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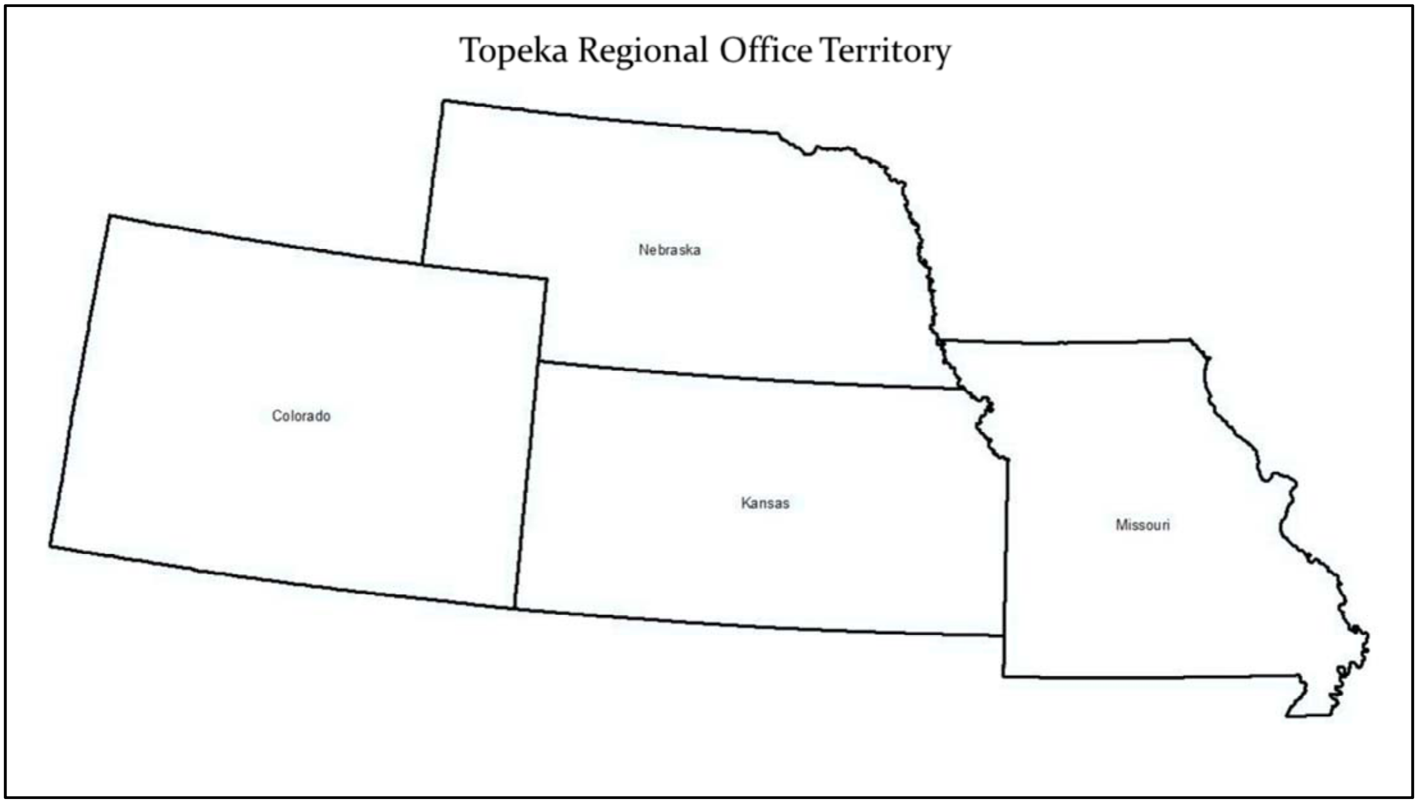
Topeka Regional Office Territory
Nebraska
Colorado
Kansas
Missouri

Whole Farm Revenue Protection

Federal Crop Insurance Corporation Pilot Insurance Program

Risk Management Agency

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WFRP is a new product offered through Federal crop insurance that covers farm revenue produced for the whole farm for the insured year. The USDA agency that offers Federal crop insurance is the Risk Management Agency and a portion of the producer's premium amount is subsidized.

WFRP is sold by insurance companies that have a reinsurance agreement with the Federal Crop Insurance Corporation (FCIC). These companies have insurance agents that sell WFRP directly to producers and loss adjustors who will work with producers when there are losses.


