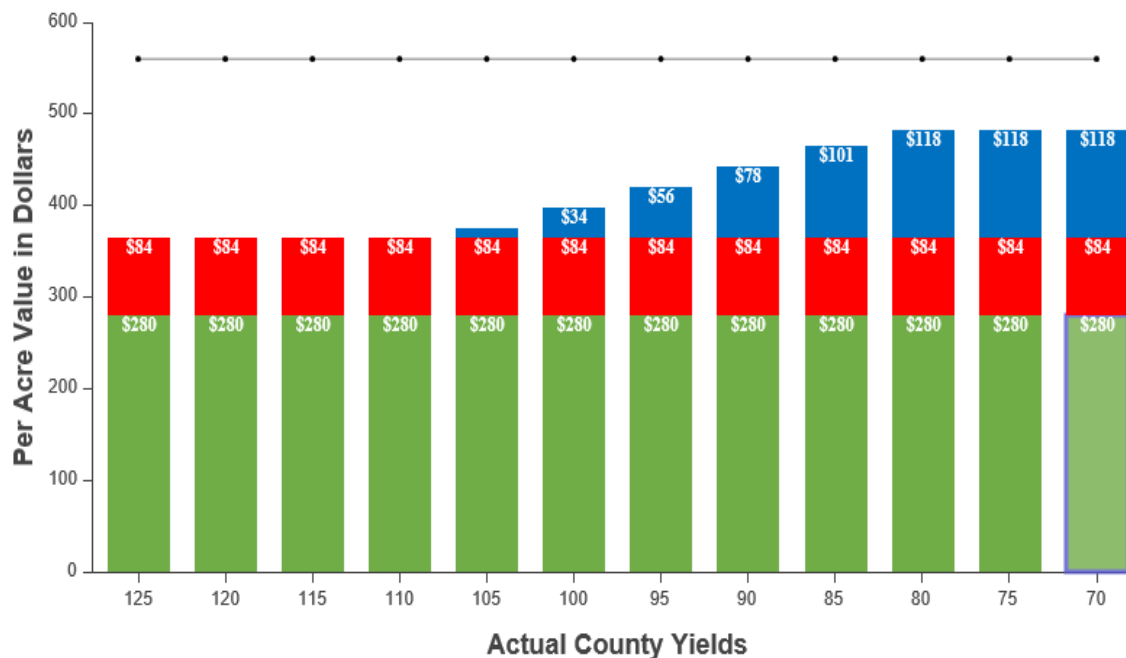
Select Location

* Estimates only.

