2010 Crop & Livestock Insurance Options for Nevada Producers

Technical Report UCED 2009/10-06
Replaces UCED 2008/09-05
2010 Crop and Livestock Insurance Options for Nevada Producers

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This publication, **Crop and Livestock Insurance Options for Nevada Producers**, was published by the University Center for Economic Development in the Department of Resource Economics at the University of Nevada, Reno. Funds for this publication were provided by the USDA Risk Management Agency and by the United States Department of Commerce Economic Development Administration under University Centers Program contract #07-66-06415. This publication's statements, findings, conclusions, recommendations, and/or data represent solely the findings and views of the authors and do not necessarily represent the views of the USDA-RMA or the University of Nevada, Reno, or any reference sources used or quoted within. Reference to research projects, programs, books, magazines, or newspaper articles does not imply an endorsement or recommendation by the authors unless otherwise stated. Correspondence regarding this document should be sent to:

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What Types of Crop, Livestock, and Farm Insurance are Available in Nevada?

Three types of insurance are available in Nevada: Crop insurance (yield protection), Livestock Risk Protection (price protection), and AGR-Lite (whole-farm revenue protection).

Crop Insurance

Crop insurance in Nevada is offered on forage production, forage seeding, small grains (wheat, barley, and oats), onions, potatoes, and alfalfa seed (pilot program). Not all crops are covered in each county. A crop insurance agent should be contacted for more information as to availability by county. Below is a list of important dates to consider when purchasing crop insurance. Some of these dates are specified for the 2010 growing season in the following sections, while others will need to be discussed with a crop insurance agent.

- **Sales closing date** - last day to apply for coverage.
- **Final planting date** - last day to plant unless insured for late planting.
- **Acreage reporting date** - last day to report the acreage planted. If not reported, insurance will not be in effect.
- **Date to file notice of crop damage** - after damage; the date the producer decides to discontinue caring for the crop; prior to the beginning of harvest; immediately, if farmer determines that the crop is damaged after harvest begins; or the end of the insurance period, whichever is earlier.
- **End of insurance period** - latest date of insurance coverage.
- **Payment due date** - last day to pay the premium without being charged interest.
- **Cancellation date** - last day to request cancellation of policy for the next year.
- **Production reporting date** - last day to report production for Actual Production History (APH).
- **Debt termination date** - date insurance company will terminate policy for nonpayment.

Alfalfa Seed Pilot

A crop insurance pilot for alfalfa seed is available for 2010 against adverse weather conditions, earthquake, failure of irrigation water supply, fire, insects, plant disease, volcanic eruption, and wildlife. Producers can select coverage levels from 50-75% of approved average yield or 55-100% of a price announced by USDA. CAT coverage is also available and guarantees 50% of approved average yield will be valued at 55% of the announced price.

- **Sales closing date**: Oct. 31
- **Acreage reporting date**: Apr. 15 for fall, Jun. 30 for spring
- **End of insurance period**: Insurance ends the earliest of: (1) total destruction of the crop, (2) final adjustment of a loss on a unit, (3) abandonment of the crop, (4) harvest (removal of the seed from the windrow or field), (5) the date grazing commences on the crop, or (6) October 31.
Forage Production

Crop insurance for forage production is available for the 2010 production year against adverse weather conditions, failure of irrigation water supply, fire, insects, plant disease, and wildlife. Producers can choose coverage levels from 50-75% of approved average yield or 55-100% of a price announced by USDA. Catastrophic risk protection (CAT) coverage is also available and guarantees 50% of approved average yield will be valued at 55% of the announced price.

• Sales closing date: Oct. 31
• Acreage reporting date: Nov. 15
• End of insurance period: Insurance ends the earliest of: (1) total destruction, (2) removal from the windrow or the field for each cutting, (3) final adjustment of a loss, (4) date grazing commences on the forage crop, (5) abandonment of the forage crop, or (6) October 15.

Forage Seeding

Crop insurance for forage seeding is available for the 2010 production year against adverse weather conditions, failure of irrigation water supply, fire, insects, plant disease, and wildlife. Producers can recover out-of-pocket cultural costs if more than 25% of the alfalfa seeding is damaged before the stand is established. The insured selects a percent coverage (27.5-75%) of a dollar amount offered by USDA before the insurance period. Additionally, CAT coverage and higher coverage levels are available.

• Sales closing date: Jul. 31 for spring-planted seed
• Final planting date: Sept. 15 for fall, Jun. 15 for spring
• Acreage reporting date: Nov. 15 for fall, Jun, 15 for spring
• End of insurance period: Insurance ends the earliest of: (1) total destruction, (2) the initial harvest of the unit, (3) final adjustment of a loss, (4) the date grazing commences on the forage crop, (5) abandonment of the forage crop, or (6) April 14 for all spring planted acreage and October 15 for fall planted acreage.

Nursery

Crop insurance for nursery crops is available for the 2010 production year against adverse weather conditions, failure of irrigation water supply, fire, and wildlife. Producers can select a coverage level ranging from 50-75% of plant inventory value. CAT coverage is also available and is set at 27.5%.

• Sales closing date: May 1 prior to current crop year
• End of insurance period: Insurance ends May 31 of the following year.

Onions

Crop insurance for onions is available for 2010 against adverse weather conditions, failure of irrigation water supply, fire, insects, plant disease, and wildlife. Producers can select a coverage level ranging from 50-75% of individual approved yield and 55-100% of the price announced by USDA. CAT coverage is also available and is equal to 50% of approved average yield and 55% of price.
• Sales closing date: Feb. 1
• Final planting date: Apr. 20
• Acreage reporting date: Jun. 30
• End of insurance period: The insurance period ends the earliest of: (1) removal of the onions from the field, (2) fourteen days after lifting or digging, (3) August 31 for all non-storage onions, or (4) October 15 for all storage onions.

Potatoes

Crop insurance for potatoes is available for 2010 against adverse weather conditions, failure of irrigation water supply, fire, insects, plant disease, earthquake, and wildlife. Producers can select a coverage level ranging from 50-75% of individual approved yield. CAT coverage is also available and is equal to 50% of approved average yield and 55% of price.

• Sales closing date: Mar. 15
• Final planting date: May. 20
• Acreage reporting date: Jul. 15
• End of insurance period: The insurance period ends the earliest of: (1) total destruction of potatoes, (2) harvest of crop, (3) final adjustment of loss, (4) abandonment of crop, or (5) calendar date specified in policy.

Small Grains

Crop insurance for small grains is available for 2010 for wheat, barley, and oats against adverse weather conditions, failure of irrigation water supply, fire, insects, plant disease, and wildlife. Producers can select a level of coverage ranging from 50-75% of approved average yield and 50-100% of a price announced by USDA, or CAT coverage based on 50% of approved yield and 55% of the price.

Barley
• Sales closing date: Oct. 31 for Humboldt & Pershing Counties; Mar. 15 for all other counties
• Acreage reporting date: Jun. 15 for spring (winter: Nov. 15) for Humboldt & Pershing Counties; Jul. 15 for all other counties
• End of insurance period: No later than Oct. 31

Oats
• Sales closing date: Mar. 15
• Acreage reporting date: Jul. 15
• End of insurance period: No later than Oct. 31

Wheat
• Sales closing date: Oct. 31
• Acreage reporting date: Jun. 15 (winter coverage endorsement: Nov. 15)
• End of insurance period: No later than Oct. 31
Livestock Insurance

Livestock insurance in Nevada is sold as livestock risk protection, or LRP. LRP is single-peril risk insurance that protects producers from adverse price changes in the livestock market. LRP does not cover any other peril, such as death or disease. Producers interested in obtaining LRP must submit an application to an authorized crop/livestock insurance vendor, which can be done at any time during the year in Nevada. Once the application has been submitted, the producer chooses a coverage price, which is a percentage of the expected ending value of the livestock. A lower coverage price relative to the estimated ending value corresponds to a lower premium.

The producer must also choose an endorsement length, which is the length of the policy and can range from 13 to 52 weeks depending on the livestock type (see the individual policy descriptions below). The endorsement length should have an ending date that meets the producer’s risk management objectives. For example, a producer selecting coverage for his or her feeder cattle may want the ending date to correspond with the expected date the cattle will be sold or moved to a feedlot. A producer choosing coverage for his or her fed cattle may want the ending date to match up with the expected date the cattle will be ready for slaughter.

LRP coverage will not begin until a specific coverage endorsement (SCE) is selected by the producer and approved by RMA. The SCE specifies the elected coverage price, number of head covered, and length of coverage. The ending value of LRP is not the cash price received or the closing futures price on the end date of the policy, rather it is a weighted average price reported by USDA-AMS or the Chicago Mercantile Exchange, depending on livestock type.

**LRP-Fed Cattle**

- LRP-Fed Cattle can be purchased throughout the year
- SCE may be purchased for up to 2,000 head of heifers and steers
  - Weight must be between 1,000 and 1,400 lbs
  - Annual limit is 4,000 head per producer per crop year (July 1-June 30)
- All insured cattle must be in a state approved for LRP-Fed Cattle at time of purchase
- SCE length: 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
- Coverage prices may range from 70-100% of expected ending value
- Application for LRP policy may be filled out at any time
  - Coverage does not begin until an SCE is selected
  - Multiple SCEs may be purchased with one application
- Actual ending values determined by weighted prices reported by USDA-AMS

**LRP-Feeder Cattle**

- LRP-Feeder Cattle can be purchased throughout the year
- SCE may be purchased for up to 1,000 head feeder cattle
  - Expected to weigh up to 900 lbs at end of insurance period
    - Two weight ranges to choose from: under 600 lbs, and 600-900 lbs
  - Annual limit is 2,000 head per producer per crop year (July 1-June 30)
- All insured cattle must be in a state approved for LRP-Feeder Cattle at time of purchase
• SCE length: 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
• Coverage prices may range from 70-100% of expected ending value
• Application for LRP policy may be filled out at any time
  o Coverage does not begin until an SCE is selected
  o Multiple SCEs may be purchased with one application
• Actual ending values determined by weighted prices as reported in the Chicago Mercantile Exchange Feeder Cattle Index

**LRP-Lamb**

• LRP-Lamb can be purchased throughout the year
• SCE may be purchased for up to 2,000 head
  o No weight requirement
  o Annual limit is 28,000 head per producer per crop year (July 1-June 30)
• All insured lambs must be in a state approved for LRP-Lamb at time of purchase
• SCE length: 13, 20, 26, or 39 weeks
• Coverage prices may range from 80-95% of expected ending value
• Application for LRP policy may be filled out at any time
  o Coverage does not begin until an SCE is selected
  o Multiple SCEs may be purchased with one application
• Actual ending values determined by weekly average prices for “Formula Live Lambs” as reported by USDA-AMS

**LRP-Swine**

• LRP-Swine can be purchased throughout the year
• SCE may be purchased for up to 10,000 head
  o Expected to reach market weight near the end of coverage period
  o Annual limit is 32,000 head per producer per crop year (July 1-June 30)
• All insured swine must be in a state approved for LRP-Swine at time of purchase
• SCE length: 13, 17, 21, or 26 weeks
• Coverage prices may range from 70-100% of expected ending value
• Application for LRP policy may be filled out at any time
  o Coverage does not begin until an SCE is selected
  o Multiple SCEs may be purchased with one application
• Actual ending values determined by weighted prices as reported by USDA-AMS

**Whole Farm Insurance: AGR-Lite**

Adjusted Gross Revenue-Lite (AGR-Lite) is the only whole-farm revenue-protection insurance plan available in Nevada. AGR-Lite protects the farm from revenue losses due to natural disasters (including fire, insects, disease, wildlife, earthquakes, weather, and irrigation issues due to natural disaster) and market fluctuations. AGR-Lite can be used as a stand-alone plan or as an umbrella plan combined with other insurance, or to insure multiple commodities. AGR-Lite covers most crops and animals and animal products, including grain and non-grain crops, fruits and vegetables, nuts, nursery plants, floriculture, livestock, milk, eggs, and wool. AGR-Lite was designed primarily for operations that are small to mid-size and are susceptible to market and/or production losses, and alternative enterprises, such as organic.
2010 Crop and Livestock Insurance Policy Providers for Nevada

Below is a current listing of insurance agents and companies licensed to write insurance policies in Nevada. Please note that this list is current for the 2010 crop year as of February 2, 2010 and is subject to change. Insurance providers for each state can be found on RMA’s website at http://www3.rma.usda.gov/tools/agents/companies/.

Insurance Agents

JOHN ARMSTRONG
YOLO INSURANCE, INC.
239 W Court St Bldg A
Woodland, CA 95695
Phone: (530) 668-2777
E-mail: marmstrong@aandains.com
Products: Crop Insurance

Janet M. Blethen
Janet Blethen Insurance Agency
4185 Wilkinson Way
Lovelock, NV 89419
Phone: (775) 273-1727
Fax: (775) 273-1727
E-mail: janet@janetblethen.com
Website: www.janetblethen.com
Products: Crop & livestock insurance, farm & ranch policies

COREY DONDLINGER
DONDLINGER INSURANCE AGENCY
11212 Sandy Grove Ave
Las Vegas, NV 89144
Phone: (402) 759-4938
E-mail: dell105@yahoo.com
Products: Crop Insurance

MICHAEL K FREEMAN
J-9 CROP INSURANCE AGENCY LLC
Box 1325
Ault, CO 80610
Phone: (970) 834-1160
Alternative Languages: Japanese, Spanish
Products: Crop and Livestock Insurance

ALEX GLANN
FOOD AND FIBER RISK MANAGERS
3160 8th Street Sw, Suite F
Altoona, IA 50009
Phone: (515) 957-9339
Phone: (877) 957-9339
Products: Livestock Insurance

JANET HAIGHT
Haight Crop Insurance Inc.
2115 S Madison Street
Spokane, WA 99203
Phone: (509) 838-5610
Phone: (800) 358-5442
E-mail: janet@haightcropins.com
Products: Crop Insurance

Tracy Hawker
Premier Insurance
1465 N Skyline
Idaho Falls, ID 83402
Phone: (208) 522-1260
Products: Crop Insurance
Insurance Companies

The following companies are designated by USDA to provide insurance coverage through the Standard Reinsurance Agreement (SRA)&/or the Livestock Price Reinsurance Agreement (LPRA) for the year 2010.

Ace Property & Casualty Insurance Company
(Rain and Hail Agricultural Insurance, LLC)
9200 Northpark Drive Suite 300
Johnston, Iowa 50131
Phone: (800) 585-9624
Fax: (515) 559-1101
Website: www.rainhail.com
Products: Crop & livestock insurance, farm & ranch policies
Agrinational Insurance Company
(Agriserve, Inc.)
2525 Federal Drive
Decatur, Illinois 62526
Phone: (217) 233-6900
Fax: (217) 233-6901
Website: www.asi-agriserve.com
Products: Crop Insurance

American Agri-Business Insurance Company
(Ag Risk Management Technologies Insurance Services)
7101 82nd Street
Lubbock, TX 79424
Phone: (800) 335-0120
Fax: (806) 473-0334
E-mail: armttech@armt.com
Website: www.armt.com
Products: Crop & livestock insurance

American Agricultural Insurance Company
(American Farm Bureau Insurance services, Inc.)
1501 East Woodfield Road, Suite 300W
Schaumburg, Illinois 60173
Phone: (847) 969-2900
Fax: (847) 969-2744
Website: www.afbisinc.com
Products: Crop and Livestock Insurance

Austin Mutual Insurance Company
(CGB Diversified Services)
1608 West Lafayette, Suite A
Jacksonville, Illinois 62650
Phone: (866) 669-3429
Fax: (217) 245-4838
Website: www.diversifiedservices.com
Products: Crop Insurance

Casualty Underwriters
Food and Fiber Risk Managers, LLC
3160 8th Street SW, Suite F
ALTOONA, IOWA 59990
Phone: (515) 537-7001
Fax: (515) 957-9091
Website: www.fafrm.com
Products: Livestock insurance

Country Mutual Insurance Company
1701 North Towanda Avenue
P.O. Box 2100
Bloomington, Illinois 61702
Phone: (309) 821-3107
Fax: (309) 820-5428
Website: www.countryfinancial.com
Products: Crop and Livestock Insurance

Farmers Mutual Hail Insurance Company of Iowa
6785 Westown Parkway
West Des Moines, Iowa 50266
Phone: (800) 247-5248
Fax: (515) 282-1220
Website: www.fmh.com
Products: Crop Insurance

Great American Insurance Company
49 East Fourth Street, Suite 400
Cincinnati, Ohio 45202
Phone: (800) 587-1553
Fax: (513) 763-8457
Website: www.myagitrust.com
Products: Crop and Livestock Insurance

Hudson Insurance Company
7300 W. 110th Street, Suite 850
Overland Park, Kansas 66210
Phone: (866) 450-1445
Fax: (913) 345-1671
Website: hudsoninsgroup.com
Products: Crop Insurance

NAU Country Insurance Company
7333 Sunwood Drive
Ramsey, Minnesota 55303
Phone: (800) 942-3770
Fax: (763) 427-6473
Website: www.maucountry.com
Products: Crop and Livestock Insurance
**Producers Agriculture Insurance Company**  
2025 South Hughes  
P.O. Box 229  
Amarillo, Texas 79109  
Phone: (800) 366-2767  
Fax: (800) 755-7026  
Website: www.proag.com  
Products: Crop Insurance

**Rural Community Insurance Company**  
(Rural Community Insurance Services)  
3501 Thurston Avenue  
Anoka, Minnesota 55303  
Phone: (800) 451-3836  
Fax: (763) 427-1591  
Website: www.rcis.com  
Products: Crop & Livestock Insurance

**Stonington Insurance Company**  
(Agro National LLC)  
300 West Broadway, Suite 500  
Council Bluffs, Iowa 51503  
Phone: (712) 256-0968  
Fax: (712) 256-2574  
Website: www.agronational.com  
Products: Crop and Livestock Insurance

**The Insurance Company of the State of Pennsylvania**  
(John Deere Risk Protection, Inc.)  
6400 NW 86th Street  
P.O. Box 6680  
Johnston, Iowa 50131  
Phone: (866) 404-9057  
Fax: (800) 598-8229  
Website: www.johndeereriskprotection.com  
Products: Crop Insurance

**XL Reinsurance America, Inc.**  
(Heartland Crop Insurance, Inc.)  
120 SE 6th Street, Building 2, Suite 210  
P.O. Box 330  
Topeka, Kansas 66603  
Phone: (888) 789-5566  
Fax: (785) 235-5577  
Website: www.heartlandcropinsurance.com  
Products: Crop Insurance
Crop Insurance Terms

Ken Stokes, Mark Waller, G.A. (Art) Barnaby and Joe Outlaw*

The crop insurance industry is providing more and more risk management tools to help producers deal with the increasing risk they face. As the number of alternative tools increases, so does their complexity. This publication defines many of the common terms you will need to be familiar with when making your crop insurance decision.

Crop Insurance Documents

- **Actuarial documents.** The material for a specific crop year, which is available in your insurance agent’s office, and which shows the amount of insurance or production guarantees, coverage levels, premium rates, practices, insurable acreage, and other related information regarding crop insurance in the county.

- **Catastrophic Risk Protection Endorsement.** The part of the crop insurance policy that contains provisions specific to catastrophic risk protection.

- **Crop Provisions.** The part of the policy that contains the specific provisions of insurance for each insured crop.

- **Insured crop.** The crop for which coverage is available under the Basic Provisions and the applicable Crop Provisions as shown on your application for insurance.

- **Policy.** The agreement between you and the insurer, consisting of the accepted application, the Basic Provisions, the Crop Provisions, the Special Provisions, other applicable endorsements or options, the actuarial documents for the insured crop, the Catastrophic Risk Protection Endorsement (if applicable), and the applicable regulations published in the federal register.

- **Special Provisions.** The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

- **Summary of coverage.** The insurance company’s statement to you, based upon your acreage report. It specifies the insured crop and the guarantee or amount of insurance coverage provided by unit.

- **Written agreement.** A document that alters designated terms of a policy as authorized under the Basic Provisions, the Crop Provisions, or the Special Provisions for the insured crop.

Coverage Levels and Price Elections

- **Additional coverage.** Crop insurance coverage equal to or greater than 65 percent of the approved yield indemnified at 100 percent of the expected market price, or a comparable coverage as established by the Federal Crop Insurance Corporation (FCIC).

