Whole Farm Revenue Protection Can Include Revenue from Purchases for Resale

Protecting revenues from multiple causes of loss is an important consideration for growers. There is a new crop insurance product available throughout New York that may be of assistance. Whole Farm Revenue Protection (WFRP) was authorized by the 2014 Farm Bill and modified after consultation with the farm community. It protects total farm revenue from multiple causes of loss including price drops when the resulting loss of total farm revenue drops below the chosen level of insurance coverage. It is based on the average of five years of a farmer's Schedule F tax form revenues and is available to farmers whose total annual farm revenue from approved commodities is low and it can cover up to $8.5 million.

The following is a hypothetical example that explains how the program could work for a U-pick apple grower with other crops and with purchases for resale.

Susanna Wilson farms on 40 acres near Oneida Lake in Onondaga County where she produces apples, tomatoes, pumpkins and garlic. Wilson sells the crops in a variety of ways: u-pick, retail at her farm stand and wholesale to local retail outlets. She also purchases local vegetables to resell at the farm stand. She has developed a spreadsheet on which she records her daily sales of each commodity and finds that keeping this up to date facilitates end-of-year revenue reporting.

Wilson expects her 2016 revenue to be as follows:

Commodity	Planted	Yield	Expected Price	Total Revenue
Apples	20 acres	650 bu/ac	$25.00/bu	$325,000
Tomatoes	5 acres	160 cwt/ac	$90.00/cwt	$72,000
Pumpkins	8 acres	1,000/ac	$5.00 each	$40,000
Garlic	1 acre	17,500 lbs	$.70/ lb	$12,250
Mixed vegetables purchased for resale*				$25,000
Total Expected Revenue				$474,250

**The cost to Wilson of the mixed vegetables purchased for resale is $50,000.00 and her expected revenue from them is $75,000.00, so $25,000.00 is the insured revenue.*

Since she has farmed her land for over 10 years, Wilson has Schedule F forms from the five years preceding the lag year, 2015, required to apply for 2016 WFRP coverage.

Her 5-year average revenue is $472,800. But, with WFRP, an automatic indexing process accounts for farm growth historically and Wilson qualifies as an expanding operation. The indexing procedure looks to see if the allowable income from either of the last two years is higher than the five year average allow-

able 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 this case it has grown by $3,500 so her new allowable income for WFRP is $3,500 +$472,800 = $476,300.

Next Wilson works with her crop insurance agent to determine how many crops qualify under WFRP. This step is used to determine if the grower is diversified enough to qualify for the higher subsidy levels and that revenues can be identified with specific crops. To qualify a commodity has to contribute at least the required minimum amount to the overall revenue. The agent enters the expected revenue from each crop into the premium calculator. Since Wilson has revenues from five commodities, one divided by five is multiplied by 0.333 times the total expected revenue. (0.2 X 0.333 X $474,250 = $31,585.05). The expected revenues

from apples, tomatoes and pumpkins are all higher than $31,585.05. Wilson has three qualifying commodities. While garlic and the resale of vegetables contribute significantly to her bottom line, they are not qualifying commodities for WFRP. Their revenue is, however, counted in the total allowable revenue.

Wilson already has good retail records at her farm stand but has looked at the new forms for direct marketers that USDA is offering for those who are participating in the program and has decided to use them for 2016. They allow her to estimate by crop her daily cash income per crop.

Her agent gives her the following chart showing that, due to indexing and her 3 qualifying crops, Wilson is eligible to insure up to 85% of her expected $474,250.00 revenue. She also qualifies for the highest subsidy levels. The federal premium subsidy is 80% for the 75% coverage level, while the subsidy is 71% for 80% coverage and 56% for 85%, the highest level of coverage.

Coverage Level	Liability Amount	Producer Premium
85%	$403,113	$19,333
80%	$379,400	$10,673
75%	$355,688	$5,976
70%	$331,975	$4,847
65%	$308,263	$3,884
60%	$284,550	$3,130
55%	$260,838	$2,608
50%	$237,125	$2,134

Wilson, after studying her options, decides to insure her revenues at 75%. Her premium will be $5,976, which she sees as a reasonable tradeoff for the protection WFRP will afford in 2016.

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***. 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.