Crop Returns by Actual County Yields Chart

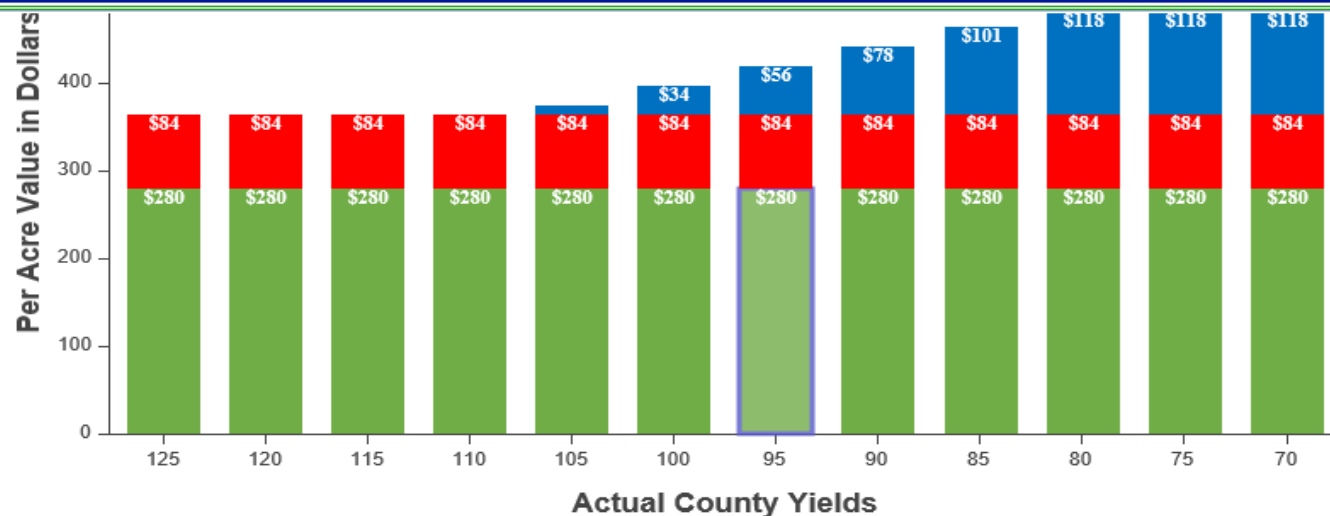
Premium Cost by Coverage Levels Chart

Premium Cost by Underlying Insurance Plan Chart



- Crop Returns **
- Underlying Payment **
- SCO/STAX Payment **
- Expected Crop Value **

ance Decision Tool



Calculations (per acre)

Actual County Yields	Percent of Expected Yield	Crop Returns	Underlying Payment	SCO Payment	Total Payment	Total Income
125	100%	\$280.00	\$84.00	\$0.00	\$84.00	\$364.00
120	96%	\$280.00	\$84.00	\$0.00	\$84.00	\$364.00
115	92%	\$280.00	\$84.00	\$0.00	\$84.00	\$364.00
110	88%	\$280.00	\$84.00	\$0.00	\$84.00	\$364.00
105	84%	\$280.00	\$84.00	\$11.20	\$95.20	\$375.20
100	80%	\$280.00	\$84.00	\$33.60	\$117.60	\$397.60
95	76%	\$280.00	\$84.00	\$56.00	\$140.00	\$420.00
90	72%	\$280.00	\$84.00	\$78.40	\$162.40	\$442.40
85	68%	\$280.00	\$84.00	\$100.80	\$184.80	\$464.80
80	64%	\$280.00	\$84.00	\$117.60	\$201.60	\$481.60
75	60%	\$280.00	\$84.00	\$117.60	\$201.60	\$481.60
70	56%	\$280.00	\$84.00	\$117.60	\$201.60	\$481.60

New improved Whole-Farm Revenue Protection

(\$8.5 mil. max. revenue)

- Covers all farm commodities including animal and animal products revenue including commodities purchased for resale (limit up to 50% of total expected revenue) (no protection for timber forest, forest products and animals for sport, show or pets)
- Coverage levels from 50 to 85% of expected revenue (also covers min. market readiness costs)
- Covers natural causes of loss and declining market prices within the insurance year
- Premium subsidies vary from 55% to 80%.
- Replanting payments
- Opportunity to also purchase MPCl Buy-Up policies for selected individual crops

Whole Farm Revenue Protection

Example

* 5 year avg. Adj. revenue	=	\$100,000
* <u>75%</u> coverage level	=	\$75,000 loss trigger
* Revenue produced	=	<u>\$30,000</u>
* Revenue ins. loss	=	\$45,000 loss payment
* Income <u>With</u> Ins.	=	\$75,000
* Income <u>Without</u> Ins.	=	\$30,000

- ▶ Revenue for guarantee may include intended commodities to be purchased for resale and minimal preparation for marketing costs.

New improved Whole-Farm Revenue Protection

(\$8.5 mil. max. revenue)

The paperwork responsibilities for the farmer, will include:

- The WFRP Application
- Whole Farm History Report (last 5 tax years)
- IRS Tax Form 1040 Schedule F
- Farm Operation Report (Intended, Revised, Final)
- Allowable Expenses and Revenue Worksheets
- Beginning & End of year Inventory Reports (if applicable)
- Accounts Receivable and Payable Reports for beginning & end of year (if applicable)
- Market Animal and Nursery Inventory/Accounting Worksheets (if applicable)
- Verifiable complete marketing record for each commodity

Whole-Farm Revenue Protection

What Changed Compared to the AGR Programs?

