

# Whole Farm Revenue Protection --How It Really Works--

Federal Crop Insurance Corporation Pilot Insurance  
Program

Risk Management Agency



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## 2015 Top 10 Commodities Nationwide by Liability

Rank	2015 Commodity	2015 Liability
1	CORN	\$40.3 Billion
2	SOYBEANS	\$24.3 Billion
3	WHEAT	\$8.4 Billion
4	COTTON	\$3.0 Billion
5	ALMONDS	\$2.9 Billion
6	RICE	\$1.5 Billion
7	NURSERY	\$1.5 Billion
8	GRAPES	\$1.5 Billion
9	ORANGE TREES	\$1.3 Billion
10	APPLES	\$1.2 Billion
	ALL OTHER	\$18.0 Billion
	TOTAL	\$103 Billion

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## 2016 Top 10 Commodities Nationwide by Liability

Rank	2016 Commodity	2016 Liability
1	CORN	\$39.6 Billion
2	SOYBEANS	\$22.2 Billion
3	WHEAT	\$6.8 Billion
4	ALMONDS	\$3.6 Billion
5	COTTON	\$3.3 Billion
<b>6</b>	<b>WFRP</b>	<b>\$2.3 Billion</b>
7	RICE	\$1.7 Billion
8	GRAPES	\$1.5 Billion
9	PRF	\$1.4 Billion
10	NURSERY	\$1.4 Billion
	ALL OTHER	\$16.9 Billion
	TOTAL	\$101 Billion

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## 2017 Top 10 Commodities Nationwide by Liability

Rank	2017 Commodity	2017 Liability
1	CORN	\$39.3 Billion
2	SOYBEANS	\$28.3 Billion
3	WHEAT	\$5.9 Billion
4	COTTON	\$4.9 Billion
<b>5</b>	<b>WFRP</b>	<b>\$2.8 Billion</b>
6	ALMONDS	\$2.6 Billion
7	PRF	\$1.7 Billion
8	GRAPES	\$1.5 Billion
9	APPLES	\$1.3 Billion
10	RICE	\$1.3 Billion
	ALL OTHER	\$16.7 Billion
	TOTAL	\$106 Billion

\*subject to change

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## 2018\* Top 10 Commodities Nationwide by Liability

Rank	2018 Commodity	2018 Liability
1	CORN	\$40.1 Billion
2	SOYBEANS	\$28.7 Billion
3	WHEAT	\$6.9 Billion
4	COTTON	\$5.7 Billion
<b>5</b>	<b>WFRP</b>	<b>\$2.7 Billion</b>
6	PRF	\$2.4 Billion
7	ALMONDS	\$2.1 Billion
8	RICE	\$1.7 Billion
9	GRAPES	\$1.6 Billion
10	NURSERY	\$1.4 Billion
	ALL OTHER	\$16.3 Billion
	TOTAL	\$109.6 Billion

\*subject to change

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# Topeka RO Contact Information

## Our Address:

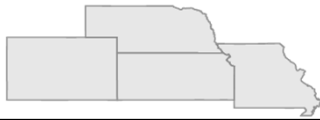
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Topeka, KS 66614

## Our Phone Numbers:

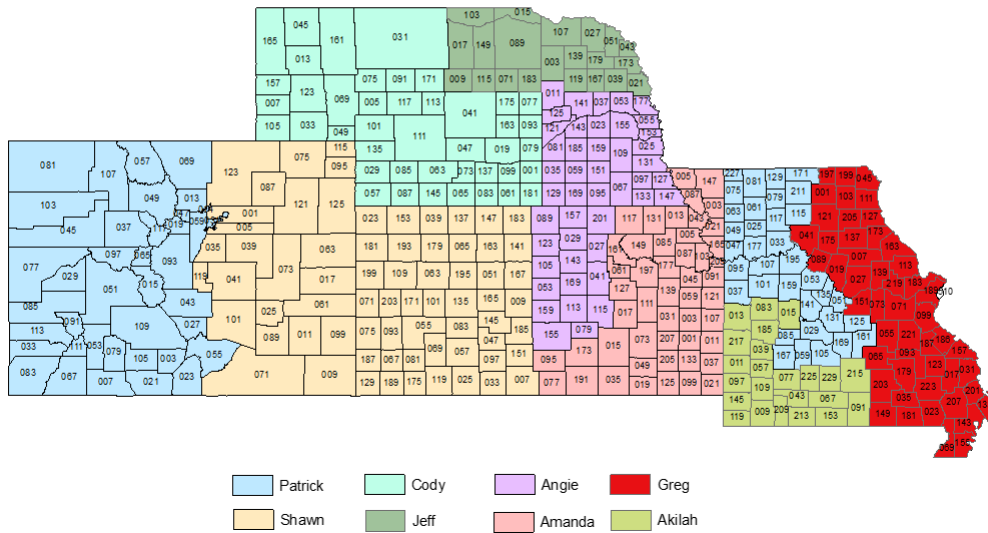
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### Topeka Regional Office Areas of Responsibility September 2018