- **Administrative fee.** An amount you must pay for catastrophic risk protection, limited, and additional coverage for each crop year as specified in the federal register and the Catastrophic Risk Protection Endorsement.

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Coverages. The insurance provided by a policy against loss of production or value, by unit, as shown on your summary of coverage.

Catastrophic risk protection. The minimum level of coverage offered by FCIC that is required to qualify for certain other USDA program benefits unless you waive eligibility for emergency crop loss assistance in connection with the crop.

Deductible. The amount of loss incurred before insurance coverage begins, determined by subtracting the coverage level percentage you choose from 100 percent. For example, if you elected a 65 percent coverage level, your deductible would be 35 percent (100% - 65% = 35%).

Economic significance. The value of a crop, or of a type or variety of a crop (if the applicable crop policy allows you the option to separately insure individual crop types or varieties), equal to 10 percent or more of the total value of your share of all crops grown in the county the previous crop year, or that you expect to grow in the current crop year. However, an amount is not considered economically significant if the expected liability under the Catastrophic Risk Protection Endorsement is equal to or less than the administrative fee required for the crop or the crop type or variety.

Limited coverage. Coverage that is 50 percent or more, but less than 65 percent, of the approved yield indemnified at 100 percent of the expected market price (or a comparable coverage as established by FCIC).

Price election. The prices contained in the Special Provisions or an addendum. They are used to compute the value per pound, bushel, ton, carton, or other unit of measure so that premium and indemnity can be determined.

Production guarantee (per acre). The number of pounds, bushels, tons, cartons, or other unit of measure determined by multiplying the approved yield per acre by the coverage level percentage you elect.

Farming Terms Used in Crop Insurance

Abandon. Failure to care for the crop, providing too little care to benefit the crop, or failure to harvest in a timely manner, unless an insured cause of loss prevents you from properly caring for or harvesting the crop or causes damage to it to the extent that most producers of the crop on similar acreage in the area would not normally further care for or harvest it.

Agricultural commodity. All insurable crops produced for human or animal consumption.

Crop year. The period within which the insured crop is normally grown and designated by the calendar year the insured crop is normally harvested.

Damage. Injury, deterioration, or loss of production of the insured crop.

Good farming practices. The cultural practices generally in use in the county for the crop. Practices required for the crop to produce at least the yield used to determine the production guarantee or amount of insurance. These practices are recognized by the Cooperative State Research, Education, and Extension Service as compatible with agronomic and weather conditions in the county.

Interplanted. Acreage on which two or more crops are planted in a manner that does not permit separate agronomic maintenance or harvest of the insured crop.

Irrigated practice. Watering a crop to produce at least the yield used to establish: 1) the irrigated production guarantee; 2) the amount of insurance on the irrigated production guarantee; or 3) the amount of insurance on the irrigated acreage planted to the insured crop.

Late planted. Acreage initially planted to the insured crop after the final planting date.

Negligence. The failure to use such care as a reasonably prudent and careful person would use under similar circumstances.

Planted acreage. Land in which the insured crop has been properly planted.

Practical to replant. The insurance company’s determination, after loss or damage to the insured crop, that replanting the crop will allow it to be harvested before the end of the insurance period. It will not be considered practical to replant after the end of the late planting period or the final planting date unless replanting is generally occurring in the area. Unavailability of seed or plants is not considered a valid reason for failure to replant.

Prevented planting. Failure to plant the insured crop by the final planting date designated in the Special Provisions for the insured crop in the county. You may also be eligible for a prevented planting payment if you were unable to plant because of an insured cause of loss that is general in the surrounding area.

Replanting. Replacing the seed or plants of the same crop in the insured acreage with the expectation of producing at least the yield used to determine the production guarantee.
Representative sample. Portion of the insured crop that must remain in the field for examination by the insurance company's loss adjuster when making a crop appraisal. In certain instances you may harvest the crop and leave only samples of the crop residue in the field.

Timely planted. Planted on or before the final planting date designated in the Special Provisions for the insured crop in the county.

Reports

Acreage report. A report stating your share of all acreage of an insured crop in the county, whether insurable or not insurable.

Another use, notice of. The written notice required when you wish to plant acreage to another crop.

Application. The form you must complete and that the insurance company must accept before coverage will begin. If your insurance coverage is canceled or terminated for any reason, you must reapply.

Claim for indemnity. A claim you make for damage or loss to an insured crop.

Consent. Approval in writing by the insurance company for the insured to take a specific action.

Damage, notice of. A written notice you must file with the insurance company as soon as you discover that the insured crop has been damaged to the extent that a loss is probable.

Loss, notice of. The notice you must give the insurance company not later than 72 hours after certain losses or 15 days after the end of the insurance period, whichever is earlier.

Production report. A written record showing your annual production. The insurance company uses it to determine your yield for insurance purposes. The report contains yield information for previous years, including planted acreage and harvested production. This report must be supported by written, verifiable records from a warehouseman or buyer of the insured crop, by measurement of farm-stored production, or by other records of production approved by the insurance company.

Units

Basic unit. All acreage of the insured crop in the county on the date coverage begins for the crop year:

1) In which the insured has 100 percent crop share; or

2) Which is owned by one person and operated by another person on a share basis.

(Example: If, in addition to the land you own, you rent land from five landlords, three on a crop share basis and two on a cash basis, you would be entitled to four units—one for each crop share lease and one that combines the two cash leases and the land you own.) Land which would otherwise be one unit may, in certain instances, be divided.

Optional unit. For an additional premium, growers may subdivide their basic units by practice, section or section equivalents.

County. Any county, parish or other political subdivision of a state shown on the insured's accepted application, including acreage in a field that extends into an adjoining county if the county boundary is not readily discernible.

Enterprise unit. All acreage of the insured crop in the county in which you have a share on the date coverage begins for the crop year. An enterprise unit must consist of:

1) Two or more basic units of the same insured crop that are located in two or more separate sections, section equivalents, or FSA farm serial numbers; or

2) Two or more optional units of the same insured crop established by separate sections, section equivalents, or FSA farm serial numbers.

Field. All acreage of tillable land within a natural or artificial boundary (e.g., roads, waterways, fences, etc.).

FSA farm serial number. The number assigned to the farm by the local FSA office.

Noncontiguous. Any two or more tracts of land whose boundaries do not touch at any point. (Exception: Land separated only by a public or private right-of-way, waterway, or irrigation canal is considered contiguous.)

Section (for the purposes of unit structure). A unit of measure under a rectangular survey system. A tract of land usually 1 mile square and usually containing approximately 640 acres.

State. The state shown on the insured's accepted application.

Whole farm unit. All acreage of the insured crops in the county in which the insured has a share on the date coverage begins for each crop for the crop year.
Parties to Crop Insurance Contract

Assignment of indemnity. An arrangement whereby you assign your right to an indemnity payment to any party of your choice for the crop year.

Person. An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a state or a political subdivision or agency of a state. “Person” does not include the United States government or any agency thereof.

Insured. The person whose name is on the application accepted by the insurance company. This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

Limited resource farmer. A producer or operator of a farm:

1) With an annual gross income of $20,000 or less derived from all sources, including income from a spouse or other members of the household, for each of the prior 2 years; or

2) With less than 25 acres total for all crops, who makes a majority of his gross income from farming, and whose gross income from farming is not more than $20,000.

Share. Your percentage of interest in the insured crop as an owner, operator or tenant. However, only for the purpose of determining the amount of indemnity, your share will not be more than it was at the earlier of the time of loss or the beginning of harvest.

Tenant. A person who rents land from another person for a share of the crop or a share of the proceeds of the crop.

Substantial beneficial interest. An interest of at least 10 percent in the insured crop.

List of Dates and their Definitions

Acreage reporting date. The date by which the insured is required to submit an acreage report.

Cancellation date. The date specified in the Crop Provisions on which coverage for the crop will automatically renew unless canceled.

Contract change date. The date by which the insurance company makes any policy changes available for inspection in the agent’s office.

Coverage begins, date. The date insurance begins on the insured crop, or the date planting begins on the unit.

Days. Calendar days.

Delinquent account. Any account in which premiums and interest on those premiums is not paid by the termination date specified in the Crop Provisions.

Earliest planting date. The earliest date established for planting the insured crop.

End of insurance period, date of. The date upon which your crop insurance coverage ceases for the crop year.

Final planting date. The date in the Special Provisions by which the crop must initially be planted in order to be insured for the full production guarantee or amount of insurance per acre.

Late planting period. The period that begins the day after the final planting date for the insured crop and ends 25 days later, unless otherwise specified in the Crop Provisions or Special Provisions.

Premium billing date. The earliest date upon which you will be billed for insurance coverage based on your acreage report. The premium billing date is in the Special Provisions.

Sales closing date. A date in the Special Provisions by which an application must be filed. The last date you may change your crop insurance coverage for a crop year.

Termination date. The date in the Crop Provisions upon which your insurance ceases to be in effect because of nonpayment of any amount due the insurance company.
### 2008 Nevada Crop Insurance Profile

#### Insurance Plans Available in Nevada

<table>
<thead>
<tr>
<th>Insurable Crops</th>
<th>Insured Acres</th>
<th>Total Acres</th>
<th>Percent Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Gross Revenue – LITE Liability</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alfalfa Seed</td>
<td>2,433</td>
<td>6,500</td>
<td>37%</td>
</tr>
<tr>
<td>Barley</td>
<td>70</td>
<td>1,000</td>
<td>7%</td>
</tr>
<tr>
<td>Forage Production</td>
<td>20,370</td>
<td>265,000</td>
<td>8%</td>
</tr>
<tr>
<td>Forage Seeding</td>
<td>3,734</td>
<td>24,000</td>
<td>16%</td>
</tr>
<tr>
<td>LRP Fed Cattle Liability</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LRP Feeder Cattle Liability</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LRP Lamb</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LRP Swine</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursery</td>
<td>$0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oats</td>
<td>0</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Potatoes</td>
<td>5,075</td>
<td>7,300</td>
<td>70%</td>
</tr>
<tr>
<td>Wheat</td>
<td>9,169</td>
<td>13,000</td>
<td>71%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>40,851</strong></td>
<td><strong>382,500</strong></td>
<td><strong>11%</strong></td>
</tr>
</tbody>
</table>

*Percent Insured may not be reflective of participation as program is only available in select counties.*

---

**Pilot Programs**

- **Forage (Alfalfa) Seed**: Humboldt and Pershing Counties

---

**Davis Regional Office**
- Contact: Nancy Beaumont, Director
- Address: 430 G Street, # 4168
  - Davis, CA  95616
- Phone: (530) 792-5870
- Fax: (530) 792-5893
- E-Mail: nancy.beaumont@rma.usda.gov

**Western Regional Compliance Office**
- Contact: Susan Choy, Director
- Address: 430 G Street, # 4167
  - Davis, CA  95616
- Phone: (530) 792-5850
- Fax: (530) 792-5865
- E-Mail: susan.choy@rma.usda.gov

Data current as of February 11, 2009
## Nevada
### Fifteen-Year Crop Insurance History

<table>
<thead>
<tr>
<th>Year</th>
<th>Policies Earning Premium</th>
<th>Net Acres Insured</th>
<th>Liability $</th>
<th>Gross Premium $</th>
<th>Losses $</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>13</td>
<td>1,692</td>
<td>216,188</td>
<td>14,497</td>
<td>144,834</td>
<td>9.99</td>
</tr>
<tr>
<td>1995</td>
<td>125</td>
<td>39,403</td>
<td>4,202,161</td>
<td>201,545</td>
<td>85,031</td>
<td>0.99</td>
</tr>
<tr>
<td>1996</td>
<td>139</td>
<td>48,754</td>
<td>6,903,951</td>
<td>350,159</td>
<td>777</td>
<td>0.00</td>
</tr>
<tr>
<td>1997</td>
<td>42</td>
<td>17,158</td>
<td>2,271,561</td>
<td>135,272</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>1998</td>
<td>17</td>
<td>9,187</td>
<td>1,580,443</td>
<td>114,322</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>1999</td>
<td>26</td>
<td>8,273</td>
<td>1,596,475</td>
<td>88,113</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>2000</td>
<td>23</td>
<td>7,110</td>
<td>1,594,794</td>
<td>67,998</td>
<td>499</td>
<td>0.01</td>
</tr>
<tr>
<td>2001</td>
<td>17</td>
<td>8,792</td>
<td>3,558,709</td>
<td>128,832</td>
<td>30,184</td>
<td>0.23</td>
</tr>
<tr>
<td>2002</td>
<td>52</td>
<td>30,831</td>
<td>13,697,009</td>
<td>1,331,810</td>
<td>3,209,164</td>
<td>2.41</td>
</tr>
<tr>
<td>2003</td>
<td>58</td>
<td>34,686</td>
<td>16,397,193</td>
<td>1,773,754</td>
<td>5,361,945</td>
<td>3.02</td>
</tr>
<tr>
<td>2004</td>
<td>88</td>
<td>38,289</td>
<td>16,732,662</td>
<td>2,057,588</td>
<td>3,079,329</td>
<td>1.50</td>
</tr>
<tr>
<td>2005</td>
<td>115</td>
<td>37,982</td>
<td>13,949,033</td>
<td>1,019,588</td>
<td>996,482</td>
<td>0.98</td>
</tr>
<tr>
<td>2006</td>
<td>103</td>
<td>38,928</td>
<td>12,998,441</td>
<td>821,132</td>
<td>444,744</td>
<td>0.54</td>
</tr>
<tr>
<td>2007</td>
<td>91</td>
<td>41,197</td>
<td>11,820,166</td>
<td>804,034</td>
<td>113,662</td>
<td>0.14</td>
</tr>
<tr>
<td>2008</td>
<td>90</td>
<td>40,851</td>
<td>13,256,998</td>
<td>851,979</td>
<td>361,278</td>
<td>0.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77</strong></td>
<td><strong>9,798</strong></td>
<td><strong>1,281,169</strong></td>
<td><strong>61,141</strong></td>
<td><strong>80,015</strong></td>
<td><strong>1.31</strong></td>
</tr>
</tbody>
</table>

**NOTE:** To see detailed information on the above 15 Year Crop Insurance History by County, go to RMA’s Summary of Business Application at: [http://www3.rma.usda.gov/apps/sob/](http://www3.rma.usda.gov/apps/sob/) and then click on the “Run Application” button. Select the State/County tab and then select the appropriate Year and State to get a listing by County. Select the desired output type – Web Output, Formatted Print, or Download Data to Excel.
Crop Insured

- Irrigated alfalfa seed
- Grown solely for harvest as certified forage seed under certification standards of a certifying agency or grown under a forage seed contract.

The policy does not cover a forage seed crop that:
- Is interplanted with another crop;
- Does not have an adequate stand at the beginning of the insurance period as shown below;
- Exceeds the earlier of the maximum age of stand stipulated by the originator of the certified seed or the 6th and succeeding crop year after the crop year of initial seeding; or
- Is utilized for any purpose during the crop year other than for seed production.

<table>
<thead>
<tr>
<th>ESTABLISHED STAND</th>
<th>FALL PLANTED SEED TO SEED</th>
<th>SPRING PLANTED SEED TO SEED</th>
</tr>
</thead>
<tbody>
<tr>
<td>(# Living &amp; fully developed alfalfa plants/sq. ft.)</td>
<td>(# Living alfalfa plants/sq. ft.)</td>
<td>(# Living alfalfa plants/sq. ft.)</td>
</tr>
<tr>
<td>.34</td>
<td>1.03</td>
<td>1.03</td>
</tr>
</tbody>
</table>

Uninsured Causes of Loss

(1) Crop not being timely harvested*;
(2) Insufficient supply of pollinators*;
(3) Failure of certification standard or seed contract acceptance caused by failure to follow proper isolation requirements or inadequate weed control*;
(4) Failure of certification standard or seed contract acceptance due to failure to follow all other certification or contract requirements*.

*unless solely and directly caused by an insurable cause of loss.

Insurance Period

Insurance begins on acreage with an adequate stand stipulated by the originator of the certified seed or the 6th and succeeding crop year after the crop year of initial seeding and May 15, 2009, for spring planted seed to seed.

Insurance ends the earliest of: (1) total destruction of the crop, (2) final adjustment of a loss on a unit, (3) abandonment of the crop, (4) harvest (removal of the seed from the windrow or field), (5) the date grazing commences on the crop, or (6) October 31, 2009.

Reporting Requirements

In addition to the acreage reported by the acreage reporting date, you must supply:
- A copy of your forage seed contract for your contracted acreage or,
- If not contracted, a copy of the accepted certification application for your certified seed acreage.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
**Important Dates**

Sales Closing............................................ October 31
Acreage Reporting...................................... April 15
for established stands and fall planted seed to seed
Acreage Reporting......................................... June 30
for spring planted seed to seed

**Coverage Levels and Premium Subsidies**

The guarantee is:
- Measured in pounds of seed.
- Based on the grower’s past production.

Producers selects:
- Coverage levels from 50 to 75 percent of approved average yield; and
- 55 to 100 percent of a price announced by USDA.
- Catastrophic risk protection (CAT) coverage guarantees 50 percent of their approved average yield will be valued at 55 percent of the announced price.

**Price Election**—For seed grown under contract, the price election is the price per pound stated in the forage seed contract. For certified seed not under a seed contract, the price election is $1.56 per pound for 2010.

**Cost of Crop Insurance**

CAT coverage:
- Pay an application fee of $300
- 100 percent of the premiums subsidized.

Higher coverage levels
- Pay an application fee of $30 and
- Premiums are subsidized at lower rates

**Loss Example**

Based on actual production history (APH) yield of 300 lbs per acre, 65-percent coverage level on 100 acres of alfalfa seed, a contract price of $1.56, irrigated, and one basic unit, 100-percent share.

\[
\begin{align*}
300 \text{ Pounds per acre average yield (APH)} \\
\times \quad .65 \quad & \text{Coverage level} \\
195 \text{ Pounds per acre guarantee} \\
- \quad 100 \quad & \text{Pounds per acre actually produced} \\
\quad 95 \quad & \text{Pounds per acre loss} \\
\times \quad 1.56 \quad & \text{Contracted Price} \\
\$148.20 \quad & \text{Gross indemnity per acre}
\end{align*}
\]

**Where to Purchase Crop Insurance**

All multi-peril crop insurance, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at:


**Regional Contact for RMA**

USDA/Risk Management Agency
Davis Regional Office
430 G Street, # 4168
Davis, CA  95616
Telephone: 530-792-5870
Fax: 530-792-5893
E-mail: rsoca@rma.usda.gov

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To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.
Crop Revenue Coverage
Nevada

Crop Revenue Coverage (CRC)
Provides revenue protection against a yield loss, a price decline, or a combination of both. CRC is available for the crop and counties shown below:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Counties</th>
</tr>
</thead>
</table>

Under CRC, the guarantee is in dollars. A loss results if the calculated revenue falls below the final guarantee. Any indemnity will be the difference between these two values times the insured’s share of the crop. Additional CRC features include optional units, enterprise units, and quality adjustment.

Definitions
Coverage Level: Level of protection chosen by producer (50 to 85 percent of approved yield)
Base Price: Initial price used to calculate the premium and the Minimum Guarantee.
Minimum Guarantee: Approved yield times base price times coverage level percentage.
Harvest Price: Final price used to determine calculated revenue and harvest guarantee.
Calculated Revenue: Production to count (actual production) times the harvest price.
Harvest Guarantee: Approved yield times harvest price times coverage level percentage.
Final Guarantee: Dollars guaranteed per acre (higher of minimum or harvest guarantee)

Insurance Period
Coverage begins when insured crop is planted and ends at the earliest of:
- Total destruction of the crop,
- Harvest of the crop,
- Final adjustment of a claim,
- Abandonment of the crop,
- Oct 31

Causes of Loss
Adverse Weather Conditions
Failure of Irrigation Water Supply
Fire
Wildlife
Insects
Plant Disease

1Natural perils such as hail, frost, freeze, wind, drought, and excess moisture.
2If caused by an insured peril during the insurance period.
3But not damage due to insufficient or improper application of control measures.
4Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed.
5Unless wildlife control measures have not been taken.

