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Primer on Whole-Farm Revenue Protection Crop Insurance: Updates for 2018

By Jeff Schahczenski
NCAT Agricultural Economist
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This publication provides an overview of a novel crop insurance product called Whole-Farm Revenue Protection (WFRP). This policy provides revenue protection for all crop and livestock products produced by a farm or ranch. WFRP is the first crop insurance policy that can be purchased everywhere in the United States.

Photo: NCAT

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Introduction

Whole-Farm Revenue Protection (WFRP) provides a risk-management safety net under one insurance policy for all products produced on a farm. For the 2018 crop year, the policy continues to be available nationwide. Created as part of the 2014 Farm Bill, WFRP is a unique way to protect crop and livestock products. The policy may be of particular benefit to diversified, specialty-crop, and organic producers: groups historically underserved by crop insurance.

WFRP offers a whole-farm premium subsidy to farms at levels similar to single-crop policies. Producers can choose coverage levels from 50% to 85%. The maximum liability coverage is $8.5 million dollars, which means that a farm or ranch with as much as $10 million in actual approved revenue could apply, because the highest level of coverage is 85% of that revenue. WFRP is significantly subsidized, with 80% of premium costs subsidized for all but the two highest levels of coverage (80% and 85%).

The major change to WFRP for the 2018 crop year is the availability of different start and policy-sales-closing dates for insurance coverage. Start and closing dates represent the period of coverage. Revenue and expense information from tax returns is used in determining policy costs and when indemnities (loss payments) are paid. These new start and policy-sales-closing dates provide greater flexibility for producers who use WFRP, such that production timing and tax-filing status are better coordinated.

The start and policy-closing dates now depend on whether the producer files taxes based on a Calendar Year, Early Fiscal Year, or Late Fiscal Year. The sales-closing and policy-start dates for Calendar Year and Early Fiscal tax filers are January 31, February 28, or March 15, depending on where the farm is located. The sales-closing and policy-start date for Late Fiscal tax filers is November 20. Check with your crop insurance agent for the specific dates based on your location and tax filing situation.

Earlier modifications continue to make the program attractive to a wider group of producers. These modifications include the following:

- 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 prior years of 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.

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Managing the Sustainable Farm's Risks with Insurance: Navigating Common Options

WFRP Basics

WFRP is managed by the USDA Risk Management Agency (RMA) as part of its portfolio of federal crop insurance programs. 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 or livestock product. Whole-farm offers higher coverage and subsidy levels for diversified producers, with premium discounts for increased diversity and expanding operations. WFRP protects a farm against the loss of revenue from crop and livestock products that are produced during the insurance period, whether they are sold or not. Coverage can also include products purchased for resale during the insurance period. All approved products on the farm can be covered, except timber, forest and forest products, and animals for sport, show, or pets. Approved products covered under WFRP for your county can be found using the Actuarial Browser at the RMA website https://webapp.rma.usda.gov/apps/actuarialinformationbrowser/. (Note: To make this work, fill in the commodity as "Whole Farm Revenue Protection (0076)," commodity year as "2016," and the insurance plan as "Whole Farm Revenue Protection." 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 the general category of product, thus expanding availability of coverage to almost any specialty product.

Losses occur when the allowable gross revenue from production during the insurance year falls below the insured revenue. WFRP is available for purchase from local crop insurance agents who work for RMA Approved Insurance Providers (AIPs). An agent locator is available on the RMA website at www.rma.usda.gov/tools/agent.html. Because WFRP is an RMA-developed product, agents are required to offer the policy to all eligible persons.

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

Coverage and Premiums

WFRP protects against the loss of insured revenue due to unavoidable natural causes and declines in market prices that occur during the insurance period. The approved allowable gross revenue for coverage, as determined on a Farm Operation Report, is the lower of the expected adjusted gross revenue for the insurance year OR the whole-farm adjusted historic average gross revenue, usually based on the previous five years.

The premium cost depends on the following:

- County where the farm is located
- Products
- Amount of farm revenue represented by each commodity
- Commodity count: the premium discount increases significantly for two to four products, with smaller discounts continuing up to seven products (though more than seven products 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 eligibility for coverage level, as well as the premium-rate discount and subsidy. The commodity count is a calculation based on the products that significantly contribute to farm revenue, rather than a simple count of all products. Thus, it is a measure of farm diversification that shows the farm has reduced its risk by producing significant amounts of multiple products. 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.

Products 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. This value is determined by using a beginning and ending inventory-value worksheet.

As in previous years, producers can continue to buy WFRP alone or with other 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 products by using RMA's Premium Cost Estimator at https://ewebapp.rma.usda.gov/apps/costestimator.

Claims and Indemnities

For WFRP, an indemnity is figured as follows:

Approved Allowable Gross Revenue × Coverage Level = Insured Revenue – Actual Adjusted Gross Revenue. The difference represents the Indemnity or Loss Payment.

For example, Farmer Jean has an Approved Gross Revenue of $100,000 and has selected an 85% coverage level. Her Insured Revenue is $85,000. However, after a bad year, her Actual Adjusted Gross 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 to indemnity payments if actual expenses in the insurance year are less than 70% of historically approved expenses. 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 Practice Determination Standards Handbook,* updated for 2017 and succeeding crop years, available online at www.rma.usda.gov/handbooks/14000/2017/14060.pdf.

If you have questions about good farming practices, please also ask your insurance provider.

When combined with another policy, the WFRP premium is reduced due to the coverage provided by the other policy.

Other 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.

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

- 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
- Five consecutive years of Schedule F or substitute farm tax forms—For the 2018 insurance year, tax information from 2012

through 2016 is required. Exceptions to allow a shorter tax history are 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.

Major Benefits of WFRP

- Gives producers a means to insure a wide variety of crops and livestock products that have not been previously insurable.
- Provides coverage that reflects higher values for specialty markets, such as those 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 recent years.
- 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.

References

Risk Management Agency (RMA). 2017. Whole-Farm Revenue Protection Pilot Handbook, 2017 and Succeeding Crop Years. www.rma.usda.gov/handbooks/18000/2017/17_18160.pdf

Risk Management Agency (RMA). 2017. Whole-Farm Revenue Protection Pilot Policy. www.rma.usda.gov/policies/wfrp/2018/18-0076.pdf

Further Resources

National Sustainable Agriculture Coalition (NSAC), http://sustainableagriculture.net

A particularly helpful publication available at this site is Whole Farm Revenue Protection for Diversified Farms, at http://sustainableagriculture.net/publications/grassrootsguide/credit-crop-insurance/whole-farm-revenue-protection-for-diversified-farms

USDA Risk Management Agency (RMA) www.rma.usda.gov

This site is an excellent resource for all RMA programs, specific policies, and general risk-management tools. The following are some important links within the website:

- Basic description of policy types www.rma.usda.gov/policies
- State profiles of policies offered and their use, www.rma.usda.gov/pubs/state-profiles.html
- Maps detailing policies that are offered in particular counties, https://prodwebnlb.rma.usda.gov/apps/MapViewer/index.html
- Premium Cost Estimator for all polices https://ewebapp.rma.usda.gov/apps/costestimator
- Crop insurance agent locator www3.rma.usda.gov/tools/agents/companies
- Whole-Farm Revenue Protection Policy www.rma.usda.gov/policies/wfrp.html
- Requesting insurance not available in your county, www.rma.usda.gov/pubs/rme/requestinginsurance.pdf
- Rainfall and Vegetative Index policies: bees and forage, www.rma.usda.gov/policies/ri-vi/index.html
- Livestock policies, www.rma.usda.gov/livestock

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