CROP INSURANCE FOR ORGANIC OPERATIONS

WHOLE FARM REVENUE PROTECTION WITH JOSH HOEME

Location:
Salina and Concordia, Kansas

Licensed to sell crop insurance in:
Kansas, Colorado, Oklahoma, and Nebraska

Josh Hoeme was raised on a farm in western Kansas, and worked there until he was a young adult. After working for one of Risk Management Agency's Approved Insurance Providers, he began selling crop insurance, which he has been doing for nearly a decade.

Now based in north central Kansas, Josh sells crop insurance to family farm operations in a number of states. Most of his customers grow corn, soybeans, grain sorghum, wheat, and many also have cow-calf operations.

Over the years, Josh has worked with producers on Whole Farm Revenue Protection (WFRP) policies. WFRP is a risk management option for organic operations, as well as any operations selling products they otherwise would not be able to insure with other crop insurance programs, namely Multi-Peril Crop Insurance (MPCI).

"There are policies for organic crops available, but they are limited. Currently, producers are raising organic crops which aren't insurable in their county or state. So, WFRP may potentially be an option."

WFRP overview

WFRP, often referred to as "Whole Farm," covers the revenue of an entire operation for a variety of commodities. Approved commodities include organic crops, fruits, vegetables, nuts, specialty grains, and livestock. WFRP will not cover timber, forest, forest products, and animals for sport, show, or pets.

Like other federal crop insurance policies, WFRP is federally subsidized. Coverage levels are offered from 50 to 85 percent, and the program is set up to reward diversified operations. Higher subsidy and lower premium rates are available for operations with several commodities.

> "Whole Farm is pretty much how it sounds. It looks at all agricultural products you sell. That could include basics like corn, wheat, soybeans, or things like fruits and vegetables."

Josh has sold WFRP policies to different types of operations. The majority have been cow-calf and feeder cattle operations. He's also sold to a pheasant operation that was raising the birds for sale, not hunting, and individuals who wanted to insure double cropped soybeans. Additionally, Josh has a colleague who is currently working on a WFRP policy for a roadside vegetable seller.

Q: What should producers expect in their first year of buying WFRP?

A: The first year is always going to take the most time and effort. I will warn you there's a lot of paperwork involved. For farmers who aren't beginning farmers or ranchers, you have to have six years of previous Schedule F tax returns. Only five years are used. The most current year is a lag year and wouldn't be used. The agent will also need documents showing your yields. If you already have MPCI, that would be pretty easy for those crops. You will then need to sit down with the agent and tell them your plans for the year; planting plan, livestock plans, any contracts already set, etc.

WFRP timeline for signups and claims

Because WFRP is a revenue product, policies are based on five years of Schedule F tax records. For beginning farmers and ranchers, three years are required. These documents need to be given to the agent prior to the sales closing date, which is March 15 for most Midwest farmers. The agent and customer also need to decide on details such as policy type and coverage level by this date.

Josh advises interested producers to be aware of WFRP's unique timeline for filing claims. Because WFRP is based on annual revenue, claims are finalized after the producer's taxes are finished in the spring. This differs from other policies for which claims are finalized soon after harvest.

> "The producer will be working with the agent to gather all the information needed to finalize the claim. This usually occurs sometime between March and May. Just like your Multi-Peril, you're going to have a ledger sheet. But, with WFRP, they are going to need a ledger sheet showing total bushels as well as income received for those bushels, or a sale bill showing what was received for their steer or heifers if they were sold. There's a lot of information gathering going on at that point."

> "Before meeting with an agent, start thinking about, what is your main goal? What are you trying to cover? How much risk are you comfortable with? What is your debt level? Have all of that in mind."

Layering WFRP with MPCI

An operation with some commodities insurable with MPCI has the option to layer MPCI with a WFRP policy. This combination of coverage can allow the producer to insure additional crops, and may also result in lower premium costs.

In one example, Josh was working with a farmer who had MPCI for his corn, soybeans, and wheat, and was interested in adding coverage for his cattle. They worked together to buy MPCI with a lower level of coverage, and then added WFRP, which allowed him to insure his cattle. The MPCI covered 65 percent of potential crop losses, and with WFRP, the farmer was insured at a total of 75 percent. When they ran the numbers, the farmer was paying less in total premium costs with the addition of WFRP than he had with the MPCI in previous years. But, he was receiving additional coverage for his crops and livestock

In the instance of a loss in this type of situation, a producer would file a claim for their MPCI after harvest. If they receive an indemnity payment, that would be considered revenue when the time comes to file a claim for their WFRP. The two steps are separate, but potentially impact one another.

Josh says while the deadline to sign up for WFRP is March 15, interested producers should reach out to an agent as early as possible, especially due to WFRP's document-heavy nature.

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North Central Extension Risk Management Education

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