Base Price

<table>
<thead>
<tr>
<th>Crop</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$5.55</td>
</tr>
</tbody>
</table>

Harvest Price

<table>
<thead>
<tr>
<th>Crop</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>TBA</td>
</tr>
</tbody>
</table>

TBA = To Be Announced

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
Wheat Loss Example
Assume approved yield of 100 bushels per acre, base price $5.55, harvest price of $5.00, and 65% coverage level, 100% share.

\[
\begin{align*}
100 & \text{ Bushels per acre CRC approved yield} \\
\times & \text{ Coverage level} \\
65 & \text{ Bushels per acre guarantee basis} \\
\times & \text{ Base price per bushel} \\
5.55 & \text{ Minimum guarantee per acre} \\
- & \text{ Calculated Revenue (50 bu/ac produced X $5.00 harvest price)} \\
\hline
$361 & \text{ Gross indemnity per acre}
\end{align*}
\]

Where to Purchase Crop Insurance
All MPCI, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA website at:
http://www3.rma.usda.gov/tools/agents/

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Telephone:(530) 792-5870
Fax: (530) 792-5893
E-Mail: rsoca@rma.usda.gov

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Crop Insured
Grown during one or more years after the year of establishment.

Alfalfa is defined as:
- A pure stand of perennial alfalfa (including alfalfa seeded with a cover crop or nurse crop);
- Adequate stand requirements of 4 to 8 plants per sq. ft. depending on age;
- Age up to and including 8 years old.

Alfalfa grass mixture is defined as:
- Mixture of perennial alfalfa and perennial grasses;
- At least 1.2 living alfalfa plants per square foot;
- No maximum age limitations;
- Includes all alfalfa stands the ninth and succeeding years after year of establishment.

Causes of Loss
Adverse weather conditions¹
Failure of irrigation water supply²
Fire³
Insects⁴
Plant disease⁴
Wildlife⁵

¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. ²If caused by an insured peril during the insurance period. ³Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed. ⁴But not damage due to insufficient or improper application of control measures. ⁵Unless wildlife control measures have not been taken.

Important Dates
Sales Closing: October 31
Acreage Report Due: November 15

Counties Available
Carson City Churchill Clark
Douglas Elko Eureka
Esmeralda Humboldt Lander
Lincoln Lyon Mineral
Nye Pershing Storey
Washoe White Pine

Crop may be insurable in other counties by written agreement if specific criteria are met. Contact an agent for more details.

Insurance Period
Insurance attaches on acreage with an adequate stand on the later of the date we accept your application or
Spring Seeded: April 15
Fall Seeded & Established Stand: October 16

Insurance ends the earliest of:
- total destruction,
- removal from the windrow or the field for each cutting,
- final adjustment of a loss,
- date grazing commences on the forage crop,
- abandonment of the forage crop or
- October 15

Coverage Levels and Premium Subsidies
The guarantee is:
- Measured in tons of air-dried alfalfa or alfalfa grass depending on the type.
- Based on the grower’s past production.

Producers choose:
- Coverage levels from 50 to 75 percent of approved average yield; and
- 55 to 100 percent of a price announced by USDA.
- Catastrophic risk protection (CAT) coverage guarantees 50 percent of their approved average yield will be valued at 55 percent of the announced price.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
**Price Election**, Price used to calculate your premium and indemnity: $167 for 2010

**Cost of Crop Insurance**

CAT coverage:
- Pay an application fee of $300
- 100 percent of the premiums subsidized.

Higher coverage levels
- Pay an application fee of $30 and
- Premiums are subsidized at lower rates

For more detailed information about the amounts of coverage and premiums, please contact a crop insurance agent.

**Loss Example**

A claim can be filed whenever production falls short of the guarantee selected by the insured. The amount of a loss is determined by multiplying the production shortfall by the pre-selected price.

Based on actual production history (APH) yield of 6 tons per acre, 65-percent coverage level on 100 acres of forage, selected price of $167 per ton, irrigated, and one basic unit, 100-percent share.

\[
\begin{align*}
6 & \text{Tons per acre average yield (APH)} \\
\times 0.65 & \text{Coverage level} \\
3.9 & \text{Tons per acre guarantee} \\
- 1.0 & \text{Tons per acre actually produced} \\
2.9 & \text{Tons per acre loss} \\
\times 167 & \text{Price election} \\
\text{484} & \text{Gross indemnity per acre}
\end{align*}
\]

**Where to Purchase Crop Insurance**

All multi-peril crop insurance, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at: http://www3.rma.usda.gov/tools/agents/

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Crop Insured
All the alfalfa (60 percent or more of the ground cover is alfalfa) in the county in which you:
- Have a share; and
- Planted during the current crop year, or
- Replanted during the calendar year following planting,
- Intent is to establish a normal stand of alfalfa.
The policy does not cover any acreage that is:
- Grown with the intent to be grazed or grazed at any time during the insurance period;
- That is interplanted with another crop, except nurse crops, unless allowed by written agreement.

Counties Available
Churchill Humboldt Lyon Pershing
The crop may be insurable in other counties by written agreement if specific criteria are met. Contact an agent for more details.

Causes of Loss
Adverse weather conditions¹
Failure of irrigation water supply²
Fire³
Insects⁴
Plant disease⁴
Wildlife⁵
¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture. ²If caused by an insured peril during the insurance period.
³Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed. ⁴But not damage due to insufficient or improper application of control measures. ⁵Unless wildlife control measures have not been taken.

Insurance Period
Coverage is for the first year the crop is planted while the stand is being established.
Insurance ends the earliest of:
- Total destruction,
- The initial harvest of the unit,
- Final adjustment of a loss,
- The date grazing commences on the forage crop,
- Abandonment of the forage crop, or
- April 14 for all spring planted acreage and October 15 for fall planted acreage.

Coverage Levels and Premium Subsidies
A producer with forage seeding insurance can recover out-of-pocket cultural costs if more than 25 percent of the alfalfa seeding is damaged before the stand is established. The insured selects a percent coverage (27.5 percent to 75 percent) of a dollar amount offered by USDA before the insurance period.

Cost of Crop Insurance
CAT coverage:
- Pay an application fee of $300
- 100 percent of the premiums subsidized.
Higher coverage levels
- Pay an application fee of $30 and
- Premiums are subsidized at lower rates
For more detailed information about the amounts of coverage and premiums, please contact a crop insurance agent.

Important Dates
Sales Closing............................................. July 31
Final Planting Date.......................... September 15 (Fall)
 .......................................................... June 15 (Spring)
Acreage Report Due ............... November 15 (Fall)
 .......................................................... June 15 (Spring)
**Loss Example**

A claim can be filed whenever production falls short of the guarantee selected by the insured. The amount of a loss is determined by multiplying the production shortfall by the pre-selected price.

Example: Assume you have 100-percent share on 30 acres of forage, with an amount of insurance of $336 per acre. At the time of loss, the following is established: 10 acres had a remaining stand of 75 percent or greater. Your indemnity would calculate as follows:

\[
\begin{align*}
30 \text{ Acreage} & \times \ 336 \text{ Amount per acre} \\
& = 10,080 \text{ Amount of Insurance} \\
& - 3,360 \text{ Production to count} \\
& (10 \text{ acres with stand of 75 percent or greater}) \\
& = 7,448 \text{ Loss} \\
& \times \ 1.0 \text{ Share} \\
& = 7,448 \text{ Gross Indemnity}
\end{align*}
\]

**Where to Purchase Crop Insurance**

All multi-peril crop insurance, including CAT coverage insurance policies, are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at: [http://www3.rma.usda.gov/tools/agents/](http://www3.rma.usda.gov/tools/agents/)

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To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

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**Regional Contact for RMA**

USDA/Risk Management Agency
Davis Regional Office
430 G Street, # 4168
Davis, CA  95616
Telephone: 530-792-5870
Fax: 530-792-5893
E-mail: rsoca@rma.usda.gov
Insurance
Nursery crop insurance is available in all States to all persons operating nurseries that meet certain criteria. Insurance coverage will apply, by practice (field-grown or container), to all of your nursery plants in a county that:

- Are on the Eligible Plant List;
- Are grown in a nursery that receives at least 50 percent of its gross income from the wholesale marketing of nursery plants;
- Meet all the requirements for insurability; and
- Are grown in an appropriate medium.

Nursery containers containing two or more different genera, species, subspecies, varieties, or cultivars cannot be insured. Plants grown for sale as Christmas trees cannot be insured, and plants grown as stock plants or grown solely for harvest of buds, flowers, or greenery cannot be insured. Plants producing edible fruits and nuts can be insured if the plants are available for sale (harvesting the edible fruit or nuts does not affect insurability).

Your nursery must be inspected and approved as acceptable before insurance coverage can begin.

Important Dates

- The insurance period begins June 1 and continues through May 31 of the following year.
- The contract change date is January 31 before the current crop year.
- The sales closing date is May 1 before the current crop year.

if You Suffer Damage or a Loss

Notify your agent within 72 hours (3 days) of your initial discovery of damage and submit a claim for indemnity no later than 60 days after the end of the insurance period.

Insured Causes of Loss

Adverse weather conditions¹
Failure of irrigation water supply²
Fire³
Wildlife

¹Includes wind, hurricane, and freeze. If cold protection is required by the Eligible Plant List, adequate and operational cold protection measures must be in place. ²If due to an insurable cause of loss, such as drought. ³Provided weeds and undergrowth are controlled.

Plant damage or losses in value as a result of the following situations are not covered:

Collapse or failure of buildings/structures¹
Disease or insect infestation²
Failure of plants to grow to an expected size
Inadequate power supply³
Inability to market nursery products⁴

¹Unless caused by an insurable cause of loss. ²Unless effective control measures for the infestation do not exist. ³Unless such inadequacy is a result of an insurable cause of loss. ⁴Due to a stop sales order, quarantine, boycott, phytosanitary restriction on sales, or buyer refusal.

Definitions

Amount of Insurance — The result of multiplying the full value of all insurable plants in each basic unit by the selected coverage level percentage, multiplied by your share.

Amount of Insurance Example

<table>
<thead>
<tr>
<th>$100,000</th>
<th>Plant inventory value</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td>.65</td>
</tr>
<tr>
<td></td>
<td>1.00</td>
</tr>
<tr>
<td>$65,000</td>
<td>Producer share</td>
</tr>
</tbody>
</table>

| $65,000 | Unit amount of insurance |

Container-Grown Plants — Nursery plants planted and grown in standard nursery containers either above ground or placed in the ground (directly or when placed in another pot in the ground (pot-in-pot)).


**Crop Inventory Valuation Report** — A plant inventory list created on the Nursery Inventory Software for assisting in establishing the insurable nursery plant inventory value. The Nursery Inventory Software is available at: [http://www.rma.usda.gov/tools/eplpps](http://www.rma.usda.gov/tools/eplpps).

**Eligible Plant List** — A list that includes botanical and common names of insurable plants, winter protection requirements for container-grown material and areas in which they apply, hardiness zone in which field-grown material is insurable, designated hardiness zone for each county, and unit classification for each plant. The list is available at: [http://www.rma.usda.gov/tools/eplpps](http://www.rma.usda.gov/tools/eplpps) and from crop insurance agents.

**Field-Grown Plants** — Nursery plants planted and grown in the ground without the use of an artificial root containment device.

**Liners** — Liners are insurable if the containers are equal to or greater than 1 inch in diameter (including trays containing 200 or fewer individual cells), but less than 3 inches in diameter at the widest point of the container or cell interior, have an established root system, and are able to maintain a firm root ball when lifted from the containers.

**Nursery** — A business enterprise that grows nursery plants and receives at least 50 percent of its gross income from wholesale marketing of such plants.

**Stock Plants** — Plants used solely for propagation during the insurance period or plants grown only for harvest of buds, flowers, or greenery. Stock plants cannot be insured.

**Plant Inventory Value Report**

The plant inventory value report is used to declare the value of your insurable plants. A plant inventory value report for each insured practice is required. Two copies of your most recent wholesale catalog or price list must accompany your plant inventory value report. Wholesale catalogs must:

- Be typewritten and legible;
- Show an issue date on the cover page (may be handwritten);
- Contain name, address, and telephone number of nursery;
- Be used for plant sales to customers; and
- List plant names, container sizes, and wholesale prices.

Your plant inventory value report must also be accompanied by a crop inventory valuation report or physical plant inventory and price documentation.

**Peak Inventory Endorsement**

For increased coverage during certain peak periods when your inventory value may be significantly higher than your annual plant inventory value, you may consider the additional insurance coverage provided by a Peak Inventory Endorsement (not available with the catastrophic coverage level). Contact your crop insurance agent for further details.

**Rehabilitation Endorsement**

This endorsement is an addition to the basic policy that provides reimbursement for your expenditures on labor and material for pruning and setup (righting, propping, and staking) of field-grown plants that are damaged by an insured cause of loss and have a reasonable expectation of recovery. The Rehabilitation Endorsement is not available with the catastrophic coverage level. Contact your crop insurance agent for further details.

**Pilot Nursery Grower’s Price Endorsement**

The Pilot Nursery Grower’s Price Endorsement, available in 19 States, is an addition to the basic policy that insures specific plants at prices higher than those shown on your eligible plant list. You must purchase this at the time you apply for coverage, or on or before the sales closing date. Contact your crop insurance agent for further details.

**Coverage Levels and Premium Subsidies**

Coverage levels range from 50 to 75 percent of your plant inventory value. Crop insurance premiums are subsidized as shown in the following table. For example, if you selected the 75-percent coverage level, your premium share would be 45 percent of the base premium: the catastrophic coverage level is fixed at 27.5 percent of your plant inventory value. The only cost for the catastrophic coverage level is an administrative fee of $300.

<table>
<thead>
<tr>
<th>Item</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage level</td>
<td>50 55 60 65 70 75</td>
</tr>
<tr>
<td>Premium subsidy</td>
<td>67 64 64 59 59 55</td>
</tr>
<tr>
<td>Your premium share</td>
<td>33 36 36 41 41 45</td>
</tr>
</tbody>
</table>

Risk Management Agency

Nursery/PA-1894
Loss Example

\[ \begin{align*}
100,000 \text{ Plant inventory value} & \times 0.65 \text{ Coverage level percentage} \\
65,000 \text{ Unit amount of insurance} & \\
\end{align*} \]

In the event of a loss:

\[ \begin{align*}
100,000 \text{ Field market value before loss} & \\
- 50,000 \text{ Field market value after loss} & \\
50,000 \text{ Value of loss} & \\
- 35,000 \text{ Deductible*} & \\
15,000 \text{ Indemnity} & \\
\end{align*} \]

\[ \text{*(1 - coverage level) \times inventory = (1 - 0.65) \times 100,000 = 35,000} \]

Contact Us

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Washington, D.C. 20250-0801

E-mail: rmaweb.content@rma.usda.gov
Agent locator: http://www3.rma.usda.gov/apps/agents/

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Crop Insured
The crop insured will be all the storage and non-storage onions (excluding green (bunch) or seed onions, chives, garlic, leeks, and scallions) in the county for which you have a share:
- Onions Must not be planted on acreage which was planted to dry (bulb) onions, green (bunch) onions, seed onions, chives, garlic, leek or scallions the previous crop year unless otherwise designated by the corporation.

Counties Available
Onions are available for insurance in the following counties: Humboldt, Lyon and Washoe counties. Crop may be insurable in other counties by written agreement if specific criteria are met. Contact an agent for more details.

Causes of Loss
Adverse weather conditions
Failure of irrigation water supply
Fire
Insects
Plant disease
Wildlife

1Natural perils such as hail, frost, freeze, wind, drought, and excess moisture.
2If caused by an insured peril during the insurance period.
3Unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed.
4But not damage due to insufficient or improper application of control measures.
5Unless wildlife control measures have not been taken.

Insurance Period
The insurance period ends the earliest of:
- Removal of the onions from the field
- Fourteen days after lifting or digging
- August 31 for all non-storage onions
- October 15 for all storage onions

Important Dates
Sales Closing ............................................ February 1
Final Planting ................................................ April 20
Acreage Report Due ................................. June 30

Coverage Levels and Premium Subsidies
Individual amount of insurance are based on the grower’s past production history. Prospective insured are asked to provide 4 to 10 years of actual yield history, for which their average yield is calculated. In the absence of four years of actual yield history, the average yield is calculated using a combination of actual and transitional yields (estimate of county average). Producers can select a coverage level ranging from 50 to 75 percent of their individual approved yield and 55 to 100 percent of the price announced by USDA. Catastrophic Risk Protection (CAT) coverage is equal to 50 percent of their approved average yield and 55 percent of their price. The unit of measure used is hundredweight (cwt).

Price Election Price used to calculate your liability and indemnity.

2010 Price: $10.50 per cwt.

Cost of Crop Insurance
The Agricultural Risk Protection Act of 2000 raised the subsidies for federal crop insurance premiums substantially. For CAT coverage, growers pay an application fee of $300 with 100 percent of the premiums being subsidized. Higher coverage levels pay an application fee of $30 and premiums are subsidized at lower rates; USDA pays at least 50 percent of the premium. For more detailed information about the amounts of coverage and premiums, please contact a crop insurance agent or your local county Farm Service Agency office for an agent listing.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
**Loss Example**

Example assumes 75-percent coverage, and 100-percent price election of $10.50 cwt and an approved yield of 320 cwt per acre and 100-percent share.

\[
\begin{align*}
320 & \quad \text{Cwt. per acre average yield (APH)} \\
\times 0.75 & \quad \text{Coverage level} \\
240 & \quad \text{Cwt. per acre guarantee} \\
- 100 & \quad \text{Cwt. per acre actually produced} \\
140 & \quad \text{Cwt. per acre loss} \\
\times 10.50 & \quad \text{Price election} \\
\$1470 & \quad \text{Gross indemnity per acre}
\end{align*}
\]

**Where to Purchase Crop Insurance**

All multi-peril crop insurance, including CAT coverage insurance policies, are available from private insurance agents. A list of crop insurance agents is available on the RMA Web site at: http://www3.rma.usda.gov/tools/agents/
Crop Insured
Russet and all other varieties of potatoes that are grown in irrigated fields can be insured. Potatoes planted with certified seed for human consumption must be insured. Unless allowed by the Special Provisions or by written agreement, the policy does not cover potatoes that are:

- Planted into an established grass or legume;
- Interplanted with another crop.

Counties Available
Potatoes are insurable in Humboldt. Potatoes in other counties may be insurable by written agreement if specific criteria are met. Contact an agent for more details.

Causes of Loss
Adverse Weather Conditions¹
Insects²
Failure of Irrigation Water Supply³
Plant Disease³
Fire
Earthquake
Wildlife⁴

¹Natural perils such as hail, frost, freeze, wind, drought, and excess moisture.
²If caused by an insured peril during the insurance period.
³But not damage due to insufficient or improper application of control measures.
⁴Unless wildlife control measures have not been taken.

Insurance Period
Insurance begins when the potatoes are planted and ends at the earliest of:

- Total destruction of the potatoes
- Harvest of the crop
- Final adjustment of a loss
- Abandonment of the crop
- Calendar date specified in the policy

Important Dates
Sales Closing ........................................ March 15
Final Planting Date ................................... May 20
Acreage Reporting Due ............................ July 15

*Dates may vary by county. Please see your agent for specific information.

Coverage Levels & Premium Subsidies
Coverage levels range from 50 to 75 percent of your average yield. For example, an average potato yield of 400 cwt. per acre would result in a 200 cwt./acre guarantee at the 50% coverage level, etc. 

Catastrophic (CAT) Coverage is fixed at 50% of your average yield and 55% of the Price Election.

Price Election: Used to calculate your premium or indemnity.

