Whole Farm Revenue Crop Insurance

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The Rural Advancement Foundation International (RAFI) *combines on-the-ground services with policy and market advocacy in order to ensure that farmers have the opportunity to make the right choices for their farm and families and that these are also the right choices for the environment and farming communities.*

Why is Whole Farm Revenue Crop Insurance Important?

- Crop Insurance is the primary government program for addressing production losses in disasters.
- Crop Insurance drives lending, and changes how an operating loan is collateralized.
- We are facing changing weather patterns, and more extreme weather.

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Why is Whole Farm Revenue Crop Insurance Important?

- While Crop Insurance has a range of options for commodities like corn, soybeans or cotton, farms may have income from specialty commodity markets that are not recognized under existing programs.
- There also may be uninsured income from other on-farm enterprises.

Why is Whole Farm Revenue Crop Insurance Important?

- Provides a new market for Crop Insurance agents, serving the growing market for specialty crops and higher-value products.
- Is an opportunity for agents to differentiate in the market by understanding how this policy is administered.

Whole Farm Revenue

- Incentivizes diversification.
- Recognizes a proven farmer price.
- Allows insurance of previously uninsured products.

Whole Farm Revenue

- Insures revenue from the whole farm operation.
- Revenue is determined by a 5-year average of the Schedule F filed in the person or farm's taxes. (For beginning farmers, that requirement is 3 years.)
- The loss is determined by the Schedule F from the insured year. Losses in one year will not be paid until taxes are filed the following Spring.
- The rate of coverage is up to 85% of the 5-year average.

SCHEDULE F (Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Farming
▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.
▶ Information about Schedule F and its separate instructions is at *www.irs.gov/schedulef*.

OMB No. 1545-0074
2014
Attachment Sequence No. 14

Name of proprietor | Social security number (SSN)

A Principal crop or activity | B Enter code from Part IV ▶ | C Accounting method: ☐ Cash ☐ Accrual | D Employer ID number (EIN), (see instr)

E Did you "materially participate" in the operation of this business during 2014? If "No," see instructions for limit on passive losses ☐ Yes ☐ No
F Did you make any payments in 2014 that would require you to file Form(s) 1099 (see instructions)? ☐ Yes ☐ No
G If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

Part I **Farm Income—Cash Method.** Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a					
b	Cost or other basis of livestock or other items reported on line 1a	1b					
c	Subtract line 1b from line 1a					1c	
2	Sales of livestock, produce, grains, and other products you raised					2	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a		3b	Taxable amount	3b	
4a	Agricultural program payments (see instructions)	4a		4b	Taxable amount	4b	
5a	Commodity Credit Corporation (CCC) loans reported under election					5a	
b	CCC loans forfeited	5b		5c	Taxable amount	5c	
6	Crop insurance proceeds and federal crop disaster payments (see instructions)						
a	Amount received in 2014	6a		6b	Taxable amount	6b	
c	If election to defer to 2015 is attached, check here ▶ ☐			6d	Amount deferred from 2013	6d	
7	Custom hire (machine work) income					7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)					8	
9	**Gross income.** Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50 (see instructions) ▶					9	

Part II **Farm Expenses—Cash and Accrual Method.** Do not include personal or living expenses (see instructions).

10	Car and truck expenses (see instructions). Also attach Form 4562	10		23	Pension and profit-sharing plans	23	
				24	Rent or lease (see instructions):		
11	Chemicals	11		a	Vehicles, machinery, equipment	24a	
12	Conservation expenses (see instructions)	12		b	Other (land, animals, etc.)	24b	
13	Custom hire (machine work)	13		25	Repairs and maintenance	25	
14	Depreciation and section 179 expense (see instructions)	14		26	Seeds and plants	26	
				27	Storage and warehousing	27	
15	Employee benefit programs other than on line 23	15		28	Supplies	28	
				29	Taxes	29	
16	Feed	16		30	Utilities	30	
17	Fertilizers and lime	17		31	Veterinary, breeding, and medicine	31	
18	Freight and trucking	18		32	Other expenses (specify):		
19	Gasoline, fuel, and oil	19		a		32a	
20	Insurance (other than health)	20		b		32b	
21	Interest:			c		32c	
a	Mortgage (paid to banks, etc.)	21a		d		32d	
b	Other	21b		e		32e	
22	Labor hired (less employment credits)	22		f		32f	
33	**Total expenses.** Add lines 10 through 32f. If line 32f is negative, see instructions ▶					33	
34	**Net farm profit or (loss).** Subtract line 33 from line 9					34	

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Did you receive an applicable subsidy in 2014? (see instructions) ☐ Yes ☐ No
36 Check the box that describes your investment in this activity and see instructions for where to report your loss.
a ☐ All investment is at risk. b ☐ Some investment is not at risk.

