

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



Product
Development
Division

ADJUSTED GROSS REVENUE STANDARDS HANDBOOK

FCIC-18050 (10-1998)

1999 and Succeeding Insurance Years

ADJUSTED GROSS REVENUE STANDARDS HANDBOOK

SUMMARY OF CHANGES/CONTROL CHART

The Adjusted Gross Revenue Pilot Insurance Policy is new for the 1999 and succeeding crop years. See section 2 for the states and counties applicable to this new pilot.

Control Chart For: Adjusted Gross Revenue Standards Handbook						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibit(s)	Date	Directive Number
Current Index	1-2	1-4	1-82	83-98	10-98	FCIC-18050

SUMMARY OF CHANGE/CONTROL CHART (Continued)

(RESERVED)

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UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

FEDERAL CROP INSURANCE HANDBOOK		NUMBER: 18050
SUBJECT: ADJUSTED GROSS REVENUE STANDARDS HANDBOOK 1999 AND SUCCEEDING INSURANCE YEARS	DATE: October 1998	
	OPI: Product Development Division	
	APPROVED: <i>Jim B. Witt</i> \s\ Deputy Administrator, Research and Development Division	

PART 1 GENERAL

1 PURPOSE

This handbook identifies the specific standards (requirements) for underwriting, administering and adjusting the Adjusted Gross Revenue (AGR) losses in a uniform and timely manner. These standards include the application, annual farm report, inventory and accounts receivable report, agricultural commodity profile, animal inventory/accounting worksheet and claim for indemnity completion instructions.

2 SPECIAL INSTRUCTIONS

2A **This is the initial underwriting and loss adjustment** standard's handbook for the AGR Pilot Program. The states and counties under the AGR Pilot Program for the 1999 insurance year are:

A(1) **New England Area**;

(1)(a) **Maine**: Androscoggin, Cumberland, Kennebec, and York Counties.

(1)(b) **Massachusetts**: Barnstable, Berkshire, Bristol, Dukes, Essex, Franklin, Hampden, Hampshire, Middlesex, Nantucket, Norfolk, Plymouth, Suffolk, and Worcester Counties.

(1)(c) **New Hampshire**: Belknap, Cheshire, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan Counties.

A(2) **Florida**: Alachua, Gilchrist, Levy, Marion, Sumter, and Suwannee Counties.

A(3) **Michigan**: Allegan, Berrien, Kent, Ottawa, and Van Buren Counties.

2B **This handbook remains in effect until superseded** by reissuance an entire handbook or selected portions (through amendments or bulletins). If amendments have been issued for a handbook, the original handbook as amended by amendment pages shall constitute the handbook. A bulletin can supersede either the original handbook or subsequent amendments.

3 OPERATING POLICY

- 3A **Insurance Providers.** Insurance providers must use this handbook to develop any appropriate underwriting, administration, accounting and loss adjustment procedures and training material. Such material must be consistent with the standards in this handbook. Insurance providers may find it necessary to provide additional internal guidelines or procedures for adjusting losses on their insurance contracts. Any additional guidelines or procedures will require FCIC approval unless otherwise provided in writing by FCIC.
- 3B **Specific Entry Standards.** These standards provide entry-specific generic forms. Insurance providers' forms and procedures must comply with these standards in at least an equivalent manner.

4 ABBREVIATIONS

ACT	The Federal Crop Insurance Act, (7 U.S.C. 1501 <u>et seq.</u>)
AGR	Adjusted Gross Revenue
APH	Actual Production History
CAT	Catastrophic Risk Protection
CCC	Commodity Credit Corporation
CIH	Crop Insurance Handbook
CSREES	Cooperative State Research, Education, and Extension Service
FSA	Farm Service Agency
FCIC	Federal Crop Insurance Corporation
IRS	Internal Revenue Service
LAM	Loss Adjustment Manual
MPCI	Multiple Peril Crop Insurance
PHTS	Policyholder Tracking System
RMA	Risk Management Agency
USA	United States of America
USDA	United States Department of Agriculture

5 FORMS AND PROCEDURES

- 5A **Insurance Providers.** Insurance providers must use FCIC-approved standard procedures in developing procedures, training, forms and completion instructions. All procedures, forms and completion instructions must be submitted for approval in accordance with the FCIC-24030, Submission Standards Handbook.
- 5B **General Forms and Manuals.** General forms and manuals (or their equivalent) necessary for recording information and completing loss adjustment are identified in this handbook.
- 5C **Distribution.** The following is the minimum distribution of form(s) completed by the adjuster for the loss adjustment inspection:
- C(1) **One legible copy goes to the insured.**

- C(2) **The original and all remaining copies** are distributed as instructed by the insurance provider.

NOTE: It is the insurance provider's responsibility to maintain original insurance documents relative to policyholder servicing as designated in the approved plan of operations.

6 DEFINITIONS

- 6A **Terms and definitions** that are **general** are identified in the LAM and CIH.
- 6B **Terms and definitions specific** to AGR, which are not defined in this section, are defined as they appear in the text.
- 6C **Refer to the definitions below** and the Adjusted Gross Revenue **Policy** for additional definitions.

Accounts Payable (beginning) - Expenses incurred prior to the insurance year, but that have not been paid at the beginning of the insurance year and must be supported by verifiable records.

Accounts Payable (ending) - Expenses incurred prior to and during the insurance year, but that have not been paid at the end of the insurance year and must be supported by verifiable records.

Accounts Receivable (beginning) - Allowable income earned prior to the insurance year, but that has not been received at the beginning of the insurance year and must be supported by verifiable records. This amount includes the value of beginning inventory that is under a contract with a buyer to be purchased at a specified price.

Accounts Receivable (ending) - Allowable income earned prior to and during the insurance year, but that has not been received at the end of the insurance year and must be supported by verifiable records. This amount includes the value of ending inventory that is under a contract with a buyer to be purchased at a specified price.

Accrual Accounting Method - A record keeping system in which farm business income earned and expenses incurred for a specified time period are recorded regardless of whether or not the income was received or the expenses were paid during the specified time period.

Additional Coverage - A plan of insurance established by FCIC that provides the Coverage comparable to a level for a single crop that is equal to at least 65 percent (65%) of the approved yield indemnified at 100 percent of the expected market price.

Agricultural Commodity - Grain and non-grain crops, vegetables, fruits, nuts, nursery plants, floriculture, Christmas trees, Maple tree sap, animals, products from animals such as milk, eggs, etc., and any other agricultural production, excluding timber, forest, and forest products.

AGR Expense History - A written record on the insurance provider's form of 5 consecutive tax years of allowable expenses prior to the year immediately preceding the insurance year (has a lag year). The insurance provider must be able to verify the accuracy of this record using farm tax forms or amendments to such forms that have been submitted to the IRS, or other records

approved by the insurance provider on an individual case basis.

AGR Income History - A written record on the insurance provider's form of 5 consecutive tax years of allowable income prior to the year immediately preceding the insurance year (has a lag year). The insurance provider must be able to verify the accuracy of this record using farm tax forms or amendments to such forms that have been submitted to the IRS, or other records approved by the insurance provider on an individual case basis.

Allowable Expenses - Farm expenses that are reported to the IRS, for the production of agricultural commodities, including only those specifically listed below:

- (a) The cost or other basis of livestock and other agricultural commodities the insured bought for resale (line 2 of Schedule F);
- (b) Car and truck expenses (line 12 of Schedule F);
- (c) Chemicals (line 13 of Schedule F);
- (d) Conservation expenses (line 14 of Schedule F);
- (e) Custom hire (machine work)(line 15 of Schedule F);
- (f) Depreciation and section 179 expense not claimed elsewhere (line 16 of Schedule F) (Include only the amount of depreciation allowed for animals).
- (g) Feed purchased (line 18 of Schedule F);
- (h) Fertilizers and lime (line 19 of Schedule F);
- (i) Freight and trucking (line 20 of Schedule F);
- (j) Gasoline, fuel, and oil (line 21 of Schedule F);
- (k) Insurance (other than health) (line 22 of Schedule F);
- (l) Labor hired (less employment credits) (line 24 of Schedule F) (Exclude share holder wages if reported on this line.);
- (m) Repairs and maintenance (line 27 of Schedule F);
- (n) Seeds and plants purchased (line 28 of Schedule F);
- (o) Storage and warehousing (line 29 of Schedule F);
- (p) Supplies purchased (line 30 of Schedule F) (Exclude those used in post-production value added operations such as processing, packing, packaging, etc.)
- (q) Utilities (line 32 of Schedule F);
- (r) Veterinary, breeding, and medicine (line 33 of Schedule F); and
- (s) Other farm expenses (line 34 of Schedule F) (include only those directly related to the production of agricultural commodities that the IRS allows the insured to report.

Allowable Income - Farm income (does not include added value for any agricultural commodity due to post-production operations such as processing, packing, packaging, etc.) from the production of agricultural commodities that the IRS requires the insured to report, including only the amount received from:

- (a) The sales of animals and other agricultural commodities bought for resale by the insured less the cost or other basis of such animals or other commodities (line 3 of Schedule F);
- (b) The sales of animals, produce, grains and other agricultural commodities raised by the insured (line 4 of Schedule F);
- (c) The taxable amount of total cooperative distributions (line 5b of Schedule F)(Include only those directly related to the sale of agricultural commodities.);
- (d) Commodity Credit Corporation (CCC) loans reported under election (line 7a of Schedule F)(Amounts received from the CCC for production that was placed under loan and that the insured elected to report to the IRS in a tax year prior to the year in which the loan period ends.);
- (e) The taxable amount of CCC loans forfeited (line 7c of Schedule F)(Amounts received

- from the CCC for production that was placed under loan.);
- (f) Other income (line 7c of Schedule F), excluding Federal and state gasoline or fuel tax credits or refunds reported on this line. Include all income directly related to the production of agricultural commodities that the IRS requires the insured to report including, but not limited to:
- (1) Income from bartering (This amount determined in accordance with IRS rules.);
 - (2) Payments from buyers of agricultural commodities for bypassed acreage (Payments made to the insured in accordance with a contract between the insured and a buyer for not harvesting a crop.); and
 - (3) Diversion payments or other income from diversion programs under any Federal, State, or other marketing order (Payments made to the insured for not producing or harvesting an agricultural commodity.).

Animals - Living organisms other than plants that are produced or raised in farming operations, including but not limited to bovine, equine, swine, sheep, goats, horses, poultry, aquacultural species propagated or reared in a controlled, bees, and fur bearing animals, excluding animals for sport, show, or pets.

Approved AGR - The simple average of the AGR income history included on the insured's Farm Report adjusted to reflect any expected increase or reduction in allowable income for the insurance year [See Part 2, Section 19].

Approved Expenses - The simple average of the AGR expense history included on the insured's Farm Report multiplied by the factor that results from dividing the approved AGR by the simple average of the income history. For example, if the insured's average AGR income history is \$100,000, the average AGR expense history is \$90,000, and the approved AGR is \$110,000, the insured's approved expenses would be $\$90,000 \times (\$110,000 \div \$100,000 = 1.1) = \$99,000$.

Average AGR - The sum of five years of historic AGR divided by five.

Base Period - Five consecutive tax years, beginning the year immediately preceding the insurance year for which the approved AGR yield is being calculated (a lag year). Example: The insurance year is 1999; therefore, the base period will contain the 1993-1997 tax years. The AGR database MUST contain five consecutive tax years.

Carryover AGR Insured - A person or entity who was insured under AGR the previous insurance year without respect to the carrier or agent, determined on an entity basis.

Catastrophic Coverage (CAT) - A plan of insurance established by FCIC that provides coverage comparable to a level for a single crop that is equal to 50 percent (50%) of the approved yield indemnified at 55 percent (55%) of the expected market price. This is the minimum level of coverage required for a person to qualify for certain other USDA program benefits unless the producer executes a waiver of any eligibility for emergency crop loss assistance. CAT coverage equivalent is not available under AGR for the 1999 insurance year.

Changes - Changes in ownership, business structure, size of operation, share, management practices, type of farming activity, accounting methods or any other practices that may alter average farm income.

Continuous AGR Reports - AGR reports submitted by a producer for each consecutive tax year within the base period. Continuity is interrupted if a producer is NOT entitled to income from a share in ANY agricultural commodity's production during a tax year.

Contract - The contractual agreement between the insured and the insurance provider consisting of the accepted application, the AGR Provisions, the AGR Special Provisions, the AGR software, and the applicable regulations published in 7 CFR Chapter IV.

County - Any county, parish, or other political subdivision of a state. For the purposes of the AGR policy, any county that is contiguous with a pilot county will be considered to be a part of the pilot county. Counties that are contiguous to counties that are contiguous to pilot counties are NOT considered to be a part of the pilot county.

Coverage - The insurance provided by the AGR policy against loss of covered revenue.

Database - The data used to calculate the average/approved AGR and record the AGR history. Five continuous tax years of data are used.

Days - Calendar days.

Deferred Income - Income the insured has chosen to postpone to the following tax year.

Farm Report - A required report that must be submitted to the insurance provider at the time of application for the initial year and by the sales closing date for subsequent years. The annual farm report will consist of:

- (a) AGR Expense and income histories (Revenue Report);
- (b) Intended Commodity Report;
- (c) A Report of Changes if applicable;
- (d) Beginning Inventory if applicable;
- (e) Copies of Applicable Schedule F(s).