## Agenda

- High level overview of Whole Farm Revenue Protection (WFRP) Program
- 2019 Revisions
- WFRP Example

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## What does WFRP cover?



- Revenue from all commodities produced on the farm:
  - Including animals and animal products
  - Commodities purchased for resale (up to 50% of total)
  - Excluding timber, forest, forest products, and animals for sport, show or pets
- Replant costs (with approval)

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## What are the features of WFRP?

- Coverage levels 50-85%
  - 5% increments
  - Diversification of 3 commodities (commodity count) required for 80% and 85%
  - No catastrophic level of WFRP available
- Historic revenue is adjusted to reflect farm expansion
  - Automatic indexing process accounts for farm growth historically (Insured may opt out of Indexing)
  - Expanding operations provision allows for up to 35% growth over historic average with insurance company approval

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## What are the features of WFRP?

- Costs for market readiness operations may be left in the approved revenue
  - Minimum required to make commodity market ready
  - On farm, in-field or close proximity to field
  - No added value costs may be included
- Other Federal crop insurance policies covering individual commodities may be purchased
  - Must be at buy-up coverage levels
  - Any indemnities from these policies will count as revenue earned under WFRP



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## What are the features of WFRP?

- All farm revenue is insured together under one policy
  - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
  
- Premium subsidy is available and depends on farm diversification
  - Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
  - Farms with 1 commodity receive basic premium subsidy



## WFRP Premium Subsidy

WFRP Subsidy: Percentage of Total Premium Paid by Government

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy-Qualifying Commodity Count: 1	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 2	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole-Farm Subsidy-Qualifying Commodity Count: 3 or more	80%	80%	80%	80%	80%	80%	71%	56%



## Where is WFRP Available?

- The entire United States...every county!
- The first crop insurance product available nationwide

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## WFRP limits for qualification:

Coverage Level	Commodity Count (Minimum Required)	Maximum Farm Approved Revenue
85	3	\$10,000,000
80	3	\$10,625,000
75	1	\$11,333,333
70	1	\$12,142,857
65	1	\$13,067,923
60	1	\$14,166,167
55	1	\$15,454,545
50	1	\$17,000,000

- Covers up to \$8.5 million of revenue
- Farm/ranch may have up to \$1 million in expected revenue from animals and animal products
- Farm/ranch may have up to \$1 million in expected revenue from greenhouse/nursery
  - Products also insurable under nursery policy
  - Doesn't include items such as produce grown in hoop houses

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## What kinds of farms can benefit from WFRP?

- Well-suited for:
  - Highly diverse farms
  - Farms with specialty commodities
  - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
- Available to all farms or ranches that qualify
- There are some limits for qualification

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## How is the amount of insured revenue determined?

- WFRP insured revenue is the lower of:
  - Current year's expected revenue (determined on the farm plan) at the selected coverage level, or
  - The historic revenue adjusted for growth at the selected coverage level



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## Does diversification on the farm matter for WFRP? Yes!



- The number of commodities produced are counted toward the diversification requirement within WFRP
  - Each commodity must provide a calculated percentage of the expected farm revenue to be counted
  - Commodities providing small amounts of revenue may be grouped to meet the qualification

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## Does diversification on my farm matter for WFRP? Yes!



- The diversification measure determines:
  - Eligibility for WFRP
    - Potato farms must have 2 commodities
    - Commodities insurable with other revenue coverage must have 2 commodities
  - Eligibility for the 80 & 85% coverage levels
    - Requires 3 commodities

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## Does diversification on the farm matter for WFRP? Yes!