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Beginning Farmers and Ranchers
Civil Rights
Farm Risk Plans
Organic Crops

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)

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Revenue for each commodity is valued at the local market expected value using the expected value guidelines in the policy. These values must be what producers can reasonably expect to receive in the local area for the commodity and are based to the extent possible on third party values or for direct marketers, for the three-year average season average price received.

Organic producers that are not required to have formal organic certifications (less than $5,000 in gross revenue from organic product income per year) but that still follow the organic guidelines, may use organic prices.

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

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For expanding operations:

- You provide records showing your farm has increased production capacity in some measurable way
- Farm is capable of producing up to 35% more revenue than historical (5-year) average
- The Approved Insurance Provider has the authority to approve or disapprove the 35% expansion for the expanding operations provision

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

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Post production costs that do not qualify as market readiness operations (minimal, on farm, in field or close proximity to field) must be adjusted out of the commodity's revenue. This is because these costs are not at risk from a commodity production point of view and are not allowed to be covered under the Federal Crop Insurance Act. Leaving market readiness costs in the insured revenue was a change provided by the 2014 Farm Bill to help make whole-farm insurance more convenient and simpler for producers growing specialty crops for specialty markets.

If other crop insurance is purchased at the CAT level, the farm is not eligible for 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

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WFRP Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy-Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%

Where is WFRP Available?

- The entire United States…every county!
- The first crop insurance product available nationwide

WFRP limits for qualification:

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	$10,000,000
80	3	$10,625,000
75	1	$11,333,333
70	1	$12,142,857
65	1	$13,067,923
60	1	$14, 166,167
55	1	$15,454,545
50	1	$17,000,000

- 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
  - Products also insurable under nursery policy
  - Doesn't include items such as produce grown in hoop houses

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If a farm has allowable revenue higher than the maximum, it is not eligible for WFRP.

If farms have too much revenue from animals/animal products or greenhouse/nursery, they are not eligible for WFRP.

If growing the actual crop (not just the plant) then the crop would be listed as, for example, tomatoes, not greenhouse/nursery.

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

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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

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

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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.

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Revenue for the year will be determined using tax for the insured year, farm information as to what was produced, information about inventory-what hasn't been harvested or sold, etc.

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

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- The diversification requirement is called the ‘commodity count’ in the policy.
- The WFRP commodity count is a calculation rather than simply a count of commodities produced. It is important to understand that the commodity count used by WFRP is not just what you are growing or producing on the farm, but is a measure of farm diversification that shows the farm has reduced risk by producing significant amounts of multiple commodities. For example: A farm may have 95 percent of its revenue coming from apples and five (5) percent from pears. For WFRP purposes, this farm would be considered to have only 1 commodity. However, if the farm had 80 percent of its revenue coming from apples and 20 percent from pears, the farm would be considered to have two (2) commodities.

For example: A farm with four commodities would be perfectly diversified if 25 percent of its revenue came from each of those commodities. In reality, the amount of revenue from each commodity can vary widely. The commodity count calculation determines how much revenue would have to come from one commodity to achieve 1/3 of that perfect amount of diversification. So with the 4 commodity farm, each commodity would have to produce at least 8.3% (25% multiplied by .333) of the farm revenue to be counted as a commodity. Then the commodities that meet that requirement are counted. The commodity count provisions also allow commodities not qualifying by themselves to be grouped together to meet the requirement which can result in a higher commodity count than would otherwise would be allowed thus increasing the diversification benefits provided in the WFRP. The formula for the commodity count can be found in the WFRP policy.

