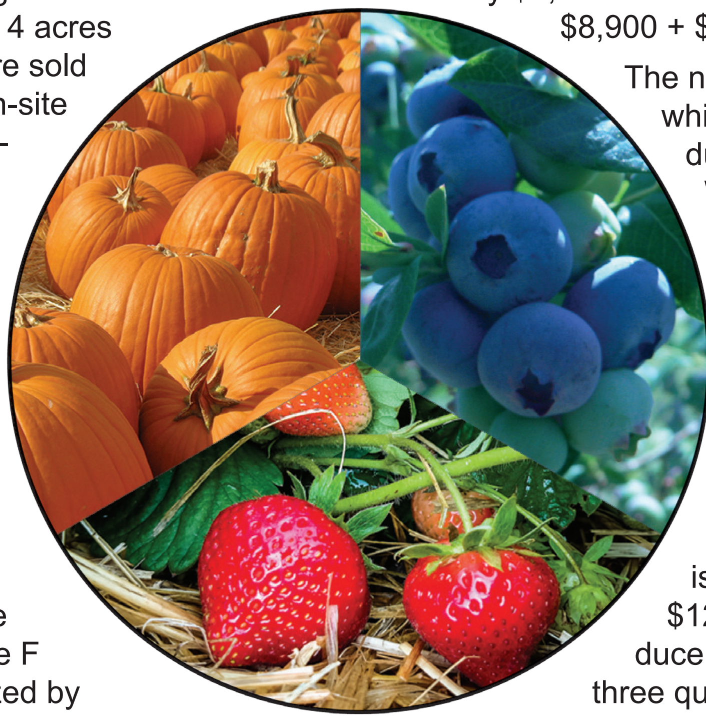
Whole Farm Revenue Crop Insurance Compared to NAP Disaster Protection

Over the past ten years, Ramon Velasquez has operated a blueberry farm in New York with ten acres of harvestable bushes. Seven years ago, he expanded the farm to include two acres of strawberries, which are 100% irrigated for frost and drought conditions, and 4 acres of pumpkins. All his crops are sold locally through u-pick, his on-site farm stand and in local farmers markets. This year, he is seriously investigating the availability and affordability of an insurance plan to cover his revenue and read about Whole Farm Revenue Protection (WFRP) in a farm publication.



WFRP is a relatively new crop insurance policy that is based on the average of five years of a farmer's Schedule F tax form revenues. Authorized by the 2014 Farm Bill and modified after input from the farm community, WFRP gives farmers whose total annual farm revenue from approved commodities is under $8.5 million a new risk management strategy. Intended to cover all crops and livestock produced on an eligible farm in a given tax year, it can be used where no other crop insurance is available.

Velasquez is planning revenues this year as follows.

Blueberries	10 Acres, yield 3,000 qts/ac @ $1.75	$52,500
Strawberries	2 acres, yield 6,000 quarts/ac @ $3.00	$36,000
Pumpkins	4 acres, yield 1,000 pumpkins/ac @ $5.00	$20,000
Total 2016 Expected Revenue		**$108,500**

The farm's five-year revenue history averages $99,600. It varied from $92,000 in 2010 to as high as $110,000 one year. He learns that under WFRP rules he qualifies as an expanding operation. An indexing procedure looks to see if the allowable income from either of the last two years is higher than the five year average allowable income and when that condition is met, increases the historic income based on how much the farm has grown over the five historic years. In his case it has grown by $8,900 so his new allowable income is $8,900 + $99,600 = $108,500.

The next question for Velasquez is which of his three crops produce qualifying revenues for WFRP. The equation used is to determine this is: 1 divided by the number of crops multiplied by the factor 0.333 and then multiplied by the total qualifying income equals the minimum amount of revenue that each crop must produce. For the berry farm that is 1⁄3 X 0.333 X $108,500 = $12,043. Each crop does produce more than this, giving him three qualifying crops.

He can choose from a range of coverage options. His crop insurance agent explains that due to WFRP revenue indexing and his three qualifying crops, the producer qualifies for insuring up to 85% of his expected $108,500 revenue. He also qualifies for the 80% subsidy up to the 75% coverage level.

Liability and the subsidized producer premium is as follows:

Coverage Level	Liability Amount	Producer Premium
85%	$92,225.00	$4,464.00
80%	$86,800.00	$2,517.00
75%	$81,375.00	$1,481.00
70%	$75,950.00	$1,215.00
65%	$70,525.00	$987.00
60%	$65,100.00	$820.00
55%	$59,675.00	$692.00
50%	$54,250.00	$586.00

Velasquez discovers he can also mitigate his risk up to a maximum of 65% of the average production of each crop under the Noninsured Crop Disaster Assistance Program (NAP), administered by the USDA Farm Service Agency. Under the NAP program, each crop is enrolled individually and only yield losses are considered a cause of loss. NAP is a disaster program and does not cover revenue losses. NAP premium rates are calculated by multiplying the liability amount chosen (50-65% available) by 5.25%. Administrative fees are also charged.

