



## Who is RMA

- RMA- Risk Management Agency
- Agency of the United States Dept of Ag
- Formerly Federal Crop Insurance Corp.
- Insure Agriculture commodities including Nursery, Aquaculture & Livestock
- Educate Agriculture Producers and Agriculture Industry on Risk Strategies

## Delivery System

- All Insurance is sold through Private Insurance Companies
- How to find an agent
- [www.rma.usda.gov](http://www.rma.usda.gov)
- Contact local Farm Service Agency Office for Agent List

## Adjusted Gross Revenue-Lite (AGR-Lite)

A Whole Farm Revenue Protection Plan  
For  
Producers in North Carolina for 2005

**ENROLLMENT DEADLINE**  
January 31

## AGR-Lite

- Developed by PA Dept. of Agriculture
- Expanded to North Carolina for 2005
- Through respective state depts. Of Agriculture
- Approved by USDA
- *"It's a streamlined whole farm protection plan that covers most farm raised commodities" this includes aquaculture*

## Producer Eligibility Requirements

**Basic eligibility requirements include having:**

1. Five consecutive years of IRS Schedule F 1040 records (or related forms) under the same tax entity for the past five years and the insurance year (unless at least 90 percent of a previous farming operation was transferred to the current tax entity). These records must be available for inspection.
2. Average annual adjusted gross income of up to \$512,821 or less (\$250,000 max. policy liability size - Protection in Force).
3. Not more than 50% of allowable income from ag commodities purchased for resale, and
4. Expected potato revenue not to exceed 83.35% of the total revenue.

## AGR-Lite

- Availability: Most counties in states of CT, DE, MA, MD, ME, NC, NH, NJ, NY, PA, RI, VT, WV.
- Insurable Causes of Loss: Unavoidable loss of revenue due to unavoidable perils including low yield, poor quality, or low price during the insurance year.
- Eligible Commodities Include:
  - Most Crops
  - Aquaculture
  - Animal Production (land walkers to aquiculture)
  - Animal Products (milk, honey, wool, etc.)
  - Greenhouse Production

7

## AGR-Lite

- **STAND-ALONE POLICY:** covering the whole farming operation, or
- **UMBRELLA TYPE POLICY:** selected crops can also be protected by crop policies (except AGR).

*Note: Loss payments from other insurance count towards AGR-Lite revenue guarantee.*

8

## Special Provisions

09/29/2004 COUNTY ACTUARIAL TABLE PAGE 1 SPECIAL PROVISIONS OF INSURANCE 2005 AND SUCCEEDING CROP YEARS SE, NORTH CAROLINA (57) CROP ADJ. GROSS REVENUE-LITE (0401) CO. Carteret (031) PLAN: Adjusted Gross Revenue - Lite (61) THE SPECIAL PROVISIONS OF INSURANCE IS THE PART OF THE POLICY THAT CONTAINS SPECIFIC PROVISIONS OF INSURANCE FOR THE INSURED CROP IN THIS COUNTY.

INSURABLE TYPES AND PRACTICES: TYPE(S) PRACTICE(S) \_\_\_\_\_ (997) No Type Specified (997) No Practice Specified

PROGRAM DATES FOR INSURABLE TYPES AND PRACTICES: SALES EARLIEST FINAL ACREAGE PREMIUM CLOSING PLANTING REPORTING BILLING \_\_\_\_\_ (997) No Type Specified (997) No Practice Specified 01/31/2005 12/01/2005

CROP STATEMENT(S): Contact your agent regarding possible premium discounts, options, and/or additional coverage that may be available. Available coverage level and payment rate combinations, premium subsidy factors and administrative fees are as follows: Coverage Payment Minimum Number Premium Level Rate Ag. Commodities Subsidy Policy Percentage Percentage Produced Factor Fee 65/75 1.59 \$30 65/90 2.29 \$30 75 65/75 65/75 75/75 55 \$30 80/75 90/75 48 \$30 → Available only for 1 commodity farms. \* To qualify for any coverage level and payment rate combination other than the 65 percent coverage level with the 75 percent payment rate (65/75) or the 75 percent coverage level with the 65 percent payment rate (75/65), you must produce at least the minimum number of commodities shown in the chart above. The expected allowable income from each of the minimum number of commodities required (2 for 65/90, 75/75, 75/90, or 4 for 80/75 or 80/90) must be equal to or exceed the dollar amount determined as follows: (Continued on Next Page)