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

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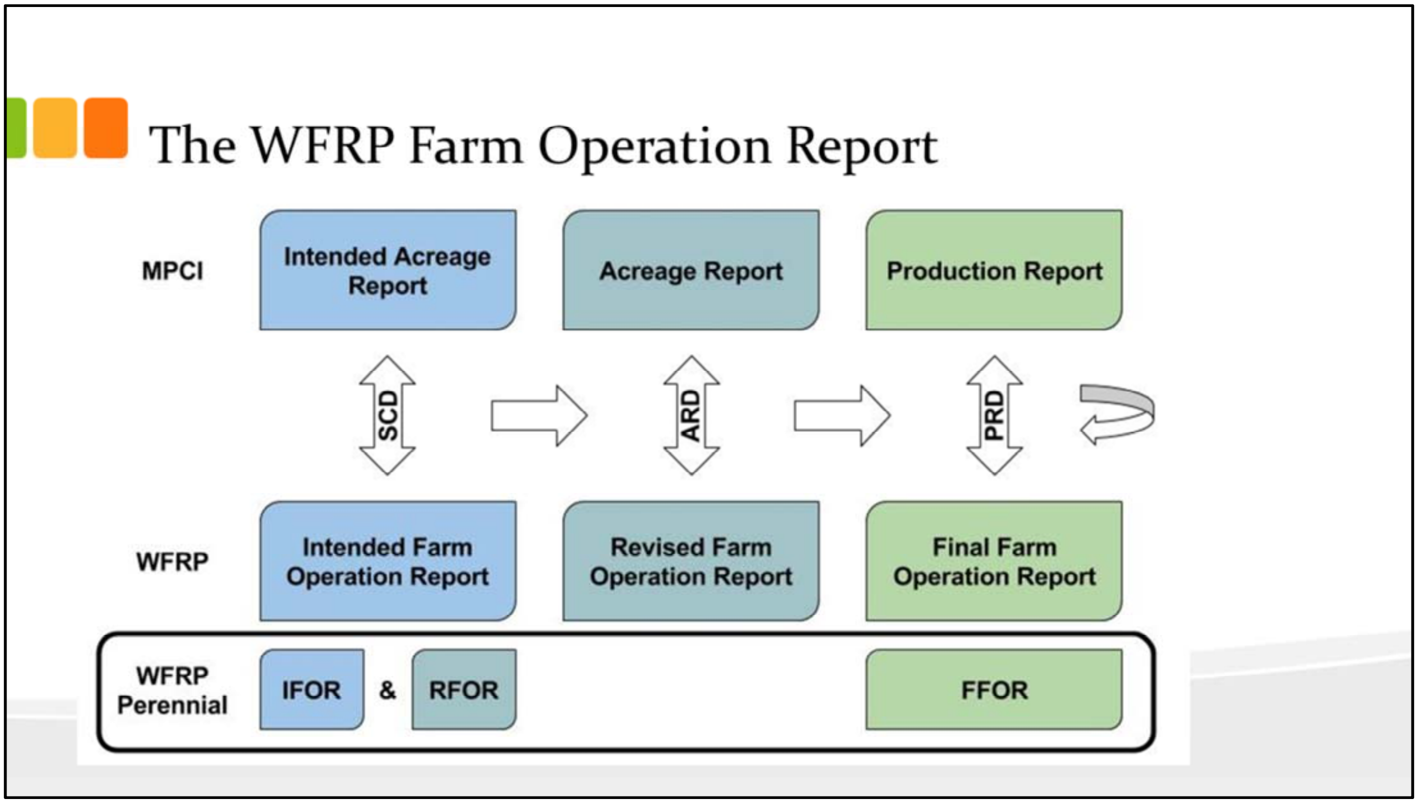
- Potato farms must have 2 commodities because the Federal Crop Insurance Act specifically limits potato revenue insurance to that on a ‘whole-farm’ basis.

- Other revenue coverage includes Revenue Protection, Revenue Protection w/ the Harvest Price Exclusion, and Actual Revenue History

- The diversification discount will be made for 2, 3, 4, 5, 6, or 7 or more commodities and reduces the premium rate for the insurance. This reflects the lower risk of revenue loss for a farm with multiple commodities.



Lack of mid-year underwriting identified as program vulnerability

- Too often, AGR policies were re-underwritten at claim time
- Three part FOR to address vulnerability by adding mid-year report
- Designed to mirror MPCI reporting

Intended FOR equivalent to intended acreage report; required at SCD

- Documentation of initial planting intentions; provides protection similar to PP
- NOT basis of liability, premium, or insured revenue

Revised FOR equivalent to acreage report;

required at ARD

- Documentation of actual planting and/or farm management decisions
- Basis of liability, premium, and insured revenue

Final FOR equivalent to production report

- Used for underwriting subsequent years
- Data will be used for premium rating

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

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*In certain cases such as for Beginning Farmers and Ranchers, Tribal Entities, and farms which have experienced events preventing farming in a single year, less than 5 years of tax history are required.

What is the timeline for WFRP?

- Sales begin upon release of actuarial materials
- Last day to purchase: Sales Closing Date
  - County specific date- Jan 31, Feb 28 or March 15
  - 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

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

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

Questions?

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