THE UNIVERSITY OF VERMONT AGRICULTURE & LIFE SCIENCES

Whole Farm Revenue Protection Crop Insurance

2021 Growing Season

A revenue protection policy

Whole Farm Revenue Protection (WFRP) is a crop insurance policy designed to protect your farm's adjusted gross revenue that you earn or expect to earn from crops and livestock when you suffer production losses or decline in market prices due to unavoidable natural events. Commodities covered (crops and livestock) include those you produce during the insurance period, whether they are sold or not, and commodities you buy for resale during the insurance period. Revenue from crops, livestock, animals and nursery products can be insured under WFRP with the exceptions of timber, forest, forest products and animals for sport, show or pets. This program is tailored for any farm with up to $8.5 million in insured revenue. The policy also provides provisions for replanting. WFRP is available in all counties nationwide.

WFRP is especially suited for diversified and specialty crop farms

Whole Farm Revenue Protection (WFRP) insurance provides coverage for one or multiple commodities produced on the farm under a single policy. WFRP coverage has provisions for farms with specialty or organic commodities, or those marketing to local, regional, farm identity preserved, or direct markets.

Enrolling in WFRP

For 2021 crop year insurance, the deadline to enroll in WFRP is November 20, 2020 for Late Fiscal Year Tax Filers and March 15, 2021 for Calendar Year and Early Fiscal Year Filers. Farmers should begin the sign-up process with a crop insurance agent well in advance of the deadline to ensure coverage. Having your farm records organized before you meet with an agent is advised.

Direct marketing

There are new provisions for farm operations that earn revenue from commodities sold through direct markets.

- Farms that sell commodities through direct markets (i.e. Farmers' Markets, farm stands, u-pick operations, CSAs, etc.) can now enroll in WFRP using a new commodity name: *"Other Combined Direct Marketing"*
- To enroll in this new marketing category, the farm must have two or more commodities that they produce and sell through a direct market. All direct market commodities will be grouped together in this category for insurance coverage; the farm will be eligible for premium and subsidy benefits for 2-commodity diversification.
- Commodities enrolled as *"Other Combined Direct Marketing"* are not required to have separate expected values and separate yields, but production and revenue must still be supported by verifiable records. Direct marketing sales records that comprise a complete marketing record of commodities on the farm operation sold through direct marketing are required.
- Expected value is based on the per acre expected revenue determined by the previous 3-year average of allowable revenue from all direct marketed commodities. Acres certified for the same 3-years.
- Revenue from sources other than insurable commodities must be removed when determining your expected revenue. (i.e., commodities that have been processed, value added products, etc.)

Preparing the records to enroll

A number of farm records are required for enrollment in WFRP for the 2021 growing season. The information in this fact sheet will generally explain the farm records required so that producers can better understand the policy and prepare for a meeting with a crop insurance agent. This information is provided as a guide to help you organize your own farm records needed for enrollment. (continued next page)

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- Schedule F tax records - 4 years of records (2016 – 2019 - The year preceding the crop tax year (2020) is known as the 'lag year' and is not included in the reporting. The Schedule F records are needed to prove historical gross revenue and expenses. Qualifying beginning farmers may be allowed to supply Schedule F's from the previous 3 years. The insurance agent will use these records to complete the Allowable Revenue and Allowable Expenses Worksheets and the Whole Farm History Report. Each worksheet reflects a different year of the farm's Schedule F history. "Allowable revenue" is farm revenue from the production of commodities produced by your farm operation, or purchased for further growth and development by your farm enterprise.
- Intended 2021 farm plan – This is a listing of crops to be produced and the intended yield and revenue from each for the insurance year. A revised report is due during the insurance year if the intended plan changes. A final report is due at the end of the insurance year. This information will be used to complete the Farm Operation Report.
- Production expense records - "Allowable expenses" are farm expenses that are incurred in the production of commodities on your farm. (See additional information about expense records below.)
- Verifiable sales records – 4 years of records (2016-2020) – These records verify Schedule F revenue, justify intended yields and income from sale of commodities, and to justify final production for the insurance year. (See additional details below). This information verifies values on the Allowable Revenue and Allowable Expenses Worksheets, and the Farm Operation Report.

Production expenses

Production expenses include "market readiness" costs that are the minimum needed to remove the crop from the field to make it market ready. For example, certain expenses such as washing, packing and packaging can be left in as allowable expenses. However revenue and expenses from "added-value" processes such as the value of making gift baskets with produce, or processing fruit into jam or jelly are not considered allowable and would have to be factored out of the farm's history.

