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.
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.
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.
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.
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.
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.
THANK YOU.