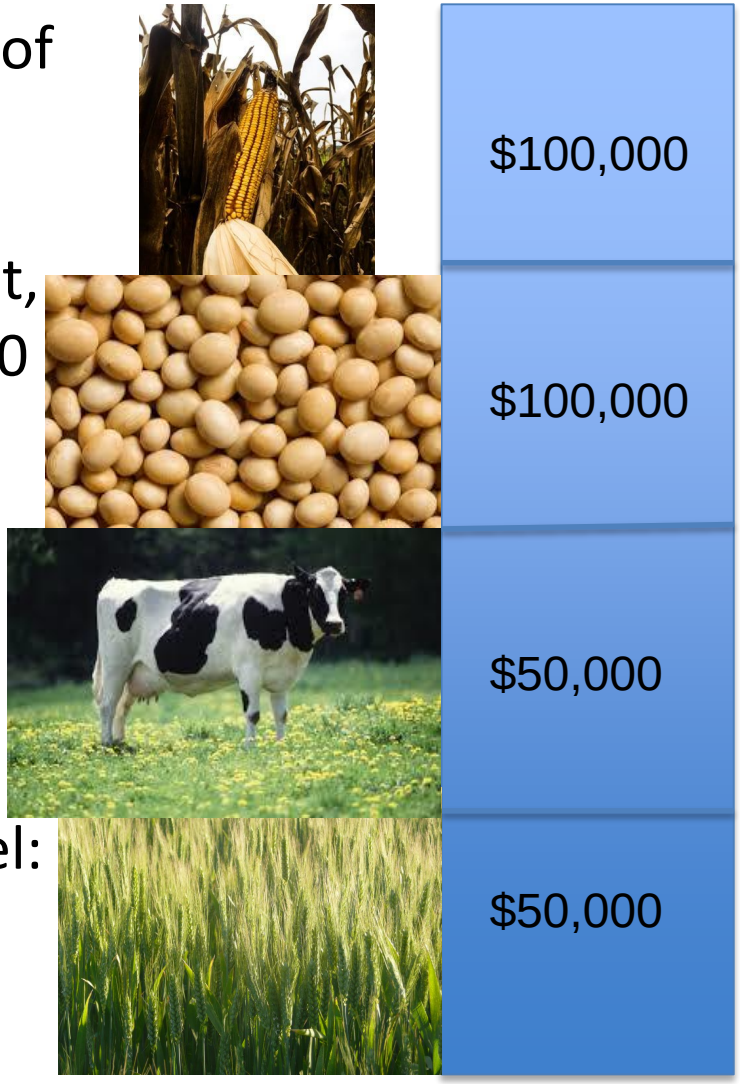
For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H **Schedule F (Form 1040) 2014**

Whole Farm or MPCI?

- Whole Farm is great for diverse operations who have significant income from crops valued at other than the wholesale price.
- It also covers crops that do not have specific crop insurance policies.
- When available, because of risk analysis, MPCI, if available is generally more cost effective.
- MPCI can be “nested” in WFR, with WFR insuring the rest of the production.
- So if a farmer produces a range of commodity crops, but has significant income from an alternative market or enterprise, they can get MPCI for their corn or soybeans, and cover the rest of their income with WFR.

How WFR works

- Farmer Anna has a history of producing $100,000 each from corn and soybeans, $50,000 from direct market, grass-fed beef, and $50,000 from specialty wheat for a local miller.
- Her average revenue is therefore $300,000.
- With diversification, coverage is at the 85% level: 85% of $300,000, or $255,000.



