Whole Farm Revenue Protection Crop Insurance

Ag Decision Maker
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Whole Farm Revenue Protection (WFRP) is a crop insurance product available to producers in all fifty states to insure the revenue from their crop and livestock production under one policy. This insurance plan is tailored for any farm with up to $8.5 million in insurable revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

Under the WFRP policy, coverage is for the loss of revenue that insureds expect to earn or will obtain from commodities they produce or purchase for resale during the insurance period. The accrual accounting method, using the Inventory Report(s) and Accounts Receivable, Payable, and Prepaid Expenses Report, is used to determine what has been produced during the insurance period. Revenue does not include government program payments.

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss which occurs during the insurance period and will also provide carryover loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

WFRP is designed to meet the needs of highly diverse farms that are growing a wide range of commodities, and for farms selling commodities to wholesale markets. The WFRP policy was specifically developed for farms that tend to sell to direct, local or regional, and farm-identity preserved markets and grow specialty crops and animals and animal products.

You must also meet the diversification requirements of the policy by having two or more commodities if one of the commodities you are raising has revenue protection or actual revenue history insurance available.

Amount of Coverage

The amount of farm revenue you can protect with WFRP insurance is the lower of the revenue expected on your current year's farm plan or your five-year historic income adjusted for growth. This represents an insurable revenue amount that can reasonably be expected to be produced on your farm during the insurance period. All commodities produced by the farm are covered under WFRP except timber, forest, and forest products, and animals for sport, show or pets.

The farm's 'approved revenue' is based on the following information: the Whole-Farm History Report, the Farm Operation Report, information regarding growth of the farm, and the coverage level you choose (50-85%).

Level of Coverage

Table 1 shows the maximum level of coverage you can purchase is based on the number of commodities you raise. If you want to purchase 80% or 85% coverage you need to raise three covered commodities. Coverage levels from 50% to 75% coverage only require one covered commodity.

Table 1. Maximum coverage levels

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

Source: USDA RMA Whole-Farm Revenue Protection Fact Sheet

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The minimum revenue proportion to be considered a countable commodity is one-third of the expected revenue for each individual commodity. For example, if you raised corn, soybeans, spinach, and carrots, each commodity would have to make up at least 8.3% of the total revenue of the farm to count as a commodity under WFRP. This is calculated by dividing 4 crops into 100 (25% for each of the 4 crops) and then multiplying that percentage by ⅓ (25% times ⅓ = 8.3%). Commodities with revenue below the minimum will be grouped together in order to recognize farm diversification (this will make the commodity count higher) (Example 1). The Maximum Farm Approved Revenue represents the maximum approved revenue for a farm to be eligible for WFRP given the $8.5 million maximum liability allowed (example: 85% times $10 million).

Example 1

Scenario 1
You raise 2 crops (corn and soybeans).
You are only eligible for 75% or lower coverage.

Scenario 2
You raise corn, soybeans, oats and wheat but 90% of your revenue is from corn.
You only have "two commodities" as the soybeans, oats and wheat are combined to count as a second commodity.

Scenario 3
Corn is 70% of your revenue, soybeans are 20% and oats and wheat are 10% (combined greater than 8.3%).
You have "three commodities" and are eligible for 85% coverage.

Information You Provide

There are certain documents you must provide to your crop insurance agent to get Whole-Farm Revenue Protection insurance. For the Whole-Farm History Report you must provide five consecutive years of Schedule F or other farm tax forms. For the 2020 policy year, tax forms from 2014-2018 are required unless you qualify for one of the exceptions. (USDA RMA Whole-Farm Revenue Protection Fact Sheet, www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Whole-Farm-Revenue-Protection-2020)

