Crop Insurance for Specialty Crop Growers:

Whole Farm Revenue Protection

Many fruit and vegetable growers have not had the same economic safety net against weather-related losses or reduced crop prices as commodity crop growers. However, Whole Farm Revenue Protection (WFRP), a new option available through the Risk Management Agency and local crop insurance agencies, could fill that void.

Available nationwide for the first time in 2016, this crop insurance offers the flexibility and diverse crop coverage that has kept many specialty crop growers from purchasing crop insurance in the past. WFRP relies on at least five years of Schedule F tax forms (or equivalent) historical data on revenue and expenses, using the average revenue to calculate the revenue that could be considered for coverage.

Beginning farmers and ranchers can qualify for WFRP insurance if they have three years of prior farm tax returns, as long as they also farmed the "lag year" before the insured year. And, they may also qualify for a 10 percent premium subsidy. if you are buying an operation and have access to its IRS filings and revenue, you can use those numbers to apply for WFRP.

You are allowed to increase your coverage up to 35 percent higher than your historical average revenue if you are increasing acreage, producing more of a high value crop, or changing production to access a higher priced market, such as achieving organic certification.

There are many reasons to consider this crop insurance, especially if you have higher than normal prices for certain crops, like selling in a direct market situation or to high end restaurants. You are insuring your own historical revenue, not a county average or national price. If you are growing a new crop that you had not grown in the past, you will need to prove your revenue through average yields and published pricing or contracts for this crop. If you are farming higher risk land, there is no surcharge or penalty. Crops such as medicinal herbs or unusual fruits can be covered under the "other herbs" or "other fruits" category in WFRP's insured commodity list.

This revenue-based policy provides an easier option for diverse growers, since one policy covers the dollars gained from all crops grown and sold rather than purchasing a policy for each commodity. While you can still choose to obtain Multi-Peril single commodity crop insurance under the standard crop insurance for weather-related losses, any Multi-Peril insurance payment given to you would be subtracted from any payment made under WFRP. You must declare your full farm revenue when estimating and applying for coverage under WFRP.

Diversification is rewarded under this crop insurance, with the premiums you pay decreasing as you increase the number of commodities covered. Your policy can include up to seven listed commodities. These commodities and the dollars they contribute to the farm's revenue are considered when developing the cost estimate of your payment for this insurance. The whole farm's revenue, including livestock, must be declared on this crop insurance policy. You list single commodities that typically produce a significant portion of the farm's revenue, lumping smaller revenue-generating crops into a general category such as "other vegetables," "other fruits," "other herbs," and "other livestock." These "lumped" categories can only be used once.

Revenue from crops purchased from others and resold can be up to 50 percent of the farm's total revenue; the cost of these purchased crops is declared in the farm's expenses. Revenue from nursery plants or livestock is capped at $1 million from these income streams. Bedding plants are a listed commodity in WFRP and so are numerous different livestock products such as beef, broilers, eggs, and honey.

If you donate produce to food banks with no revenue received, you cannot add the value of this charitable donation to your revenue calculation. Items not covered as revenue include: animals for sport, show or pets; forest or timber products; payments from government programs; crop insurance payments from other programs; post-production value-added revenues; land rental payments; or, payments from wages, salaries or others who hire you to do custom work.

Expenses must be tied to your farm income, and follow those listed on the Schedule F such as: trucking and fuel used in farm production, fertility and pest management, seeds and planting stock, the cost of hiring others, farm insurance, repairs and maintenance, supplies, etc.

The losses covered must be weather related, or can be the result of lower prices on a national level, such as unexpected cheaper imports entering your market and depressing your historical price. Loss of revenue due to mismanagement, deterioration in storage, or equipment breakdowns on your farm, among others, are not covered. Pesticide drift that results in either a lower price for organic producers, or loss of a saleable crop due to contamination or destruction of the crop, is also not covered under WFRP.

Applying for WFRP

In Wisconsin, you must **apply by March 15, 2016**, declaring your historical average of farm revenue for five years, and detailing how many different commodities and their percentage of the total coverage you are requesting. You also decide how much coverage you wish to have, from 50 to 85 percent of your total revenue. You will need to **provide an Initial Farm Operations Report** describing the farm production details (crops, acreage, prices, expenses, etc.) behind your request for WFRP, as well as inventory, payables and receivables carried over from the previous year.

By July 15, 2016, **submit a Revised Farm Operations Report** describing any changes to your cropping plans. Depending on the situation, you may be able to subtract the cost of replanting annual crops due to extreme weather. In order to deduct replanting expense from your revenue, the crop must be at least 20 acres or 20 percent of each annual crop you had planned to plant, and the insurance agent must agree the replanting had a good chance to produce a crop. You also must have good documentation of the cost of the replanting. The agent may wish to inspect those crop acres.

Third, you will **file a Final Farm Operations report by March 15, 2017.** If you do not complete and submit this on time you are ineligible to receive an indemnity payment. You will need to file your taxes before this date. If you had a loss in revenue that meets the requirements of the program, you can request an indemnity payment from the crop insurance company. This request must be within 60 days of your tax-filing date. If your fiscal year is not the calendar year, there is some flexibility with some of these filing dates; discuss this with your crop insurance agent. In addition, if your final revenue is much less and your expenses are much more than your Initial Farm Operation Report, there may be some recalculations done before finalizing the indemnity claim amount you are eligible to receive. This crop insurance, like many others, requires farmers to provide notice of all weather-related losses to their crop insurance agent within 72 hours of the weather event.

Estimating Premium, Payment

You can determine if this crop insurance is useful for managing risk on your farm by using the Risk Management Agency's cost estimator (see link below). Be prepared to put in numbers for your farm's yearly revenue (minus expenses) for the past five years plus the average for those years. You then can list up to seven different commodities with their projected revenue for the insured year. The insured revenue should equal your historical average revenue, or you should have information on why you are going over your historical annual income.

You then choose what percentage of coverage you want. The estimator shows you the actual cost of the insurance, the producer's cost, and the government subsidy (approximately 70-80 percent).

You can choose to insure two individual crops and lump the rest into "other" if you wish. But, play with the estimator to see what happens to your premium if you break out more individual crops—it actually goes down.

If you list more than three crops, you will need to meet a threshold using a calculation on the website, where the top three revenue crops need to be a significant portion of your income. Your crop insurance agent can help you with this in your final application, but for discovery purposes, use your top selling crops as the individual crops in the cost estimator. Keep in mind you can only use each of the "other" categories only once.

Resources

The Risk Management Agency website has worksheets to help you calculate revenue and expenses as well as a cost estimator for choosing the coverage you want:

webapp.rma.usda.gov/apps/actuarialinformationbrowser2016/CropCriteria.aspx

Find a crop insurance agent who sells WFRP:
www.rma.usda.gov/tools/agent.html

Check the RMA website for updates to WFRP:
www.rma.usda.gov/policies/wfrp.html

Midwest Organic & Sustainable Education Service MOSES

MOSES provides education, resources, and guidance to help farmers grow organic.

 01HB1648