COMPARISON	AGR-Lite	AGR	WFRP
Liability Limit	\$1 Million	\$6.5 Million	\$8.5 Million
Coverage Level	65, 75, 80* *3 Commodities	65, 75, 80* *3 Commodities	50-85 in 5% increments 3 Commodities for 80 and 85% (no catastrophic level is available for WFRP)
One Commodity	No Restriction	No Restriction	No restriction unless only one commodity (using commodity count) and that commodity has an MPCI revenue product available.
Payment Rate	75, 90	75, 90	None
Animal or Animal Product Limit	None	35 % of Expected Income	35% of expected revenue up to \$1 million (Max)
Nursery and Greenhouse Limit	None	None	35% of expected revenue up to \$1 million (Max)
Potato Requirement	Minimum of 2 Commodities (with calculation)	Minimum of 2 Commodities (with calculation)	Minimum of 2 Commodities (using the commodity count)
Replant Payments	None	None	Up to 20 percent of expected revenue for annual commodity with 20 acres or 20 percent of crop needing replant. Not allowed if also insured under MPCI with replant provisions.
Other Federal Crop Insurance- Underlying Policies	Optional	MPCI required if 50% of expected income from MPCI crops and allowed otherwise	MPCI coverage is optional and may be at any buy-up level. Farm is not eligible if catastrophic level MPCI policies are purchased.
Market readiness amounts in insured revenue	No	No	Yes
Expanding operations	No	No	Average allowable historic revenue increased by 10% if operation physically expanding and if approved by AIP. This allows for farm growth that may or may not trigger indexing.
Cancellation/Termination	31-Jan	31-Jan	Same as sales closing date for county. (2/28, 3/15)
Contract Change	31-Aug	31-Aug	31-Aug
Sales Closing Date	March 15 New Jan 31 Carryover	31-Jan	In Actuarial Documents-same as dates for spring crops for county: 2/28 and 3/15 depending on county
Rating Methodology	Same as AGR	Rates revenue variability of individual commodities.	Same as AGR
Premium Subsidy	Basic Levels	Basic Levels	Whole-Farm Level for 2 or more commodities Basic Level for 1 commodity (using the commodity count)

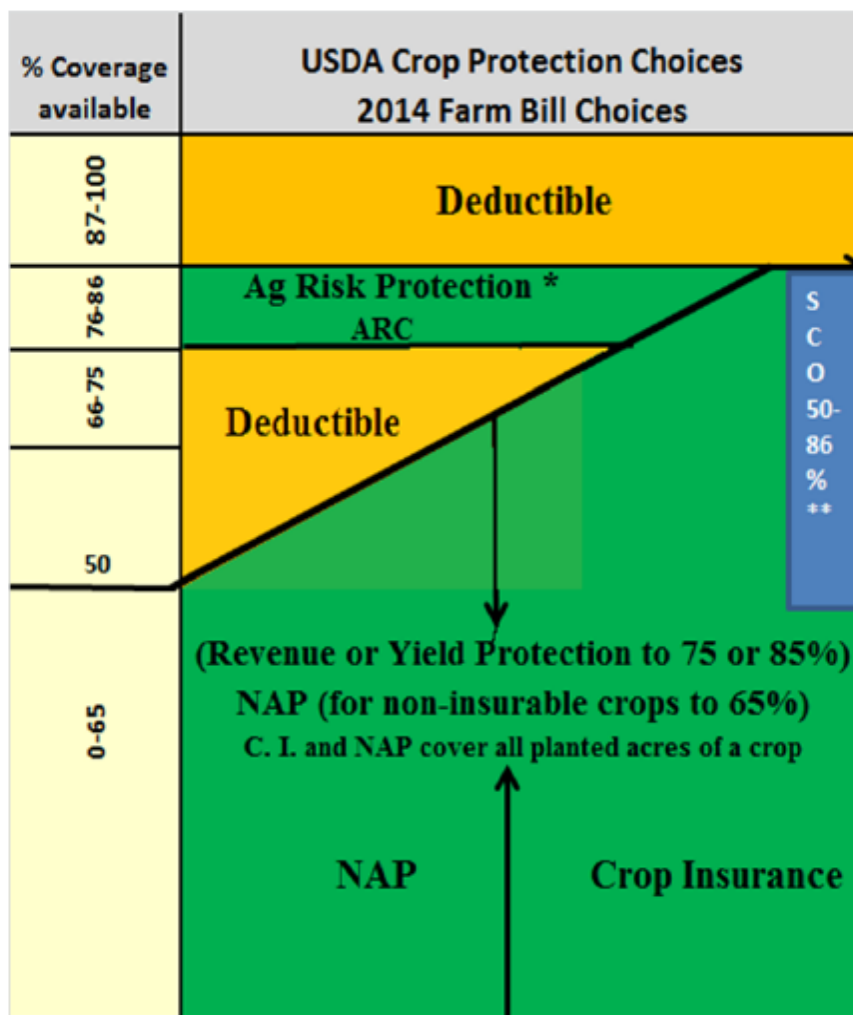
The "Sum of the Parts" - Protection for YOUR Farm