Farm Tax Forms - IRS income tax forms used to report farm income and expenses, specifically including the Schedule F.

FCIC - The Federal Crop Insurance Corporation, a wholly owned Government Corporation administered by the Risk Management Agency within USDA.

Fiscal Year - Twelve consecutive months ending on the last day of any month except December. A producer using a fiscal tax year is not eligible to participate in the AGR pilot program.

Good Management Practices - The practices, including irrigation practices if applicable, that are recognized by the CSREES for the production of the agricultural commodities the insured produces and that are compatible with agronomic, marketing, weather and other conditions in the area. Good management practices will include replacing (replanting for crops) damaged or lost agricultural commodities when allowable income from the sale of agricultural commodities will exceed the cost of replacing or replanting the agricultural commodity.

Inspection - An on-farm visit by the insurance provider's representative to verify the applicant/insured's underwriting information, amount of reported damage, cause of loss, complete a claim for indemnity, or perform a quality control review.

Insurance Year/Insurance Period - The period beginning January 1 and extending through December 31 of the same year and corresponds to the period of coverage under the AGR policy.

Insurance Provider - A company reinsured by FCIC that provides crop insurance coverage to producers participating in any Federal crop insurance program administered under the Federal Crop Insurance Reform Act of 1994.

Insured - The named person as shown on the application accepted by the insurance provider. This term does not extend to any other person having a share or interest in any portion of the insured's farming operation (for example, a partnership, landlord, or any other person).

Insured Revenue - Income from the sale of agricultural commodities the insured produces, the sale of agricultural commodities the insured purchases for resale (not eligible for AGR coverage if the expected allowable income from agricultural commodities purchased for resale exceeds 50 percent of the total expected allowable income), and all other allowable income as defined in the AGR Policy.

Irrigated Practice - A method of producing a crop by which water is artificially applied during the growing season by appropriate systems and at the proper times, with the intention of providing the quantity of water needed to produce at least a normal irrigated yield.

Inventory (beginning) - A written record of the agricultural commodities the insured produced prior to the insurance year, but that have not been sold at the beginning of the insurance year. This record must be supported by verifiable records. Any agricultural commodity that is under contract with a buyer to be purchased during the previous insurance year at a price that will not be determined until the current insurance year will be considered beginning as beginning inventory. For example, if the insured executed a futures contract on June 31, 1998, with the price to be determined by averaging the first 10 days price for the agricultural commodity on the Chicago Board of Trade for the month of March, 1999, the beginning inventory for the 1999 insurance year will include the production or amount of the agricultural commodity under contract. The value will be determined as specified in Part 3, Section 27.

Inventory (ending) - A written record of the agricultural commodities the insured produced prior to and during the insurance year, but that have not been sold at the end of the insurance year. This record must be supported by verifiable records. Any agricultural commodity that is under contract with a buyer to be purchased during the insurance year at a price that will not be determined until the subsequent insurance year will be considered beginning as ending inventory. For example, if the insured executed a futures contract on June 31, 1998, with the price to be determined by averaging the first 10 days price for the agricultural commodity on the Chicago Board of Trade for the month of March, 2000, the ending inventory for the 1999 insurance year will include the production or amount of the agricultural commodity under contract. The value will be determined as specified in Part 3, Section 27.

Lag Year - The tax year immediately prior to the insurance year. Tax documents for the lag year will generally not have been filed with the IRS by the sales closing date.

Limited Coverage - A plan of insurance established by FCIC that provides coverage comparable to a level for a single crop that is equal to or greater than 50 (50%) percent of the approved yield indemnified at 100 percent (100%) of the expected market price but less than 65 percent (65%) of the approved yield indemnified at 100 percent (100%) of the expected market price.

Limited Resource Farmer - A producer or operator of a farm, 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 two years. Notwithstanding the previous sentence, a producer on a farm or farms of less than 25 acres (aggregated for all crops), where a majority of the producer's gross income is derived from such farm or farms but the producer's gross income from farming operations does not exceed \$20,000, will be considered a limited resource farmer. (For example, a producer farming 20 acres with a total gross income of \$39,000, of which \$20,000 is farm income and \$19,000 is off-farm income, is a limited resource farmer.)

Linkage Requirement - The legal requirement that a producer must obtain at least CAT coverage for any crop of economic significance as a condition of receiving benefits for such a crop from certain other USDA programs, unless the producer executes a waiver of any eligibility for emergency crop loss assistance in connection with the crop.

Local Market Value - The average price offered by buyers of the agricultural commodity being valued in the area where the insured normally sells that commodity as reported by the Agricultural Market News Service (the most recent publication prior to the date of valuation will be used). If such a price is not available, the average price offered by at least two commercial buyers, one nominated by the insured and one nominated by the insurance provider. The value of any animal will not exceed the average price of the same breed and type being valued.

New AGR Insured - A person/entity who was not insured under AGR the previous insurance year without respect to Insurance Company or agent. If the insured had an AGR policy the previous insurance year, that person is not a new insured.

Notice of Loss - A written notice required to be filed in the agent's office whenever an insured initially discovers her or his allowable income may be less than the level covered by the AGR policy.

Perennial Crop - An agricultural commodity that is produced from the same root structure for two or more years.

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.

Planted Acreage - Land in which seed, plants, or trees are placed as appropriate for the insured crop and planting method, at the correct depth, into a seedbed that was properly prepared for the planting method and production practice.

Policy - The agreement between the insured and the insurance provider consisting of the accepted application, AGR Provisions, AGR Special Provisions, AGR Software, and the applicable regulations published in 7 CFR Chapter IV.

Qualifying Person - A person who is eligible to participate in the AGR program. [See Part 2, Section 11A(1)]

Revenue Report - The part of the Annual Farm Report that documents the insured's annual allowable income and allowable expenses. It records the AGR history for insurance purposes. The insurance provider must be able to verify accuracy of this report by use of IRS tax forms and when requested by the insurance provider, supporting written records that account for allowable income and allowable expenses for the applicable tax year.

Sales Closing Date - A date contained in the Special Provisions by which an application must be filed. The last date by which the insured may change his or her AGR insurance coverage for an insurance year.

Secretary - The Secretary of the United States Department of Agriculture.

Short Tax Year - A period of less than twelve consecutive months for which a taxpayer may be required to file a tax return.

Special Provisions - The part of the policy that contains specific provisions of insurance that may vary by geographic location.

Substantial Beneficial Interest - An interest held by any person of at least 10 percent in the applicant or insured.

Substantiated Farm Income Evidence - Farm income evidence such as warehouse receipts, ledger sheets, load summaries, settlement sheets, CCC loan documents, IRS farm tax forms, IRS Form 1099, sales tax reporting forms, IRS estimated quarterly tax payment forms, etc., showing the agricultural commodity, the names of sellers, the names of buyers, storers or marketing outlets, crop years produced, dates of the transactions, and dollar amounts of sales.

Substitute Tax Forms - If a person was not required to file Schedule F with IRS, and did not complete a Schedule F for any taxation year required for insurance purposes, that person must complete a worksheet providing the same farm business income and expense information as reported on Schedule F to be eligible for AGR coverage. Worksheets may be Schedule F's completed for AGR purposes and must be clearly marked to indicate that they were not filed with IRS.

Tax Year - The annual accounting period for keeping records and reporting farm income and expenses. The tax years used are (1) a calendar year or (2) a fiscal year.

Underwriting Review - A review of the applicant/insured's underwriting information by a person designated by the insurance provider (verifier or underwriter) who is versed in the AGR program and is proficient in the knowledge and skills necessary to evaluate the grower's request for insurance.

Whole Farm Unit - The insured's share of revenue from all agricultural commodities produced during the insurance year or purchased for resale during the insurance year.

Verifiable Records - Written records developed contemporaneously with the event recorded (Such as harvested production, sale of an agricultural commodity, etc.), provided from a disinterested third party such as a record from a warehouse, processor, packer, broker, etc.,) or by measurement of farm-stored agricultural commodities.

Verifier - An insurance provider authorized by RMA to calculate approved AGR (amounts of insurance).

Waiver (Linkage) - An FSA document that, when signed by a producer, relinquishes that producer's eligibility for emergency crop loss assistance and satisfies linkage requirements.

Waiver (Administrative Fees) - A document that, when signed by limited resource farmers and approved by the insurance provider, exempts insureds from paying the administrative fee.

7 RESPONSIBILITIES**7A FCIC Product Development Division**

- A(1) **Establish the minimum standards** and guidelines for administration, underwriting and loss adjustment functions.
- A(2) **Unless otherwise specified**, review and approve all insurance provider loss adjustment procedures and forms prior to their use.
- A(3) **Provide guidance and clarification**, as needed, regarding these standards.

7B Insurance Providers

- B(1) **Comply with and implement the standards** (requirements) established by FCIC, through procedures and forms approved by the Product Development Division, or as otherwise specified in writing by FCIC.
- B(2) **Ensure that all documentation, determinations**, and calculations are completed as specified in these standards.
- B(3) **Provide input to FCIC regarding the standards**.
- B(4) **Advise FCIC of impending situations** which may necessitate the development of procedures, forms, or calculations that are different from those identified in the standards issued by FCIC.
- B(5) **Comply with other requirements issued by FCIC** in the administration of contracts between the insurance provider and FCIC.
- B(6) **Ensure that the required information** is provided on the specific forms, printouts, or on a Special Report attached to the appropriate form, specified in approved standards and procedures.
- B(7) **Determine whether contract provisions or requirements** for AGR Insurance applies to the insured, and if so that they have been complied with.
- B(8) **Approve requests for higher coverage amounts** (80/75 and 75/75), only for applicants/insureds who meet the additional underwriting requirements for the higher coverage.
- B(9) **Calculate approved AGR's**. The following responsibilities pertain to revenue reports received for verification. Verifiers must:
 - (9)(a) **Perform an Underwriting Review**. Entries on the Revenue Report are compared to the allowable income and allowable expenses on the supporting records. The Intended Agricultural Commodity Report and Report of Changes are also reviewed. The verifier assures that entries have been made according to procedure, all required entries have been made, and that prices reported for the commodities are reasonable when compared to average historic local market prices.

If the applicant/insured has produced any agricultural commodity fewer

than two calendar years and the expected income from the agricultural commodity is more than 10% of the total expected income for the insurance year, the insurance provider may reduce the approved AGR by deleting the expected income indicated for the agricultural commodity. Any decision to reduce the approved AGR must take into consideration whether or not the agricultural commodity has similar inherent risk characteristics, management requirements, and production practices as the commodities that were produced for two or more years. If the expected income from such commodities exceeds 50% of the total expected income, the insurance provider may reject the application for the insurance year.

- (9)(b) Update AGR databases for carry-over insureds.
- (9)(c) Calculate and issue approved AGR's.
- (9)(d) Verify AGR history for policies being transferred, by accessing the Policyholder Tracking System (PHTS) and reviewing previously reported AGR history that is available in the PHTS. All AGR history within the base period attributed to the insured must be used provided continuity of AGR history has been maintained. If there is a difference between the AGR history certified and prior AGR history available through the transfer process or PHTS, an underwriting review must be performed, and the correct data determined.
- (9)(e) Notify insureds of changes to preliminary AGR's. If the approved AGR is less than 95 percent of the preliminary AGR, the verifier will notify the insured of the change and of the approved AGR by certified mail (return receipt requested), or positively document the date that the insured was notified of the approved AGR and the method of notification used. The insured must be notified of a changed preliminary AGR no later than 25 calendar days from the issuance date of the approved AGR. Documentation of the date the insured was notified of the approved AGR must be available to verify timeliness of presentation of the approved AGR, request for reconsideration, or a request for mutual consent cancellation.

B(10) **Perform Farm Report Audits.** When selected for a Farm Report Audit, primary supporting records and other secondary supporting records (when required) that correspond to the tax year(s) certified on the current insurance year's Revenue Report must be reviewed and compared to the allowable income and allowable expenses reported. [Refer to Part 2, Section 16 for acceptable primary and secondary supporting records]. Farm Report Audits are conducted as follows:

- (10)(a) Mandatory Farm Report Audits (Field Reviews) as required by the AGR Reinsurance Agreement including:
 - 1 Random Reviews,
 - 2 All Insureds affiliated with crop Insurance provided under The ACT, and
 - 3 Other reviews as required by FCIC and the AGR Standards Handbook.

- (10)(b) Discretionary Field Reviews (or Inspections) for policies selected by the insurance provider:
- 1 For unusual/abnormal situations,
 - 2 To reduce program vulnerability (e.g., known tree or vine damage has occurred to perennial crops),
 - 3 To validate or determine inventories, or
 - 4 As a follow up to an office audit/Farm Report to verify questionable information.