- The diversification measure also determines:
  - The amount of the diversification discount to the premium rate
  - Whole-farm premium subsidy for farms with 2 or more commodities



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## Other facts to understand about WFRP:

- WFRP covers revenue 'produced' in the insurance period
  - A commodity not harvested or sold will count as revenue
  - A commodity grown last year and sold this year will not be covered
  - For commodities that grow each year, like cattle, only the growth for the insurance period counts.
    - Example: Calves worth \$800 at beginning of the year and to be sold at \$2000, the value insured will be \$1200
  - Inventory and Accounts Receivable are used to get to the 'produced' amounts
- Prices used to value commodities to be grown must meet the expected value guidelines in the policy

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## What causes a loss payment under WFRP?



- Natural causes of loss and decline in market price during the insurance period
- Taxes must be filed for the policy year before any claim can be made (2019 policy year requires 2019 year farm taxes to be filed)
- When revenue-to-count for the insurance period is lower than insured revenue due to insured causes, a loss payment will be made.

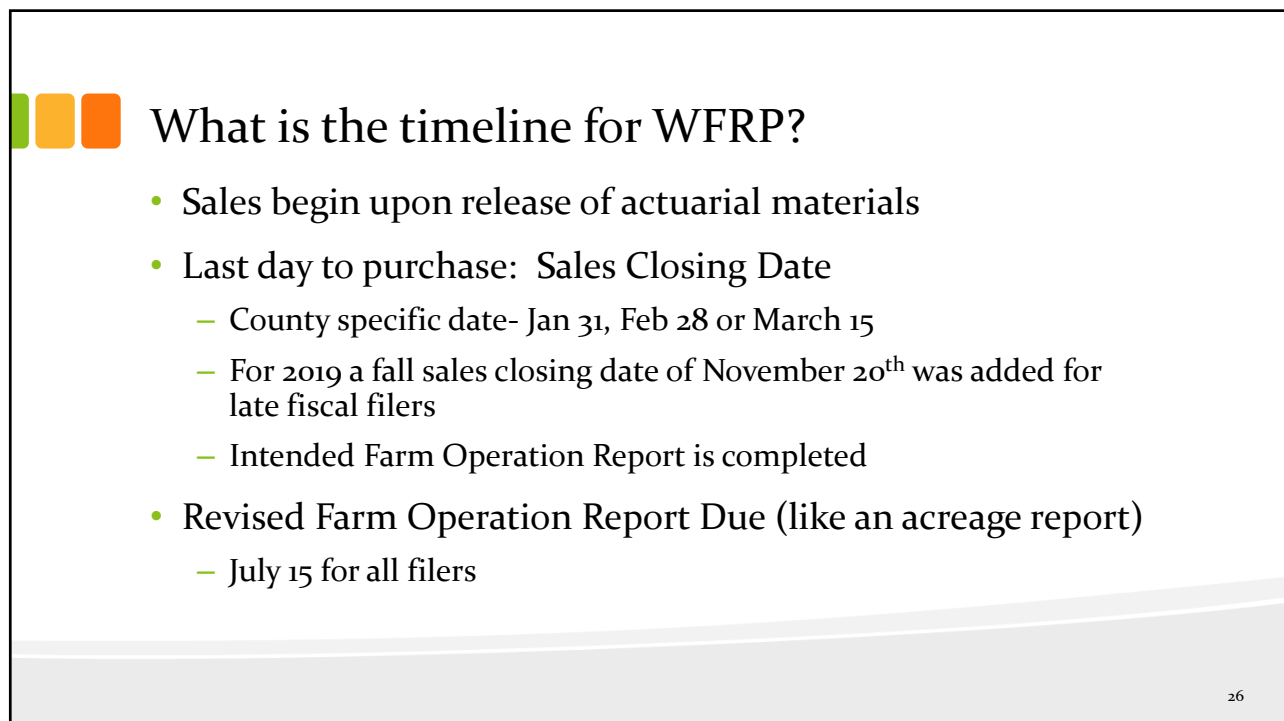
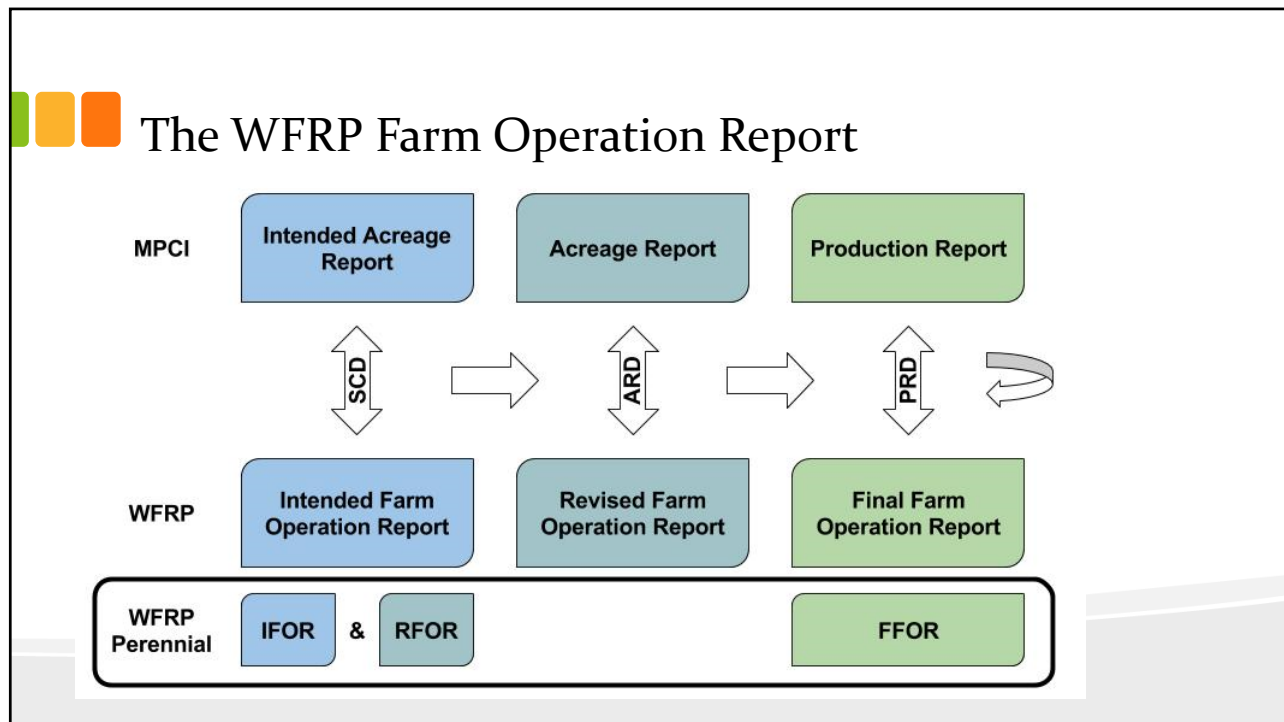
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## What information is required?