Each producer is personally responsible to develop a risk management plan for their farm(s) before enrollment deadlines. USDA provides tools for YOUR consideration.

* Price Loss Coverage (PLC) available in lieu of ARC on Program crops with base acres at FSA

* Comparison of PLC and CCP Price Support Levels

Covered Commodity	2014 Farm Bill Reference Prices Statutory	2008 Farm Bill Target Prices
Wheat	\$5.50	\$4.17
Barley	\$4.95	\$2.63
Oats	\$2.40	\$1.79
Corn	\$3.70	\$2.63
Grain Sorghum	\$3.95	\$2.63
Soybeans	\$8.40	\$6.00



** Supplemental Coverage Option (SCO) available on an expanding number of crops (not available on crops enrolled in ARC). SCO provides area loss coverage between 86% and the individual policy coverage @65% premium subsidy.

Is YOUR Risk Management Plan Adequate to Manage a Disaster Related Business Interruption?

Farm Bill Safety Nets

- **A farmer can choose:**
 - **Crop Insurance or NAP** (if crop insurance is not available)
 - **ARC Individual or County or**
 - **PLC** (will be default if no choice is made)
 - **SCO (Supplemental Coverage Option may be available to fill the gap between individual crop ins. policy and 85% level)**
- **Detailed information:**
 - **NAP, ARC and PLC from FSA; (fsa.usda.gov)**
 - **Crop Insurance info. from crop ins. agent**
(www3.rma.usda.gov/apps/agents/)

Manage Your Crop Risks

Each producer is personally responsible for developing a risk management plan for their farm(s) before the enrollment deadlines.

Information is available from:

Crop insurance Agents

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

<http://www.fsa.usda.gov/>

❖ Protection Plans for general field crops with FSA base

acres: ♦ County and Individual Ag Risk Coverage (ARC)

- Provides up to 65% or 85% of revenue losses between 76% and 86% of historical revenue for eligible crop losses for crops with FSA base acres (maximum payment of 6.5% or 8.5% respectively).
- This protection is available at no cost to you.

♦ Price Loss Coverage (PLC)

- Provides protection when market prices are less than reference prices for crops with FSA base acres.
- This foundation protection is available at no cost to you.

Claim Calculation – Yield vs. Revenue Protection for Field Crops *per acre 100% ownership share illustration for educational purposes			
Field Crops (barley, grain corn, grain sorghum, soybeans and wheat)		Revenue Protection	
Yield Protection		Lower Price at Harvest Time	Higher Price at Harvest Time
148	Approved Yield	148	148
75%	Coverage % Level	75%	75%
111	←Yield guarantee/		
	Yield base for revenue calculation →	111	111
	Projected Price	\$4.60	\$4.60
	Revenue Guarantee (minimum)	\$510.60	\$510.60
	Est. Harvest Time Price **	4	5.05
	Est. Harvest Time Guarantee **	N/A	560.55
40	Yield Produced	40	40
71	Yield Loss		
\$4.60	←Projected Price/		
	Value of Yield Produced →	\$160.00	\$202.00
\$326.60	Estimated Loss Payment	\$350.60	\$358.55
** Harvest time typically determined from the monthly average of the daily closing prices from the appropriate Board of Trade harvest time contract, just prior to the harvesting completion of the crop, see insurance policy for details.			
Information Sources: FSA and RMA Fact Sheets			

❖ Protection Plans for almost all crops and some livestock:

- Provide protection not covered by the ARC or PLC programs.
- Can significantly reduce risk exposures to manageable levels to minimize financial interruptions when disasters occur.
- Provided with federal cost sharing to make the protection more affordable.