2010 Price: $6.25 Cwt

Cost of Crop Insurance
The Agricultural Risk Protection Act of 2000 raised the subsidies for federal crop insurance premiums substantially. For CAT coverage, growers pay an application fee of $300 with 100 percent of the premiums being subsidized. Higher coverage levels are subsidized at lower rates; USDA pays at least 50 percent of the premium. For more detailed information about the amounts of coverage and premiums, please contact a crop insurance agent or your local county FSA office for an agent listing.
**Loss Example**

Example assumes an average yield of 400 Cwt./acre, winter planted in kern county, 65% coverage level, basic units, and 100% share.

\[
\begin{array}{ccc}
400 & \text{Cwt. per acre average yield (APH)} \\
\times 0.65 & \text{Coverage Level} \\
- 260 & \text{Cwt. per acre guarantee} \\
60 & \text{Cwt. per acre actually produced} \\
\times 6.25 & \text{Price election (at 100%)} \\
\$375.00 & \text{Gross indemnity per acre}
\end{array}
\]

**Where to Purchase Crop Insurance**

All MPCI, including CAT coverage insurance policies are available from private insurance agents. A list of crop insurance agents is available on the RMA website at: [http://www3.rma.usda.gov/tools/agents/](http://www3.rma.usda.gov/tools/agents/)

**Regional Contact for RMA**

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Fax: (530) 792-5893  
E-Mail: rsoca@rma.usda.gov

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Crop Insured
- **Wheat, Barley** and **Oats**,
- Grown for the production of grain, not forage.
- Irrigated production practices are insurable, as are fall and spring planted crops.
- Additional coverage endorsements are available for winter wheat.
- Coverage for all types of small grains may not be available in all counties.
- Producers must insure all or none of their acreage of each type of small grain in the county but do not have to insure all types of small grain.
  - For example, a producer may insure all of his wheat and none of his barley planted.
- The insurance coverage on one type of small grain can differ from coverage on another small grain insured by the same producer.

Counts Available
Small grains are insurable in multiple counties by type. Please see an insurance agent in your area. Small grains in other counties may be insurable by written agreement if specific criteria are met. Contact an agent for more details.

Causes of Loss
Adverse weather conditions¹
- Failure of irrigation water supply²
- Fire
- Insects³
- Plant disease³
- Wildlife⁵

Insurance Period
Insurance coverage begins when the crop is planted and ends no later than the following October 31.

Important Dates**
**Barley:**
- Sales Closing….Humboldt and Pershing…October 31
- Acreage Report …Humboldt and Pershing…March 15
**Oats:**
- Sales Closing..........................March 15
- Acreage Report..........................July 15
**Wheat:**
- Sales Closing..........................October 31
- Acreage Report..........................June 15*

* Winter Coverage Endorsement—Nov 15
**See an agent for actual dates in your area.

Coverage Levels and Premium Subsidies
- Production measured in bushels of grain.
- Amounts of insurance based on grower’s production history.
- Grower’s approved average yield based on 4 to 10 years of production records.
- Producers can select a level of coverage ranging from 50 to 75 percent of their approved average yield and 50 to 100 percent of a price announced by USDA, or
- Catastrophic (CAT) coverage based on 50 % of their approved yield and 55 % of the price.

Price Election: The price below is used to calculate your premium or indemnity:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>$3.70</td>
</tr>
<tr>
<td>Oats</td>
<td>$2.15</td>
</tr>
<tr>
<td>Wheat</td>
<td>$5.20</td>
</tr>
<tr>
<td></td>
<td>$5.55</td>
</tr>
</tbody>
</table>

(* To Be Announced)

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
**Cost of Crop Insurance**
The Agricultural Risk Protection Act of 2000 raised the subsidies for federal crop insurance premiums substantially. For CAT coverage, growers pay an application fee of $300 per county with 100 percent of the premiums being subsidized. Higher coverage levels are subsidized at lower rates; USDA pays at least 50 percent of the premium. For more detailed information about the amounts of coverage and premiums, please contact a crop insurance agent or your local county FSA office for an agent listing.

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**Loss Example**
A claim can be filed whenever production falls short of the guarantee selected by the insured. The amount of a loss is determined by multiplying the production shortfall by the pre-selected price.

**Wheat Indemnity**
Assumes a basic unit with 65-percent coverage level, 100-percent price election, and yield of 90 bushels per acre, 100-percent share.

\[
\begin{align*}
90 \text{ Bushels per acre average yield (APH)} \\
\times 0.65 \text{ Coverage level percentage} \\
59 \text{ Bushels per acre guarantee} \\
- 14 \text{ Bushels per acre actually produced} \\
\times 5.20 \text{ Price election} \\
\hline
234 \text{ Gross indemnity per acre}
\end{align*}
\]

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**Where to Purchase Crop Insurance**
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**Regional Contact for RMA**
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430 G Street, # 4168
Davis, CA 95616
Telephone: 530-792-5870
Fax: 530-792-5893
E-mail: rsoca@rma.usda.gov
General Background
Livestock Risk Protection (LRP)-Fed Cattle is designed to insure against declining market prices. Beef producers may select from a variety of coverage levels and insurance periods that correspond with the time their market-weight cattle would normally be sold.

LRP-Fed Cattle may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Beef producers submit a one-time application for LRP-Fed Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 2,000 head of heifers and steers (weighing between 1,000 and 1,400 pounds) that will be marketed for slaughter near the end of the insurance period. The annual limit for LRP-Fed Cattle is 4,000 head per producer for each crop year (July 1 to June 30). All insured cattle must be located in a State approved for LRP-Fed Cattle at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

LRP-Fed Cattle is available to producers with fed cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates
Beef producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Fed Cattle program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. The actual ending values are based on weighted prices reported by USDA’s Agricultural Marketing Service. Actual ending values will be posted on the Risk Management Agency’s Web site at the end of the insurance period.

About the Application Process
LRP-Fed Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased.
Insurance coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

**Contact Us**

USDA/RMA  
1400 Independence Ave., SW, Stop 0801  
Washington, D.C. 20250-0801  

**RMA Web site:** [http://www.rma.usda.gov](http://www.rma.usda.gov)  
**E-mail:** rmaweb.content@rma.usda.gov
General Background
Livestock Risk Protection (LRP)-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and insurance periods that match the time their feeder cattle would normally be marketed (ownership may be retained).

LRP-Feeder Cattle insurance may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

LRP-Feeder Cattle insurance is available to producers with feeder cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates
Cattle producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

RMA Web Site

Premium Calculator:
http://www.rma.usda.gov/tools/premcalt.html

Approved livestock agents and insurance companies:

Related AMS online livestock reports:
http://marketnews.usda.gov/portal/lg/paf_dm

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
About the Application Process
LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

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Washington, D.C. 20250-0801
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To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.
General Background
Livestock Risk Protection (LRP)-Lamb is designed to insure against unexpected declines in market prices. Sheep producers may select from a variety of coverage levels and insurance periods that match general feeding, production, and marketing practices.

LRP-Lamb may be purchased weekly throughout the year from RMA-approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online weekly.

Coverage Availability
Sheep producers submit a one-time application for LRP-Lamb coverage. After the application is accepted, specific coverage endorsements may be purchased. The number of lambs insured under a Specific Coverage Endorsement is limited to 2,000 head. The annual limit for LRP-Lamb is 28,000 head per producer for each crop year (July 1 to June 30). All insured lambs must be located in a State approved for LRP-Lamb at the time insurance is purchased.

The length of insurance available for each Specific Coverage Endorsement is 13, 20, 26, or 39 weeks. Lambs covered under the policy are feeder or slaughter lambs that are expected to weigh between 50 and 150 pounds by the ending period.

LRP-Lamb is available to sheep producers with lambs in the following 28 States: Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates
Sheep producers may select coverage prices ranging from 80 to 95 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, an indemnity will be paid for the difference between the coverage price and actual ending value.

The LRP-Lamb program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. The actual ending values are based upon the weekly average prices for “Formula Live Lambs” as reported by USDA’s Agricultural Marketing Service. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

About the Application Process
LRP-Lamb insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a Specific Coverage Endorsement is purchased. Coverage will not start unless the
premium is paid on the day insurance coverage is purchased. Multiple Specific Coverage Endorsements may be purchased with one application. Insurance coverage starts the day a Specific Coverage Endorsement is purchased and approved by the Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

**Contact Us**

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1400 Independence Ave., SW, Stop 0801  
Washington, D.C. 20250-0801  
**RMA Web site:** http://www.rma.usda.gov  
**E-mail:** rmaweb.content@rma.usda.gov

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General Background
Livestock Risk Protection (LRP)-Swine is designed to insure against declining market prices. Pork producers may select from a variety of coverage levels and insurance periods that match the time their hogs would normally be marketed.

LRP-Swine may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Pork producers submit a one-time application for LRP-Swine coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 10,000 head of hogs that are expected to reach market weight near the end of the insurance period. The annual limit for LRP-Swine is 32,000 head per producer for each crop year (July 1 to June 30). All insured swine must be located in a State approved for LRP-Swine at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, or 26 weeks.

LRP-Swine is available to producers with market hogs in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates
Pork producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and the actual ending value.

The LRP-Swine program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. Actual ending values are calculated from price series data reported by USDA’s Agricultural Marketing Service. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

About the Application Process
LRP-Swine insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement.

RMA Web Site


Approved livestock agents and insurance companies: http://www.rma.usda.gov/tools/agent.html

Related AMS online swine reports: http://marketnews.usda.gov/portal/lg/paf_dm
is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

**Contact Us**

USDA/RMA
1400 Independence Ave., SW, Stop 0801
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**E-mail:** rmaweb.content@rma.usda.gov

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Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm, revenue-protection plan of insurance. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations that affect income during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection.

AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans, except Adjusted Gross Revenue (AGR). When producers purchase both AGR-Lite and other Federal crop insurance the AGR-Lite premium will be reduced.

The AGR-Lite concept:
- Uses a producer's 5-year historical farm average revenue as reported on the IRS tax return (Schedule F or equivalent forms) and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period;
- Provides insurance coverage for multiple agricultural commodities in one insurance product; and
- Establishes revenue as a common denominator for the insurance of all agricultural commodities.

AGR-Lite Timeline
Sales Closing Date: March 15.
Cancellation and Termination Date: January 31.
Contract Change Date: August 31.
Year of Insurance: For the application year, you will not be covered for any losses that occur earlier than 10 days after we receive your properly completed application. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year is covered.

Claims: Claims are settled after taxes are filed for the year.

Availability

Producer Eligibility
To be eligible for AGR-Lite coverage, a producer must:
- Be a U.S. citizen or resident;
- File a calendar year or fiscal year farm tax return;
- Produce agricultural commodities primarily in counties where AGR-Lite is available (includes income from contiguous counties);
- Have liability not exceeding $1 million (less than $2,051,282 in approved gross income);
- Have had the same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in the tax entity is reviewed and approved by the insurance provider;
- Have no more than 50 percent of total revenue from commodities purchased for resale; and
- Have no more than 83.35 percent of total revenue from potatoes.

Premium Subsidy
The Government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Insured Causes of Loss
Insurance is provided against revenue loss due to any unavoidable natural occurrences during the current or previous insurance year or due to market fluctuations that cause a loss of revenue during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the producer, the producer’s family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other uninsurable causes listed in the insurance policy.

AGR-Lite Application Information
Producers must provide the following information when completing an AGR-Lite application:
- History calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
Choosing a Revenue Guarantee

Coverage levels and payment rates vary with the number of commodities produced and are selected by the producer (see table below) from the Special Provisions of Insurance. AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the selected coverage level and payment rate. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer will be paid for each dollar lost under the coverage level. A producer selects one amount of coverage that will cover all commodities.

<table>
<thead>
<tr>
<th>Coverage Payment</th>
<th>Minimum # of Commodities*</th>
<th>Maximum Annual Income**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level</td>
<td>Rate</td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>75</td>
<td>$2,051,282</td>
</tr>
<tr>
<td>65</td>
<td>90</td>
<td>$1,709,401</td>
</tr>
<tr>
<td>75</td>
<td>75</td>
<td>$1,777,777</td>
</tr>
<tr>
<td>75</td>
<td>90</td>
<td>$1,481,481</td>
</tr>
<tr>
<td>80</td>
<td>75</td>
<td>$1,666,666</td>
</tr>
<tr>
<td>80</td>
<td>90</td>
<td>$1,388,888</td>
</tr>
</tbody>
</table>

*Must meet minimum income requirements. Commodity grouping is available for the 80-percent coverage level.

**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR-Lite due to the $1,000,000 maximum liability allowed.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the producer is paid based on the payment rate selected, either 75 cents or 90 cents for each dollar lost.

Loss Payment Example

Assumptions:
- 80-percent coverage level and 75-percent payment rate chosen;
- Approved adjusted gross revenue of $100,000 and actual revenue from the farm for the year was $70,000;
- Liability: $100,000 x 0.80 x 0.75 = $60,000; then
- Loss Inception Point: $100,000 x 0.80 = $80,000;

Loss Scenario:
$80,000 - $70,000 revenue to count = $10,000 loss of revenue; then
$10,000 x 0.75 payment rate = $7,500 indemnity payment.

Note: If the producer’s allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR-Lite payments will be reduced.

This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR-Lite.

Contact Information

For a list of crop insurance agents, visit RMA's online agent locator at: http://www3.rma.usda.gov/apps/agents.

To view additional information, visit the following RMA online resources:

Download Copies from the Web
Adjusted Gross Revenue-Lite: A Whole Farm Revenue Insurance Available in Wyoming

James B. Johnson
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Montana State University

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Farm Management Specialist
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Farm Management Specialist
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website: www.ampc.montana.edu

Objective Analysis
For Informed Decision Making

Agricultural Marketing Policy Paper No. 24
February 2008
An Overview

Adjusted Gross Revenue-Lite (AGR-Lite) is a federally-subsidized whole-farm revenue protection insurance plan. The plan is a whole farm (ranch) revenue insurance that covers revenue losses from most farm-raised crop commodities, animal commodities and unprocessed (unaltered) animal products such as milk and wool. The plan protects against low revenue due to losses in production and declines in product quality and market price. Specifically, the plan provides protection against low revenue due to production losses attributable to unavoidable natural disasters and market fluctuations that impact farm revenue in the insurance year.

The underlying AGR-Lite concept has three elements: (1) it uses a producer’s five-year historical farm average adjusted gross revenue, as derived from Internal Revenue Service (IRS) income tax returns (Schedule F or equivalent) and an Annual Farm Report as the base to provide a revenue guarantee for the insurance period; (2) it uses one insurance product to provide insurance coverage for multiple agricultural commodities; and (3) it uses revenue as the common denominator for all agricultural commodities that are insurable.

AGR-Lite is offered in all Wyoming counties. Commodities contributing to farm revenue that may be covered by this plan vary within Wyoming by rating regions 3, 4 and 6 (See Appendix B, Figure B-1).

AGR-Lite provides farm-specific revenue insurance that can cover most commodities produced on Wyoming farms and ranches, including several commodities that are not insurable with other federally-subsidized insurance plans in Wyoming or elsewhere. Revenue history and insurance coverage are based on an individual producer’s yields, product quality and marketing history. As AGR-Lite is based on individual farm or ranch history, revenue calculations will recognize local market prices that may be different and possibly higher than national average prices, high value varieties that bring a premium to the average market price and products produced in a way that they may bring a premium (for example through certified organic production). AGR-Lite provides individual revenue protection based on producers’ own yield, quality, cost and price histories.

AGR-Lite protects against loss of revenue due to any unavoidable natural occurrences or due to market fluctuations that cause a loss of revenue during the insurance year. The plan provides protection against loss of revenue due to most unavoidable natural occurrences, including but not limited to adverse weather, fire, insects, disease, wildlife, earthquakes, volcanic eruption, or failure of irrigation supply that causes production losses. No insurance payments will be made for losses that occur due to negligence, mismanagement, failure to use good farming practices, theft, or mysterious disappearance. Additionally there will be no indemnification if losses occur due to a lack of labor, crop abandonment, or bypassing of acreage.

On the marketing side, no AGR-Lite insurance payments will be made to producers due to their inability to market commodities because of quarantines, boycotts, or failure of buyers to make payments for commodities to producers. Losses due to an operator’s failure to obtain a price for any commodity that is reflective of the local market value will not be indemnified.

Procedurally, if a producer fails to provide adequate records when seeking indemnification for revenue losses, payments for losses will not be made.

AGR-Lite may be used as a stand-alone insurance plan. It may also be used as an umbrella plan over other Risk Management Agency (RMA) insurance plans, such as multiple peril insurance plans for crops based on each individual’s actual production history and group plans that address production or revenue risks, and livestock insurance plans that address price risk. When used as an umbrella plan, AGR-Lite premiums are reduced because other RMA insurance plans have the primary liability for crop specific and livestock specific losses.

Several terms take on specific definitions when used in AGR-Lite insurance plan. Two key terms are Adjusted Gross Revenue and Allowable Expenses. Both are defined by excluding certain revenue and expenses categories reported on IRS
income tax returns for the calculation of taxable farm income.

**Adjusted Gross Revenue** is derived from historical IRS income tax returns using Schedule F or its equivalent. Excluded from revenue reported for income tax purposes to derive allowable income for specifying Adjusted Gross Revenue are (1) cooperative distributions not tied to the commodities insured, (2) agricultural program payments, (3) crop insurance indemnities and federal disaster program payments, (4) custom hire income and (5) income attributable to post-harvest value added activities.

**Allowable Expenses** are also determined from historical IRS income tax forms. Excluded from expenses reported for income tax purposes to derive Allowable Expenses are (1) depreciation costs (except for animals), (2) employee benefits including pensions and profit sharing, (3) interest costs, (4) rents paid, and (5) post-harvest costs including those associated with value-added production.

### Making Application for AGR-Lite

Producers who use AGR-Lite to insure a certain level of adjusted farm or ranch income must provide historical revenue and expense information, a revenue and expense plan for the insurance year, and, if they select a high coverage percentage level, commodity profiles for the two years prior to the insurance year.

Producers are required to provide five years of income and expense information from their IRS income tax returns, Schedule F or equivalent, and “certify” that information is accurately reported. Producers are expected to use the AGR-Lite Histories Worksheet (see Appendix A for this and other AGR-Lite forms) to summarize allowable income and allowable expenses by transferring information from IRS income tax forms and excluding revenue and expense items not considered under AGR-Lite.

**Allowable income** categories are specified on the AGR-Lite Histories Calculation Worksheet. Entries in IRS Schedule F, Part I lines 5a, 6a and 6b, 8, and 9 are excluded from allowable income on this worksheet (See below).
After income is entered by year into the AGR-Lite Histories Calculation Worksheet by income category, the income reported by category is summed for each year to provide allowable income. The five years of allowable income are summed to provide the 5-Year Total Adjusted AGR. The 5-Year Average Preliminary Adjusted AGR is calculated as the simple average.

Allowable expenses on the AGR-Lite Histories Calculation Worksheet are arrived at as the residual by first recording the information contained on line 35 on IRS Schedule F, Part II and then transferring expenses from lines 16, 17, 23a, 23b, 25, 26a, 26b, 29, 31, and 34 on IRS Schedule F, Part II (See Below) to the AGR-Lite Histories Calculation Worksheet and subtracting these expense items from line 35. Allowable expenses for each tax year are totaled to provide the 5-Year Total Adjusted Expenses and the simple average calculated to specify the 5-Year Average Preliminary Adjusted Expenses.
Each insurance year producers will work with their insurance agents to report for each revenue-generating commodity the acres (or head, number, etc.) to be produced, the total production expected (i.e., acres times yield per acre), the expected sales price per unit of output, and the total value of each commodity. In this process, care should be taken to distinguish expected yields and expected prices by class of commodity. For instance, a row crop farmer would report separately the expected yields and expected prices of seed and processing potatoes. Likewise, a cash grain farmer would report separately the expected yields and expected prices of durum and dark northern spring wheat. This information is recorded on the Annual Farm Report. Total value estimates for the commodities are summed to provide Total Expected Income. For producers who use forms or software provided by an Extension Service or a lender to estimate income for the coming year, the estimated income procedure is often part of crop and livestock plans.

Producers selecting higher coverage level percentages will also be required to submit commodity profiles for the two years prior to the insurance year. These profiles will denote the commodities (crop and livestock) produced including field locations, production levels, market types used and percent of marketings by type of market, and notes about production practices such as organic, irrigated, etc. For livestock commodities, reporting will be by groups such as spring-calves feeder cattle sold at weaning and feeder cattle retained and sold as long-yearlings, etc. This information will be summarized on the Agricultural Commodity Profile.