9

## Revenue Limit

- Maximum policy size: \$250,000 of Liability (Liability = Protection in Force)

AGR-Lite Cov. Level & Pmt. %	Max. Annual Income
65/75	\$512,821
65/90	\$427,350
75/75	\$444,444
75/90	\$370,370
80/75	\$416,867
80/90	\$347,222

10

## AGR-L Protection Choices

- Protection is calculated by multiplying the approved AGR by the coverage level and payment rate percentage Options follow:
- Levels of Coverage: 65%, 75% and 80% of AGR for qualifying producers.
- Payment rates are 75% and 90% for most producers.
- Qualifications:
  - + **One qualifying commodity** - 65/75, 75/65% coverage level/ payment rate,
  - + **Two or 3 qualifying commodities** 75/90% coverage level/ payment rate, with each commodity expected to contribute >16.7% of total, for 2 commodities and > 11.1% with 3 commodities.
  - + **Four or more qualifying commodities** - 80/75% or 80/90% coverage level/ payment rate, with each commodity expected to contribute > 8.3% of total for 4 commodities and > 6.7% with 5 commodities, (varying factors for other commodity counts).

11

## 5 Year Income & Expense Records 1998- 02

12

# Info from IRS Schedule F. 1040

U.S. DEPARTMENT OF AGRICULTURE  
Federal Crop Insurance Corporation  
AGR-Lite Historical Calculation Worksheet

INSURANCE YEAR  
2001

INSURANCE METHOD  
Cash

PRODUCTION INFORMATION  
Type of Farm: 1  
Policy No.: 00000000000000000000000000000000

AGENCY INFORMATION  
Agency: 00000000000000000000000000000000

INSURANCE YEAR  
2001

INSURANCE METHOD  
Cash

PRODUCTION INFORMATION  
Type of Farm: 1  
Policy No.: 00000000000000000000000000000000

AGENCY INFORMATION  
Agency: 00000000000000000000000000000000

INFORMATION FROM 5-YEAR FARM TAX RETURNS

Line Item	2000	2001	2000	1999	1998
1. Net Income	2001	2001	2000	1999	1998
2. Total Revenue	89,462	81,420	53,820	93,208	25,715
3. Total Expenses	8,008	14,510	4,380	7,586	6,180
4. Net Income	81,454	66,910	49,440	85,622	19,535

# Selected Income Records

SCHEDULE F (Form 1040) Profit or Loss From Farming

2001

Attachment Sequence No. 14

Name of proprietor: **J. M. Producer**

Accounting method: (1)  Cash (2)  Accrual

Part I - Farm Income-Cash Method

1. Dates of livestock and other items bought for resale: 1

2. Total of other items bought for resale: 2

3. Sales of livestock, products, grains, and other products you raised: 3

4. Total cooperative distributions (Form(s) 1099-PATR): 4a

5. Agricultural program payments (see page F-2): 5a

6. Commodity Credit Corporation (CCC) loans (see page F-3): 6a

7. CCC loans reported under election: 7a

8. Crop insurance proceeds and certain disaster payments (see page F-3): 8a

9. Other income, including Fed. & state gasoline or fuel tax credit or refund (see page F-3): 9

10. Gross income: Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from page 8, line 43. 10

# Selected Expense Records

Part II - Farm Expenses-Cash and Accrual Method. Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.

Line Item	2000	2001	2000	1999	1998
12. Car and truck expenses (see page F-4)	850	1250	250	450	1200
13. Chemicals (see page F-4)	4900	3840	370	1650	1200
14. Conservation expenses (see page F-4)	3000	1716	20	1000	370
15. Depreciation and section 179 expense deduction not claimed elsewhere (see page F-4)	4754	3100	20	450	350
16. Employee benefit programs other than on line 25	300	200	20	20	20
17. Fuel purchased	11500	4754	30	30	30
18. Fertilizers and lime	300	200	20	20	20
19. Freight and trucking	4754	3100	20	20	20
20. Gasoline, fuel, and oil	300	200	20	20	20
21. Insurance (other than health)	300	200	20	20	20
22. Mortgage (paid to banks, etc.)	300	200	20	20	20
23. Other	1900	8451	20	20	20
24. Total expenses: Add lines 12 through 24	25,449	25,449	25,449	25,449	25,449

