



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 now the main mode of addressing production losses in disasters.
- Crop Insurance is a significant issue in lending, and changes how an operating loan is collateralized.
- We are facing changing weather patterns, and more extreme weather.

Why is Whole Farm Revenue Crop Insurance Important?

- Specialty crop producers have been under-served by crop insurance because many specialty crops have not had policies, and many specialty crops were sold at prices higher than wholesale, like through farmers markets or roadside stands, which were not recognized in crop insurance.



Whole Farm Revenue

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



Crop Insurance Basics

- Crop Insurance is a Public / Private partnership
- USDA
 - Defines the policies
 - Provides a subsidy of the premiums. For Whole Farm Revenue, this is as much as 80%
 - Pays companies directly for administration
 - Shares in catastrophic losses



Crop Insurance Basics



- Private Insurance Companies
 - Actually sell the insurance to the farmer
 - Must provide all policies available in that area
 - Must follow the guidelines in the policies.

Insurance Basics – 5 definitions in the policy

- What is the thing being insured?
- How is the value of the thing before loss determined?
- What is an eligible loss?
- How will the value of the thing after loss be determined?
- What percentage of the difference will be paid (indemnity)?



General Multi-Peril Crop Insurance

- The thing is a crop within a farm
- The value is determined by the farmer's Actual Production History (APH), which is then valued at current market prices, the Actual Revenue History (ARH), or an independent number like a county average.
- Losses are generally what is outside of a person's control. So if your land is flooded by a hurricane you are good, but if you screw up and break a hole in the dam of your irrigation pond and flood your land, that is on you.
- Losses are generally determined by an adjustor, who comes and inspects the field.
- Different policies have different coverage levels from catastrophic (55%) up to 80%.

Whole Farm Revenue

- The thing is the revenue from the whole farm operation.
- The value 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. If the loss is in the Spring, you are not getting paid until you file your taxes the next year.
- The rate of coverage is between 50 and 85%

SCHEDULE F (Form 1040) Profit or Loss From Farming OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service (99) ▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B. **2014**
 ▶ Information about Schedule F and its separate instructions is at www.irs.gov/schedulef. 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
4a	Agricultural program payments (see instructions)	4a	4b Taxable amount
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	5a
b	CCC loans forfeited	5b	5c Taxable amount
6	Crop insurance proceeds and federal crop disaster payments (see instructions)	6	
a	Amount received in 2014	6a	6b Taxable amount
c	If election to defer to 2015 is attached, check here <input type="checkbox"/>	6d	6d Amount deferred from 2013
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 III 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
11	Chemicals	11	24	Rent or lease (see instructions):	24a
12	Conservation expenses (see instructions)	12	a	Vehicles, machinery, equipment	24b
13	Custom hire (machine work)	13	b	Other (land, animals, etc.)	25
14	Depreciation and section 179 expense (see instructions)	14	25	Repairs and maintenance	26
15	Employee benefit programs other than on line 23	15	26	Seeds and plants	27
16	Feed	16	27	Storage and warehousing	28
17	Fertilizers and lime	17	28	Supplies	29
18	Freight and trucking	18	29	Taxes	30
19	Gasoline, fuel, and oil	19	30	Utilities	31
20	Insurance (other than health)	20	31	Veterinary, breeding, and medicine	32
21	Interest:	21	a	Other expenses (specify):	32a
a	Mortgage (paid to banks, etc.)	21a	b		32b
b	Other	21b	c		32c
22	Labor hired (less employment credits)	22	d		32d
			e		32e
			f		32f
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33			33
34	Net farm profit or (loss). Subtract line 33 from line 9	34			34

35 If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.
 36 Did you receive an applicable subsidy in 2014? (see instructions) Yes No
 37 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 MPCCI?

- 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.
- Farmers who depend heavily on one crop should look at a separate MPCCI policy on that crop if available.
- MPCCI can be “nested” in WFR, with WFR insuring the rest of the production.
- So if a produce farmer produces a range of vegetables, but is heavily dependent on their tomato crop, and there is insurance for tomatoes in their area, they can get MPCCI for tomatoes, and cover the rest of their income with WFR.

How WFR works

- Farmer Anna has a history of producing \$100,000 each from tomatoes, peppers, lettuce and apples. Her average revenue is therefore \$400,000.
- Because of their diversification, she is able to insure at the 85% level, so the coverage level is 85% of \$400,000, or \$340,000.



How WFR works

- If she loses 50% of her apples, and 50% of her lettuce, her income is \$300,000 and her indemnity, or what she gets paid, is \$340,000 - \$300,000, or \$40,000.



\$100,000

\$100,000

\$50,000

\$50,000

\$340,000
Coverage
- \$300,000
\$40,000
Payment

How WFR works

- But if she were to have the same losses on apples and lettuce, but make \$20,000 extra each on tomatoes and peppers, then the income would be \$340,000, and there would be no payment.



\$120,000

\$120,000

\$50,000

\$50,000

\$340,000
Coverage
- \$340,000

**No
Payment**

Main points

- The application process can be complicated, so do not wait until the last minute!
- Do your best to find an agent who is knowledgeable about the policy.
- 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 you grow your operation past the coverage growth level, the revenue still counts against the total income, effectively reducing the coverage level.





THANK YOU.