### Application Information

For a Wyoming farming operation a producer (intended insured) submitted the following information for entry into the AGR-Lite Histories Calculation Worksheet:

<table>
<thead>
<tr>
<th>Year</th>
<th>Allowable Income</th>
<th>Allowable Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$100,000</td>
<td>$89,000</td>
</tr>
<tr>
<td>2003</td>
<td>110,000</td>
<td>95,000</td>
</tr>
<tr>
<td>2004</td>
<td>134,000</td>
<td>93,500</td>
</tr>
<tr>
<td>2005</td>
<td>120,600</td>
<td>95,000</td>
</tr>
<tr>
<td>2006</td>
<td>145,000</td>
<td>107,200</td>
</tr>
<tr>
<td>Total and 5-Year Average</td>
<td>$609,600/5 = $121,920</td>
<td>$479,700/5 = $95,940</td>
</tr>
</tbody>
</table>

The producer submitted the following 2008 production year information for entry into the Annual Farm Report:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Acres</th>
<th>Yield/Acre</th>
<th>Expected Value</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>200</td>
<td>100 bushels</td>
<td>$2.40/bushel</td>
<td>$48,000</td>
</tr>
<tr>
<td>Corn</td>
<td>200</td>
<td>150 bushels</td>
<td>$2.50/bushel</td>
<td>75,000</td>
</tr>
<tr>
<td>Alfalfa (for hay)</td>
<td>200</td>
<td>4 tons</td>
<td>$70.00/ton</td>
<td>56,000</td>
</tr>
<tr>
<td>Total Acres and Total Expected Income</td>
<td>600</td>
<td>XXX</td>
<td>XXX</td>
<td>$179,000</td>
</tr>
</tbody>
</table>

The producer was undecided about the level of coverage that might be selected. Production information for the last two tax years was submitted for entry into an Agricultural Commodity Profile, a necessary step if the producer were to choose a higher level of coverage.

<table>
<thead>
<tr>
<th>Commodity or Code</th>
<th>Tax Year 2005</th>
<th>Tax Year 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley—0856</td>
<td>200 acres, irrigated and sold on cash market</td>
<td>200 acres, irrigated and sold on cash market</td>
</tr>
<tr>
<td>Corn—1001</td>
<td>200 acres, irrigated and sold on cash market</td>
<td>200 acres, irrigated and sold on cash market</td>
</tr>
<tr>
<td>Alfalfa—0850</td>
<td>200 acres, irrigated and sold on cash market</td>
<td>200 acres, irrigated and sold on cash market</td>
</tr>
</tbody>
</table>
An example using the AGR-Lite forms provided by RMA is fully discussed in Appendix A, Detailed Cash Grain Farm Example.

Adjustments to Adjusted Gross Revenue Information

Using terminology employed in the Annual Farm Report, an Indexed Average AGR (Indexed Income) value can be calculated for an operation with annual adjusted gross revenues that are increasing. This may increase the effectiveness of the insurance coverage. To qualify for indexing (1) allowable income in at least one of the two most recent years in the base period must be greater than the Average AGR and (2) the insurance year’s Total Expected Income must be greater than the Average AGR.

The Indexed Income is calculated as follows:

(1) Divide each year’s allowable income by the preceding year’s allowable income and round to three decimal places. (These year-to-year ratios may range considerably, but the lowest value that can be included for calculation purposes is 0.80 and the greatest value that can be included for calculation of the average ratio is 1.20).

(2) Sum the ratio calculations and divide by 4, and round the quotient (or the average ratio) to three decimal places. The minimum allowed value is 1.000. The quotient is multiplied by itself three times to produce the income trend factor (Sometimes this is referred to as the income index). So the income trend factor = (average ratio) x (average ratio) x (average ratio) x (average ratio).

(3) The income trend factor is multiplied by the Average AGR and rounded to the nearest dollar.

This procedure is illustrated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Allowable Income</th>
<th>Calculation</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$100,000</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>2003</td>
<td>110,000</td>
<td>110,000/100,000</td>
<td>1.100</td>
</tr>
<tr>
<td>2004</td>
<td>134,000</td>
<td>134,000/110,000</td>
<td>1.218 limited to 1.20</td>
</tr>
<tr>
<td>2005</td>
<td>120,600</td>
<td>120,600/134,000</td>
<td>0.90</td>
</tr>
<tr>
<td>2006</td>
<td>145,000</td>
<td>145,000/120,600</td>
<td>1.202 limited to 1.20</td>
</tr>
<tr>
<td>Total and Average</td>
<td>$609,600/5 = $121,920</td>
<td>-----</td>
<td>4.40/4 = 1.10</td>
</tr>
</tbody>
</table>

The income trend factor = 1.10 x 1.10 x 1.10 x 1.10 = 1.464.

Indexed Income = $121,920 x 1.464 = $178,490.

Approved Adjusted Gross Revenue

With the information from the Annual Farm Report, and the indexing of the adjusted gross revenue, if warranted, an Approved AGR is determined by using the following selection criterion:

Approved Gross Revenue is the lesser of:

1. The Average AGR or the Indexed Average AGR (Indexed Income), if applicable (as taken from the Annual Farm Report); or

2. The Total Expected Income (as taken from the Annual Farm Report).

From the information provided for this example farm, indexing was warranted. The Indexed Income was $ 178,490. And the Total Expected Income was $ 179,000. Selecting the lesser of these two values, the Approved AGR is $178,490.
Approved Expenses

Approved Expenses are dependent on what adjusted gross revenue value becomes the Approved AGR. Using terminology from the Annual Farm Report, Approved Expenses are specified as one of the following:

1. Approved Expenses are the Average Allowable Expenses if the Approved AGR is the Average Allowable Income; or

2. Approved Expenses are Indexed Average Expenses derived through an “indexing” procedure if the Approved AGR is Indexed Income; or

3. Approved Expenses are derived through “factoring down” of Average Allowable Expenses if Approved AGR is less than Average Allowable Income; or

4. Approved Expenses are derived through “factoring up” Average Allowable Expenses if Approved AGR is greater than Average Allowable Income but less than Indexed Income.

Figure 1: Approved AGR and Approved Expenses
These specifications for Approved Expenses indicate that their determination may be by direct assignment, indexing or factoring down or up. So the issue becomes how to make these determinations operational?

If the Approved AGR is the Average Allowable Income, Approved Expenses are the Average Allowable Expenses recorded in the Adjusted Gross Revenue (AGR) Report section of the Annual Farm Report.

If the Approved AGR is the Indexed Income, then indexing is required to obtain the Approved Expenses. The Expense indexing procedure is illustrated as follows:

1. Divide each tax year’s allowable expenses by the preceding year’s allowable expenses (results are rounded to three decimal places with the lowest value included for calculation of the average ratio being 0.80 and the highest value being 1.20);

2. Total the four ratios derived in the first step;

3. Divide the total obtained in the second step by 4;

4. To obtain the Expenses Index Factor, multiply the average ratio (quotient) derived in the third step by itself three times—(average ratio) x (average ratio) x (average ratio);

5. Multiply the Expenses Index Factor times the Average Allowable Expenses to obtain the Indexed Average Expenses.

Consider an example to illustrate this procedure. Steps 1 and 2 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses</th>
<th>Calculation</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$89,000</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>2003</td>
<td>95,000</td>
<td>95,000/89,000</td>
<td>1.067</td>
</tr>
<tr>
<td>2004</td>
<td>93,500</td>
<td>93,500/95,000</td>
<td>0.984</td>
</tr>
<tr>
<td>2005</td>
<td>95,000</td>
<td>95,000/93,500</td>
<td>1.016</td>
</tr>
<tr>
<td>2006</td>
<td>107,200</td>
<td>107,200/95,000</td>
<td>1.128</td>
</tr>
</tbody>
</table>

Total and Average: $479,700/5 = $95,940

The Expenses Index Factor = 1.049 x 1.049 x 1.049 x 1.049 = 1.211.

The Indexed Average Expenses = $95,940 x 1.211 = $116,183.

If the Approved AGR is less than Average Allowable Income, then Average Allowable Expenses, as specified in the Annual Farm Report, must be “factored down” to obtain Approved Expenses. (Note that “factoring down” is not the same procedure as “indexing”). Assume for illustration that Average Allowable Income is $100,000, the Average Allowable Expense is $70,000, and Total Expected Income is $80,000. The Approved AGR is $80,000. Then, “factoring down” Approved Expenses = ($80,000/$100,000) x ($70,000) = $56,000.

Finally, if the Approved AGR is greater than the Average Allowable Income, but less than the Indexed Income, “factoring up” is required to arrive at Approved Expenses. (Note that “factoring up” is not the same procedure as “indexing”). Consider a situation where the Average Allowable Income is $100,000, the Indexed Income is $120,000, the Total Expected Income is $110,000 and the Approved AGR and the Average Allowable Expenses are $90,000. Then “factoring up” Allowable Expenses = ($110,000/$100,000) x ($90,000) = $99,000.
Producer Decisions under AGR-Lite

Once an Approved AGR has been established and the consequent Approved Expenses are determined, the farm manager has two decisions to make relative to AGR-Lite.

Producers must select a coverage level percentage. Producer choices are 65, 75, and 80 percent of the Approved AGR. In part, the coverage level percentage that may be selected is contingent on the number of commodities included in the Annual Farm Report (Table 1).

Table 1: Coverage Percentages, Payment Rates, and Minimum Commodity Numbers

<table>
<thead>
<tr>
<th>Coverage Level (percent)</th>
<th>Payment Rate (percent)</th>
<th>Minimum Number of Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>75</td>
<td>1</td>
</tr>
<tr>
<td>65</td>
<td>90</td>
<td>1</td>
</tr>
<tr>
<td>75</td>
<td>75</td>
<td>1</td>
</tr>
<tr>
<td>75</td>
<td>90</td>
<td>1</td>
</tr>
<tr>
<td>80</td>
<td>75</td>
<td>3</td>
</tr>
<tr>
<td>80</td>
<td>90</td>
<td>3</td>
</tr>
</tbody>
</table>

For a producer to obtain the highest coverage level there must be at least three commodities that each contributes a significant portion of total income. Significant portion = 1/number of commodities in the Annual Farm Report x 0.333 x Total Expected Income. Consider an example where there are five commodities and Total Expected Income = $346,110. Significant portion = 1/5 x 0.333 x $346,110 = $23,050. Therefore, at least three of the five commodities must have an income of $23,050 or greater to enable the producer to select the 80 percent coverage level.

A producer must also select a payment rate of 75 or 90 percent and either is available at all coverage level percentages.

These decisions result in one coverage level percentage/payment rate combination to cover all commodities included in the Annual Farm Report.

Once a producer selects a coverage level percentage, then in the terminology of the policy, a Loss Inception Point or, in the terminology used in the RMA premium calculator, a Trigger Level may be specified as: Loss Inception Point = Trigger Level = Approved AGR x coverage level percentage.

Loss payments (insurance indemnities) are due to a producer/insured when Total Income, as specified on the Actual Commodity Report, is less than Trigger Level for the insurance year. The Trigger Level identifies where indemnity payments will begin.

Joint application of the coverage level percentage and the payment rate determines the maximum liability under AGR-Lite and is termed AGR-Liability in policy terminology and Coverage in the terminology used in the RMA premium calculator. Coverage is specified as: AGR-Liability = Coverage = Approved AGR x coverage level percentage x payment rate.

Under AGR-Lite the maximum liability is limited to $1,000,000. Effectively this limits the maximum annual income that may be covered under each coverage level percentage/payment rate percentage combination. The maximum annual income at any coverage level/payment rate combination is $1,000,000 divided by the product of these percentages, expressed as a decimal (Table 2).

<table>
<thead>
<tr>
<th>Coverage Level (percent)</th>
<th>Payment Rate (percent)</th>
<th>Maximum Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>75</td>
<td>$2,051,282</td>
</tr>
<tr>
<td>65</td>
<td>90</td>
<td>1,709,401</td>
</tr>
<tr>
<td>75</td>
<td>75</td>
<td>1,777,777</td>
</tr>
<tr>
<td>75</td>
<td>90</td>
<td>1,481,481</td>
</tr>
<tr>
<td>80</td>
<td>75</td>
<td>1,666,667</td>
</tr>
<tr>
<td>80</td>
<td>90</td>
<td>1,388,889</td>
</tr>
</tbody>
</table>
AGR-Lite Premium Calculations

Premiums for AGR-Lite are based on a producer’s coverage, where Coverage = Approved AGR \times \text{coverage level percentage} \times \text{payment rate}. When AGR-Lite is used as an umbrella policy, other RMA-approved insurance coverage liabilities are subtracted from Coverage up to 50 percent of Coverage. The revised liability is considered the Premium Liability. Other RMA-approved insurance products are considered primary and reduce the liability AGR-Lite and likewise AGR-Lite premiums.

Premium calculations are:

\[ \text{Total Premium} = \text{Premium Liability} \times AGR \text{ Rate} \]
\[ \text{Subsidy Amount} = \text{Total Premium} \times \text{Subsidy Rate} \]
\[ \text{Producer Premium} = \text{Total Premium} - \text{Subsidy Amount} \]

The AGR Rate is calculated from diversification factors based on the number of commodities contributing to the Approved AGR and the individual commodity ratings weighted by their proportions of the Approved AGR.

AGR Rates may vary for the same crop across rating regions; vary by crop within the same rating region, and vary by the number of crops included in the Annual Farm Report. AGR Rates may be determined through producer/insured consultations with insurance agents and by referencing the premium calculator available on the RMA web site: www.rma.usda.gov.

Table 3: Premium subsidy rates vary by coverage level percentages

<table>
<thead>
<tr>
<th>Coverage Level (percent)</th>
<th>65</th>
<th>75</th>
<th>80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidy Rate (percent)</td>
<td>59</td>
<td>55</td>
<td>48</td>
</tr>
</tbody>
</table>

AGR-Lite Indemnity Process

When producers realize that their allowable income is likely to fall below their Trigger Level, they should notify their insurance agents. Guidance will be provided for documenting an actual loss.

When an actual loss is incurred, a producer must submit an Actual Commodity Report. In this report, the producer/insured records the acres (head, etc.) produced and harvested, total production of each commodity, price per unit of product sold, and the total value of each commodity. Total values of all commodities are summed to provide Total Income. Additionally, the producer/insured must submit IRS income tax returns for each of the previous five years and for the current tax year.

Actual expenses for the insurance year are determined from IRS income tax forms. But some accrual adjustments may be needed. If a producer inventories inputs such as commercial fertilizer from year to year, the producer will reduce actual expenses by the calculated difference when there is a positive difference between the values of the ending inventory of inputs less the beginning inventory value of purchased inputs. The producer will increase actual expenses by the calculated difference when there is a negative difference between the ending value less the beginning value. Similarly, a producer may need to adjust actual expenses due to changes in the accounts payable account. If the ending accounts payable exceeds the beginning accounts payable, the difference is added to actual expenses—and vice versa.

When insurance year actual expenses are below 70 percent of their five year average, the Approved AGR will be reduced by a tenth of one percent for each tenth of one percent the actual expenses are below 70 percent of allowable expenses. The Trigger Level is then re-calculated as: Trigger Level = Adjusted AGR (for expense reductions) \times \text{coverage level percentage}.

The Trigger Level is reduced by Revenue to Count that includes allowable income from the sale of covered commodities, crop insurance indemnities, NAP payments, income lost due to non-insured causes, net gains from hedging, and changes in balances of accounts receivable and inventories of agricultural commodities held for sale. The following accrual adjustments may be needed with positive differences added to and negative differences subtracted from Revenue to Count.
1) Dollar amount of ending accounts receivable less beginning accounts receivable; and

(2) Dollar amounts reflecting the value of ending inventories of agricultural commodities available for sale less their beginning inventory values.

After Revenue to Count has been fully identified, the Revenue Deficiency is calculated as

\[ \text{Revenue Deficiency} = \text{Trigger Level} - \text{Adjusted Revenue to Count}. \]

The Indemnity is calculated as:

\[ \text{Indemnity} = \text{Revenue Deficiency} \times \text{payment rate}. \]

The payment rate will determine how much the producer/insured will receive for each dollar of revenue the producer is deficient for the insurance year. In other words, a producer will be paid 75 cents or 90 cents for each dollar of revenue that is deficient, depending on the selected payment rate.

**AGR-Lite Example**

Consider a producer farming in Platte County, Wyoming who has a $130,000 Approved AGR that is all irrigated barley with adjusted gross revenue covered under AGR-Lite at the 65 percent coverage level and a 75 percent payment rate.

[Readers may wish to refer to a more detailed example included in Appendix A that uses the RMA-provided data collection forms].

This producer carries no multiple peril crop insurance on the irrigated barley. The contract data and calculations for this producer are summarized.

<table>
<thead>
<tr>
<th>Contract Data</th>
<th>Value</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved AGR</td>
<td>$130,000</td>
<td>producer and insurance company</td>
</tr>
<tr>
<td>Approved Expenses</td>
<td>$100,000</td>
<td>producer and insurance company</td>
</tr>
<tr>
<td>Coverage Level</td>
<td>65 %</td>
<td>producer, one commodity 65 or 75 %</td>
</tr>
<tr>
<td>Payment Rate</td>
<td>75 %</td>
<td>producer, 75 or 90 %</td>
</tr>
<tr>
<td>Trigger Level</td>
<td>$84,500</td>
<td>$130,000 \times 0.65</td>
</tr>
<tr>
<td>Coverage</td>
<td>$63,375</td>
<td>$84,500 \times 0.75</td>
</tr>
</tbody>
</table>

But there is a premium cost that is incurred plus a $30 administrative fee that must be paid. Premium calculations for this example farm are shown.

<table>
<thead>
<tr>
<th>Contract Data</th>
<th>Value</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Liability</td>
<td>$63,375</td>
<td>no reduction due to other insurance coverage</td>
</tr>
<tr>
<td>AGR Rate</td>
<td>0.092</td>
<td>established by RMA, by crop and region</td>
</tr>
<tr>
<td>Total Premium</td>
<td>$5,831</td>
<td>$63,375 \times 0.092</td>
</tr>
<tr>
<td>Subsidy Amount</td>
<td>$3,440</td>
<td>$5,831 \times 0.59</td>
</tr>
<tr>
<td>Producer Premium</td>
<td>$2,391</td>
<td>$5,831 - $2,391</td>
</tr>
</tbody>
</table>

After harvest of saleable production and adjustments to inventory, etc., the producer has Revenue to Count of $25,000. Additionally, the producer’s IRS income tax form for the insurance year reported only $68,000 in actual expenses.

The producer will receive an indemnity because the Revenue to Count is less than the Trigger Level. But actual expenses are less than 70 percent of approved expenses. So adjustments must be made to the Approved AGR and the Trigger Level.

The expense adjustments are:

\[ \frac{68,000}{100,000} = 0.68 \]
\[ 0.70 - 0.68 = 0.02 \]

Approved AGR of $130,000 \times 0.02 = $2,600

Adjusted AGR = $130,000 - $2,600 = $127,400

Then the Adjusted Trigger Level = $127,400 \times 0.65 = $82,810.

The Revenue Deficiency = $82,810 - $25,000 = $57,810.

The Indemnity = $57,810 \times 0.75 = $43,358.

**AGR-Lite Summary**

Wyoming farm and ranch managers previously had RMA-approved individual and group insurance products available to insure against production and revenue losses for most crop commodities.
Additionally, RMA products were available to insure against downside livestock price risk. These RMA-approved products continue to be available. Now Wyoming producers also have AGR-Lite, an insurance product that provides for guaranteed gross revenue for an entire farm or ranch. This insurance is available in all Wyoming counties. The counties are grouped onto three risk regions (See Appendix B for crops covered by risk region within Wyoming).

AGR-Lite allows for the inclusion in adjusted gross income from most of the farm and ranch grown crop and animal commodities and (unaltered) animal products such as milk and wool. Specific commodities by risk region that may be included in adjusted gross revenue are available from crop insurance agents or from the RMA web site: www.rma.usda.gov
I. M. Insured has 600 acres of irrigated cropland near Goatabowl, Wyoming in Platte County. His crop rotation involves barley, corn for grain and alfalfa hay. I. M. has historically used multiple peril crop insurance on only his barley, so he is interested in looking at AGR-Lite as an insurance product providing downside adjusted gross revenue protection for his entire farm.

I. M. works with insurance agent U. R. Stuck to provide some basic information about the revenue and expense history of his farm and an indication of what I. M. will likely produce in the insurance year. As he is uncertain about what level of coverage he might select if he purchases AGR-Lite, his agent suggests that I. M. provide detailed descriptions of commodities produced in the two years prior to the insurance year.