♦ Crop Insurance Protection is available

- For up to 75% of your yield history (85% for some crops) on many crops and some livestock.
- Whole Farm Revenue Protection also available.
- New Farm Bill has added improvements, including benefits for new/beginning and organic producers.

♦ Non-insured Crop Assistance Program (NAP)

- New Farm Bill has added improvements
- Provides similar protection as crop insurance for most crops, at up to 65% of your yield history when a crop insurance policy is not available. (NAP coverage is available from your county FSA office.)

Claim Calculation Illustration *per acre 100% ownership share for educational purposes	
Yield Protection	Hybrid Tomatoes
170	Approved Yield – Cwts
65%	Coverage % Level
110.50	Yield Guarantee
10.75	Yield Produced
99.75	Yield Loss
\$78.00	Projected Price
100%	Price Percentage
\$7,780.50	Loss Payment
Information Sources: FSA and RMA Fact Sheets	

Crop Insurance Improvements authorized by the Farm Bill continued

1. **More coverage options – Many are listed below**
2. **Improved NAP Protection** (Non-insured crop disaster Assistance Program from FSA) provides up to 65 percent level of coverage and 100 percent of projected price for most non-insurable crops
3. **New Irrigated/Non-Irrigated Acreage Options** - Separate enterprise insurance units and different coverage levels are allowed
4. **Improved Organic Protection**
 - a. Organic elections availability for more crops
 - b. Extended for organic price coverage – for 2014, to eight additional crops (oats, peppermint, apricots, apples, blueberries, almonds, pears, and grapes for juice) to a total of sixteen (producer has the option of using organic or conventional prices)
 - c. Five percent premium surcharge is removed for organic price options
5. **New benefits for being beginning farmers**
 - a. Additional 10 percentage points of premium subsidy for additional coverage policies (buy-up) that have premium subsidy;
 - b. Exemption from paying the administrative fee for catastrophic (CAT) and additional coverage (buy up) level policies;
 - c. Use of the production history of farming operations, if BF's were previously involved in the decision making or physical activities; and
 - d. An increase in the substituted yield for yield adjustment, which allows a replacement of a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield) for the crop in the county.

Crop Insurance Improvements Continued

6. **New T-Yield Options** (effective beginning with 2015 crop year Spring Crops) - When a crop in a county suffers over a 50 percent yield loss, producers in that county and adjacent counties may omit their yield for that year's production. For this provision, the Federal Crop Insurance Corporation may make a separate determination for irrigated and non-irrigated acreage. Note: The current 60% yield plug is retained for replacing low APH yields (80% yield plug for new and beginning farmers).
7. **New improved Whole-Farm Revenue Protection** (\$8.5 mil. Max. revenue)
 - a. Covers all farm commodities including animal and animal products revenue including commodities purchased for resale (limit up to 50% of total expected revenue) (no protection for timber forest, forest products and animals for sport, show or pets))
 - b. Coverage levels from 50 to 85% of expected revenue (covers min. market readiness costs)
 - c. Covers natural causes of loss and declining market prices within the insurance year
 - d. Premium subsidies vary from 55% to 80%.
 - e. Opportunity to also purchase MPCU Buy-Up policies for selected individual crops
8. **Supplemental Coverage Option (SCO)** - An option to buy area/county loss trigger insurance to cover yield or revenue loss (depending on the coverage in effect of the individual policy. The level of coverage is between 86% and coverage of individual policy. Premium is subsidized at 65% subsidy. SCO covers all planted acres with no payment limitation (not available for crops covered by ARC.) SCO coverage for 2015 available (2016 info. expected about 11/17/16) at:
<http://www.rma.usda.gov/news/currentissues/farmbill/2015scomap.pdf>
9. **Conservation Compliance Certification:** By June 1, 2015, farmers must file form AD-1026 with the Farm Service Agency (FSA) to be eligible for premium subsidy on crop insurance policies in the 2016 Reinsurance year (July 1, 2015 to June 30, 2016). Farmers and any affiliated persons must be in compliance with the HELC and WC provisions.

