Whole Farm Revenue Protection Education

Reaching Specialty Crops and Nursery Crop Producers in South Carolina
This training is conducted by LD Consulting, Inc. through financial support from USDA’s Risk Management Agency. USDA is an equal opportunity provider.
Presenter:

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Retired, 30-year career with the Federal Crop Insurance program with experience in sales and service, underwriting, loss adjustment, claims, compliance and reinsurance. Began as a field supervisor in Berkley, Beaufort, Charleston and Dorchester counties. Served as the National reinsurance director and claims manager in Washington, DC.
What does WFRP cover?

• Revenue from all commodities produced on the farm:
  – Including animals and animal products
  – Commodities purchased for resale (up to 50% of total)
  – Excluding timber, forest, forest products, and animals for sport, show or pets

• Replant costs (with approval)
What are the features of WFRP?

• Coverage levels 50-85%
  – 5% increments
  – Diversification of 3 commodities (commodity count) required for 80% and 85%
  – No catastrophic level of WFRP available

• Historic revenue is adjusted to reflect farm expansion
  – Automatic indexing process accounts for farm growth historically (Insured may opt out of Indexing)
  – Expanding operations provision allows for up to 35% growth over historic average with insurance company approval
What are the features of WFRP?

- Costs for market readiness operations may be left in the approved revenue
  - Minimum required to make commodity market ready
  - On farm, in-field or close proximity to field
  - No added value costs may be included

- Other Federal crop insurance policies covering individual commodities may be purchased
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP
What are the features of WFRP?

• All farm revenue is insured together under one policy
  – Individual commodity losses are not considered, it is the overall farm revenue that determines losses

• Premium subsidy is available and depends on farm diversification
  – Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
  – Farms with 1 commodity receive basic premium subsidy
## WFRP Premium Subsidy

### WFRP Subsidy: Percentage of Total Premium Paid by Government

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>65%</th>
<th>70%</th>
<th>75%</th>
<th>80%</th>
<th>85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Subsidy-Qualifying Commodity Count: 1</td>
<td>67%</td>
<td>64%</td>
<td>64%</td>
<td>59%</td>
<td>59%</td>
<td>55%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Whole-Farm Subsidy-Qualifying Commodity Count: 2</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>71%</td>
<td>56%</td>
</tr>
</tbody>
</table>
Where is WFRP Available?

- The entire United States...every county!
- The first crop insurance product available nationwide
WFRP limits for qualification:

- Covers up to $8.5 million of revenue
- Farm/ranch may have up to $1 million in expected revenue from animals and animal products
- Farm/ranch may have up to $1 million in expected revenue from greenhouse/nursery

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Commodity Count (Minimum Required)</th>
<th>Maximum Farm Approved Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>3</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>80</td>
<td>3</td>
<td>$10,625,000</td>
</tr>
<tr>
<td>75</td>
<td>1</td>
<td>$11,333,333</td>
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<tr>
<td>70</td>
<td>1</td>
<td>$12,142,857</td>
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<tr>
<td>65</td>
<td>1</td>
<td>$13,067,923</td>
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<tr>
<td>60</td>
<td>1</td>
<td>$14,166,167</td>
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<tr>
<td>55</td>
<td>1</td>
<td>$15,454,545</td>
</tr>
<tr>
<td>50</td>
<td>1</td>
<td>$17,000,000</td>
</tr>
</tbody>
</table>
What kinds of farms can benefit from WFRP?

• Well-suited for:
  – Highly diverse farms
  – Farms with specialty commodities
  – Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets

• Available to all farms or ranches that qualify

• There are some limits for qualification
How is the amount of insured revenue determined?

- WFRP insured revenue is the lower of:
  - Current year’s expected revenue (determined on the farm plan) at the selected coverage level, or
  - The historic revenue adjusted for growth at the selected coverage level
Does diversification on the farm matter for WFRP? Yes!

- The number of commodities produced are counted toward the diversification requirement within WFRP
  - Each commodity must provide a calculated percentage of the expected farm revenue to be counted
  - Commodities providing small amounts of revenue may be grouped to meet the qualification
Does diversification on my farm matter for WFRP? Yes!

- The diversification measure determines:
  - Eligibility for WFRP
    - Potato farms must have 2 commodities
    - Commodities insurable with other revenue coverage must have 2 commodities
  - Eligibility for the 80 & 85% coverage levels
    - Requires 3 commodities
Does diversification on the farm matter for WFRP? Yes!

- The diversification measure also determines:
  - The amount of the diversification discount to the premium rate
  - Whole-farm premium subsidy for farms with 2 or more commodities
Other facts to understand about WFRP:

- WFRP covers revenue ‘produced’ in the insurance year
  - A commodity not harvested or sold will count as revenue
  - A commodity grown last year and sold this year will not be covered
  - For commodities that grow each year, like cattle, only the growth for the insurance year counts.
    - Example: Calves worth $800 at beginning of the year and to be sold at $2000, the value insured will be $1200
  - Inventory and Accounts Receivable are used to get to the ‘produced’ amounts

- Prices used to value commodities to be grown must meet the expected value guidelines in the policy
What causes a loss payment under WFRP?

- Natural causes of loss and decline in market price during the insurance period
- Taxes must be filed for the insurance year before any claim can be made (2017 insurance year requires 2017 year farm taxes to be filed)
- When revenue-to-count for the insurance year is lower than insured revenue, a loss payment will be made.
What information is required?