With his agent’s assistance, I. M. completes an Annual Farm Report, an AGR-Lite Histories Calculation Worksheet, and an Agricultural Commodities Profile. These completed forms are included for reference.

Once this information was available to the insurance agent, the RMA premium calculator available at www.rma.usda.gov is used to estimate premiums.

I. M., from a booklet that his agent provided, understood that he would be indemnified if he suffered revenue losses due to insurable causes if his farm’s adjusted gross revenue dropped below a certain level. But what was not readily apparent to him was how the premium was calculated, even after reviewing the detailed premium calculation worksheets.

So I. M. and his agent outlined the premium calculation procedure so that they could follow it in the future. First they looked at the upper portion of the Premium Calculation Detail Worksheet for AGR.

They note that the Coverage Level and Payment Rate, as chosen by I. M., and the MPCI Liability for the barley coverage are entered on lines, F, G, and H with the Allowable Income for the five previous entered on lines A through F. Line I, Total Commodities, represents the total number of commodities reporting planned sales for the farm/ranch. The Commodity Code is a RMA code that pertains to a particular crop in the Annual Farm Report. Revenue is Total Expected Income from the Intended Commodity Report Section of the Annual Farm Report. The Whole Farm Rate, the Subsidy Rate and the Cost Share are determined by the calculator. The Whole Farm Rate is the RMA-approved premium rate set for a commodity in a rating region.
### Part I Income

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales of commodity bought for resale (less cost or basis)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sales of livestock, produce, grains, &amp; other products you raised/grew</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. CCC loan forfeitures; taxable amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Other Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part II Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-allowed expenses for AGRI-light:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 2. Non-allowed expenses for AGRI-light other than line 5:
| 3. Less Non-Allowable Items for AGRI-light: |
| 4. Less Non-Allowable Expenses for AGRI-light: |
| 5. Taxes, non-direct commodity, non-allowed expenses, other and etc.: |
| 6. Taxes, non-direct commodity, non-allowed expenses, other and etc.: |

### Part III INDEX

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Indexing calculation (if applicable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part IV 5-Year Average Preliminary Adjusted AGRI

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 5-Year Total Adjusted AGRI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. 5-Year Average Preliminary Adjusted AGRI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part V 5-Year Average Preliminary Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Expenses Index Factor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Indexed Preliminary Expenses (if applicable)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Total Expenses: 100,000 | 115,000 | 115,500 | 117,000 | 131,200**

**5-Year Total Adjusted AGRI: 509,900**

**5-Year Average Preliminary Adjusted AGRI: 121,920**

**Indexed Preliminary Expenses (if applicable): 178,480**
<table>
<thead>
<tr>
<th>TAX YEAR</th>
<th>ALLOWABLE INCOME</th>
<th>ALLOWABLE EXPENSES</th>
<th>COMMODITY NAME/CODE 12A</th>
<th>NO. YEARS PRODUCED 13</th>
<th>INTENDED AMOUNT</th>
<th>TOTAL AMOUNT 15</th>
<th>EXPECTED VALUE 16</th>
<th>DOLLARS 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>100,000</td>
<td>80,000</td>
<td>Barley-0865</td>
<td>16</td>
<td>200 acres</td>
<td>100 bu</td>
<td>20,000 bu</td>
<td>240</td>
</tr>
<tr>
<td>2003</td>
<td>110,000</td>
<td>95,000</td>
<td>Corn-1001</td>
<td>20</td>
<td>200 acres</td>
<td>150 bu</td>
<td>30,000 bu</td>
<td>250</td>
</tr>
<tr>
<td>2004</td>
<td>134,000</td>
<td>93,500</td>
<td>Wheat-0850</td>
<td>20</td>
<td>200 acres</td>
<td>4 ton</td>
<td>800 ton</td>
<td>700</td>
</tr>
<tr>
<td>TOTAL</td>
<td>460,000</td>
<td>368,500</td>
<td></td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVERAGE</td>
<td>11A 121,200</td>
<td>11B 95,940</td>
<td></td>
<td>12A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19A. INDEXED INCOME</td>
<td>$178,490</td>
<td>19B. APPROVED EXPENSES:</td>
<td>20. PRELIMINARY AGR:</td>
<td>$178,490</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$178,490</td>
<td>$116,183</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

22. REPORT OF CHANGES:

Indexed Income: $121,200 x (1.100) x (1.100) x (1.100) = $178,490
Indexed Income: $95,940 x (1.049) x (1.049) x (1.049) x (1.049) = $116,183

(Continued on Reverse)
FCI-823 AGR
UNITED STATES DEPARTMENT OF AGRICULTURE
Personal Crop Insurance Corporation

AGRICULTURAL COMMODITY PROFILE

PART I - PRODUCER INFORMATION
1. Name: L.M. Insured
   2. Policy Number: AGRILITE-1000
   3. Insured Year: 2008
   4. Agent Information: U.R. Shuck, Agent
   5. Address: 101 Easy Street
   6. Phone Number: (308) 123-4567
   7. Agent Code: 007

PART II - AGRICULTURAL COMMODITY PROFILE

<table>
<thead>
<tr>
<th>CROP OR COMMODITY</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TAX YEAR 2005</td>
<td>TAX YEAR 2006</td>
<td>TAX YEAR</td>
<td>TAX YEAR</td>
<td>TAX YEAR</td>
</tr>
<tr>
<td></td>
<td>Acres</td>
<td>Market</td>
<td>%</td>
<td>Acres</td>
<td>Market</td>
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<tr>
<td>Barley-0856</td>
<td>200</td>
<td>100</td>
<td>y</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Corn-1001</td>
<td>200</td>
<td>100</td>
<td>y</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Alfalfa-0850</td>
<td>200</td>
<td>100</td>
<td>y</td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>
Further explanation of the Premium Calculation Detail Worksheet for AGR is provided by considering the rows under the subheading “Calculations.” Rows 1 through 11 are calculations that were discussed when we reviewed the procedures for determining the Approved AGR and establishing the Premium Liability. The remaining rows are more fully discussed.

Row 12

Percent of Total Revenue = Revenue for the subject crop/Total Expected Income

Row 13

Weighted Commodity Rate = Percent of Total Revenue x Whole Farm Rate
(For subject commodity)

Row 14

Total Weighted Farm Rate = Sum of the Weighted Commodity Rates for all commodities in the Annual Farm Plan

Row 15

Commodity Factor = 1/number of commodities in the Annual Farm Report

Row 16

Total Commodity Deviation (DEV) = Sum of the absolute values of differences (Percent of Total Revenue - Commodity Factor) across all commodities in the Annual Farm Plan

Diversity Factor This factor is determined using the Total Commodity Deviation in a set of formulas. The formula to use is determined by the number of commodities in the Annual Farm Plan. Formulas for the diversity factor are tabled on the next page (refer to Table A-1: Diversity Factors).

Row 18

Adjusted Gross Revenue Rate = Total Weighted Farm Rate x Diversity Factor

Row 19

Total Premium = Premium Liability x Adjusted Gross Revenue Rate

Row 20

Subsidy Dollar = Total Premium x Subsidy Rate

Row 21

Preliminary Producer Premium = Total Premium - Subsidy Dollar

Row 22
Additional Subsidy = Preliminary Producer Premium x Cost Share

Row 23

Producer Premium = Preliminary Producer Premium - Additional Subsidy

Table A-1: Diversity Factors

<table>
<thead>
<tr>
<th>Number of Commodities</th>
<th>Diversity Factor (DF) Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DF = 1.00</td>
</tr>
<tr>
<td>2</td>
<td>DF = 0.668 + [(0.0179999) x (DEV*)] + [(0.3142858) x (DEV) x (DEV)]</td>
</tr>
<tr>
<td>3</td>
<td>DF = 0.523 + [(0.0607623) x (DEV)] + [(0.2229) x (DEV) x (DEV)]</td>
</tr>
<tr>
<td>4</td>
<td>DF = 0.474 + [(0.0248208 x (DEV)] + [(0.218472) x (DEV) x (DEV)]</td>
</tr>
<tr>
<td>5</td>
<td>DF = 0.437 + [(0.0710358) x (DEV)] + [(0.1760129) x (DEV) x (DEV)]</td>
</tr>
<tr>
<td>6</td>
<td>DF = 0.412 + [(0.0325131) x (DEV)] + [(0.1945816) x (DEV) x (DEV)]</td>
</tr>
<tr>
<td>7</td>
<td>DF = 0.410</td>
</tr>
</tbody>
</table>

*DEV = Total Commodity Deviation (see definition on previous page)

With this background I. M. Insured and his insurance agent reviewed each of the Premium Calculation Detail Worksheets for AGR those for irrigated corn (1001), irrigated barley (0856), and irrigated alfalfa (0850).

The Premium Calculation Detail Worksheet for AGR is presented twice for corn, first assuming that corn was the only revenue crop on the farm and provided all of the revenue (and had yield-based crop insurance coverage on some corn acreage. In reality, as denoted on the AGR-Lite Histories Calculation Worksheet, the MPCI coverage is barley at $187 an acre, with a total liability of $37,400.) Reviewing the form I.M. and his insurance agent noted that the Percent of Total Revenue = 1.000, the Total Weighted Farm Rate was 0.092, the Diversity Factor was 1.000 and the Producer Premium was $3,439. But these values all change when corn is considered as one of three crops with the Producer Premium declining to $2,056. Worksheets for barley and alfalfa hay demonstrate the premium calculations for these commodities.
### Corn Only

Premium Calculation Detail Worksheet for AGR

| A) 2002 Allowable Income: $100,000.00 | H) MPCI Liability: $37,400.00 |
| B) 2003 Allowable Income: $110,000.00 | I) Total Commodities: 1 |
| C) 2004 Allowable Income: $134,000.00 | J) Commodity Code: 1001 |
| D) 2005 Allowable Income: $120,600.00 | K) Revenue: $179,000.00 |
| E) 2006 Allowable Income: $145,000.00 | L) Whole Farm Rate: 0.092 |
| F) Coverage Level: 0.75 | M) Subsidy Rate: 0.550 |
| G) Payment Rate: 0.90 | N) Cost Share: 0.000 |
| P) Animals/Animal Products Percent: 0.000 |

### Calculations

1. Calculate the **Average Allowable Income** (Rounded to the nearest whole dollar).
   \[
   (A + B + C + D + E) / 5
   \]
   \[
   $121,920.00
   \]

2. Calculate the **Total Expected Income**. This is calculated by totalling revenue for all commodities.
   \[
   $179,000.00
   \]

3. If the allowable income for either of the two most recent years exceeds Answer1 and Answer2 is greater than Answer1, the average allowable income must be indexed. If the average allowable income must be indexed, proceed to step 4; otherwise, proceed to step 7.

4. Calculate the **Income Trend Factor**. Each year’s allowable income is divided by the preceding year’s allowable income (Rounded to 3 decimal places). These factors are capped at 1.2 if they exceed 1.2 and cupped at 0.8 if they fall below 1.8. The factors are totalled and divided by 4 (Rounded to 3 decimal places). If the income trend factor > 1, proceed to step 6; otherwise, proceed to step 7.
   \[
   (B / A) + (C / B) + (D / C) + (E / D)) / 4
   \]
   \[
   1.100
   \]

5. Raise Answer4 to the 4th power. Cup it at 1 (Rounded to 3 decimal places).
   \[
   Answer4^4
   \]

6. Calculate the **Indexed Average AGR** (Rounded to the nearest whole dollar).
   \[
   Answer5 * Answer1
   \]
   \[
   $178,491.00
   \]

7. Find the **Approved Adjusted Gross Revenue**. It is the lower of Answer2 or Answer6 if indexing IS required or the lower of Answer1 or Answer2 if indexing IS NOT required.

8. Determine **AGR Liability** (Rounded to the nearest whole dollar).
   \[
   Answer7 * F * G
   \]
   \[
   $120,481.00
   \]

9. Calculate the **Maximum MPCI Liability** (Rounded to the nearest whole dollar).
   \[
   Answer8 * 0.50
   \]
   \[
   $60,241.00
   \]

10. Determine the **Final MPCI Liability**. It is the lower of H or Answer9.
    \[
    $37,400.00
    \]

11. Determine **Premium Liability** (Rounded to the nearest whole dollar).
    \[
    Answer8 - Answer10
    \]
    \[
    $63,081.00
    \]

12. Determine the **Percent of Total Revenue** for each commodity (Rounded to 3 decimal places).
    \[
    K / Answer2
    \]
    \[
    1.000
    \]

13. Calculate the **Weighted Commodity Rate** for each commodity (Rounded to 3 decimal places).
    \[
    Answer12 * L
    \]
    \[
    0.092
    \]

14. Calculate the **Total Weighted Farm Rate** (Rounded to 3 decimal places).
    Summation (Answer13) for each commodity
    \[
    0.092
    \]
<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Formula/Details</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Calculate the <strong>Commodity Factor</strong> (Rounded to 3 decimal places).</td>
<td>$1 / 1$</td>
<td>1.000</td>
</tr>
<tr>
<td>16</td>
<td>Calculate <strong>Total Commodity Deviation</strong> (Rounded to 3 decimal places).</td>
<td>Summation (Abs (Answer12 - Answer15)) for each commodity</td>
<td>0.000</td>
</tr>
<tr>
<td>17</td>
<td>Calculate the <strong>Diversity Factor</strong> for 1 commodity (Rounded to 3 decimal places).</td>
<td>Diversity Factor = 1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>18</td>
<td>Calculate the <strong>Adjusted Gross Revenue Rate</strong> (Rounded to 3 decimal places).</td>
<td>Answer14 * Answer17</td>
<td>0.092</td>
</tr>
<tr>
<td>19</td>
<td>Calculate <strong>Total Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer11 * Answer18</td>
<td>$7,843.00</td>
</tr>
<tr>
<td>20</td>
<td>Calculate <strong>Subsidy Dollar</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer19 * M</td>
<td>$4,204.00</td>
</tr>
<tr>
<td>21</td>
<td>Calculate <strong>Preliminary Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer19 - Answer20</td>
<td>$3,439.00</td>
</tr>
<tr>
<td>22</td>
<td>Calculate <strong>Additional Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>It will be capped at $50,000.</td>
<td>$0.00</td>
</tr>
<tr>
<td>23</td>
<td>Calculate <strong>Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer21 - Answer22</td>
<td>$3,439.00</td>
</tr>
</tbody>
</table>

**Animal/Animal Product Expense Calculation and State Subsidy Calculation Section**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Formula/Details</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Calculate <strong>Livestock A/O</strong> (Rounded to dollars and cents).</td>
<td>Answer19 * P * 0.245</td>
<td>$0.00</td>
</tr>
<tr>
<td>2</td>
<td>Calculate <strong>Livestock Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer19 * P * M</td>
<td>$0.00</td>
</tr>
<tr>
<td>3</td>
<td>Calculate <strong>Livestock Cost Share</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer21 * P * N</td>
<td>$0.00</td>
</tr>
<tr>
<td>4</td>
<td>Calculate <strong>Animal/Animal Product Expenses</strong> (Rounded to dollars and cents).</td>
<td>Answer1 + Answer2 + Answer3</td>
<td>$0.00</td>
</tr>
<tr>
<td>5</td>
<td>Calculate <strong>State Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>Answer19 * 0</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**Note:** ^ indicates exponentiation.
Abs indicates that the absolute value function is used.
Allowable income values of $0 are set to $1 automatically to avoid division by zero calculation errors.

**THIS WORKSHEET IS INTENDED TO ASSIST IN ESTIMATING PRODUCER PREMIUM ONLY**
## Premium Calculation Detail Worksheet for AGR

### Corn

| A) | 2002 Allowable Income: | $100,000.00 | H) | MPI Liability: | $37,400.00 |
| B) | 2003 Allowable Income: | $110,000.00 | I) | Total Commodities: | 3 |
| C) | 2004 Allowable Income: | $134,000.00 | J) | Commodity Code: | 1001 |
| D) | 2005 Allowable Income: | $120,600.00 | K) | Revenue: | $75,000.00 |
| E) | 2006 Allowable Income: | $145,000.00 | L) | Whole Farm Rate: | 0.092 |
| F) | Coverage Level: | 0.75 | M) | Subsidy Rate: | 0.550 |
| G) | Payment Rate: | 0.90 | N) | Cost Share: | 0.000 |
| P) | Animals/Animal Products Percent: | 0.000 |

### Calculations

1. **Average Allowable Income**: $(A + B + C + D + E) / 5$
   - $121,920.00$
2. **Total Expected Income**: This is calculated by totalling revenue for all commodities
   - $179,000.00$
3. **Income Trend Factor**: Each year's allowable income is divided by the preceding year's allowable income (Rounded to 3 decimal places). These factors are capped at 1.2 if they exceed 1.2 and capped at 0.8 if they fall below 0.8. The factors are totalled and divided by 4 (Rounded to 3 decimal places). If the income trend factor > 1, proceed to step 6; otherwise, proceed to step 7.
   - $1.100$
4. **Indexed Average AGR**: Answer4
   - $1.464$
5. **Approved Adjusted Gross Revenue**: It is the lower of Answer2 or Answer6 if indexing is required or the lower of Answer1 or Answer2 if indexing is NOT required.
   - $178,491.00$
6. **AGR Liability**: Answer7 * F * G
   - $120,481.00$
7. **Maximum MPCI Liability**: Answer8 * 0.50
   - $60,241.00$
8. **Final MPCI Liability**: It is the lower of H or Answer9.
   - $37,400.00$
9. **Premium Liability**: Answer8 - Answer9
   - $83,081.00$
10. **Percent of Total Revenue**: for each commodity (Rounded to 3 decimal places).
   - 0.419
11. **Weighted Commodity Rate**: for each commodity (Rounded to 3 decimal places).
   - 0.039
12. **Total Weighted Farm Rate**: (Rounded to 3 decimal places).
    - Summation (Answer13) for each commodity
    - 0.101
<table>
<thead>
<tr>
<th></th>
<th>Calculation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Calculate the <strong>Commodity Factor</strong> (Rounded to 3 decimal places).</td>
<td>0.333</td>
</tr>
<tr>
<td></td>
<td>$1 / 1</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Calculate <strong>Total Commodity Deviation</strong> (Rounded to 3 decimal places). Summation (Abs (Answer12 - Answer15)) for each commodity</td>
<td>0.171</td>
</tr>
<tr>
<td>17</td>
<td>Calculate the <strong>Diversity Factor</strong> for 3 commodities (Rounded to 3 decimal places).</td>
<td>0.540</td>
</tr>
<tr>
<td></td>
<td>$0.523 + 0.0607623 * Answer16 + 0.2229 * Answer16 * Answer16</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Calculate the <strong>Adjusted Gross Revenue Rate</strong> (Rounded to 3 decimal places).</td>
<td>0.055</td>
</tr>
<tr>
<td></td>
<td>Answer14 * Answer17</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Calculate <strong>Total Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>$4,569.00</td>
</tr>
<tr>
<td></td>
<td>Answer11 * Answer18</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Calculate <strong>Subsidy Dollar</strong> (Rounded to the nearest whole dollar).</td>
<td>$2,513.00</td>
</tr>
<tr>
<td></td>
<td>Answer19 * M</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Calculate <strong>Preliminary Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>$2,056.00</td>
</tr>
<tr>
<td></td>
<td>Answer19 - Answer20</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Calculate <strong>Additional Subsidy</strong> (Rounded to the nearest whole dollar). It will be capped at $50,000.</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer21 * N</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Calculate <strong>Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
<td>$2,056.00</td>
</tr>
<tr>
<td></td>
<td>Answer21 - Answer22</td>
<td></td>
</tr>
</tbody>
</table>

#### Animal/Animal Product Expense Calculation and State Subsidy Calculation Section ####

<table>
<thead>
<tr>
<th></th>
<th>Calculation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Calculate <strong>Livestock A/O</strong> (Rounded to dollars and cents).</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer19 * P * 0.245</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Calculate <strong>Livestock Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer19 * P * M</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Calculate <strong>Livestock Cost Share</strong> (Rounded to the nearest whole dollar).</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer21 * P * N</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Calculate <strong>Animal/Animal Product Expenses</strong> (Rounded to dollars and cents).</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer1 + Answer2 + Answer3</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Calculate <strong>State Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>$0.00</td>
</tr>
<tr>
<td></td>
<td>Answer19 * 0</td>
<td></td>
</tr>
</tbody>
</table>

Note: ^ indicates exponentiation.
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Allowable income values of $0 are set to $1 automatically to avoid division by zero calculation errors.