You will also need to supply supporting documentation if you want the farm to be considered as an expanding operation due to the farm operation physically expanding last year or the coming year, including increased acres, added equipment such as a greenhouse, or anything else that expands production capacity and any supporting information required, including other signed tax forms, to show the farm tax forms are accurate and were filed with the IRS. Crop rotation or planting higher value commodities without changes to the existing production capacity are not considered physical expansion, and will not be considered under Expanded Operations procedure. (Section 49 of the WFRP Crop Provisions)

Losses

Claims are settled after taxes are filed for the policy year. A loss under the WFRP policy occurs when the WFRP revenue-to-count for the insured tax year falls below the WFRP insured revenue (Example 2). Revenue-to-count for the insured tax year includes: Revenue from the tax form that is 'approved revenue' according to the policy; adjusted by excluding inventory from commodities sold that were produced in previous years and by including the value of commodities produced during the tax year that have not yet been harvested or sold and any other adjustments required by the policy such as those from uninsured causes of loss.

Additional requirements include:

- submitting a notice of loss within 72 hours after discovery that revenue for the policy year could be below the insured revenue.
- filing farm taxes for the policy year before any claim can be made.
- make claims no later than 60 days after the date you submit farm tax forms to the Internal Revenue Service (IRS).

Claim payments for a revenue loss under WFRP are paid within 30 days after the determination of a payment due as long as you are in compliance with the policy.

Example 2

Past production

	Gross revenue	Coverage level	Coverage amount
Year 1	$400,650	85%	$358,377
Year 2	$471,000	80%	$337,296
Year 3	$436,350	75%	$316,215
Year 4	$389,250	70%	$295,134
Year 5	$410,850	65%	$274,053
Average	$421,620		

Actual acres and production for insured year

	Acres	Yield	Bushels	Price	Value
Corn	300	170	51,000	$3.20	$163,200
Soybeans	300	50	15,000	$8.00	$120,000
Wheat	300	40	12,000	$4.00	$48,000
				Total	$331,200

Claim amount

85%	80%	75%	70%	65%	60%	55%	50%
$27,177	$6,096	$0	$0	$0	$0	$0	$0

In this example, if the farm had 85% coverage they would have a claim of $27,177 (($421,620 * .85) - $331,200), assuming they met all of the other requirements. At the 80% level of coverage the farm would have a claim of $6,096.

Expense Adjustment

If the farm operation does not have expenses during the insurance period of at least 70% of the "approved expenses", the insured revenue amount will be reduced by 1% for each percentage point the actual approved expenses are below 70% of the approved expenses.

Premium Subsidy

Farms with two or more commodities will receive a whole-farm premium subsidy as long as the minimum diversification requirements are met. Farms with one commodity will receive the basic level of premium subsidy. You can buy WFRP alone or with other buy-up level (additional coverage) Federal crop insurance policies. When you buy WFRP with another Federal crop insurance policy, the WFRP premium is reduced due to the coverage provided by the other policy. If you have other Federal crop insurance policies at catastrophic coverage levels you do not qualify for WFRP.

References:

USDA RMA Whole-Farm Revenue Protection Fact Sheet, August 2019. www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Whole-Farm-Revenue-Protection-2020

USDA RMA Whole Farm Revenue Pilot Handbook, November 2019. www.rma.usda.gov/-/media/RMAweb/Handbooks/Coverage-Plans---18000/Whole-Farm-Revenue-Protection---18160/2020-18160-1h-WFRP-Pilot-Handbook/2020-18160-WFRP-Pilot-Handbook.ashx?la=en

USDA RMA Crop Insurance Handbook, November 2019. www.rma.usda.gov/-/media/RMAweb/Handbooks/Coverage-Plans---18000/Crop-Insurance-Handbook---18010/2020-18010-01-Crop-Insurance-Handbook.ashx

USDA RMA Whole Farm Revenue Protection website, www.rma.usda.gov/Policy-and-Procedure/Insurance-Plans/Whole-Farm-Revenue-Protection

This fact sheet is for educational purposes and only gives a general overview of the crop insurance program. For additional information and an evaluation of your risk management needs, contact a crop insurance agent.

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