

March 15 Sign-Up Deadline for 2010 AGR-Lite Farm Revenue Insurance Program

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The sales closing date for new Adjusted Gross Revenue Lite (AGR-Lite) crop insurance policies and changes to existing policies is March 15. As you think about ways to protect against crop losses you may want to consider this whole-farm revenue based insurance that offers protection against a loss in overall farm income due to falling prices and unavoidable natural disasters. AGR-Lite insurance coverage is based on a farmer's individual revenue history of crops, animals, and animal products.

AGR-Lite may be especially appealing to Vermont farmers because it provides coverage against a loss of income to small, diversified, specialty farms, including greenhouse production and maple syrup. Other previously non insured crops, livestock, and animal products such as milk, wool and honey are insurable, as are organic and direct market products. Record keeping is simple as only one policy is needed to cover the entire farm and loss payments may be assigned to another entity, such as a lender. Policy costs, which are heavily subsidized by the USDA, are usually lower than with conventional crop insurance.

AGR-Lite participants select one of three coverage levels (65%, 75% or 80%) of their average gross income with an indemnity payment rate of 75% or 90%. The coverage level determines when the policy will begin to pay an indemnity. The payment rate determines how much a farmer is paid for each dollar of loss under the coverage level. Coverage levels and payment rates may vary with the number of commodities producing revenue.

An example of a loss payment follows:

Assumptions:

80-percent coverage level and 75 percent payment rate chosen;
Approved adjusted gross revenue of \$100,000 and actual revenue from the farm for the year was \$70,000;
Liability: $\$100,000 \times 0.80 \times 0.75 = \$60,000$; then
Loss Inception Point: $\$100,000 \times 0.80 = \$80,000$;

Loss Scenario:

$\$80,000 - \$70,000$ revenue to count = $\$10,000$ loss of revenue; then
 $\$10,000 \times 0.75$ payment rate = $\$7,500$ indemnity payment.

Eligibility requirements include filing a farm report at the beginning of each insurance year detailing intended crops, acreages, and expected yields. In addition, average gross income is established by using a farmer's most recent, continuous 5 year farm tax records, Schedule F 1040, or equivalent forms. You only have to provide copies of your tax forms in the event that you file a claim for a loss. The USDA subsidizes all AGR-Lite insurance policies by paying a percent of the premium.

Like many other types of crop insurance, AGR-Lite provides revenue protection against loss due to unavoidable natural occurrences, including but not limited to, adverse weather, disease, insect damage, wildlife, and fire or changes in market conditions that cause a loss of revenue. AGR-Lite does not cover timber or forest products. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the producer, the producer's family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other uninsurable causes listed in the insurance policy.

Insuring with an AGR-Lite policy offers an alternative to the traditional crop insurance products as it caters to the northeast's small to medium sized farms, especially to diverse vegetable growers with high-valued, specialty varieties. As you evaluate your own business and family circumstances this may be one risk management strategy that you can incorporate into your farm plan for 2010. A list of crop insurance agents and additional information is available on line at www.rma.usda.gov or through your local Farm Service Agency office. Contact a crop insurance before the enrollment\policy change deadline of March 15,2010.