NAP (Non-insurable crop disaster Assistance Program)

– from FSA

- **Improved NAP** - Up to 65% level and 100% of projected price for most non-insurable crops

New benefits for beginning farmers - A farmer or rancher entity or joint operation, who has not actively operated and managed a farm or ranch for more than 10 years, and materially and substantially participates in the operation; For legal entities to be considered a beginning farmer or rancher, all members must be related by blood or marriage; and all the members must be beginning farmers or ranchers

- The NAP administrative fees do not apply if you meet the definition of a beginning farmer, limited resource farmer, or *socially disadvantaged farmer
- The premium for limited resource, beginning, and “socially disadvantaged” farmers is 50 percent of the premium

***Socially disadvantaged farmer definition** – A farmer or rancher who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. Socially disadvantaged groups include the following, and no others unless approved in writing by the Deputy Administrator:

- (a) American Indians or Alaskan Natives, (b) Asians or Asian-Americans, (c) Blacks or African-Americans, (d) Hispanics or Hispanic-Americans, (e) Native Hawaiians or other Pacific Islanders, and (f) Women.
- * For legal entities requesting to be considered Socially Disadvantaged, the majority interest must be held by socially disadvantaged individuals

Micro-Loans - Expanding eligibility and increasing lending limits to help more beginning and family farmers.

- The borrowing limit is increased from \$35,000 to \$50,000
- Loan types include: production operations, machinery and breeding stock, farm real estate (purchase and make improvements, and land development to promote soil and water conservation)
- The lending process is simplified;
- Updating required "farming experience" to include other valuable experiences
- Expanding eligible business entities to reflect changes in the way family farms are owned and operated
- Help more people who are considering farming and ranching, or who want to strengthen their existing family operation.

By utilizing the table we are getting a handle on the information needed to respond to the following questions:

How much risk exposure do I have?

What should my ideal safety net accomplish?

- * Cover production costs?
- * Cover preharvest sales contract?
- * Replace livestock feed?
- * Make a rent or mortgage payment?
- * Contribute to family living expenses?
- * Secure Ag Loans?
- * Other?

How much protection do I need?

Do I prefer revenue protection or yield protection?

At what percentage of crop loss should my payment trigger?

Crops I Plan to Grow	Estimated Input Costs	Estimated Expected Revenue	Protection Choices Available	Protection Choice I'm Considering	Notes

Am I likely to enroll in: ARC - County Loss Trigger, ARC - Individual Farm loss trigger or PLC Price Protection Program (binding 5 year commitment for crops with FSA base acres)?



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Is MY Risk Management Plan Adequate to Avoid a Disaster Related Business Interruption?

How Good is your Risk Management Plan ?

What do you want YOUR Crop Insurance Based Risk Management Plan to do For YOU when disasters occur?

- **Protect crop value \$? A.**
- **Protect input cost \$? A.**
- **Protection to secure operating loan (security) \$?**
- **\$\$ To replace livestock feed \$?**
- **\$\$ Buy-out preharvest sales contracts \$?**
- **Strengthen the business plan and avoid an income interruption \$?**

At what percent of crop damage do you need a loss claim to trigger? _____%

Risk Management Check Up

Will YOUR 2015 Risk Management Plan be Adequate to Manage 2015 Risks?

(Increasing Input Costs, Prices & Weather Volatility)

Individual farm details available from crop ins. agents, list available at:
www3.rma.usda.gov/apps/agents/



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The alternative to having crop ins. & NAP₁₇