7C **Agents Are Responsible For:**

- C(1) **Explaining to producers the requirements to participation** in the AGR program.
- C(2) **Informing insureds of the additional underwriting requirements** if electing an 80/75 or 75/75 amount of coverage.
- C(3) **Explaining revenue reporting and supporting record requirements** to producers.
- C(4) **Assisting producers in the completion of the Annual Farm Report and related AGR forms.** When necessary, agents/representatives will assist producers in the filing of:
- (2)(a) Farm Reports.
 - (2)(b) Inventory and Accounts Receivable Report.
 - (2)(c) Agricultural Commodity Profile.
 - (2)(d) Notice of Loss.
- C(5) **Calculating Preliminary AGR's.** For new insureds, agents MUST compute, quote, and enter preliminary AGR's on the Revenue Report. Agents must explain to insureds that:
- (5)(a) A written request for reconsideration of the approved AGR or for mutual consent cancellation of the policy, may be submitted by the insured to the insurance provider if the approved AGR calculated by the verifier is less than 95 percent of the preliminary AGR.
 - (5)(b) A request for reconsideration or mutual consent cancellation must be made within 30 calendar days of the date the approved AGR was mailed or otherwise made available to the insured. If such requests are not filed timely, the approved AGR will be considered accepted.
 - (5)(c) During a reconsideration, insurance providers may correct errors in AGR computations or in the application of FCIC-approved procedures. Corrections will not be subject to additional reconsideration.

- C(6) **Informing insureds that mutual consent cancellations are not allowed** for an insurance year subsequent to the insurance year the application was accepted (carryover policy) if they are not satisfied with the approved AGR.
- C(7) **Reviewing Farm Reports** for completeness and accuracy and obtaining the insured's signature and date.
- C(8) **Obtaining records/documentation required for program participation** and forwarding them to the verifier.
- C(9) **Explaining Approved AGR**. Upon receipt of the approved AGR the agent/representative must be able to explain:
- (9)(a) The approved AGR and coverage provided.
- (9)(b) That failure to follow the approved Farm Report may result in:
- 1 Reduced indemnities; however, premiums will be based on the approved AGR; or
 - 2 A reduction in the amount of coverage, if it is discovered at the time of loss that the insured does not qualify for the 80/75 or 75/75 amount of coverage if elected.
- (9)(c) Any adjustments that were made to the preliminary AGR quotes.
- C(10) **Referring requests for field visits for inventory determinations** (bin and storage facility measurements, etc.) to the appropriate insurance provider's representative. If necessary insurance providers will make farm visits to determine beginning or ending inventories.

7D **Producers/insureds are responsible for:**

- D(1) **Filing Annual Farm Reports**. Insureds must report on an annual basis allowable income and allowable expenses from agricultural commodities for historical purposes, intended agricultural commodities for the insurance year, amount and a expected allowable income from each intended commodity, and a report of planned operational changes (if any) for the insurance year by the sales closing date.
- (1)(a) Other documents which contain the same information as required by the Farm Report form may be used. If an insured provides such information by a means other than an FCIC approved AGR form, it MUST CONTAIN THE FOLLOWING CERTIFICATION STATEMENT to be acceptable:

"I certify that the information I have furnished as reflected on this form is complete and accurate for the IRS tax entity, agricultural commodity(ies), and year(s) shown. I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form, may result in a recomputation of the approved adjusted gross revenue. I also understand that failure to report completely and accurately may result in voidance of my Adjusted Gross Revenue insurance contract and may result in criminal or civil false claims penalties (18 U.S.C. 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730)."

- (1)(b) Signing and dating the Farm Report to certify that the information provided is true and accurate. Such forms are not acceptable without the insured's signature and date or if filed after the sales closing date.
- (1)(c) Maintaining acceptable supporting records. Insureds must retain acceptable hard copy income and expense records for three insurance years after certifying the information for AGR purposes. A copy must be provided as requested for AGR field reviews, FCIC program compliance reviews, or when an indemnity is claimed. Reviewers are not authorized to assemble acceptable supporting records for insureds from other sources, i.e., tax accountants, packers, elevators, processors, & etc., this is the insured's responsibility. [Refer to Part 2, Section 16, Supporting Records, for a description of acceptable supporting records].
- D(2) **Reviewing Approved AGR's.** If the approved AGR is less than 95 percent of the preliminary AGR, the insured may request in writing reconsideration of the approved AGR, or mutual consent cancellation of the policy. [Refer to Part 1, Section 7, Par. C(5)].
- D(3) **Providing Notice of Damage or Loss.** Insureds must report any event that will result in a probable loss of covered revenue to their insurance provider through the agent servicing their policy. An insured must:
- (3)(a) Give notice of loss within 72 hours after the initial discovery that his or her allowable income for the insurance year could fall below the amount of revenue covered (approved AGR X the coverage level elected). Notice may be made by telephone or in person. Any notice not given in writing must be confirmed in writing and received by the insurance provider within 15 days of the original notice of loss. However, an insurance provider may not accept a notice of loss later than 15 days after the insured files his or her farm tax forms for the insurance year (Requests for extensions to file tax forms will not be considered a farm tax form.).
- (3)(b) Notify the insurance provider of any intent to abandon, dispose of, or destroy any agricultural commodity and obtain the provider's consent prior to taking such action. If consent was not given to abandon, dispose of, or destroy any agricultural commodity, and the insurance provider does not inspect the agricultural commodity within seven days after notification, the insured may take such action without the insurance provider's consent. If the insurance provider determines that expenses associated with the sale of an agricultural commodity would be greater than the allowable income from the sale, the insurance provider will not include the **potential** revenue when determining the revenue to count when calculating an indemnity.
- D(4) **Cooperating During Settlements and Investigations of Claims.** The insured must:
- (4)(a) Protect damaged agricultural commodities from further damage by providing sufficient care if the cost of such care will not exceed the value of the agricultural commodity; and

(4)(b) As often as reasonably required;

- 1 Allow the insurance provider to inspect the damaged agricultural commodity;
- 2 Allow the insurance provider to remove samples to determine the extent of damage; and
- 3 Provide the insurance provider with records and documents requested and permit the insurance provider to make copies.

(4)(c) Upon the insurance provider's request;

- 1 Provide a complete marketing record of each agricultural commodity; and
- 2 Submit to examination under oath.
- 3 Establish the total production or revenue received for all agricultural commodities.

D(5) **Adequately Documenting Losses.** If an indemnity is to be claimed the insured must furnish the following:(5)(a) Proof that the loss of production or revenue was caused by perils covered under the AGR policy;(5)(b) Documentation of the extent that the Farm Report was carried out;(5)(c) A copy of applicable farm tax forms and any amendments for the insurance year and any additional documentation the insurance provider requires to convert the allowable income and expenses for the insurance year to an accrual accounting method;(5)(d) An accurate record of inventoried agricultural commodities, if applicable. When applicable, the insured must provide verifiable records of:

- 1 Beginning inventories (by January 31, of the insurance year). An insured may request a field visit by the insurance provider to determine a insurance year's beginning inventory if necessary. Such requests must be made through the agent/representative.
- 2 Any beginning inventory amount sold prior to completion of the claim, the date sold, and price received.
- 3 Ending inventories. The applicable amount and value of inventoried agricultural commodities sold after the end of the insurance year prior to completion of the claim must be provided. If not sold or contracted at a specified price prior to completion of the claim and a price for the commodity is not available from the Agricultural Market News Service, the local market value(s) will be the average of the price offered by at least two commercial buyers, one nominated by the insured and one nominated by the insurance provider.

- (5)(e) An accurate record of beginning and ending accounts receivable, if applicable. Verifiable records of such accounts must also be provided.
- (5)(f) A completed claim for indemnity no later than 60 days after the insured files his or her farm tax forms for the insurance year. However, if the farm income taxes are not filed by July 1 of the calendar year immediately following the insurance year, the indemnity will be denied. The claim must include all the information the insurance provider requires to settle the claim.

8 INSURANCE CONTRACT INFORMATION

The insurance provider is to determine that the insured has complied with all policy provisions of the insurance contract. AGR policy determinations include (but are not limited to):

8A Insurability

- A(1) **Insurance is provided against loss of** revenue due to any unavoidable causes occurring within the insurance period. Exceptions are listed in 8B below.
- A(2) **The Insured revenue** (allowable income) will be that which is normally obtained from the sale of all agricultural commodities produced or purchased for resale during the insurance year on the insured's whole farm unit. [See Part 1, Par 6, Definition, Allowable Income.]
- A(3) **Insurance will attach only to the allowable income earned by the person(s)** named on the application and will not extend to any other person having a share in the income from agricultural commodities produced or purchased for resale during the insurance year unless the application clearly states that the insurance is requested for an entity such as a partnership.
- A(4) **Insurance is based on historic AGR information** documented on the insured's farm tax form(s) and the insurance year's Farm Report.
- A(5) **The insured must provide a Farm Report to the insurance provider** on an FCIC-approved form at the time of application the initial insurance year and by the sales closing date for subsequent years. The Farm Report must contain:
 - (5)(a) The AGR history, containing only allowable income and allowable expenses;
 - (5)(b) Copies of the insured's farm tax forms that were used to determine the AGR history;
 - (5)(c) An accounting of the allowable income the insured expects to receive on an agricultural commodity basis for the insurance year; and
 - (5)(d) Any changes to the farming operation. This includes intended changes in the: agricultural commodities to be produced, size of the farming operation (expansion or contraction), insured's share, farming practices used to produce agricultural commodities, and market conditions/prices. Any damage to any perennial crop occurring prior to the beginning of the insurance year or any other condition that may reduce the insured's

allowable income from previous levels must be reported.

- A(6) **The AGR Policy is a continuous policy.** Insurance coverage continues in force for each succeeding insurance year unless the policy canceled, terminated, or voided as provided in section 2 of the policy.

8B **Noninsurability**

- B(1) **Increased value added due to post-production operations** is not considered allowable income and must be removed if gross income is reported for post-production operations. Added value that is not covered, includes but is not limited to, the following post-production operations;
- (1)(a) Canning, freezing or otherwise processing the insured agricultural commodities, including the value of the labor required to perform such activities; or
 - (1)(b) Packing or packaging, including the value of packaging materials and labor.
- B(2) **Loss of revenue due to the following will not be covered:**
- (2)(a) Negligence, mismanagement, or wrongdoing by the insured, any member of the insured's family or household, tenants, employees, or contractors;
 - (2)(b) Failure to follow recognized good management practices for each agricultural commodity;
 - (2)(c) Water contained by any governmental, public, or private dam or reservoir project;
 - (2)(d) Failure or breakdown of irrigation equipment or facilities;
 - (2)(e) Failure to carry out a good irrigation practice, if applicable;
 - (2)(f) Theft or mysterious disappearance;
 - (2)(g) Vandalism.
 - (2)(h) Inability to market the agricultural commodities due to quarantines, boycotts, or refusal of any person to accept the insured's agricultural commodities;
 - (2)(i) Lack of labor to properly care for, harvest or perform any necessary production or post-production operations for any agricultural commodity;
 - (2)(j) Failure of any buyer to pay the insured for agricultural commodities the insured produced;
 - (2)(k) Failure to follow the requirements contained in any processor contract;
 - (2)(l) Abandonment; or

(2)(m) Failure to obtain a price for any agricultural commodity that is reflective of the local market value.

(2)(n) Any losses that occur before January 1, the year of application.

8(C) Unit Division None, the AGR policy provides for ONE unit per policy.

9 (RESERVED)

10 (RESERVED)

PART 2 UNDERWRITING

11 GENERAL UNDERWRITING RULES AND ADMINISTRATIVE REQUIREMENTS

- 11A **Insurance Offer.** Insurance is available ONLY to qualifying persons in pilot counties named in Part 1, Section 2, Par. A. The AGR Special Provisions include the pilot counties, coverage amounts, and AGR program dates such as sales closing and contract change dates. The AGR software is a part of the insurance contract.
- A(1) **Qualifying Person.** To be eligible for AGR coverage the applicant/insured must be a person who:
- (1)(a) Is engaged in the business of farming and derives income from the production of agricultural commodities primarily within AGR pilot counties but may also derive income from agricultural commodities produced in counties that are contiguous to pilot counties;
 - (1)(b) If insured as an individual, is a United States citizen or resident;
 - (1)(c) If insured as a corporation, partnership, or trust is permanently established in the United States and files either a Schedule F or submits other tax forms that contain the same information that is provided on the Schedule F tax form;
 - (1)(d) Filed a United States income tax return for each year of AGR expense history and income history that is the same tax entity for the insurance year;
 - (1)(e) Files a calendar tax return;
 - (1)(f) Has records necessary to support the allowable income and allowable expenses stated on the farm tax forms, and to support the value of post production operations;
 - (1)(g) Does NOT have a substantial beneficial interest in any other person who derives income from agricultural commodities;
 - (1)(h) Does NOT indicate on his or her annual farm report for the insurance year that more than:
 - 1 Fifty percent of the allowable income will be derived from agricultural commodities purchased for resale;
 - 2 Fifty percent of the allowable income will be derived from a combination of the production of apples, barley, beans (dry and processing), corn, cotton, cranberries, forage (alfalfa, clover, and mixed hay), grain sorghum, grapefruit, grapes, lemons, limes, nectarines, nursery products, oats, onions, oranges, peaches, peanuts, popcorn, potatoes, soybeans, sweet corn, tobacco, tangelos, tangerines, tomatoes (fresh and processing), wheat,

animals and animal products, unless such commodities are insured under other available insurance offered on the authority of the ACT; or

- 3 Thirty-five percent of allowable income will be derived from animals and animal products

- A(2) **Income covered** is allowable income from **all** agricultural commodities produced or purchased for resale during the insurance year. If more than 50 percent of the expected allowable income for the insurance year will be from agricultural commodities purchased for resale the insured is not eligible for AGR coverage. Insured crops reinsured under the authority of the Federal Crop Insurance Act (The ACT) may not be excluded from AGR coverage; however, the liability for crops insured under The ACT (up to a maximum of 50% of the approved AGR) is subtracted from the AGR liability when calculating the AGR premium.
- A(3) **Insurable Management Practices** are good management practices as defined in the AGR policy [See Part 1, Section 6, Definitions].
- A(4) **Term.** AGR policies are continuous contracts and remain in force until: 1) canceled in writing by either the insured or the insurance provider on or before the cancellation date for the effective crop year, 2) the policy is terminated by the insurance provider because the applicable administrative fee or any other unpaid amount (e.g., overpaid indemnity, premium) was not paid, 3) voided by the insurance provider, or 4) the AGR program is terminated by FCIC. The cancellation and termination dates are September 30 in Florida and November 20 in all other states.
- A(5) **Cancellation.** The insured or insurance provider may cancel an AGR policy for any insurance year following the initial insurance year by giving a signed notice to the other party on or before the cancellation date that precedes the insurance year. A request made by the insured to cancel an AGR policy after the cancellation date will be effective the following insurance year.