Why are expenses considered when WFRP is a revenue protection program? Expenses are factored in to ensure that the farmer is taking the steps needed to manage the crop or to ensure the farmer is following best agricultural practices.

Verifiable records for wholesale markets

- For producers who are not selling through direct markets, four years of records are now required. If the 4th year is unavailable, then a replacement yield will be included for each missing year.
- Sales records are required. Examples of qualifying records are accounting records, farm management records, warehouse receipts, ledger sheets, sales receipts, etc.
- Wholesale sales figures must be tracked per commodity. Records must include information on the commodity sold, name of buyer or market, price per unit, quantity and date sold.

Allowed records for commodities sold through direct marketing

- Separate values and separate yields by commodity are not required.
- Sales records that provide a total value for the commodities reported as combined direct marketing, provided the total reported revenue comprises a complete record of revenue generated from combined direct marketing.

Expense/Revenue Calculations

The agent will summarize the information from the Allowable Revenue and Expense Worksheets in the Whole

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Farm History Report. This worksheet shows the total allowable revenue and allowable expenses from each of the worksheets. The agent will complete three equations for comparing the revenue and expense history.

1) Simple average: 5-year total/5 years;

2) Indexed average: This applies if the allowable revenue in either of the two most recent tax years in the whole-farm history period are greater than the average allowable revenue. An indexing calculation is applied to account for growth in the farm operation; and

3) Expanded operation calculation: If the farm can prove that the operation has physically expanded during the insurance period or lag year by increasing or adding production capacity, or, by making physical alterations to the farm operation, the agent may approve the farm operation as an "expanded operation." For example, if the farm has new apple trees or has added vegetable acreage into production, the expanded operation calculation may be applied. The "expanded operation" amount would be the average allowable revenue multiplied by the expanded operation factor, not to exceed 1.35.

The "Whole Farm Historic Average Revenue" will be the greater of the simple, indexed or expanded operation average.

Additional records

- For animals, animal products, and nursery/greenhouse products, producers must complete an "inventory report" at the beginning and end of the insurance period.
- A report of "accounts receivable and payable" would be required as applicable.
- Form AD-1026 must be on file with the Farm Service Agency (FSA) to receive the premium subsidy.
- If the farmer is going to insure revenue from perennial crops, the agent will visit the farm and complete the Pre-Acceptance Worksheet for Perennial Crops to verify the perennial crops.

The farm's intended plan and revised reporting

What the farm *intends* to produce for the 2021 insurance year will be listed on the WFRP Farm Operation Report. The sales records are used to justify *intended* pricing and production for each crop. The "approved gross revenue" will be the lesser of the revenue the farm *intends* to produce in the insurance year and the "Whole Farm Historic Average Revenue." The approved gross revenue is the basis for the WFRP policy.

Once the season is underway, if the farmer follows their intended plan they will not have to revise the WFRP Farm Operation Report. However, if they make changes to the intended plan, such as planting more or less acreage of a particular crop, the farmer will report these changes when completing the revised report. The revised farm operation report is due by July 15, 2021 and is similar to the Acreage Report used for other types of Federal crop insurance. At the end of the insurance year and prior to next year's sales closing date, the farmer will complete the WFRP Farm Operation Report by filling out the Final section of the report.

Commodity Count – the farm gets credit for being diversified

Diversification is one strategy that reduces production risk on the farm, so farms enrolled in WFRP may be eligible for a reduced premium cost/increase in their premium subsidy based on the number of countable commodities produced. Producers marketing through direct markets using the "Other Combined Direct Marketing" code will get credit for two commodities in the commodity count. However, for all other producers, it is not as simple as totaling the number of commodities produced on the farm; instead, each commodity is "weighted" by the percentage of revenue that it contributes to the farm's total income. The insurance agent will perform a Commodity Count calculation which determines the minimum proportion of revenue a commodity must contribute to the farm to be considered a countable commodity.

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In the box below there is a simplified example of how the Commodity Count is calculated.

Example of Commodity Count

If an equal percentage of revenue came from each commodity produced, then each commodity would be counted equally for WFRP. For example, if a farm received equal percentages of revenue from corn, soybeans, spinach and carrots, then that farm's corn crop would contribute 25 percent of the farm revenue, 25 percent from soybeans, 25 percent from spinach, and 25 percent from carrots.