# Info from IRS Schedule F. 1040

U.S. DEPARTMENT OF AGRICULTURE  
Federal Crop Insurance Corporation  
AGR-Lite Historical Calculation Worksheet

INSURANCE YEAR  
2001

INSURANCE METHOD  
Cash

PRODUCTION INFORMATION  
Type of Farm: 1  
Policy No.: 00000000000000000000000000000000

AGENCY INFORMATION  
Agency: 00000000000000000000000000000000

INSURANCE YEAR  
2001

INSURANCE METHOD  
Cash

PRODUCTION INFORMATION  
Type of Farm: 1  
Policy No.: 00000000000000000000000000000000

AGENCY INFORMATION  
Agency: 00000000000000000000000000000000

INFORMATION FROM 5-YEAR FARM TAX RETURNS

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4. Net Income	81,454	66,910	49,440	85,622	19,535

# 2004 Intended Commodity Report

COMMODITY NAME/TYPE	PLANTING DATE	ACRES ETC.	YIELD	TOTAL AMOUNT	EXPECTED VALUE	TOTAL VALUE BY COMMODITY
CORN 0044	20	150.0	100 bu/A	15,000 Bu.	200/bu	3,000,000.00
Soybeans 0081	20	150.0	40 bu/A	6,000 Bu.	5.00/bu	30,000.00
HAY 0111	20	60.0	40 T/A	2,400 T.	125/T	300,000.00
Buck 0044	11	20.0	1,000 Dbs.	20,000 Dbs.	200/Dbs.	4,000,000.00

TOTAL EXPECTED INCOME: \$3,000,000.00

TOTAL APPROVED EXPENSES: \$1,222,899.00

# AGR-Lite Example

(With 1 qualifying commodity)

- \* 5 year avg. revenue = \$150,000
- \* 75% coverage level = \$112,500 loss trigger
- \* Revenue produced = \$50,000
- \* Revenue loss = \$72,500
- \* 65% payment = \$47,125 loss payment

## AGR-Lite Aquaculture

Coverage Level 65% Payment rate 75%

Total Coverage: \$73,125

Trigger Level: \$97,500

Total Premium: \$6,827

Subsidy: \$4,579

Producer Premium (Admin Fee Included): \$2,278

19

## AGR-Lite Aquaculture

Coverage Level 75% Payment rate 65%

Total Coverage: \$73,125

Trigger Level: \$112,500

Total Premium: \$10,561

Subsidy: \$6,744

Producer Premium (Admin Fee Included): \$3,847

20

## Rules of Thumb

- Loss payments from other insurance losses counts as income for AGR Lite.
- Commodity income includes sales & inventories.
- Crop production fed to animals counts as animal income (not crop income).
- AGR Lite is based on GROSS Income, **no allowance is made for increased expenses** (i.e. additional animal feed costs in drought years, etc.).

21

## Where AGR/AGR-Lite makes sense

- Grower of otherwise uninsurable crops
- Umbrella over selected individual crop coverages
- Interested in simplification
- Interested in protecting the bottom line for operation from severe economic loss
- Interest in coverage based on historical quality and price
- Poor yield records
- Where gross income survived droughts better than APH
- When other plans cost too much
- For Catastrophic animal health protection

22

## AGR-Lite Summary

- New Whole Fam Revenue Plan
- Covers Most Commodities
- Enrollment Deadline 1/31/04
- Take Completed Worksheet to Agent for Quote
- Insurance Agent are Expected to have Quoting Details by late November

23

## C.I. Provides Loan Collateral

- Improves credit worthiness at the bank
- Cash value on growing crops = Coverage
- Provides liquid collateral
- Helps assure timely loan repayment
- Loss Proceeds are assignable to creditors

24

## Producers Report that Crop Ins. is a Good Foundation

- Can Improve Crop Marketing
- Can Provide Safety-Net at Targeted Cash-Flow Level
- Can Provide Increased Credit Worthiness
- Can Provide Peace Of Mind
- Can Improve Grand-Kids Inheritance

25

## Questions

- Bob Beach- 919-875-4880
- USDA/RMA 4407 Bland Rd Ste 160
- Raleigh, NC 27609
- Robert.Beach@rma.usda.gov

26

## CROP INSURANCE HELPS YOU TO MAKE THE MOST OF EACH DAY