Insurance may not be canceled the first effective insurance year by the insured, except if:

- (5)(a) A change is made in the AGR policy or actuarial documents (special provisions or rates) which adversely affects the coverage or rate which was not on file at the time of application. If an application is taken before revised rates and rules filing, the applicant will be advised by the insurance provider of any change which would adversely affect the insured crop. The applicant will then have the option to cancel the AGR POLICY on or before the cancellation date.
- (5)(b) The insured wishes to insure with another agent/insurance provider and the insurance provider(s) involved agrees.
- (5)(c) A mutual consent cancellation is appropriate due to the approved AGR being less than 95 percent of the preliminary AGR, as provided in Part 1, Section 7, Par. C(5).

- A(6) **Termination.** The insurance provider will terminate the AGR policy for the succeeding insurance year if the insured fails to pay the AGR administrative fee and/or any premium due by the termination date for non-payment of premium (which precedes that insurance year). AGR is not available to a person whose policy reinsured under the authority of the Federal Crop Insurance Act has been previously terminated for non-payment of premium or indebtedness (to FCIC or the insurance provider) and the unpaid premium/debt has not been satisfied. If a policy transfer is involved, a policy issued by a different insurance provider will be terminated for existing indebtedness. FCIC will not provide reinsurance on policies that should have been terminated for non-payment of premium but were not.
- A(7) **Other Insurance.** Other insurance (including policies on individual crops reinsured under the authority of the Federal Crop Insurance Act) is allowed.
- (7)(a) As a condition of AGR insurance, if more than 50 percent of the total expected allowable income for the insurance year will be derived from agricultural commodities that may be insured under the authority of the ACT (except for crops which are insurable only under a pilot program), the production of apples, barley, beans (dry and processing), corn, cotton, cranberries, forage (alfalfa, clover and mixed hay), grain sorghum, grapefruit, grapes, lemons, limes, nectarines, nursery products, oats, onions, oranges, peaches, peanuts, popcorn, potatoes, soybeans, sweet corn, tobacco, tangelos, tangerines, tomatoes (fresh and processing), wheat, animals, and animal products such commodities must be insured under individual crop policies offered under the authority of the Act if insurance is available.
- (7)(b) All other insurance policies (e.g., those offered under the authority of the ACT, property, casualty, transit, etc.) are primary and their policy provisions apply. Any indemnity received from another insurance policy for damage or loss to agricultural commodities covered by the AGR policy are considered to be revenue to count for AGR indemnity purposes.
- A(8) **Duplicate AGR Policies Are Not Permitted.** Insurance providers must use the Policyholder Tracking System (PHTS) to determine if more than one AGR policy is in force for the same person. If more than one AGR policy is in force for the same person, duplicate policies exist. The policy with the earliest date of application will remain in force and all other AGR policies will be canceled. If the insurance provider determines that duplicate AGR coverage exists and was intentional, the insured may be subject to the fraud provisions stated in the AGR policy. FCIC will edit to ensure that duplicate AGR policies are not in force.
- A (9) **Substantial Beneficial Interest (SBI) Applications.** Persons having a SBI in any other person who derives income from agricultural commodities are not eligible for AGR insurance. RMA will edit AGR reports to identify policies that list different persons as SBI's or policies with the same person insured under another policy as an SBI. If such policies exist, RMA will notify the insurance provider and the insurance provider must then either cancel or void the policy(ies), whichever is applicable.

- A(10) **Insured Cause(s) of Loss.** Insurance is provided against unavoidable loss of revenue. Refer to section 10 of the AGR policy provisions for uninsured causes.
- A(11) **Notice of Damage or Loss.** In the event of probable loss, the insured must provide the insurance provider a notice of loss in within 72 hours of the initial discovery that allowable income for the insurance year could fall below the amount of revenue guaranteed (Approved AGR X the coverage level for the amount of coverage elected) in accordance with the AGR policy. [See Part 1, Section 7, Par. D(3) for the insured's responsibilities.]
- (11)(a) **Sufficient information** must be provided to determine whether or not an inspection is necessary.
- (11)(b) **Severe Wind Erosion.** An insured must notify the agent immediately of their intention to till acreage to control soil erosion. When the local Natural Resources Conservation Service/Cooperative Extension Service recommends emergency tillage to conserve the soil and minimize further damage to the insured crop, the policyholder may take immediate action and then promptly notify the agent.
- 11B **Linkage Requirements.** The AGR policy meets linkage requirements for benefits under the Federal Crop Insurance Reform Act of 1994; loans or any other USDA-provided farm credit, including guaranteed and direct farm ownership loans, operating loans, and emergency loans under the Consolidated Farm and Rural Development Act provided after October 13, 1994; and benefits under the Conservation Reserve Program provided by any new or amended application or contracts executed after October 13, 1994. Refer to the Crop Insurance Handbook (CIH) for additional linkage details.
- 11C **Crop of Economic Significance Determinations.** Allowable income from agricultural commodities that are not of economic significance must also be included in AGR determinations.
- 11D **Administrative Fees.** The administrative fee is due when the AGR premium is due. For limited coverage the administrative fee is \$50 for the AGR policy. The administrative fee for additional coverage is \$20 for the AGR policy. Separate administrative fees are also required for individual crop policies reinsured under the authority of the Federal Crop Insurance Act. Refer to the CIH for additional administrative fee information.
- D(1) **Administrative fees are required:**
- 1 For additional coverage, for each year that at least one agricultural commodity is produced.
 - 2 Limited coverage, the initial insurance year the application was accepted (The administrative fee will not be refunded if an insured decides to not produce any agricultural commodity or fails to qualify for AGR coverage) and each subsequent insurance year any agricultural commodity is produced.
- D(2) **Third parties are prohibited from paying administrative fees** on producers'/insureds' behalf. Insurance providers, insurance agents, producer associations, grower groups, farm cooperatives, etc., may not pay administrative fees for producers/insureds. Only those persons acting in place of the

producer/insured under a power of attorney, landlord/tenant agreement, or a legal guardianship, may pay the administrative fee.

D(3) **Agents may submit a total of administrative fees paid** to the insurance provider. However, a list of producers/insureds from whom the fees were collected must be attached to substantiate the total amount submitted.

D(4) **Waiver of Administrative Fees.** The administrative fee applicable to policies with limited coverage may be waived for a limited resource farmer [Refer to Part 1, Section 6, Definitions]. Refer to the CIH for additional waiver instructions and the Request to Waive Administrative Fee Form. **If selected for any program review on any** crop policy reinsured under the authority of the Federal Crop Insurance Act, eligibility for waiver of administrative fees must be verified and the insured will be required to provide proof of gross income.

11E **Copies of Documents.** If original insurance documents are required by FCIC but are unavailable, a photocopy or carbon copy of an original insurance document may be used if CERTIFIED by the insurance provider. The copy MUST be marked or stamped "Certified True Copy," signed and dated by the insurance provider's authorized representative.

EXAMPLE:

>	_____	>
>	Certified True Copy	>
>		>
>		>
>		>
>		>
>		>
>	_____	>
>	(Signature) _____ (Date)	>

A certified true copy may be accompanied by a memorandum explaining why a photocopy is being submitted instead of the original document.

12 APPLICATION FOR INSURANCE

12A **Eligible Persons/Entities.** Application for insurance may be made by a qualifying person to cover income from a *bona fide* interest in agricultural commodities at the time coverage begins. **Bona fide interest** is income to be earned from a share of the agricultural commodities as an owner-operator, landlord, tenant, or sharecropper. The insured must be the same person/entity as designated for income tax purposes.

A(1) **Minors.** A minor may insure agricultural commodities by having a court-appointed guardian or parent co-sign the application.

A(2) **Separate applications/contracts are required** for each qualifying person/entity as designated for tax purposes. However, a qualifying person cannot have a significant beneficial interest in another person who derives income from agricultural commodities.

A(3) **Income from Native American land held in trust** by the Bureau of Indian Affairs (BIA) is generally not subject to Federal income tax and therefore, BIA

trusts are not eligible for insurance under the AGR policy. Other Native American entities subject to Federal Income Tax will be insured as applicable (i.e., proprietors, partnerships, corporations, etc.).

- 12B **Ineligible Persons.** Under the Food Security Act of 1985 and the regulations promulgated under the ACT by USDA, any person who is convicted under federal or state law of planting, cultivating, growing, producing, harvesting or storing a controlled substance in any insurance year will be ineligible for crop insurance for five years from the date of conviction.
- 12C **Sales Closing Dates.** To participate, a person must apply for insurance on or before the applicable sales closing date contained in the special provisions. Applications taken after the sales closing date may not be accepted until the following insurance year. [see section 12D(5)(c) for exceptions].
- C(1) **If the risk period began prior to application** and damage to any agricultural commodity has occurred, an inspection must be performed prior to acceptance of the application. The risk period begins when an agricultural commodity's production cycle begins. Sales closing dates falling on Saturdays, Sundays, or legal holidays are extended to the next business day.
- C(2) **For agricultural commodities damaged prior to application**, the approved AGR must be reduced in proportion to the reduction in expected income due to the damage that is sustained, or the application must be rejected.
- 12D **Selecting Coverage.** The amount of AGR coverage is elected by the insured. The amounts of insurance that are available are specified on the AGR Special Provisions. For the initial AGR year, three amounts of coverage are provided 80/75, 75/75, and 65/75. All three amounts of coverage are considered to be "**limited coverage**" for subsidy and administrative fee purposes. Amounts considered to be a "CAT" or "additional coverage" equivalents **are not** available. The amount of coverage is determined by the coverage level and payment rate it contains. A single amount of coverage is chosen at the time of application; however, the applicant must qualify for the two higher amounts of coverage. A change in the amount of coverage may be requested in writing on or before the applicable sales closing date.
- D(1) **Amounts of Coverage:**
- (1)(b) 80/75 = 80% coverage level with a 75% payment rate.
- (1)(c) 75/75 = 75% coverage level with a 75% payment rate.
- (1)(d) 65/75 = 65% coverage level with a 75% payment rate.
- D(2) **Coverage Levels.** AGR losses begin when the income to count for the insurance year is less than the product of multiplying the percentage for the coverage level elected times the Approved AGR (unless adjustments to the approved AGR are required when a claim for indemnity is completed).
- For example 65/75 coverage is elected and the approved AGR is \$200,000: the loss begins when the allowable income for the insurance year is less than \$130,000 (\$200,000 X .65). If the income to count for the insurance year is \$80,000 the revenue deficiency is \$50,000 (\$130,000 - \$80,000 = \$50,000).

- D(3) **Payment Rates.** The payment rate is the percentage of the revenue deficiency that paid by the insurance provider. For example if 65/75 coverage was elected and the revenue deficiency was \$50,000 the indemnity would be \$37,000 (\$50,000 X .75 = \$37,000)
- D(4) **Qualifying for Higher Coverage.** To qualify for the two higher coverage amounts (80/75 and 75/75), the initial year a higher coverage is amount is requested, applicant/insured must:
- (4)(a) Provide additional underwriting information by completing and submitting the Agricultural Commodity Profile to the insurance provider (The insurance provider must submit the Agricultural Commodity Profile to RMA and a copy of the applicable farm tax forms for the base period.) and
- (4)(b) Meet the Following Diversification Requirements. The Annual Farm Report's Intended Agricultural Commodity Report for the insurance year must indicate that:
- 1 For 80/75 coverage, at least eight agricultural commodities will be produced whose expected income for the insurance year is equal to or greater than the amount determined by applying the following diversification formula.
- Diversification Formula: $(1 \div \text{the number of commodities to be produced} \times .5) \times (\text{the total expected income for the insurance year})$.
- Example: If 10 commodities will be produced and the total expected allowable income for the insurance year is \$100,000, the expected income from each of at least eight commodities must be \$5000 or greater.
- $$(1 \div 10 \times .5) \times (\$100,000) = \$5000$$
- 2 For 75/75 coverage, at least three agricultural commodities must be produced whose expected income for the insurance year is equal to or greater than the amount determined by applying the diversification formula.
- Example: If 5 commodities will be produced and the total expected allowable income for the insurance year is \$100,000, the expected income from each of at least eight commodities must be \$5000 or greater.
- $$(1 \div 5 \times .5) \times (\$100,000) = \$10,000$$
- Coverage will be reduced to the highest amount for which the insured qualifies if an indemnity is claimed and the insured does not qualify for the amount of coverage elected. The insured must be able to adequately document, to the insurance provider's satisfaction, that the Farm Plan was substantially carried out to the extent possible.
- D(5) **Premium Determination and Payments.**
- (5)(a) Rates and Risk Classifications. The risk classifications and associated

premium rates are determined by use of premium calculation software available from RMA. The agricultural commodities, expected revenue for each agricultural commodity, and preliminary/approved AGR contained on the intended agricultural commodity report for the insurance year are entered in the program and the program determines the risk classification/rate. Risk/rate classifications will vary by pilot area, commodity, diversity, and the amount of coverage elected.

