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%
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.

• Farmers who depend heavily on one crop should look at a separate MPCI policy on that crop if available.

• MPCI 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 MPCI 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.
### How WFR works

<table>
<thead>
<tr>
<th>Income</th>
<th>Coverage</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000</td>
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</tr>
<tr>
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<td>$70,000</td>
</tr>
<tr>
<td>$340,000</td>
<td>$340,000</td>
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</tr>
</tbody>
</table>

- 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.
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.