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### Premium Calculation Detail Worksheet for AGR

| A) 2002 Allowable Income: | $100,000.00 | H) MPCI Liability: | $37,400.00 |
| B) 2003 Allowable Income: | $110,000.00 | I) Total Commodities: | 3 |
| C) 2004 Allowable Income: | $134,000.00 | J) Commodity Code: | 0856 |
| D) 2005 Allowable Income: | $120,600.00 | K) Revenue: | $4800.00 |
| E) 2006 Allowable Income: | $145,000.00 | L) Whole Farm Rate: | 0.124 |
| F) Coverage Level: | 0.75 | M) Subsidy Rate: | 0.550 |
| G) Payment Rate: | 0.90 | N) Cost Share: | 0.000 |
| | | | P) Animals/Animal Products Percent: | 0.000 |

### Calculations

1. Calculate the **Average Allowable Income** (Rounded to the nearest whole dollar). 
   \[
   \text{Average Allowable Income} = \frac{(A + B + C + D + E)}{5}
   \]  
   \(\text{Average Allowable Income} = 121,920.00\)

2. Calculate the **Total Expected Income**. This is calculated by totalling revenue for all commodities. 
   \(\text{Total Expected Income} = 179,000.00\)

3. If the allowable income for either of the two most recent years exceeds Answer1 and Answer2 is greater than Answer1, the average allowable income must be indexed. If the average allowable income must be indexed, proceed to step 4; otherwise, proceed to step 7. 
   \(\text{Indexed Average AGR} = 178,491.00\)

4. Calculate the **Income Trend Factor**. The trend factor is divided by the preceding year's allowable income (Rounded to 3 decimal places). The trend factors are capped at 1.2 if they exceed 1.2 and capped at 0.8 if they fall below 0.8. The factors are totalled and divided by 4 (Rounded to 3 decimal places). If the income trend factor > 1, proceed to step 6; otherwise, proceed to step 7. 
   \[
   \text{Income Trend Factor} = \frac{(B / A) + (C / B) + (D / C) + (E / D)}{4}
   \]  
   \(\text{Income Trend Factor} = 1.100\)

5. Raise Answer4 to the 4th power. Cup it at 1 (Rounded to 3 decimal places). 
   \(\text{Maximum MPCI Liability} = 1.464\)

6. Calculate the **Indexed Average AGR** (Rounded to the nearest whole dollar). 
   \(\text{Indexed Average AGR} = 178,491.00\)

7. Find the **Approved Adjusted Gross Revenue**. It is the lower of Answer2 or Answer6 if indexing is required or the lower of Answer1 or Answer2 if indexing is NOT required. 
   \(\text{Approved Adjusted Gross Revenue} = 178,491.00\)

8. Determine **AGR Liability** (Rounded to the nearest whole dollar). 
   \(\text{AGR Liability} = 120,491.00\)

9. Calculate the **Maximum MPCI Liability** (Rounded to the nearest whole dollar). 
   \(\text{Maximum MPCI Liability} = 60,241.00\)

10. Determine the **Final MPCI Liability**. It is the lower of H or Answer9. 
    \(\text{Final MPCI Liability} = 37,400.00\)

11. Determine **Premium Liability** (Rounded to the nearest whole dollar). 
    \(\text{Premium Liability} = 83,081.00\)

12. Determine the **Percent of Total Revenue** for each commodity (Rounded to 3 decimal places). 
    \(\text{Percent of Total Revenue} = 0.268\)

13. Calculate the **Weighted Commodity Rate** for each commodity (Rounded to 3 decimal places). 
    \(\text{Weighted Commodity Rate} = 0.033\)

14. Calculate the **Total Weighted Farm Rate** (Rounded to 3 decimal places). 
    Summation (Answer13) for each commodity. 
    \(\text{Total Weighted Farm Rate} = 0.101\)
15. Calculate the **Commodity Factor** (Rounded to 3 decimal places).
   \[ \text{Answer 15} \]
   \[ \text{Value: 0.333} \]

16. Calculate **Total Commodity Deviation** (Rounded to 3 decimal places).
    Summation (Abs (Answer 12 - Answer 15)) for each commodity
    \[ 0.523 + 0.0607623 \times \text{Answer 16} + 0.2229 \times \text{Answer 18} \times \text{Answer 16} \times \text{Answer 18} \]
    \[ \text{Value: 0.171} \]

17. Calculate the **Diversity Factor** for 3 commodities (Rounded to 3 decimal places).
    \[ 0.523 + 0.0607623 \times \text{Answer 16} + 0.2229 \times \text{Answer 18} \times \text{Answer 16} \times \text{Answer 18} \]
    \[ \text{Value: 0.540} \]

18. Calculate the **Adjusted Gross Revenue Rate** (Rounded to 3 decimal places).
    \[ \text{Answer 14} \times \text{Answer 17} \]
    \[ \text{Value: 0.055} \]

19. Calculate **Total Premium** (Rounded to the nearest whole dollar).
    \[ \text{Answer 11} \times \text{Answer 18} \]
    \[ \text{Value: $4,569.00} \]

20. Calculate **Subsidy Dollar** (Rounded to the nearest whole dollar).
    \[ \text{Answer 19} \times \text{M} \]
    \[ \text{Value: $2,513.00} \]

21. Calculate **Preliminary Producer Premium** (Rounded to the nearest whole dollar).
    \[ \text{Answer 19} - \text{Answer 20} \]
    \[ \text{Value: $2,056.00} \]

22. Calculate **Additional Subsidy** (Rounded to the nearest whole dollar). It will be capped at $50,000.
    \[ \text{Answer 21} \times \text{N} \]
    \[ \text{Value: $0.00} \]

23. Calculate **Producer Premium** (Rounded to the nearest whole dollar).
    \[ \text{Answer 21} - \text{Answer 22} \]
    \[ \text{Value: $2,056.00} \]

--- Animal/Animal Product Expense Calculation and State Subsidy Calculation Section ---

1. Calculate **Livestock A/O** (Rounded to dollars and cents).
   \[ \text{Answer 19} \times \text{P} \times 0.245 \]
   \[ \text{Value: $0.00} \]

2. Calculate **Livestock Subsidy** (Rounded to the nearest whole dollar).
   \[ \text{Answer 19} \times \text{P} \times \text{M} \]
   \[ \text{Value: $0.00} \]

3. Calculate **Livestock Cost Share** (Rounded to the nearest whole dollar).
   \[ \text{Answer 21} \times \text{P} \times \text{N} \]
   \[ \text{Value: $0.00} \]

4. Calculate **Animal/Animal Product Expenses** (Rounded to dollars and cents).
   \[ \text{Answer 1} + \text{Answer 2} + \text{Answer 3} \]
   \[ \text{Value: $0.00} \]

5. Calculate **State Subsidy** (Rounded to the nearest whole dollar).
   \[ \text{Answer 19} \times 0 \]
   \[ \text{Value: $0.00} \]

Note: ^ indicates exponentiation.
Abs indicates that the absolute value function is used.
Allowable income values of $0 are set to $1 automatically to avoid division by zero calculation errors.

---

**THIS WORKSHEET IS INTENDED TO ASSIST IN ESTIMATING PRODUCER PREMIUM ONLY**

---

Menu

[Premiums] [Producer Worksheet] [Edit Quote] [Print] [Home Page] [Logout]
<table>
<thead>
<tr>
<th>Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculate the Average Allowable Income (Rounded to the nearest whole dollar).</td>
<td>$121,920.00</td>
</tr>
<tr>
<td>Calculate the Total Expected Income. This is calculated by totalling revenue for all commodities.</td>
<td>$179,000.00</td>
</tr>
<tr>
<td>If the allowable income for either of the two most recent years exceeds Answer1 and Answer2 is greater than Answer1, the average allowable income must be indexed. If the average allowable income must be indexed, proceed to step 4, otherwise, proceed to step 7.</td>
<td>N/A</td>
</tr>
<tr>
<td>Calculate the Income Trend Factor. Each year's allowable income is divided by the preceding year's allowable income (Rounded to 3 decimal places). These factors are capped at 1.2 if they exceed 1.2 and capped at 0.8 if they fall below 0.8. The factors are totalled and divided by 4 (Rounded to 3 decimal places). If the income trend factor &gt; 1, proceed to step 5, otherwise, proceed to step 7.</td>
<td>1.100</td>
</tr>
<tr>
<td>Raise Answer4 to the 4th power. Cup it at 1 (Rounded to 3 decimal places).</td>
<td>1.464</td>
</tr>
<tr>
<td>Calculate the Indexed Average AGR (Rounded to the nearest whole dollar). Answer5 * Answer1</td>
<td>$178,491.00</td>
</tr>
<tr>
<td>Find the Approved Adjusted Gross Revenue. It is the lower of Answer2 or Answer6 if indexing is required or the lower of Answer1 or Answer2 if indexing is NOT required.</td>
<td>$178,491.00</td>
</tr>
<tr>
<td>Determine AGR Liability (Rounded to the nearest whole dollar). Answer7 * F * G</td>
<td>$120,481.00</td>
</tr>
<tr>
<td>Calculate the Maximum MPCI Liability (Rounded to the nearest whole dollar). Answer8 * 0.50</td>
<td>$60,241.00</td>
</tr>
<tr>
<td>Determine the Final MPCI Liability. It is the lower of H or Answer9.</td>
<td>$37,400.00</td>
</tr>
<tr>
<td>Determine Premium Liability (Rounded to the nearest whole dollar). Answer8 - Answer10</td>
<td>$83,081.00</td>
</tr>
<tr>
<td>Determine the Percent of Total Revenue for each commodity (Rounded to 3 decimal places). K / Answer2</td>
<td>0.313</td>
</tr>
<tr>
<td>Calculate the Weighted Commodity Rate for each commodity (Rounded to 3 decimal places). Answer12 * L</td>
<td>0.029</td>
</tr>
<tr>
<td>Calculate the Total Weighted Farm Rate (Rounded to 3 decimal places). Summation (Answer13) for each commodity</td>
<td>0.101</td>
</tr>
<tr>
<td>Step</td>
<td>Calculation</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>15.</td>
<td>Calculate <strong>Commodity Factor</strong> (Rounded to 3 decimal places).</td>
</tr>
<tr>
<td>16.</td>
<td>Calculate <strong>Total Commodity Deviation</strong> (Rounded to 3 decimal places). Summation (Abs (Answer12 - Answer15)) for each commodity.</td>
</tr>
<tr>
<td>17.</td>
<td>Calculate the <strong>Diversity Factor</strong> for 3 commodities (Rounded to 3 decimal places).</td>
</tr>
<tr>
<td>18.</td>
<td>Calculate the <strong>Adjusted Gross Revenue Rate</strong> (Rounded to 3 decimal places).</td>
</tr>
<tr>
<td>19.</td>
<td>Calculate <strong>Total Premium</strong> (Rounded to the nearest whole dollar).</td>
</tr>
<tr>
<td>20.</td>
<td>Calculate <strong>Subsidy Dollar</strong> (Rounded to the nearest whole dollar).</td>
</tr>
<tr>
<td>21.</td>
<td>Calculate <strong>Preliminary Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
</tr>
<tr>
<td>22.</td>
<td>Calculate <strong>Additional Subsidy</strong> (Rounded to the nearest whole dollar). It will be capped at $50,000.</td>
</tr>
<tr>
<td>23.</td>
<td>Calculate <strong>Producer Premium</strong> (Rounded to the nearest whole dollar).</td>
</tr>
</tbody>
</table>

----- Animal/Animal Product Expense Calculation and State Subsidy Calculation Section ----- 

<table>
<thead>
<tr>
<th>Step</th>
<th>Calculation</th>
<th>Formula</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Calculate <strong>Livestock A/O</strong> (Rounded to dollars and cents).</td>
<td>( \text{Answer19} \times \text{P} \times 0.245 )</td>
<td>$0.00</td>
</tr>
<tr>
<td>2.</td>
<td>Calculate <strong>Livestock Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>( \text{Answer19} \times \text{P} \times \text{M} )</td>
<td>$0.00</td>
</tr>
<tr>
<td>3.</td>
<td>Calculate <strong>Livestock Cost Share</strong> (Rounded to the nearest whole dollar).</td>
<td>( \text{Answer21} \times \text{P} \times \text{N} )</td>
<td>$0.00</td>
</tr>
<tr>
<td>4.</td>
<td>Calculate <strong>Animal/Animal Product Expenses</strong> (Rounded to dollars and cents).</td>
<td>( \text{Answer1} + \text{Answer2} + \text{Answer3} )</td>
<td>$0.00</td>
</tr>
<tr>
<td>5.</td>
<td>Calculate <strong>State Subsidy</strong> (Rounded to the nearest whole dollar).</td>
<td>( \text{Answer19} \times 0 )</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Note: ^ indicates exponentiation.

Abs indicates that the absolute value function is used.
All allowable income values of 0 are set to $1 automatically to avoid division by zero calculation errors.

**THIS WORKSHEET IS INTENDED TO ASSIST IN ESTIMATING PRODUCER PREMIUM ONLY**
I. M. Told his agent that he was not sure that he needed such detail on premium calculations, so U. R. printed out a **Premium Calculation Producer Worksheet for AGR**. This worksheet provides the bottom line for a producer, the producer premium plus administrative fee. This worksheet contains other information of interest to a producer. The **Trigger Level** for the farm is specified. If total income in the insurance year is less than this amount due to losses from insurable causes, the producer may be indemnified. **Coverage** specifies the maximum indemnity. For I.M.’s farm the **Trigger Level** is $133,868.25 and the **Coverage** is $120,481.00.

So, I. M. Insured told his agent to write AGR-Lite insurance for his operation.

All went well during the growing season. The yields and prices for alfalfa hay and barley were just like I.M. anticipated—amazing. And his corn looked great until the Great Freeze! On September 10 the freeze was so severe that his corn was deemed totally destroyed for grain—of no value if harvested. So, I.M. called his agent.

The agent told I. M. to fill out the **Actual Commodity Report (essentially records the value of production for the insurance year)** concurrent with the agent arranging for the insurance adjuster, J. R. Smith to appraise the loss and do an indemnity work up. J. R. did his physical assessment and determined that the crop had no economic salvage value. He worked with I. M. and determined that his expenses for the insurance year were only $90,000 due to the fact that no harvest costs were incurred for corn. They entered this and other information on the **AGR Claim for Indemnity Worksheet**. This was greater than 70 percent of the approved expenses for the year, so the AGR was not adjusted for reduced expenses. Therefore, the **Revenue Guarantee** (or Trigger Level) remained at $133,868.

Next they need to work to establish the **Revenue to Count**. The starting point for this is the income tax return recording the sales for the insurance year. Cash sales for the covered commodities were $101,200. This was composed of sales of $48,000 from the 20,000 bushels of barley produced and sold during the insurance year. Additionally, there were sales of 760 tons of alfalfa hay at $70 per ton, for a total of $101,200.

But they decided to take a careful look at I. M.’s alfalfa production and sales. He usually sells most of his hay after the first of the calendar year following the year of production. His beginning hay inventory was 700 tons. I.M. produced 800 tons during the insurance year, as noted on the **Actual Commodity Report**. And he sold 760 tons at $70 per ton during the insurance year, as reported on his income tax returns for the insurance year. The ending inventory was as J. R. identified 760 tons (700 + 800 - 760 = 740). So there was an increase of 40 tons of hay in inventory, as reported on the **Inventory and Accounts Receivable Report**.
Summary: 3 crops

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<thead>
<tr>
<th>Dates</th>
<th>Acreage Reporting</th>
<th>Sales Closing</th>
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<tbody>
<tr>
<td>Final Planting</td>
<td>N/A</td>
<td>03/15/2008</td>
</tr>
<tr>
<td>Computed Results</td>
<td>N/A</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Coverage: $120,481.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trigger Level: $133,866.25</td>
<td></td>
</tr>
<tr>
<td>Total Premium (Including A &amp; O): $5,674.70</td>
<td></td>
</tr>
<tr>
<td>Subsidy (Including A &amp; O): $3,618.70</td>
<td></td>
</tr>
<tr>
<td>Producer Premium (No Admin Fee Included): $2,056.00</td>
<td></td>
</tr>
<tr>
<td>Administrative Fee: $30.00</td>
<td></td>
</tr>
<tr>
<td>Producer Premium (Admin Fee Included): $2,086.00</td>
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</tr>
</tbody>
</table>

### Adjusted Gross Revenue Information

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Allowable Income</th>
</tr>
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<tbody>
<tr>
<td>2002</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>2003</td>
<td>$110,000.00</td>
</tr>
<tr>
<td>2004</td>
<td>$134,000.00</td>
</tr>
<tr>
<td>2005</td>
<td>$120,600.00</td>
</tr>
<tr>
<td>2006</td>
<td>$145,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>0850 ALFALFA (IRRIGATED)</td>
<td>$56,000.00</td>
</tr>
<tr>
<td>0856 BARLEY (IRRIGATED)</td>
<td>$48,000.00</td>
</tr>
<tr>
<td>1001 CORN (IRRIGATED)</td>
<td>$75,000.00</td>
</tr>
</tbody>
</table>

THIS WORKSHEET IS INTENDED TO ASSIST IN ESTIMATING PRODUCER PREMIUM ONLY
# ACTUAL COMMODITY REPORT

<table>
<thead>
<tr>
<th>G. COMMODITY NAME</th>
<th>CODE</th>
<th>H. AMOUNT (acres, # head, #, etc.)</th>
<th>I. YIELD OR QUANTITY PRODUCED (X)</th>
<th>J. VALUE (price per unit) ($)</th>
<th>K. TOTAL VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barley</td>
<td>0856</td>
<td>200 acres</td>
<td>20,000 bu</td>
<td>2.40</td>
<td>48,000</td>
</tr>
<tr>
<td>Corn</td>
<td>1001</td>
<td>200 acres</td>
<td>0 bu</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Alfalfa</td>
<td>0850</td>
<td>200 acres</td>
<td>800 ton</td>
<td>70.00</td>
<td>56,000</td>
</tr>
</tbody>
</table>

M. Blank Section:

N. Notes:

Corn for grain frozen prior to maturity and was not harvested because there was no salvage value.

A-17
### Part I - Inventories

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Year</th>
<th>Locations</th>
<th>Beginning Inventory</th>
<th>Ending Inventory</th>
<th>Disposed of</th>
<th>Code</th>
<th>Value</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alfalfa</td>
<td>2007</td>
<td>Farm Headquarters</td>
<td>700 ton</td>
<td>740 ton</td>
<td>40 ton</td>
<td>$70</td>
<td>$2,600</td>
<td></td>
</tr>
</tbody>
</table>

**14 Total Inventory Adjustments (+/- to Claim)**: $2,800
Returning to the AGR Claim for Indemnity Worksheet, the Revenue to Count value is entered (position #26) and the inventory adjustment from the Inventory and Accounts Receivable Report is entered (position #27). Carrying out the calculations results in a Revenue Deficiency of $29,868 multiplied by a 0.90 payment rate to yield a gross indemnity of $26,881. Of course I. M. had to pay the premium and the $30 administrative fee, so his net indemnity was $24,795. Furthermore, I.M. paid a premium on the $37,400 MPCI coverage he carried on barley.

I.M. projected Total Expected Income of $179,000. He expected and did incur insurance premiums for both his MPCI coverage on barley and his AGR-Lite coverage.

His harvest was what he expected for barley and alfalfa with gross incomes of $48,000 and $56,000, respectively. He was indemnified $26,881 under AGR-Lite for a total gross income of $130,881. He incurred premiums for both the MPCI coverage-Barley and AGR-Lite coverage on his entire farm.

Without any insurance coverage his gross income would have been $48,000 from barley and $56,000 from alfalfa for a total of $104,000.