(5)(b) Premium Calculation. The premium is calculated by subtracting the lesser of 1 or 2 from the AGR liability (approved AGR X coverage level x payment rate):

- 1 The dollar amount of liability from all other crops insured under the authority of the Federal Crop Insurance Act that could compensate the insured for damage or loss to agricultural commodities insured under the AGR policy. The liability used will be that used to determine the premium amount for such crops; or,
- 2 Fifty percent of the AGR liability;
- 3 And multiplying the result by the premium rate.

(5)(c) Premium Payments. The annual premium is due and payable at the time coverage begins. The insured will be billed for the premium due and any administrative fee due not earlier than the premium billing date contained in the AGR Special Provisions. The premium due, plus any accrued interest, will be considered delinquent if not paid on or before the termination date contained in the AGR Special Provisions.

D(6) **Approved Applications**. Use the FCI-12 AGR, Crop Insurance Application, or an AGR application approved by FCIC, to request insurance for qualifying persons. Applications are also used for successor-in-interest policies. Coverage applies to agricultural commodities produced by the a qualifying person as shown on the accepted application. Any contract changes must also be made on or before the applicable sales closing date for the agricultural commodities insured.

(6)(a) Applications are subject to acceptance by the insurance provider. Prior to acceptance, the insurance provider will determine that the application:

- 1 Is for a **qualifying** person who has a *bona fide* interest (owner, operator, sharecropper, or tenant) in income derived from agricultural commodities; and
- 2 Is completed for the same person (individual, partnership, co-owner, joint operator, estate, trust, etc.) as indicated on tax documents used to calculate the AGR.
- 3 Has been signed by a person(s) having authority to enter into a binding contract for the insured person.
- 4 Contains all the material information required to insure the crop, including: all social security numbers and employer identification numbers, as applicable, amount of coverage (coverage level and payment percentage), Annual Farm Report and that the operation

is contained within the pilot area. Applications that do not contain the material information to insure the crop may not be accepted by the insurance provider.

- (6)(b) The policy will be voided if the insured has falsely and/or fraudulently concealed either the fact that the insured is restricted from receiving benefits under the Federal Crop Insurance Act or that action is pending which may restrict eligibility to receive such benefits.
- (6)(c) Late-filed Requests for Insurance. After the sales closing date, an application may ONLY be taken and approved by the insurance provider under the following conditions:
- 1 There is documented evidence that the applicant intended to make timely application, but was prevented from doing so by circumstances beyond his or her control (i.e., personal illness or family tragedy).
 - 2 The primary reason for the application being late-filed is the fault of insurance provider.

The insurance provider must document in writing, justification for taking the request and have an authorized representative perform a crop/commodity inspection. If the agricultural commodities to be insured are not damaged and will generate the AGR on which the AGR liability will be based, the insurance provider may accept the application. If agricultural commodities are damaged and will not generate the AGR, the approved AGR must be reduced to the amount that can be reasonably expected or the application must be denied.

- (6)(d) Rejected Applications. If rejected, the original application along with a letter of explanation must be sent to the applicant. Insurance providers should provide a copy to the agent/representative.

D(7) **Successor-In-Interest Applications.**

A successor-in-interest application may be used to continue insurance protection and AGR revenue history under certain conditions if the tax entity changes. A successor-in-interest policy requires the preparation of a new application and cancellation of the previous policy. The insured entity changes when the tax entity for the insurance year is different than the entity that produced the historic income.

- (7)(a) Changes of an insurable entity include:
- 1 Formation or dissolution of a partnership or corporation,
 - 2 Creation or revocation of a trust,
 - 3 Death of the proprietor causing the proceeds from agricultural commodities be handled through an estate or the settlement of an insured estate; or
 - 4 A change in insured's status such as dissolution or a declaration of incompetency or incapacity; change of name due to marriage, divorce, etc., or a minor attains majority.

(7)(b) An insurance provider may approve a successor-in-interest application ONLY if:

- 1 The new tax entity's farming operation is representative of the previous farming operation and capable of producing at least the historic revenue,
- 2 The successor participated in an active farming capacity to assist with the earning of the income reported for historic AGR purposes, and
- 3 The extent of the applicant's participation in the prior production of agricultural commodities is fully documented on the successor-in-interest request. For example, a husband and wife filed joint tax returns during the base period; however, for the insurance year they created a family farming corporation that consists of the previous farming operation. The corporation's expected allowable income from the production of agricultural commodities for the insurance year must be at least equal to the historic average or, if applicable, the indexed average AGR.

(7)(c) Limitations. A successor-in-interest policy will cover only up to the average allowable income or indexed allowable income (if applicable) reported for the farming operation previously **insured**. If a change in the tax entity creates additional insurance entities (for example a partnership is dissolved and three sole proprietor tax entities are created) a successor-in-interest application is not applicable.

(7)(d) Applicants. A successor-in-interest application may be taken from:

- 1 A person having the authority to sign for the new entity.
- 2 An authorized representative (executor or administrator of an estate; trustee of a trust; guardian of a judicially declared incompetent, minor, or incapacitated individual; or individual having power of attorney).

12E **Transfer of Policies.** Use FCI-480, Cancellation/Transfer of Experience or FCIC approved Cancellation/Transfer of Experience forms to cancel AGR policies and to transfer AGR data from one insurance provider to another. To be effective, transfer requests must be signed by the cancellation date and received by the ceding insurance provider no later than 45 days after the cancellation date. Requests received later than 45 days after the cancellation date may be rejected by the ceding insurance provider for that crop year.

E(1) **The policy may not be canceled the first effective crop year** with any insurance provider for the purpose of insuring with another insurance provider without the consent of the insurers involved.

E(2) **Requirements.** The assuming insurance provider must complete and have the insured sign a Cancellation/Transfer of Experience Data Form for each policy (crop) being transferred. A policyholder may transfer a policy (crop) only once per crop year.

E(3) **Documentation.** The assuming insurance provider must complete an application, indicate it is a renewal, obtain the insured's signature, and enter the

ceding insurance provider's policy number(s) on the Policy Cancellation and Transfer of Experience Data Form.

- E(4) **AGR History.** When the insured transfers the policy to a different agent and/or insurance provider, the AGR history MUST also be transferred. The AGR history must be used unless there is a break in continuity of AGR history during the base period, if such a break occurs the person is not eligible for AGR coverage.

(4)(a) **Responsibilities.**

- 1 The assuming insurance provider must advise the policyholder that:
 - a Premium and loss experience (if any) will be transferred.
 - b AGR history will also be transferred.
 - c The policy will be terminated if the insured is indebted to the ceding insurance provider.
- 2 All insurance providers are required to transmit experience (premium and loss data) and AGR data to FCIC. FCIC will enter this information into Experience and Yield History Databases. The PHTS may be used to access this information.

- (4)(b) **Verification of Underwriting Information.** Insurance providers may complete/issue policies using the PHTS without requesting insurance experience and AGR history from the ceding insurance provider. However, if the PHTS information appears incomplete or inaccurate, the assuming insurance provider MUST request the data from the ceding insurance provider. When requested timely the ceding insurance provider will provide the experience and complete AGR data for the policy to the assuming insurance provider no later than 15 calendar days after receiving the request.

- (4)(c) **The assuming insurance provider** must notify the ceding insurance provider when it has accepted the transfer. The ceding insurance provider will then terminate its policy. In any transfer, the assuming insurance provider must issue the policy and the ceding insurance provider must terminate its policy.

- (4)(d) **Policy service functions will be performed by the assuming insurance provider** upon completion of the transfer process.

13 INSURED'S ENTITY CHANGE

If the insured dies or the insured entity changes:

- 13A **BEFORE the earlier of beginning of planting** of any insured annual crop, or BEFORE insurance attaches for any insured perennial crop, the policy terminates. A successor-in-interest application may be used to maintain continuity of insurance and transfer AGR history if the new entity qualifies for a successor-in interest.
- 13B **AFTER the beginning of planting** of any insured annual crop, or AFTER insurance attaches for any insured perennial crop, coverage under the policy will continue until the end of the insurance year. A crop inspection is not required if the crop/commodity report for the insurance year was filed by the sales closing date.

If the insured dies and an indemnity is due, the beneficiary entitled to the indemnity must be determined and documented in the official file folder. The documentation must indicate the contract number, AGR history, and circumstances requiring the naming of the beneficiary. A copy of the death certificate may be used to positively document the date of death. The beneficiary must provide the required farm tax document(s) (Schedule F) for the loss year and any other required supporting documentation. Insurance terminates for the succeeding insurance year. A successor-in-interest (if applicable) may be obtained to provide insurance the following insurance year.

14 PREVIOUS INSURANCE EXPERIENCE/PREMIUM ADJUSTMENT

Insureds may have had favorable insurance experience (base premiums and loss experience) and earned premium discounts on some crops [See the CIH for additional details] under previous policy provisions that were in force. When switching to AGR, previous insurance experience must be retained by the insurance provider for insureds to remain eligible for any earned favorable insurance discount (factor) if they switch back to the previous plan. If an insured switches back to the previous insurance plan, the insurance provider must update the insurance experience for that plan. Refer to the CIH for crops eligible for premium experience discounts and additional details.

15 SELECTING COVERAGE

The amount of coverage to be written on each eligible policy is determined as follows:

- 15A **Approved AGR.** The approved AGR along with the amount of coverage elected by the insured is the basis for determining the insured's premium and indemnity when a loss occurs; however, indemnities may be reduced to reflect changes made after the Annual Farm Report is filed.

15B **Benefit Limitations Under Crop Insurance and Other USDA Programs.**

A person insured at the limited or additional coverage who is eligible to receive an indemnity and benefits under any other USDA program for the same loss may receive benefits under both programs, unless specifically limited by the crop insurance contract or by law. However, the total amount received from all such sources may not exceed the amount of the actual loss sustained by the insured. The total amount of the actual crop loss is the difference between the fair market value of the insured crop before and after the loss, based upon the producer's production records and the highest price election or coverage available for the crop. FSA will determine and pay the additional amount due to the insured for any applicable USDA program, after first considering the amount of any crop insurance indemnity. AMTA payments, farm ownership, and operating loans may be obtained from the USDA in addition to insurance indemnities.

16 REVENUE REPORTS

- 16A **Supporting Records.** Acceptable records are required that support the AGR certified by insureds. Copies of the applicable IRS tax form(s) Schedule F and C Form 1040, Schedule K-1, Form 1120, Form 1041, Form 1065, Form 1102S, or Form 4835, etc. must be provided for each tax year certified for historic revenue purposes and are the primary acceptable supporting records. To be considered for historic revenue purposes the income must have been reported to IRS. Tax records and other supporting records as required must be retained by the insured for three insurance years after the end of the insurance year for which the AGR history was initially certified. Other supporting records are required as follows:
- 16B **Substitute Schedule F Tax Forms.** Entities engaged in the business of farming that do not complete and file Schedule F's (e.g., a farming corporation), **must report and certify** allowable income and expenses for AGR purposes in the same manner as those who file Schedule F's. A substitute Schedule F form must be completed for any applicable tax year a Schedule F was not filed with the IRS. If the substitute tax form is not provided with the revenue report for any such tax year, that tax year is not acceptable for AGR purposes and must not be accepted by the insurance provider.
- 16C **Secondary Supporting Records.** Insureds who provide a substitute tax form as supporting documentation and/or must make adjustments for AGR reporting purposes to the gross income that was reported on applicable tax documents, must provide secondary documentation to verify that the correct amount was reported. Secondary documentation is supporting documentation such as: accounting records, farm management records, warehouse receipts, ledger sheets, sales receipts/records, settlement sheets, accounts paid, payroll receipts (a copy of payments made to the Social Security Administration for tax payments), canceled checks, showing the banking institution's stamp of payment, feeding records, and etc., and may be to be used to substantiate allowable income certified and when applicable allowable expenses). These documents must show:
- C(1) The agricultural commodity sold (if documentation of allowable expense, the item purchased),
- C(2) Name of the seller,
- C(3) Name of the buyer, storer, or marketing outlet.
- C(4) Year the agricultural commodity was produced (purchased if documentation of allowable expense) and date of the transaction. If the amount reported for AGR cannot be verified through the use of supporting records, that tax year is not acceptable for AGR purposes and must not be accepted by the insurance provider. If a break in continuity of tax records occurs during the base period, coverage is not provided.
- 16D **Questionable Primary (Tax) Records.** If the insurance provider has reason to believe that the primary supporting record may not provide accurate documentation of income and/or expenses for AGR purposes, the insurance provider must request secondary supporting records to verify the amount reported for AGR. If the amount reported for AGR cannot be verified through the use of secondary records, that tax year is not acceptable for AGR purposes and must not be accepted by the insurance provider.
- 16E **Use of Another Person's Records.** Not applicable unless all successor-in-interest requirements are met.

