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.
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 markets that are not well served under existing programs.
- There also may be uninsured income from other on-farm enterprises.
Whole Farm Revenue

• Incentivizes diversification.
• Recognizes a proven farmer price.
• Allows insurance of previously uninsured products.
• Insures livestock income up to $1M
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 being insured?
• How is the value before loss determined?
• What is an eligible loss?
• How will the value after loss be determined?
• What percentage of the difference will be paid (indemnity)?
General Multi-Peril Crop Insurance

• Insures 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%.
Existing Livestock Policies

• Livestock Gross Margin for cattle, dairy or swine
  – Actual price – feed costs
• Livestock Risk Protection for Cattle, Lamb or Swine
  – Actual price – guaranteed price
• Based on futures prices contract settlement, Chicago Mercantile Exchange
• Limited states.
• Insures the annual gross 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. 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 income.
Whole Farm or MPCI?

- Whole Farm is great for diverse operations who have significant income from products 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 products, 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.
How WFR works

- Losses on soybeans or corn are covered by the MPCI policy. Any payments from those policies count as income in the whole farm gross.

- If she loses half of the income on beef, and half on wheat, her remaining income is $250,000, and indemnity is $5,000.
• But in the same scenario, if she makes an extra $20,000 each on corn and soybeans, then the income is above the loss threshold, and she does not receive a 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.

• 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.