- Five years of farm tax forms
  - For 2019, requires tax forms from 2013-2017
    - Exceptions are made for Beginning Farmers and Ranchers, Qualifying persons not required to US Tax Return (Tribal Entities), and producers that were physically unable to farm one year.
- Type of tax filer
  - Calendar year tax filer
  - Fiscal year tax filer and what the fiscal year is
- Information about what will be produced on the farm during the insured year
  - Used to complete the Intended Farm Operation Report
- Other information as applicable
  - Such as supporting records, organic certification, inventory or accounts receivable information



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## What is the timeline for WFRP?

- Billing dates
  - August 15 for all filers
- Final Farm Operation Report completed earlier of:
  - Time of loss determination
  - By next year's Sales Closing Date
  - If not completed-limited to 65% coverage the next year

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## How do producers buy WFRP protection?



- Purchase through a Crop Insurance Agent:
  - The agent locator tool on RMA's website:  
<http://www.rma.usda.gov/tools/agent.html>

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# WFRP Revisions

2019 Crop Year

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## Revisions –

- Commodity Code Consolidation: added “commodity code” & “rate code”, this could potentially change diversification count.
- Added definitions for “disinterested third-party” and “expected yield”
- Added language clarifying the use of expanding operations
- Revised Section 18 (Expected Value & Expected Yield)
- Added instructions on handling commodities with no discernable expected value

\*\*This list is NOT all inclusive, for more detailed information, see 2019 WFRP Policy, Handbook & Informational Memorandum: PM-18-043



## Proposed Revisions to Expected Value

- WFRP Handbook Exhibit 18 and Section 17 (c)(4) of the Policy will have several revisions
  - Expected Values for 2019 will have methods and sources listed, in order of priority
    - Exhibit 17 – Clarified language on the determination of expected values for commodities in inventory.