17 GENERAL CALCULATION RULES

The average AGR is calculated from acceptable revenue reports for continuous tax years that are within the base period and that were signed and submitted by the sales closing date. Once certified and accepted by the insurance provider, AGR income and expense history will remain in the database until a tax year is outside of the base period or it is determined that the income and/or expenses for a tax year(s) must be corrected. Corrections cannot be made without acceptable supporting records and the verifier's approval.

- 17A **Databases.** Databases will consist of 5 consecutive tax years prior to the year immediately preceding the insurance year (a lag year). There may be NO break in the continuity of years for which revenue reports are required. If a break in continuity of revenue occurs during the base period, coverage is not provided.
- 17B **Zero AGR Reports.** A revenue report indicating that the insured did not have a share in allowable income from shares in any agricultural commodities (zero AGR report) is considered a break in continuity of tax years.

18 SUBMISSION OF REVENUE REPORTS

In order to be used for an insurance year, acceptable revenue reports must be signed and submitted to the agent by the sales closing date and include ONLY allowable income and allowable expenses for the insured (tax entity). Revenue reports must be consecutive and based on the same accounting method (cash or accrual) as used each tax year.

- 18A **Adjustments to Gross Income.** Adjustments must be made to gross income for the following situations:
- A(1) **Agricultural Commodities Purchased for Resale.** The cost or other basis of agricultural commodities (including animals/livestock) bought for resale must be subtracted from the gross sales amount.
- A(2) **Added Value Received for Post-production Products.** Gross income that includes added value received from post-production products such as: milling of grain into flour, processing of apples into baby food or cider, fruit put into gift baskets, and etc. must be adjusted to reflect allowable income as defined by the policy. To determine the allowable income for added value products, the cost of labor, processing, packing, packaging materials, containers, controlled atmosphere (CA) storage, trucking beyond a local market, etc. incurred to obtain the added value, must be deducted from the added value gross income.

NOTE: If the insured reported a "net" amount received from value added products to the IRS, no adjustment is required. For example, an insured sold processed apples under contract to a baby food manufacturer. The processor paid the insured a "net" amount with grading, box rent, scalding, PIP, CA storage, and etc. deducted from the gross amount and the insured reported the "net" amount to IRS.

- 18B **Do NOT include** income that is not allowed such as wages, salaries, tips, cash rent, etc.

19 CALCULATION OF AGR

- 19A **Preliminary AGR.** Agents must calculate and enter preliminary AGR's on the Farm

Reports for new insureds. Preliminary AGR's are necessary to provide applicants with estimated premiums and estimated coverages that will be provided. The preliminary AGR is calculated using the same procedures as used to calculate the approved AGR. The approved AGR must be issued by the insurance provider verifier. If the approved AGR is less than 95 percent of the preliminary AGR, the insured may submit a written request for reconsideration or request mutual cancellation of the AGR policy. Such requests must be made within 30 calendar days of the date the approved AGR was mailed or was otherwise made available to the insured.

19B **Approved AGR.** The allowable income for five consecutive tax years is used to calculate average AGR's. The total allowable income is divided by five and rounded to the nearest dollar. The approved AGR is the lesser of: 1) the average AGR or the indexed average AGR, whichever is applicable, or 2) the total expected allowable income (Item 18 of the Intended Agricultural Commodity Report) indicated on the insured's Annual Farm Report.

B(1) **Indexed average AGR's.** Indexed average AGR's may be calculated for expanding operations to increase effective coverage by multiplying the average AGR by an income trend factor. To qualify for indexed AGR's: 1) the two most recent tax year's allowable income (in the AGR base period) must be greater than the average AGR, 2) the insurance year's total expected income (Item 18, Intended Agricultural Commodity Report) indicated on the Annual Farm Report as approved by the insurance provider must be greater than the average AGR, and 3) the income trend factor must be greater than 1.00.

B(2) **Calculate indexed average AGR's as follows:**

Step 1: Divide each tax year's allowable income (Col 8 of the AGR Report) by the preceding tax year's allowable income and round to three decimal places. The factor may not exceed 1.200 (20% cap) Example: (1994's allowable income \$110,000) ÷ (1993's allowable income \$100,000) = 1.100, (1995's allowable income \$134,000) ÷ (1994's allowable income \$110,000) = 1.200, and etc.

Step 2: Total the results obtained in Step 1, divide by four, round to three decimal places. Multiply the result by itself three times (fourth power).

Example: $(1.100 + 1.200 + .900 + 1.200) \div 4 = 1.100^4 = 1.464$

Step 3: Multiply the income trend factor obtained in Step 2 times the average AGR and round to the nearest dollar. Example: (Average AGR \$121,920 X 1.464 = \$178,490).

19C **Issuance of Approved AGR.** The approved AGR is issued by the insurance provider (verifier) and is used to calculate the insured's AGR coverage and premium. However, if an insured has elected 80/75 or 75/75 coverage and the insurance provider determines that the insured does not qualify for that coverage, the coverage will be reduced to the next highest coverage for which the insured qualifies and the premium adjusted accordingly.

20 ANNUAL FARM REPORTS

A Farm Report is required when making application for AGR insurance the initial year of insurance and in subsequent insurance years by the applicable sales closing date. The Farm Report is required prior to the acceptance of any AGR liability. If the Farm Report is not

provided by the sales closing date in subsequent insurance years, the policy will be terminated by the insurance provider. [See Part 4, Section 34 for completion instructions.] The Farm Report must contain but is not limited to the following information:

- 20A **Revenue Report.** [Refer to Section 24 for additional information concerning allowable income and expenses.]
 - A(1) **For new insureds (applicants).** Five consecutive tax years of allowable income and allowable expense history.
 - A(2) **For carryover insureds,** the allowable income and allowable expense history from the tax year prior to the tax year immediately preceding the insurance year.
 - A(3) **A Copy of the farm tax forms,** for each tax year of AGR history that is being reported on the revenue report.

- 20(B) **The Intended Agricultural Commodity Report,** is the insured's report of agricultural commodities that will be produced and the expected allowable income from those commodities during the insurance year. If value added post-production products are involved, the expected gross income must be reduced as indicated in Part 2, Section 18, Par., A(2). The intended agricultural commodity report must contain the number of acres planted, number of animals produced, amount of the commodity to be produced, number of plantings/harvests, and agricultural commodities purchased for resale (less the cost of other basis) for underwriting/rating purposes. To assist in underwriting the AGR policy and determine the correct premium rates, reports must categorize agricultural commodities as indicated on the Agricultural Commodity and Code listing [See Reference Material]. Each agricultural commodity listed that has a separate code is considered one agricultural commodity for rating/underwriting purposes. It may be necessary to further subdivide the type of animals (or type of operation) according to species and or the intended markets for which they are produced in order to accurately determine the expected income. If further subdivided, each line is coded as the applicable the type of animal/type of operation and considered as one agricultural commodity. Commodities are categorized:
 - (B)(1) **By Crop.** If an annual or perennial crop. Information required;
 - (1)(a) **Nursery.** A listing/inventory of the plants that will be produced during the insurance year, corresponding expected market prices, marketing method (wholesale/retail), and total expected allowable income.
 - (1)(b) **Christmas trees.** A listing by type and size/age, corresponding expected market prices, marketing method (wholesale/retail) that will be produced during the insurance year.
 - (B)(2) **As animals** if livestock (beef cattle, hogs, sheep, goats or other traditional farm animals), fish/aquaculture, poultry, reptiles, or other live animals. The report must indicate the number and type of animals (cattle, hogs, sheep, goats, etc.) that will be produced. Animals must be categorized by type and entered on a separate line as follows:
 - (2)(a) **Beef cattle** according to the type of operation:
 - 1 Cow/Calf,
 - 2 Stocker/Feeders, or
 - 3 Feedlot.

(2)(b) Hogs according to the type of operation:

- 1 Farrow,
- 2 Farrow/Finish, or
- 3 Finish.

(2)(c) Sheep according to the type of operation:

- 1 Ewe/Lamb,
- 2 Stocker/Feeder, or
- 3 Feedlot.

(2)(d) A type of operation may be subdivided to accurately determine the expected allowable income as follows:

- 1 Weaners (e.g., pigs 0-50),
- 2 Feeders (e.g., pigs 0-50 lbs),
- 3 Growers, (e.g., pigs 50-150 lbs)
- 4 Fat/Finished (e.g., hogs 150-250)
- 5 Breeding stock (e.g., boars, sows, gilts, culls, etc.).

(2)(e) Goats, all types of goat operations are covered under a single commodity code.

(2)(f) Other traditional farm animals such as replacement dairy heifers, horses, bees, and etc are covered under a single commodity code.

(2)(g) Fish/Aquaculture propagated or reared in a controlled environment are covered under a single commodity code.

(2)(h) Poultry. The report must indicate the number and type of poultry (turkeys, chickens, ducks, pigeons, quail, and etc.) to be produced during the insurance year. To accurately determine the expected income it may be necessary to subdivide poultry as follows:

- 1 Eggs for incubation,
- 2 Newly hatched (chicks, poults etc.),
- 3 Broilers,
- 4 Meat production,
- 5 Layers,
- 6 Hens/breeding stock sold for slaughter (Less depreciation if reported on Form 4797 Depreciation Schedule).

(2)(i) Reptiles are covered under a single commodity code.

(2)(j) Other Live Animals (except for other traditional farm animals) are covered under a single commodity code.

(B)(3) **As an animal product** if produced by an animal. The following animal products; must be reported and coded separately and are considered separate agricultural commodities: cheese, eggs, furs, honey, milk, and wool.

B(4) **Agricultural commodities bought for resale.** Income from livestock, and poultry bought for resale would be categorized as applicable in B(1)- (3) respectively. The cost (expected) or other basis must be subtracted from the expected gross sales of agricultural commodities bought for resale.

- 20C **Report of changes to the farming operation**, if any, that will affect the insurance year's AGR as compared to the historic AGR. Each insurance year the insured must report any changes (Item 22 of the Farm Report) of the:
- C(1) **Tax entity**,
 - C(2) **Agricultural commodities produced or production practices**,
 - C(3) **The size of the farming operation** such as; a decrease in acreage, termination of the production of any agricultural commodity, fewer plantings of an agricultural commodity, expansion, and shares of agricultural commodities,
 - C(4) **Market conditions or marketing methods** (wholesale, retail, or direct),
 - C(5) **Condition of any perennial crop**, such as damage occurring prior to the beginning of the insurance period or if replacement of any depletable agricultural commodity that is not planned; or
 - C(6) **Any other change** that may reduce the insured's allowable income from previous levels.

21 INVENTORIES AND ACCOUNTS RECEIVABLE

When applicable, reports of beginning and ending inventories and beginning and ending accounts receivable are required to correctly calculate allowable income to count on an accrual basis if an indemnity is claimed. Beginning and ending inventories and beginning and ending accounts receivable must be categorized in the same manner (separately for each applicable agricultural commodity/type of commodity/type of operation) as reported on the Farm Plan's Intended Agricultural Commodity Report. Failure to accurately document a beginning inventory or a beginning amount that is receivable may result in income earned from agricultural commodities produced in prior years being counted as income to count for the insurance year. When applicable, beginning inventories must be provided to the insurance provider by January 31 of insurance year. Any ending inventories and ending accounts receivable must also be supported by verifiable records. See Part 4, Section 35 for the Inventory and Accounts Receivable Form, completion instructions, and additional information.

22 AGRICULTURAL COMMODITY PROFILE

Insureds who meet the diversity requirements for the two highest amounts of coverage (80/75 and 75/75) are also required to complete the Agricultural Commodity Profile to qualify for such coverage. The Agricultural Commodity Profile provides additional underwriting information for the same tax years that are reported on the AGR Revenue Report. This information is essential for future development of the AGR program especially, if higher coverage amounts are elected. Insurance providers must forward this information to RMA. [See Part 4, Section 36 for the Agricultural Commodity Profile Form, completion instructions, and additional information.]

23 (RESERVED)

24 (RESERVED)

PART 3 CLAIM FOR INDEMNITY ACCOUNTING STANDARDS

25 GENERAL ACCOUNTING STANDARDS

25A General Information

- A(1) **Each insured entity (individual, partnership, corporation)** must calculate and report to the IRS, taxable income on an annual accounting period called a tax year. The calendar year is the most common tax year used. Other tax years are the fiscal year and under certain conditions, a short tax year.
- A(2) **Cash and accrual accounting methods:**
- (2)(a) Under the cash accounting method, the taxpayer will generally report income in the tax year received and deduct expenses in the tax year they are paid.
- (2)(b) Under the accrual accounting method, the taxpayer will generally report income in the tax year it is earned regardless of when payment is received and deduct expenses in the tax year they were incurred regardless of when payment is made.