The minimum proportion to be considered a countable commodity is one-third of that amount (33.3%). In this example, for corn, soybeans, spinach, or carrots to each count, each commodity would have to make up at least 8.3 percent of the total revenue of the farm to count as a commodity under WFRP.

Example of WFRP Commodity Count calculation for four commodities that contribute equally to farm revenue

- 100% of revenue / 4 commodities = 25 % contributed by each commodity
- 0.25 X 0.33 = 8.3%
- 8.3% = the percent total revenue each of the four commodities must exceed to qualify for the Commodity Count

The commodities that will be included in the calculation are those listed on the farm's Intended WFRP Farm Operation Report. Commodities that generate revenue below the minimum threshold will be grouped together in order to recognize farm diversification and thus make the commodity count higher.

Premiums and Subsidies

Premiums are due by August 15, 2021. Farms who enroll using the *Other Combined Direct Marketing* code will receive the 2-commodity premium subsidy and must have at least 2 commodities produced and marketed through direct markets. Other farms with two or more commodities will receive a whole-farm premium subsidy as long as the minimum diversification requirements are met. Farms with one commodity will receive the basic level of premium subsidy. Table 1 shows the percentage of the total premium that is subsidized, based on the number of qualifying commodities and the level of coverage selected by the producer.

Table 1. Percentage of the total premium that is subsidized.

	Coverage level	50%	55%	60%	65%	70%	75%	80%	85%
% of premium subsidized if you have...	...1 commodity	67%	64%	64%	64%	59%	55%	NA	NA
	...2 commodities	80%	80%	80%	80%	80%	80%	NA	NA
	...3 or more commodities	80%	80%	80%	80%	80%	80%	71%	56%

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Coverage and Premium Example

Example of the total revenue guarantee, total premium for that coverage and the farmer's portion of the premium after the subsidy is applied for a farm with at least 3 qualifying commodities and $198,450 of approved gross revenue. In this example, if the farmer selects the 75% coverage level, they are protecting $148,838 of approved gross revenue. The "total guarantee" is also known as the "insurance trigger." If the farm's actual revenue falls below the insurance trigger, the producer will receive an indemnity payment.

Table 2. Estimated premium quote for $198,450 of approved gross revenue and 3 qualifying commodities

Coverage level	Total Guarantee	Total Premium	Farmer Premium
50%	$ 99,225	$ 3,969	$794
55%	$ 109,148	$4,803	$961
60%	$119,070	$5,834	$1,167
65%	$128,993	$6,837	$1,367
70%	$138,915	$8,474	$1,695
75%	$148,838	$10,419	$2,084
80%	$158,760	$12,542	$3,637
85%	$168,683	$15,350	$6,754
Contact an agent for an actual quote			

See box below for an example of a loss claim on this farm.

What happens when a loss occurs?

The producer must report any loss within 72 hours of discovering the damage. An adjuster will visit the farm to inspect the loss. If the farmer wants to use the damaged crop for a purpose other than its intended use, the agent should be notified. If the farm were to generate revenue from the damaged crop, this would count towards the "revenue-to-count". The box below provides an example of a loss using the figures from Table 2.

Example of loss. A hailstorm in July damages over half of the intended apple and blueberry yields. The grower provides a notice of loss to their crop insurance agent within 72 hours of discovering the damage. An adjuster visits the farm to inspect the loss. The farmer has no alternative market for juice or cider, so they do not harvest the damaged fruit. Due to the hailstorm, the farm's actual gross revenue on their taxes is $138,750, which is below their insurance trigger (Table 2). Although the loss occurred in July, the claim for the loss wouldn't be submitted until after the farmer filed their taxes. To settle the claim, the **Claim for Indemnity** form must be completed based on the filed Schedule F. The farm's actual expenses were $65,000, which was $15,642 lower than expected due to the reduction in labor costs. If the farm's expenses were to drop below 70% of their approved expenses, an expense reduction factor would be applied. As a result of the loss the farm received an indemnity payment of $10,088.

More Information

Farmers should seek out a crop insurance agent to address specific questions pertaining to their farm. More information about crop insurance can be found by visiting the University of Vermont Agricultural Risk Management and Crop Insurance Education website at: http://go.uvm.edu/ag-risk or the USDA RMA website at https://www.rma.usda.gov/

USDA United States Department of Agriculture

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