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## Proposed Revisions to Expected Yield

- WFRP Handbook Exhibit 18 and Section 17 (c)(4) of the Policy will have several revisions
  - Expected Yields for 2019 will have methods and sources list in an if/then table.
    - Exhibit 18 – Renumbered exhibit to account for the added language regarding expected yields. Revised expected value chart to clarify procedure on determining expected values. Added expected yield procedures for determining expected yields, which includes reference to the CIH for Yield Variance, Alternate Bearing, and Downward Trending Tests.
    - Exhibit 20 Item 10 – Removed expected yield language as it is found in exhibit 18.
    - Exhibit 20 Items 11 & 13 – Revised the language stating when the source documents are due for expected values and yields.

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## Proposed Revisions to Expanding Operations

- WFRP Handbook Paragraph 71 & Section 49 of the Policy will have a few revisions.
  - Subparagraph 71(3)(d) – Added language regarding expanding operations with net increases in production capacity.
  - Subparagraph 71(4) – Clarified and added language on what is not considered expanded operations

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## WFRP Example

2019 Crop Year

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## WFRP Example

- Underwriting WFRP
  - Producer has provided us with 2013-2017 tax returns & we have input the numbers into the system, based on Section 10 & 11 of the Policy.
  - Producer has provided us with the expected yield, price & acres per Section 17 & 18 of the Policy.
  - We have calculated the Simple Average and verified with the producer that indexing and expanding operation are not applicable.

## Underwriting WFRP

- Example of Historical and Expected Revenue

Historical:

6. Tax Year	7. Allowable Revenue	8. Allowable Expenses
2013	\$700,366	\$540,522
2014	\$1,543,904	\$670,832
2015	\$1,108,302	\$694,993
2016	\$719,403	\$526,333
2017	\$1,089,156	\$461,835
<b>9. Total</b>	<b>\$5,161,131</b>	<b>\$2,894,515</b>
<b>10. Simple Average</b>	<b>\$1,032,226</b>	<b>\$578,903</b>

Expected:

	Yield	UOM	acres	price	
corn	133	BU	1101	\$ 3.96	\$ 579,874.68
soybeans	45	BU	958	\$ 10.16	\$ 437,997.60
alfalfa	2.8	Ton	271	\$ 170.00	\$ 128,996.00
					\$ 1,146,868.28

How is the amount of insured revenue determined?

WFRP insured revenue is the lower of:

- Current year's expected revenue (determined on the farm plan) at the selected coverage level, or
- The historic revenue adjusted for growth at the selected coverage level





## Underwriting WFRP

6. Tax Year	7. Allowable Revenue	8. Allowable Expenses
2013	\$700,366	\$540,522
2014	\$1,543,904	\$670,832
2015	\$1,108,302	\$694,993
2016	\$719,403	\$526,333
2017	\$1,089,156	\$461,835
9. Total	\$5,161,131	\$2,894,515
10. Simple Average	\$1,032,226	\$578,903
11. Indexed	\$0	\$0
12. Expanded Operation (xxxx Percent)	\$0	\$0
13. Whole-Farm Historic Average (higher of item 10, 11 or 12)	\$1,032,226	\$578,903
14. Intended Expected Revenue	\$ 1,146,868.28	
Approved Revenue & Expenses (lower of 13 or 14)	\$1,032,226	\$578,903
Total WFRP Insured Revenue @ 80% Coverage Level	\$825,780.96	

- In this Example, the Insured chose an 80% Coverage Level, so that gives us a Total Insured Revenue of \$825,781
- Our producer's operation was hit with a couple nasty hail storms throughout the year & his corn & soybeans both took major hits.

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## WFRP- Example of loss

- On the last slide, the Insured Revenue is \$825,781
- You look at your current tax year 'revenue', 2017 is \$240,990
  - Add/Subtract any adjustments, including: Accounts Receivable, Inventory, donated, abandoned and MPC I Indemnities.
  - In our example, producer had underlying MPC I policies, which had Indemnities paid of \$108,481. Which brings 2017 Revenue up to \$349,471 when added in.

Insured Revenue (from calculation)	\$	825,780.96
Allowable Revenue for the Insurance Year (from calculation)	\$	240,990.00
Allowable Revenue + Accounts Receivable	\$	240,990.00
Revenue to Count: Adjusted for inventory, donated, abandoned, indemnities, etc	\$	349,471.00
Revenue Loss (Ins Rev- Rev to count)		\$476,309.96

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# Questions?



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