25B Accounting Methods

- B(1) **When a claim is filed, the accrual accounting** method will be used to determine income to count.
- (1)(a) Under the accrual accounting method, income is generally reported in the year earned and expenses are deducted or capitalized in the year incurred. The purpose of this method of accounting is to match income and expenses to the year in which it was earned.
- (1)(b) The insured generally will include an amount as income for the tax year in which all events have occurred that allow them the right to receive the income and can be determined with reasonable accuracy.
- (1)(c) An inventory must be used when production from prior years is in inventory and/or production from the insurance year is not sold to figure gross income. Allowable income is calculated using increases and decreases in the amount of inventory of agricultural commodity between the beginning and ending of the insurance year. Beginning and ending inventories, except for animals and commodities purchased for resale, are valued at the actual amount received if the inventory is sold prior to the time the claim is finalized or the local market value on the first day of the month in which the claim is finalized if the inventory is not sold at the time the claim is finalized. A complete inventory of commodities insured is required for reporting income on an accrual method.
- B(2) **For underwriting purposes** (determining approved AGR), the accounting method(s) used for reporting to the IRS will be used to determine the insurance year AGR.
- B(3) **Regardless of the accounting method** (cash or accrual) used for tax purposes, comparable accrual adjustments may be required for claim purposes.

25C **AGR Allowable Income - General Information**

- C(1) **Allowable income is income from the business of farming** reported to the IRS on Schedule F (Form 1040, Form 1041, or Form 1065), Form 4835 (Form 1040), or worksheets which calculate allowable farm income from the following IRS forms or schedules: Schedule C (Form 1040), Schedule K-1 (Form 1041), Form 1120 S (S Corporations), or Form 1120 (Corporations). Allowable farm Income does not include added value due to post-production operations such as processing, packing, packaging, etc. Refer to Part I, Section 6, Definitions for the list of allowable income.
- C(2) **Excluded Income (AGR History)**. Income to be deducted from gross income for the production of agricultural commodities that the IRS requires the insured to report. Excluded income for AGR history purposes is:
- (2)(a) The additional income from value added items -(i.e. cider from apples raised, flour from raised grain, baskets of fruit, etc.)
 - (2)(b) Cooperative dividends that are not directly related to the production of an insured agricultural commodity.
 - (2)(c) Processing of insured commodities (including grading, packing, controlled atmosphere storage, etc.).
 - (2)(d) Custom hire (machine work).
 - (2)(e) Agricultural program payments.
 - (2)(f) Crop insurance payments and certain disaster payments;
 - (2)(g) Net gain from commodity hedges.
- C(3) **Excluded Income (for Claim Purposes)**: Income to be deducted from gross income for the production of agricultural commodities that the IRS requires the insured to report. Excluded income for claim purposes is:
- (3)(a) The additional income from value added items -(i.e. cider from apples raised, flour from raised grain, baskets of fruit, etc.);
 - (3)(b) Cooperative dividends that are not directly related to the production of an insured agricultural commodity;
 - (3)(c) Processing of insured commodities (including grading, packing, controlled atmosphere storage, etc.);
 - (3)(d) Custom hire (machine work);
 - (3)(e) Agricultural program payments;

25D **Insurance Year Allowable Expenses - General Information.** For insureds who file Schedule F, the allowable expenses will generally be line 35 less lines 16, 23, 26, and 31. The allowable portion of Line 16 would only involve the amount of depreciation allowed for animals. Refer to Part 1, Section 6, Definitions, for the list of allowable expenses.

26 ADJUSTMENTS TO GROSS INCOME AND EXPENSES

When a loss occurs cash basis allowable income for the insurance year will be converted to accrual basis allowable income for the insurance year by making adjustments to cash basis allowable income. These adjustments will include accrual and other adjustments.

26A **Accrual Adjustments to Allowable Income for the Insurance Year**

In order to convert the insured's cash basis allowable income for the insurance year to accrual basis allowable income for the insurance year, beginning balances (inventories in the units of measure for the agricultural commodities), the amount of agricultural commodities disposed of (in units of measure for the agricultural commodities) and ending balances (inventories in the units of measures for the agricultural commodities) will be required if an indemnity is to be claimed. Balances will be required for the following categories:

A(1) **Accounts Receivable for Allowable Income for the Insurance Year**

The beginning balance of accounts receivable will be compared to the ending balance of accounts receivable to determine the accrual adjustment to allowable income for the insurance year for the change in accounts receivable for allowable income. Accounts receivable are from the insurance year sale of agricultural commodities for which a specified sales price has been determined. If the insured cannot determine the specified sales price, it should be included as an inventory item. For example, if the insured sold and delivered an agricultural commodity to a processor for an agreed upon price but had not received payment it should be considered an accounts receivable. However, if the price had not been agreed upon it should be included in inventory.

(1)(a) When an insured's accounts receivables increase, cash basis allowable income for the insurance year will be increased by the increase in accounts receivable.

(1)(b) When a insured's accounts receivables decrease, cash basis allowable income for the insurance year will be decreased by the decrease in accounts receivable.

A(2) **Inventories For Animals, Crops and Commodities Held for Sale**

The beginning balance of inventories of agricultural commodities and the amount disposed of will be compared to the ending balance of agricultural commodities to determine the accrual adjustment to gross income for the change in beginning inventories of agricultural commodities held for sale.

(2)(a) When an insured's ending inventory contains agricultural commodities produced during the insurance year, cash basis allowable income will be increased by the amount attributed to agricultural commodities produced during the insurance year in inventory.

- (2)(b) When an insured's beginning inventory of the agricultural commodities decreases, cash basis allowable income will be decreased by the amount of decrease in the beginning inventory.
- (2)(c) For claim purposes, beginning and ending inventories are necessary to determine revenue to count for an insurance year on an accrual basis. The Animal Inventory/Accounting Worksheet calculates the revenue to count for claim purposes using increases or decreases in inventory values during the insurance year, less the cost or the basis for animals purchased. Animals must be grouped according to the type/category corresponding to how they will be marketed. Local market value is determined at the beginning or the insurance year for beginning inventories and for ending inventories at the end of the insurance year for each applicable type/category:
 - 1 If animals are marketed in pounds, gross inventory values will be determined by multiplying the number of animals X the average lbs. per animal for the type/category X applicable value/price per lb.
 - 2 For animals sold individually (by the head/animal) inventory values will be measured by multiplying the number of animals/livestock X the average value/price per animal for the type/category.
 - 3 For animals being depreciated, inventory values are the amount paid less the depreciation allowed on previous years' and the current year's tax form.
- 2(d) Complete the beginning inventory for each applicable type/category of animals on hand at the beginning of the insurance year. Complete the ending inventory for animals/livestock on hand at the end of the insurance year. Include animals/livestock from which income is accounted for as gains or losses on Schedule D (Form 1040), Form 4797 (animals held for breeding, dairy purposes, or not held primarily for sale), or is depreciated on Form 4562.

A(3) **Table 1 - Accrual Adjustments to Gross Income**

Table 1 illustrates an example of the calculation of accrual adjustments to cash basis allowable income. Assume an insured had the following balances:

Beginning:

Accounts Receivable	\$12,000
Inventory	6,000 units of Commodity B (produced prior to insurance year)

Ending:

Accounts Receivable	\$6,000
Inventory	1,000 units of Commodity A (produced during insurance year)
	1,000 Units of Commodity B (produced during insurance year)

Cash Basis Allowable	
Income	\$50,000

(1) Accrual Adjustments to Revenue	(2) <u>Ending</u> Units of Measure (dollars, bushels, lbs.,etc.)	(3) <u>Beginning</u> Units of Measure (dollars, bushels, lbs.,etc.)	(4) <u>Adjustment</u> Units of Measure (dollars, bushels, lbs.,etc.) (2) - (3)	(5) Value per Unit of Measure for Inventories (Claim Only)	(6) Income to Count (4) x (5)
Accounts Receivable	\$12,000	\$6,000	\$6,000	N/A	\$6,000
Inventories of Agricultural Commodities	1,000 units of Commodity A 1,000 units of Commodity B (Produced during Insurance Year)	6,000 units of Commodity B	1,000 units of Commodity A (6,000) units of Commodity B (sold during insurance year). 1,000 units of Commodity B (carried over)	\$2 per unit of Commodity A \$3 per unit of Commodity B \$3.50 per unit of Commodity B	\$2,000 Commodity A (\$18,000) Commodity B \$3,500 Commodity B
Net Accrual Adjustments to Add (Subtract) to Allowable Income					(\$6500)

In this example, (\$6500) would be subtracted from the cash basis allowable income of \$50,000 for an accrual basis allowable income of \$43,500 to count in the indemnity calculation.

26B Accrual Adjustments to Allowable Expenses

The insured's expenses will be determined by cash accounting methods and will include all allowable expenses reported to the IRS for the insurance year. However, if the insured prepays expenses and supplies to a greater extent than in past years to take unfair advantage of this policy, or if losses in the insurance year prevent the insured from prepaying for expenses and supplies to a lesser extent than in past years, allowable expenses may be converted to accrual basis and compared to the approved expenses. Beginning balances and ending balances may be required if an indemnity is to be claimed. Balances may be required for the following categories:

B(1) Prepaid Allowable Expenses

Prepaid allowable farm supply expenses are expenses for supplies purchased for use in the production of future insurance years' agricultural commodities and reported to the IRS as an expense in the current year. For example, an insured purchases fertilizer to be used in the production of next year's crop. These prepaid supplies may be held on the insured's farm or in a supplier's warehouse. The beginning balance of prepaid allowable expenses will be compared to the ending balance of prepaid allowable expenses to determine the accrual adjustment to gross expenses for the change in prepaid allowable expenses.

(1)(a) When an insured's prepaid allowable farm supply expenses increase, cash basis allowable expenses will be **decreased** by the increase in prepaid allowable farm supply expenses.

(1)(b) When an insured's prepaid allowable farm supply expenses decrease, cash

basis allowable expenses will be **increased** by the decrease in prepaid allowable farm supply expenses.

B(2) Operating Accounts Payable for Allowable Expenses

The beginning balance of accounts payable for allowable expenses will be compared to the ending balance of accounts payable for allowable expenses to determine the accrual adjustment to allowable expenses determined on a cash basis.

(2)(a) When a insured's accounts payable for allowable expenses **increase**, cash expenses will be **increased** by the increase in accounts payable.

(2)(b) When a insured's accounts payable for allowable expenses **decrease**, cash expenses will be **decreased** by the decrease in accounts payable.

B(3) Table 2 - Example of Accrual Adjustments to Expenses

Table 2 illustrates an example of an accrual adjustment to allowable expenses. Assume an insured had the following balances:

Beginning:

Prepaid Farm Supply Expenses \$9,000
 Operating Accounts Payable \$5,000

Ending:

Prepaid Farm Supply Expenses \$8,000
 Operating Accounts Payable \$6,500

Cash Basis Allowable Expenses \$100,000

(1) Accrual Adjustments to Allowable Expenses	(2) <u>Beginning Value</u>	(3) <u>Ending Value</u>	(4) <u>Accrual Expense Adjustment</u>
Prepaid Farm Supply Expenses	\$9,000	\$8,000	{(2) - (3)} \$1,000
Operating Accounts Payable for Allowable Expense	\$5,000	\$6,500	{(3) - (2)} \$1,500
Net Accrual Adjustments to Allowable Expenses			\$2,500

In this example, \$2,500 would be added to the cash basis allowable expenses of \$100,000 for a total of \$102,500 accrual basis allowable expenses. This total would be compared to the approved expenses to determine any necessary decrease in the approved AGR. If the allowable expenses for the insurance year are less than 70% of the approved expenses, the approved AGR is adjusted before a claim is settled. See Paragraph 26, of the Claim for Indemnity, for the required structural change adjustments.

26C Other Adjustments to Income

C(1) Fed Production

If the insured feeds all or a portion of a covered agricultural commodity to animals/livestock, this fed production will be accounted for through the sales of the animals/livestock and in the inventory process.

C(2) Deferral of Crop Insurance Proceeds to the next tax year:

(2)(a) If the cash method of accounting is used, the insured can elect to include crop insurance proceeds in income for the tax year following the tax year in which the loss occurred. The insured can make this election if they can show that they would have included the income from the damaged crop/commodity in any tax year following the year the loss occurred. If this election was taken, a statement should have been attached to the tax return in the year the election was made.

(2)(b) If this election was taken, the proceeds will be added to the current year's income since the loss is related to production from the current year's insurance period.

C(3) Drought Sales:

(3)(a) If, after December 31, 1996, the insured sells more animals, than they normally would in one year because of a drought, flood, or other weather-related condition, they may be able to include the gain from selling the additional animals in the following year's income. To postpone the income all of the following conditions must be met: 1) their principal business is farming; 2) they use the cash method of accounting; 3) they can show that, under their usual business practices, they would not have sold the animals this year except for the weather-related condition; and 4) the weather-related condition resulted in an area being designated as eligible for assistance by the federal government. This type of information would need to be known for prior years also, but the only condition triggering this election before January 1, 1997 was drought. If this election was taken a statement should have been attached to the return in the year the election was made.