A-19
APPENDIX B: AGR-LITE RISK REGIONS AND RATED COMMODITIES BY REGION

Figure B-1: Wyoming Risk Regions
<table>
<thead>
<tr>
<th>Commodity Code</th>
<th>Commodity</th>
<th>Commodity Code</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0850</td>
<td>ALFALFA (IRRIGATED)</td>
<td>0013</td>
<td>ONIONS</td>
</tr>
<tr>
<td>0851</td>
<td>ALFALFA (NONIRRIGATED)</td>
<td>0609</td>
<td>OTHER CROPS</td>
</tr>
<tr>
<td>0107</td>
<td>ALFALFA SEED</td>
<td>0308</td>
<td>OTHER FORAGE SEEDS</td>
</tr>
<tr>
<td>0856</td>
<td>BARLEY (IRRIGATED)</td>
<td>0608</td>
<td>OTHER FRUITS</td>
</tr>
<tr>
<td>0857</td>
<td>BARLEY (NONIRRIGATED)</td>
<td>0823</td>
<td>OTHER LIVE ANIMALS (A)</td>
</tr>
<tr>
<td>0843</td>
<td>BEES (ANIMALS) (A)</td>
<td>0307</td>
<td>OTHER SMALL GRAINS</td>
</tr>
<tr>
<td>0962</td>
<td>BROILERS (A)</td>
<td>0646</td>
<td>OTHER VEGETABLES</td>
</tr>
<tr>
<td>0865</td>
<td>BUCKWHEAT</td>
<td>0084</td>
<td>POTATOES</td>
</tr>
<tr>
<td>0998</td>
<td>CANOLA (IRRIGATED)</td>
<td>0821</td>
<td>POULTRY (A)</td>
</tr>
<tr>
<td>0999</td>
<td>CANOLA (NONIRRIGATED)</td>
<td>0605</td>
<td>PUMPKINS</td>
</tr>
<tr>
<td>0866</td>
<td>CANOLA SEED</td>
<td>0647</td>
<td>RAPESEED</td>
</tr>
<tr>
<td>0612</td>
<td>CANTALOupe</td>
<td>0094</td>
<td>RYE</td>
</tr>
<tr>
<td>0800</td>
<td>CATTLE: COW-CALF (A)</td>
<td>0049</td>
<td>SAFFLOWER</td>
</tr>
<tr>
<td>0802</td>
<td>CATTLE: FEEDLOT (A)</td>
<td>0626</td>
<td>SEED (OTHER)</td>
</tr>
<tr>
<td>0801</td>
<td>CATTLE: STOCKER/FEEDER (A)</td>
<td>0816</td>
<td>SHEEP AND LAMBS (A)</td>
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<tr>
<td>0668</td>
<td>CLOVER</td>
<td>0806</td>
<td>SHEEP: EWE/LAMB (A)</td>
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<tr>
<td>0655</td>
<td>CLOVER SEED</td>
<td>0808</td>
<td>SHEEP: FEEDLOT (A)</td>
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<tr>
<td>1001</td>
<td>CORN (IRRIGATED)</td>
<td>0807</td>
<td>SHEEP: STOCKER/FEEDER (A)</td>
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<tr>
<td>0876</td>
<td>CORN (SILAGE)</td>
<td>0669</td>
<td>SQUASH (OTHER)</td>
</tr>
<tr>
<td>0877</td>
<td>CUCUMBERS (FRESH MARKET)</td>
<td>0110</td>
<td>STRAWBERRIES</td>
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<td>0847</td>
<td>DAIRY (A)</td>
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<td>SUGAR BEETS (M)</td>
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<tr>
<td>0881</td>
<td>DRY BEAN SEED</td>
<td>0078</td>
<td>SUNFLOWERS</td>
</tr>
<tr>
<td>0047</td>
<td>DRY BEANS (M)</td>
<td>0044</td>
<td>SWEET CORN (FRESH MARKET)</td>
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<td>0067</td>
<td>DRY PEAS</td>
<td>0688</td>
<td>SWEET CORN SEED</td>
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<tr>
<td>0841</td>
<td>EGGS (A)</td>
<td>0085</td>
<td>SWEET POTATOES</td>
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<td>0820</td>
<td>FISH/AQUACULTURE (A)</td>
<td>0689</td>
<td>TEEF SEED</td>
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<tr>
<td>0031</td>
<td>FLAX</td>
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<td>TIMOTHY GRASS</td>
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<td>0684</td>
<td>FLAX SEED</td>
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<td>TOMATOES (FRESH MARKET)</td>
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<tr>
<td>0033</td>
<td>FORAGE PRODUCTION (M)</td>
<td>0690</td>
<td>TURF</td>
</tr>
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<td>FURS (A)</td>
<td>0040</td>
<td>WATERMELONS</td>
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<td>0304</td>
<td>GAME BIRDS (A)</td>
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<td>WHEAT (SUMMERFALLOW)</td>
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<tr>
<td>0809</td>
<td>GOATS (A)</td>
<td>1013</td>
<td>WHEAT (CONTINUOUS CROPPING)</td>
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<tr>
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<td>GRASS HAY (IRRIGATED)</td>
<td>0948</td>
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<td>0017</td>
<td>MILLET</td>
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<td></td>
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<tr>
<td>0824</td>
<td>MINK (A)</td>
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<td>0670</td>
<td>MIXED HAY</td>
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<td>0069</td>
<td>MUSTARD</td>
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<td>0073</td>
<td>NURSERY (FG &amp; C)</td>
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<tr>
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<td>OATS (IRRIGATED)</td>
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<td>Commodity Code</td>
<td>Commodity</td>
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<tr>
<td>---------------</td>
<td>----------------------------------</td>
<td>----------------</td>
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</tr>
<tr>
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USDA Guidelines Provide Crop Insurance for Organic Farming Practices

The Agricultural Risk Protection Act of 2000 (ARPA) provides for organic farming practices to be recognized as good farming practices. Organic growers can now insure their organically grown (insurable) crops. Prior to this ruling, crop insurance policies may not have covered production losses when organic insect, disease, and/or weed-control measures were used and were not effective.

Coverage Availability

Risk Management Agency (RMA) currently provides coverage for—1) certified organic acreage; 2) transitional acreage being converted to certified organic acreage in accordance with an organic plan; and 3) buffer zone acreage. Insurance can only be provided for any crop grown using organic farming practices when a premium rate for the organic practice is contained within the actuarial documents or there is an approved written agreement.

Insurable damage caused by insects, disease, or weeds is covered if recognized organic farming practices fail to provide an effective control.

If any acreage qualified as certified organic acreage or transitional acreage on the date you report such acreage (even if such certification is subsequently revoked by the certifying agent or the certifying agent no longer considers the acreage as transitional acreage for the remainder of the crop year), that acreage will remain insured under the reported practice for which it qualified at the time the acreage was reported. Any loss due to failure to comply with the organic standards is considered an uninsured cause of loss.

Contamination by application or drift of prohibited substances onto land where crops are grown using organic farming practices is not an insured peril on any certified, transitional, or buffer zone acreage.

Prevented Planting acreage is considered organic practice acreage if it is identified as certified organic, transitional, or buffer zone acreage in the organic plan.

Reporting Acreage

On the date you report acreage, you must have—1) for certified organic acreage, a written certification in effect from a certifying agent; or 2) for transitional acreage, a certificate or written documentation from a certifying agent indicating that an organic plan is in effect for the acreage; and 3) records from the certifying agent showing the location of each field and acreage maintained and not maintained under organic farming practices.

Price Elections, Insurance Dollar Amounts, and Premiums

The price elections or insurance dollar amounts applicable to both certified organic acreage and transitional acreage (includes any respective buffer zones) will be the price elections or insurance dollar amounts published by RMA for the crop grown using conventional means, for the current crop year. The insured is required to maintain separate Actual Production History (APH) databases for conventional, transitional, and certified organic acreage.

Premiums are adjusted to recognize any additional risk associated with covering organic farming practices and are shown in the actuarial documents or contained in the written agreement.

Definitions

Organic Plan—A written plan, in accordance with the National Organic Program (NOP) published in 7 CFR part 205, that describes the organic farming practices that you and a certifying agent agree upon annually or at such other times as prescribed by the certifying agent. For information on the NOP, visit: http://www.ams.usda.gov/nop/indexIE.htm

Buffer Zone—A parcel of land, as designated in your organic plan, that separates agricultural commodities grown under organic practices from agricultural commodities grown under non-organic practices, and used to minimize the possibility of unintended contact by prohibited substances or organisms.
Organic Farming Practice—A system of plant production practices approved by a certifying agent in accordance with 7 CFR part 205.

Good Farming Practices—The production methods used to produce the insured crop, allow it to make normal progress toward maturity, and produce at least the yield used to determine the production guarantee or insurance amount, including adjustments for late-planted acreage, which are—1) for conventional or sustainable farming practices, those generally recognized by agricultural experts for the area; or 2) for organic farming practices, those generally recognized by the organic agricultural industry for the area or contained in the organic plan.

Organic Agricultural Industry—Persons who are employed by the following organizations—Appropriate Technology Transfer for Rural Areas http://attra.ncat.org, Sustainable Agriculture Research and Education http://www.sare.org, the Cooperative State Research, Education and Extension Service http://www.csrees.usda.gov, the university agricultural departments, or other persons approved by the Federal Crop Insurance Corporation, whose research or occupation is related to the specific organic crop or practice for which such expertise is sought.

Where To Purchase and Insurable Crops
Producers should consult their crop insurance agent to obtain specific information and applicable deadlines. To find a list of crop insurance agents please visit http://www.rma.usda.gov/tools/agent.html. For a list of insurable crops, please visit: http://www.rma.usda.gov/policies/

Adjusted Gross Revenue and Adjusted Gross Revenue-Lite
For more information on Adjusted Gross Revenue and Adjusted Gross Revenue-Lite plans of insurance—which also cover organic production—please visit http://www.rma.usda.gov/pubs/rme/fctsht.html.

Contact Us
Regional Office Contact:

National RMA Contact:
Sharon Hestvik
Risk Management Services Division
USDA/RMA
1400 Independence Ave., SW, Stop 0803
Washington, D.C. 20250-0803
Telephone (202) 720-6685
E-mail: Sharon.Hestvik@rma.usda.gov

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Filing a Request
Producers may request insurance coverage for an insurable crop where insurance is not available already in a county by completing and submitting a Request for Actuarial Change form through a crop insurance agent. For a list of agents in your area, visit your local USDA Farm Service Agency County office or the Risk Management Agency’s online agent locator at: http://www.rma.usda.gov/tools/agent.html

Available in All Counties
This opportunity to request insurance coverage is available to producers in all counties nationwide.

Important Dates
Requests for coverage on crops without actuarial documents in a county (request type XC) must be submitted to an RMA-approved insurance provider on or before the sales closing and/or cancellation date listed in the crop provisions for the crop being insured.

Crops Covered by Written Agreement
For a complete list of crops covered nationwide, see: http://www.rma.usda.gov/policies/

Requirements for Making a Request
A properly completed request must contain at least the following supporting documentation:

1. A completed actual production history (APH) form (for crops that require an actual production history) based on verifiable records of actual yields in the county or area where insurance coverage is being requested for at least the most recent 3 consecutive crop years in the base period for the crop or a similar crop.

2. Acceptable production records for at least the most recent 3 consecutive crop years.

3. Evidence from agricultural experts that the crop can be produced in the county if the request is to provide insurance for practices, types, or varieties that are not insurable, unless such evidence is not required by the Risk Management Agency.

4. Dates the producer and other growers in the area normally plant and harvest the crop.

5. Name, location of, and approximate distance to the place the crop will be sold or used by the producer.

6. For an irrigated practice, the water source, method of irrigation, and amount of water needed for an irrigated practice for the crop.

The Risk Management Agency may request additional information.

Contact Us
USDA/RMA
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
E-mail: rmaweb.content@rma.usda.gov

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This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
What Is Risk?

Every business and every person faces risks each day, but what is risk? People have different attitudes about risk. Some will wager a week’s pay at a casino, while others will hide their money under a mattress. A person’s aversion to risk is a key factor in the extent to which they will try to manage their risks. In general terms, people often think of risk as the chance of something bad happening. “Bad” and “chance” are two key elements of risk. In financial terms, risk is the possibility of financial loss.

“Bad” is the first element, and it refers to an event or outcome that is adverse, such as a crop failure. “Bad” is also relative—losing more money is worse than losing less money.

“Chance” is the second element. Risk involves uncertainty that an adverse event will occur. If something “bad” is absolutely, positively, guaranteed to happen, there is no risk because uncertainty isn’t present. For example, there is no risk associated with jumping out of an airplane without a parachute. You will perish, guaranteed. It’s stupid, but not “risky.” Jump out of the plane with a parachute, and you’ll probably live, but there’s a chance you won’t. Thus, most people consider sky-diving risky and jumping out of the plane without the parachute suicide. This example is extreme, but it is important to note that risk management will not help the individual intent on jumping without a chute. In business terms, a business must be economically viable and the individual must be willing to use risk management for risk management to be effective.

What Is Risk Management?

Risk management, in a business context, is about reducing the cost of risk, which includes the cost of managing risk. Business, including farming, is about making profits or gains. Farmers need money to make a living for themselves and their families. To make a living, farmers must take risks, investing $200,000 or more worth of seed, fertilizer, and herbicides and hoping for rain but not too much rain. Farming is risky; one doesn’t know what the outcome will be when the crop is planted (the “chance” element), as all or a portion of the crop could be lost (the “bad” element).

Because farmers take this risk, we have a plentiful food supply.

The first key concept of risk management can be expressed by the old saying, “nothing ventured, nothing gained.” Risk management involves asking the question, “Is the risk appropriate for the return?” Is the farmer venturing too much for too little gain, i.e., will the farmer make enough profit to reasonably justify the risk? The word “reasonable” is key. A cross America, there are thousands and thousands of people who spend money believing they will win the lottery. The chances of winning a lottery are usually remote; hence, it is not reasonable to assume you will win the lottery.

Usually, people want a higher return on their investment in exchange for taking a greater risk. Simply put, they “don’t want to risk a lot for a little.” Banks, for example, charge higher interest rates to customers who they believe are less likely to pay back a loan. A simple example of this concept follows.
Suppose you were to bet money on the outcome of a coin flip. You pay a dollar to play. If it’s heads, you win $1.10. If it’s tails, you get nothing. Want to play this game? Probably not. If you could play this game a hundred times, on average you’d end up at the end of the game with $0.45. Why risk a dollar for a 50-50 chance to come out 10 cents ahead or a dollar behind?

Let’s change the game a little. Heads, you get $2, tails you get nothing. Many people might play this game with a friend just for the fun of it. The chances of winning or losing are 50-50, but the effect of losing is not much. Risks are low as the outcome—even if one loses—is only to lose a dollar. Further, chances are that if you play it many times, you’ll come out even. After all, you know that with a coin there’s a 50-50 chance of winning or losing, and you know how much you could win or lose. Simply put, you “know the chances of the possible outcomes.”

Suppose the game paid $3 if you win. Would you be more likely to play? Probably so. The odds are the same, but the payoff is more: the same risk as before but a higher expected return. If you had a chance to choose between the $2 game and the $3 game, you’d choose the $3 game.

Now, suppose it’s a bet for $3 million. You pay a million to maybe win $3 million. Most people wouldn’t take this bet, even though the chances are exactly the same of winning or losing as with a dollar. It’s still a 50-50 chance, but losing would be much worse. A gain, simply put, most people “don’t risk more than they can afford to lose.” In other words, they try to avoid ruin. These are the introductory guiding principles of risk management (see box).

Don’t Risk a Lot for a Little

The more risk you take, the greater the reward you should expect. It doesn’t make sense, for example, to play the coin-flipping game mentioned earlier if at the end of the game you’ve paid a dollar to net 55 cents. Are there any risk-free investments? Yes. U.S. Treasury bills are generally considered “risk-free.” The U.S. Government is unlikely to default on its bills. If you buy a T-bill, you can be as absolutely certain as anyone can be that you will be paid exactly what you are owed. The dollar may not be worth as much, but you will get paid. A T-bill is about as risk-free an investment as you can find. In January 2000, a T-bill paid about a 5-percent return.

Corporate bonds aren’t quite as safe, as some companies go bankrupt. If they do, however, whatever assets are left go to pay creditors, such as the bondholders, first. Bonds are debt—you are loaning the company money. You are not an owner of the company. If you’re going to invest and you can buy a T-bill with a 5-percent return, what would make you buy a corporate bond that may or may not pay you back? Probably a higher rate of return. For taking a greater risk, you should want a higher return.

What about stocks? Over the past 60 years or so, stocks have returned roughly 10 percent per year. Some companies have gone bankrupt; others have grown tremendously. If a company goes bank-
rupt, bondholders get paid first from whatever money is left. Thus, there's a greater chance that stockholders will get nothing. Therefore, an investor should expect to make more money investing in a company's stock than in its bonds, because there is more risk for stockholders. A gain, if you can obtain a 5-percent return with no risk (T-bill), would it be financially wise to invest in a stock that would only make a 4-percent return? No—why incur a higher chance of losing your money to make less than you could get with no risk? This is a key concept of risk management. In order to justify making a higher risk investment, one should expect a higher return on the investment. The more risk, the higher the chance of a loss, so the potential gains from other similar investments need to be high enough to make up for the losers.

How do the returns from farming fit into this? Averaged over all farmers, farming yields a return on equity of 2 to 3 percent. Like any average, some farmers earn much more while others earn much less. Many farmers earn less on their equity than they could make by investing in a risk-free T-bill.

Planting a crop is an investment decision. Any business person, including a farmer, should continually ask if they could use their assets to make money some other way, if financial gain is important to them. When the returns don't justify the risk, enrolling in the Conservation Reserve Program (CRP) or cash renting their land are ways farmers can earn a less risky return on their assets.

Don't Risk More Than You Can Afford To Lose

Few people think it wise for retirees to invest their life's savings in an internet stock. If they lose, there is no opportunity to make back the loss. Few people have much patience with those who encourage senior citizens to gamble the money saved for their golden years. Thus, many legitimate investment advisors encourage their retired clients to hold “safe” investments, such as T-bills and bonds.

Yet, the casinos, horse tracks, day-trading establishments, and even Chambers of Commerce have customers and members who will gamble more than they can afford to lose. Who hasn't seen movies of the gambler who loses, but just needs that last “score” to get even. It never seems to work out for this person. No matter how good the odds, sometimes bad stuff still happens.

No one should invest more than they can afford to lose, unless they want a drastic change in their lifestyle, because sometimes they'll lose. Ruin is the result of losing more than you can afford. Unfortunately, to support a family by farming, some farmers must face the possibility of ruin each year. Crop insurance helps reduce the chance of ruin by reducing the maximum amount of money they can lose. Still, in today's economic climate, ruin is a real issue for farmers.

Know the Odds

A coin toss is a 50-50 proposition. A roll of a die is a 1-in-6 event. What are the chances that this year will bring a drought? And, if it does, how much revenue will be lost? No one knows precisely, but estimates can be made based on historical data, and these estimates can be invaluable in making an investment decision. RMA has developed and is developing tools to help farmers estimate the chances of profit or loss. The odds may be in a farmer's favor, but sometimes they still lose. That is why avoiding ruin is important—it allows a farmer to keep farming. A loss doesn't put them out of business.

It is very important to realize that the odds of making a profit or of ruin change every year, and a losing year can make the odds of either much worse the next year. “Losing years” must be paid for by borrowing or by using equity built up in good years. The greater the debt or the less equity a farmer has, the harder it will be for the farmer to pay the bills if another loss occurs. Thus, it is very
important that farmers understand their true financial situation, including not only preparing cash flow projections, but also preparing a balance sheet and income statement. One can have a positive cash flow and still lose money.

Putting It All Together

A good set of financial statements is critical and is a prerequisite for risk management. Financial statements describe the assets and liabilities, sources of financial risk, and the profit or loss of the business. For risk management to be effective, the business must have a reasonable expectation of making a profit (assuming financial returns are important).

Risk management cannot make a business that is fundamentally not profitable, profitable. With financial statements, a farmer can then apply these guiding principles to assess his or her risks in the context of other financial investments. Then, a farmer can analyze various risk management strategies to help bring the expected financial returns in line with the risks. Done well, risk management can help protect a farmer’s hard-earned money from the risks associated with farming.

Conclusions

RMA’s mission is to encourage farmers to proactively manage their risks. Farming is risky, more so than many other businesses. For taking these risks—and feeding the world—some farmers earn a good return on their investment. Others do not. By practicing risk management, farmers can gain greater control over their risks, financial returns, and solvency. (For more information, see About the Risk Management Agency (PA-1667-02) or visit us online at www.rma.usda.gov).

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