• Five years of farm tax forms
  – For 2017, requires tax forms from 2011-2015
    • Exceptions are made for Beginning Farmers and Ranchers, Qualifying persons not required to US Tax Return (Tribal Entities), and producers that were physically unable to farm one year.

• Type of tax filer
  – Calendar year tax filer
  – Fiscal year tax filer and what the fiscal year is

• Information about what will be produced on the farm during the insured year
  – Used to complete the Intended Farm Operation Report

• Other information as applicable
  – Such as supporting records, organic certification, inventory or accounts receivable information
The WFRP Farm Operation Report

MPCI
- Intended Acreage Report
- Acreage Report
- Production Report

WFRP
- Intended Farm Operation Report
- Revised Farm Operation Report
- Final Farm Operation Report

WFRP Perennial
- IFOR & RFOR
- FFOR
Example: Using the Expense Reduction Factor

WFRP – Claim for Indemnity Example

For example (Potatoes, Steers, Corn):

- Approved expenses of $285,000
- Allowable expenses of $193,800
- Approved revenue is $315,000 and the elected coverage level is 75 percent.
- Insured revenue is $236,250
- Revenue to count is $125,000
Example: Using the Expense Reduction Factor

Indemnity is calculated as follows:

- Allowable expenses of $193,000 falls below 70 percent of the approved expenses of $285,000
- $193,000/$285,000 = 68 percent of approved expenses
- 70 percent – 68 percent = .02 expense reduction factor
- Approved revenue $315,000 x .02 = $6,300 expense reduction dollar amount
- The expense reduction dollar amount is deducted from the approved revenue
  - $315,000 minus $6,300 = $308,700 x 75 percent coverage level = $231,525 insured revenue
  - $231,525 minus $125,000 revenue to count = $106,525 Indemnity paid
Example: Using the Expense Reduction Factor
WFRP – Claim for Indemnity Example

For example (Peanuts, Cucumbers, Watermelons and Sweet Potatoes):

• Approved expenses of $197,670
• Allowable expenses of $128,485
• Approved revenue is 239,000 and the elected coverage level is 85 percent.
• Insured revenue is $226,400
• Revenue to count is $25,000
Example: Using the Expense Reduction Factor

Indemnity is calculated as follows:

- Allowable expenses of $128,485 falls below 70 percent of the approved expenses of $197,670
- $128,485/$197,670 = 65 percent of approved expenses
- 70 percent – 65 percent = .05 expense reduction factor
- Approved revenue $239,000 x .05 = $11,950 expense reduction dollar amount
- The expense reduction dollar amount is deducted from the approved revenue
  - $239,000 minus $11,950 = $227,050 x 85 percent coverage level = $192,993 insured revenue
  - $192,993 minus $25,000 revenue to count = $167,993 Indemnity paid
What is the timeline for WFRP?

• Sales begin upon release of actuarial materials
• Last day to purchase: Sales Closing Date
  – County specific date - Feb 28
  – Intended Farm Operation Report is completed

• Revised Farm Operation Report Due (like an acreage report)
  – July 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)
  – By end of first 30 days of fiscal year for August, September, October fiscal years
  – By Oct 31 for November and December fiscal years
What is the timeline for WFRP?

• Billing dates
  – August 15 for Calendar and Early Fiscal Filers (Jan-July fiscal years)
  – December 1 for Late Fiscal Filers (August-December fiscal years)

• Final Farm Operation Report completed earlier of:
  – Time of loss determination
  – By next year’s Sales Closing Date
  – If not completed-limited to 65% coverage the next year
How do producers buy WFRP protection?

- Purchase through a Crop Insurance Agent:
Policy Revisions – CAT & Breeding Animals

• CAT provision revised to indicate that having a CAT policy for any crop makes a producer ineligible for WFRP, even if the crop isn’t planted
  – Always the intent of the provision, but previous language unclear

• Clearer directions on insurability of breeding animals
  – Only breeding animals planned to be sold are insurable-list as market animals
  – Insurable revenue still limited to growth during insurance period
Policy Revisions – Controlled Substances & CCC Loans

- Controlled substances provisions: **absolutely not insurable with WFRP**
  - Status of controlled substance ONLY determined by Federal regulations
  - Producer ineligible to purchase WFRP if they have expected revenue from controlled substances at SCD
  - Policy voided if producer adds controlled substance after SCD

- CCC loans forfeited now allowable revenue for all commodities
  - Functionally the same as selling the commodity
  - For some crops CCC loans (not just forfeited) are allowable revenue due to structure of industry
Policy Revisions – STAX & Perennials

• Beginning in 2017 STAX will be available with WFRP
  – Change to STAX provisions, not WFRP
  – Previously, STAX automatically self-cancelled if WFRP was purchased

• Perennial commodity producer allowed to file Revised FOR at SCD
  – Only applies to a producer with no intended annual commodities
  – Provisions regarding updating the Revised FOR still apply
Additions - Expected Value Examples

- Specific provisions added on acceptable sources, including examples
  - Examples intended to clarify and prevent most common issues
- Role of AIP is significant: must agree the price best reflects expected value

Requirements with Examples

1. During the insurance period when commodity will be produced
2. In the producer’s market area
3. When the commodity is harvested
4. At the time the expected value is determined
Additions - Marketing Contracts

• Requirements similar to RMA’s processing crop policies
  – Producer commits to produce and deliver the commodity
  – Buyer commits to purchasing the commodity and provides a base price
How do I buy crop insurance?

Purchase through a Crop Insurance Agent:
- The agent locator tool on RMA’s website:
Questions?

www.rma.usda.gov
Thank you!