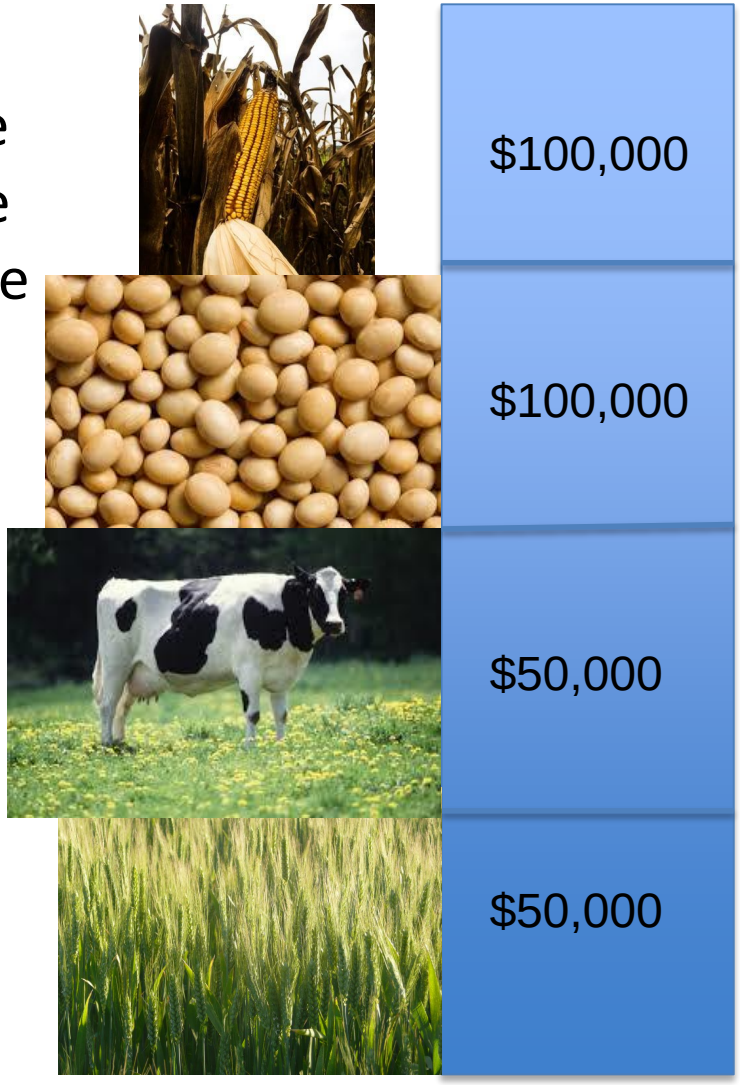
$300,000 Total

X 85%

$255,000 Coverage

How WFR works

- If she is able to take out crop insurance on both the corn and the soybeans, the remaining insurable income for the WFR is 85% of $100,000, or $85,000.
- Losses on soybeans or corn are covered by the MPCI policy.
- If she loses half of the income on beef, and half on wheat, her remaining income is $50,000, and indemnity is $35,000



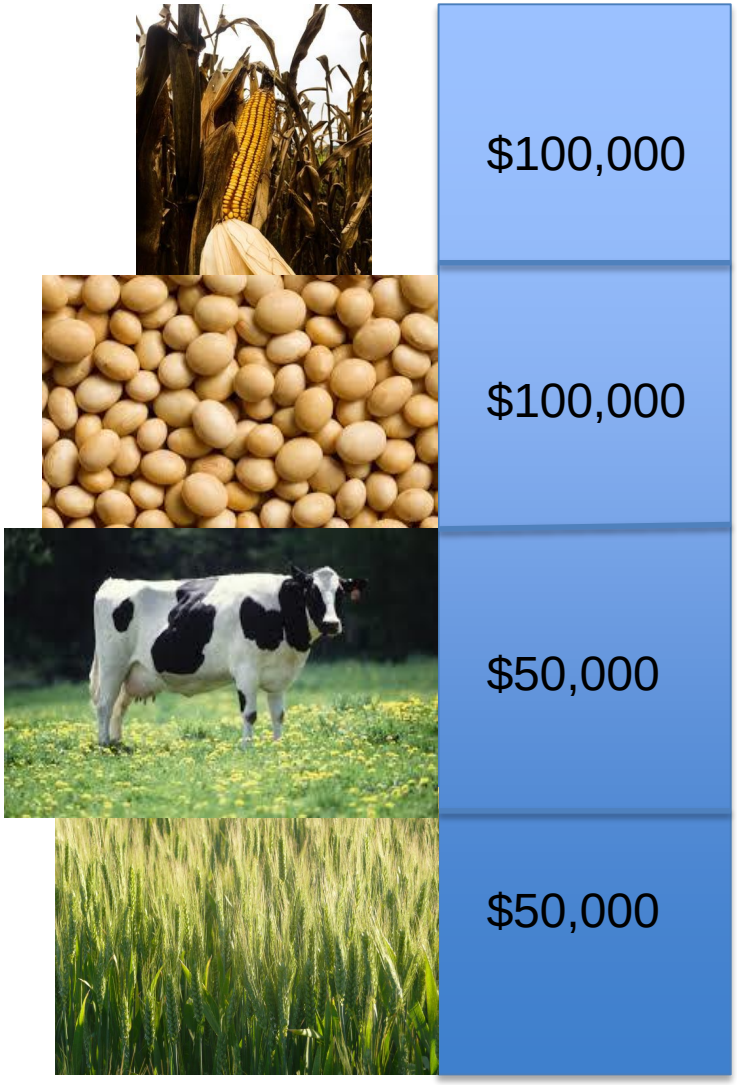
$300,000 Total

X 85%

$255,000 Coverage

How WFR works

- But in the same scenario, if she makes an extra $20,000 each on corn and wheat, then the income is above the loss threshold, and she does not receive a payment.



$300,000 Total

X 85%

$255,000 Coverage

Important Considerations

- The application process can be complicated, so do not wait until the last minute!
- It covers the minimal processing needed to bring a crop to market, like putting it into a box, but not processing that adds value, like bagged, chopped salad.
- Understanding the growth factor is important. If an operation grows past the coverage growth factor, the additional revenue still counts against the total income, effectively reducing the coverage level.

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THANK YOU.