NAP premiums at the 65% coverage level for the production levels of each crop noted above are as follows:

Crop	65% Liability Amount	Producer Premium 5.25% Rate
Blueberries	$34,125	$1,792
Strawberries	$36,000	$1,890
Pumpkins	$20,000	$1,050
Total		**$4,731**

There is a large difference in premium when comparing the two programs at the 65% coverage level. There is also a difference in coverages. WFRP covers 65% of the expected revenue of the entire farm while NAP covers 65% of the average production of each individual crop. The value of the crop is set by FSA, unless the producer gets approval in advance to use prices he has documented over the years. NAP has been improved to pay using 100% of the FSA value, when higher levels of protection are purchased. The producer has to determine which risk management plan is best for his farming operation.

Velasquez decides to apply for the $81,375 WFRP coverage at the 75% level with a premium of $1,481. His choice is based, in part, on the fact that bad weather could not only impact his yields but also whether people visit his farm for u-pick, a special hazard for farmers marketing in this fashion.

Crop insurance opportunities are farm-specific. In order to convey the possibilities of the improved Whole Farm Revenue Protection crop insurance, a hypothetical farm example was created. This new product replaces the Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite policies. It can be used in conjunction with single crop insurance plans, such as corn, whenever they are available.

For more information about crop insurance, contact a crop insurance agent, the NYS Department of Agriculture and Markets at 800-554-5400 or ***www.agriculture.ny.gov/AP/CropInsurance.html*** or the USDA Risk Management Agency at ***www.rma.usda.gov***. For information about NAP, contact your county Farm Service Center or ***www.fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index***. To locate an agent, ask a neighbor for a recommendation or use the agent locator tool at ***www.rma.usda.gov/tools/agent.html***.

USDA United States Department

A Risk Management Agency Fact Sheet

Whole-Farm Revenue Protection

August 2015

Whole-Farm Revenue Protection

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

Availability

Whole Farm Revenue Protection is available in all counties in all 50 states.

Causes of Loss

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss that occurs during the insurance period and will also provide carryover loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

Important Dates

Sales Closing, Cancellation, & Termination Dates
County Specific …………………………..……………..
…………………..January 31, February 28, or March 15
Revised Farm Operation Report Dates
Calendar Year Filers ……….……………………. July 15
Early Fiscal Year Filers …………..…………….. July 15
Late Fiscal Year Filers: Fiscal Year Begins:
August or September .... 30 days after start of fiscal year
October, November, or December ………… October 31
Contract Change Date ……..………………… August 31
Talk to your crop insurance agent about the dates that apply for your county.

Insurance Year

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.

Reporting Requirements

Revenue Losses - You must submit a notice of loss within 72 hours after discovery that revenue for the insurance year could be below the insured revenue. Inspections may be required for losses. You must have filed farm taxes for the insurance year before any claim can be made. You must make claims no later than 60 days after the date you submit farm tax forms to the Internal Revenue Service (IRS). Claim payments for a revenue loss under WFRP are paid within 30 days after the determination of a payment due as long as you are in compliance with the policy.

Coverage

WFRP protects your farm against the loss of farm revenue that you earn or expect to earn from:

- Commodities you produce during the insurance period, whether they are sold or not;
- Commodities you buy for resale during the insurance period; and
- All commodities on the farm except timber, forest, and forest products; and animals for sport, show, or pets.

The policy also provides replant coverage:

- For 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 20 percent or 20 acres of the crop needs to be replanted.

The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue. Coverage levels range from 50 percent to 85 percent. Catastrophic Risk Protection (CAT) coverage is not available.

The number of commodities produced on the farm are counted using a calculation that determines:

- If the farm has the diversification needed to qualify for the 80 and 85 percent coverage levels (there is a 3 commodity requirement);
- The amount of premium rate discount you will receive due to farm diversification; and
- The subsidy amount. Farms with 2 or more commodities will receive a whole-farm subsidy and farms with one commodity will receive a basic subsidy.

You can buy WFRP alone or with other buy-up level (additional) Federal crop insurance policies. When you buy WFRP with another policy, the WFRP premium is reduced due to the coverage provided by the other policy. If you have other Federal crop insurance policies at catastrophic coverage levels you do not qualify for WFRP.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.