(3)(b) If this election was taken, the proceeds will be added to the current insurance year's income since it is related to the current year's production.

C(4) Other Insurance Coverage

All insurance payments for loss or damage covered by the AGR policy to agricultural commodities that occurred during the insurance period for this policy. Such payments received for damage to commodities covered by this policy **will be** included as income to count for claims purposes. For example, an insurance payment for multi-peril, hail, or loss of an agricultural commodity that was in storage or transit would be revenue to count.

27 VALUATION GUIDELINES**27A Inventory Valuation**

For claim purposes, use the ending inventory balances of agricultural commodities produced during the insurance year in units of measure as they will be marketed. Refer to the LAM to determine the quantity of farm-stored production.

A(1) Inventory Valuation for Animals and Commodities Purchased for Resale

Beginning inventories will be valued at the local market value on January 1 of the insurance year. Ending inventories will be valued at the local market value on December 31 of the insurance year. Both are reduced by the cost of the commodities in inventory.

A(2) Inventory Valuation for Commodities Not Included in Paragraph A(1)

Beginning and ending inventories will be valued at the actual price received if sold prior to the time the claim is finalized, or the local market value on the first day of the month in which the claim is finalized if not sold prior to the time the claim is finalized.

27B Accounts Receivable Valuation

Accounts receivable will be valued at the dollar amount due to the insured. Accounts receivable includes values of inventories under contract with a buyer at a specified price. If the insured cannot determine the sales value, it should be included as an inventory item. For example, if the insured sold and delivered an agricultural commodity to a processor for an agreed upon price but had not received payment it should be considered an accounts receivable. However, if the price had not been agreed upon it should be included in inventory and valued accordingly.

B(1) Beginning Accounts Receivable Valuation

The beginning accounts receivable will be valued on January 1 of the insurance year.

B(2) Ending Accounts Receivable Valuation

The ending accounts receivable will be valued on December 31 of the insurance year.

27C Prepaid Allowable Farm Supply Expenses

The prepaid allowable farm supply expenses will be valued at cost.

27D **Accounts Payable for Allowable Expenses**

The accounts payable for allowable expenses will be valued at cost.

28 **CLAIM FOR INDEMNITY**28A **Adjustments for Change in Farming Operation**

A **structural change** of the insured's farming operation involves changes in ownership, business structure, size of operation, share, management practices, type of farming activity, accounting methods or any other practices that alters farm income compared to the historic average.

A(1) **Structural Change Within the Insurance Period**

The effect of any changes to the **Farm Report** (within the insurance period) on **AGR** must be substantiated at the time a claim is filed. The approved expenses will be used to determine the percentage of decrease in allowable expenses. If the allowable expenses for the insurance year decrease by 30% or more when compared to the approved expenses, the insured's farm operation will be considered to have undergone a significant change and indemnity adjustments are required.

A(2) **Structural Change Between Insurance Periods**

These changes should be reflected on the Annual Farm Report as a change in the total expected income for the insurance year. The approved AGR may decrease when compared to the average allowable income. The approved AGR may increase above the average allowable income if there is an upward trend in income is greater than the average allowable income, the approved AGR may be indexed to allow for expansion in the farm operation. See Part 2, Section 19B for determining the indexed Approved AGR.

28B **An indemnity payment** may be made after the current year income tax return has been filed with the IRS. The insured must notify the insurance provider in writing of any changes (such as IRS audits or adjustments) made to the information provided to the IRS on the tax returns. If the change(s) affect the approved AGR or revenue to count for the insurance year by more than five percent, the approved AGR/AGR database and/or claim must be corrected.

B(1) **For individuals and partners**, a copy of the Schedule F and Form 1040 for the current year must be submitted to the insurance provider before a payment can be made.

B(2) **Corporations must submit a copy** of the Form 1120 and a substitute Schedule F form for the insurance year.

B(3) **Claims for indemnity will be calculated** on an accrual basis. For insureds reporting farming income to IRS on a cash basis, the cash basis must be converted to an accrual basis for the loss year.

28C **Claim For Indemnity Calculation**

C(1) **In the event of loss of revenue**, the claim for indemnity will be calculated by the

insurance provider. The insurance provider must have the following information prior to finalizing the claim.

- (1)(a) Approved adjusted gross revenue (see Section 19)
- (1)(b) Approved expenses
- (1)(c) Allowable expenses for the insurance year
- (1)(d) Revenue to count for the insurance year
- (1)(e) Coverage level percentage
- (1)(f) Payment rate percentage

C(2) The claim for indemnity will be calculated as follows:

- (2)(a) Divide the insured's allowable expenses for the insurance year (Part 1, Section 6, Definitions) by the approved expenses to determine the Expense Reduction Percentage. Reduce the insured's approved AGR by 0.1 percent for each 0.1 percent that the insured's allowable expenses for the insurance year fall below 70.0 percent of the insured's approved expenses.
- (2)(b) Multiply the insured's approved AGR (adjusted as shown in 28C(2)(a)) by the coverage level percentage the insured elected;
- (2)(c) Subtract the insureds revenue to count for the insurance year from the result of (C)(2)(b); and
- (2)(d) Multiply the result of (2)(c) by the payment rate percentage the insured elected.

C(3) If the insured has the 65/75 amount of insurance, multiply the approved AGR (adjusted for expenses if necessary) times the coverage level percentage (.65). Subtract from this result the insured's revenue to count for the insurance year. Next multiply this result times the payment rate percentage (.75). The result is the indemnity.

EXAMPLE

The Insured had approved expenses of \$100,000, allowable expenses for the insurance year of \$68,000, and an approved AGR of \$130,000. The insured's revenue to count is \$25,000 and the insured purchased 65/75 coverage. The indemnity would be calculated as follows:	
28C(2)(a)	$\$68,000 \div \$100,000 = 68.0$ percent or 2.0 percent less than 70.0 percent. Therefore the approved AGR is reduced by 2.0 percent to \$127,400;
28C(2)(b)	$\$127,400 \times .65$ (coverage level) = \$82,810;
28C(2)(c)	$\$82,810 - 25,000$ revenue to count = \$57,810; and
28C(2)(d)	$\$57,810 \times .75$ (payment rate percent) = \$43,358 indemnity.

C(4) **Any reduction in allowable income** due to an uninsured cause of loss, including reductions caused by the following will be added to the revenue to count:

- (4)(a) Damage or destruction of agricultural commodities due to uninsured causes; or
- (4)(b) Abandonment.

C(5) **A claim cannot be settled:**

- (5)(a) Until the corresponding year's farm tax forms are filed. If the farm tax forms are amended after the claim is settled, the insured must notify their

insurance provider and provide a copy of the amended forms. The insurance provider may adjust the amount of any indemnity based on the information contained in the amended form; and

(5)(b) Until all other insurance indemnities that cover commodities insured under this policy have been finalized.

28D **Agricultural Commodities as Payment.** The insured must not forfeit any agricultural commodity to the insurance provider. The insurance provider will not accept any agricultural commodity as compensation for payments due them.

28E **Arbitration**

E(1) **If the insured and the insurance provider** fail to agree on any factual determination, the disagreement will be resolved in accordance with the rules of the American Arbitration Association. Failure to agree with any factual determination made by FCIC must be resolved through the FCIC appeal provisions published at 7 CFR part 11.

E(2) **No award determined by arbitration or appeal** can exceed the amount of liability established or which should have been established under the policy.

28F **Access to Insured Farm Business and Records, and Record Retention.**

F(1) **The insurance provider and FCIC** reserves the right to examine the insured agricultural operations as often as they reasonably require.

F(2) **For three years after the end of the insurance year,** the insured must retain, and provide upon request, complete records of the harvesting, storage, shipment, sale, or other disposition of all the agricultural commodities produced. This requirement also applies to the records used to establish the insured's approved AGR. The insurance provider or FCIC may extend the record retention period beyond three years by notifying the insured of such extension in writing. The insured's failure to keep and maintain such records will, at the insurance provider or FCIC's option, result in:

(2)(a) Cancellation of the policy;

(2)(b) Assignment of value to, or quantities of, agricultural commodities; or

(2)(c) A determination that no indemnity is due.

F(3) **Any person designated by the insurance provider or FCIC will,** at any time during the record retention period, have access:

(3)(a) To any records relating to this insurance at any location where such records may be found or maintained; and

(3)(b) To the farm.

F(4) **By applying for insurance under the authority of the Act** the insured authorizes the insurance provider or FCIC, or any person acting for them, to obtain records relating to the agricultural operation from any person who may have custody of those records including, but not limited to, FSA offices, banks, warehouses, gins, cooperatives, marketing associations, and accountants. The insured must assist

in obtaining all records which are requested from third parties.

28G **Other Insurance**

- G(1) **The insured may obtain other insurance issued** under the authority of the Act on their share of the any agricultural commodity insured under this policy. Nothing in this paragraph prevents the insured from obtaining other insurance not issued under the Act.
- G(2) **Any other policy purchased will be primary** and **any** insurance payment received from another policy for loss or damage to agricultural commodities covered under this policy will be considered to be allowable income.

28H **Refund of Overpayment**

- H(1) **An insured will be required to refund** to the insurance provider any payments received under the program that are contrary to this document or the Act as amended from time to time.
- H(2) **The insured may be required** to pay the insurance provider interest on money required to be repaid. Interest will accrue at the rate of 1.25 percent simple interest per calendar month, or any portion thereof, on any unpaid amount due. Refer to the AGR policy for further information.
- H(3) **The insured may be required to pay** the insurance provider interest. The interest will begin to accrue on the first day of the month following the premium billing date specified in the Special Provisions of the AGR policy.

29 (RESERVED)

30 (RESERVED)

PART 4 - FORMS AND REPORTS**31 APPLICATION**

Overview of applicant and insurance provider's role in completing the application.

31A Applicant's Role

A(1) **Provides required insurance data** including the required Annual Farm Report and farm tax forms.

A(2) **Elects coverage.**

A(3) **Signs and dates application.**

31B Insurance Provider's Role

B(1) **Informs insured about AGR insurance program.**

B(2) **Records and verifies insurance data.**

B(3) **Calculates and enters estimated premium** based on the insurance data provided by the insured.

B(5) **Checks application for completeness.**

32 GENERAL INFORMATION

32A **For the appropriate agricultural commodities, tax year, county and state,** use the actuarial documents to inform the applicant about:

A(1) **Coverage and Rate Tables.**

A(2) **Coverage Available.**

A(3) **Special Provisions of Insurance, if applicable.**

32B **Using the selections made by the insured,** use the actuarial documents to correctly make the entries on the application.

32C **Insured Entity.** The tax entity dictates the type of entity and how the entries on the application are completed: heading, signature, authorization (if one is needed), and the identification number. To determine the correct entity refer to the farm tax forms. The application must be the same entity as the applicant's farm tax forms that were filed (i.e. sole proprietor, partnership, corporation).

32D Paragraph A of the Application

Paragraph A of the application explains how the applicant applies for AGR. For AGR the insured elects a coverage that applies to all agricultural commodities insured and coverage is based on income that has been reported to the IRS on the applicable farm tax forms and/or the Annual Farm Report.

32E **Paragraph B of the Application**

Paragraph B requires the applicant to list all the persons or entities with 10 percent or more interest in the insured entity.

32F **Paragraph C of the Application**

Some of the items contained in Paragraph C:

F(1) **Exceptions to acceptance**; such as material facts are omitted, concealed or misrepresented in the application or submission of application, the applicant is a debtor for crop insurance under the Federal Crop Insurance Act, etc.

F(2) **States that the contract continues** for each succeeding crop year until canceled or terminated as provided in the contract.

32G **In Accordance with the AGR Policy**, the contract is non-cancelable for the first year.

32H **Sales Closing Date**. Applications must be signed before the sales closing date established in the AGR policy.

32I **Insurance Provider Responsibility**. The insurance provider is responsible for an accurate presentation of insurance contract provisions and ensuring that each form is fully completed and legibly.

33 APPLICATION COMPLETION INSTRUCTIONS

Verify and make the following entries:

Item No.

Information Required

1 **Name of Applicant:** Print or type the name of the applicant as shown on the applicants farm tax forms filed with IRS.

NOTE: The name as it appears in this entry space must be identical to the signature used by the applicant in item 19.

2 **Street or Mailing Address:** Applicant's complete address where applicant wants mail delivered.

NOTE: Street or mailing address may be different from the location where the agricultural commodity(ies) are insured; (e.g. absentee landlord may not have the same mailing **address** as farm headquarters).

3 **City and State:** Complete name of city and state abbreviation where the applicant wants mail delivered. See note in item 2.

4 **ZIP Code:** Zip Code for the city and state in item 3; use the 9-digit zip code if available. See note in item 2.

5 **Applicant's Telephone Number:** Enter the area code and the 7-digit telephone number where the applicant can be reached during regular business hours.

6 **Applicant's Authorized Representative:** Name of the representative authorized to sign the application for the applicant when such authorization is notarized and on file.

7 **Policy Number:** Enter the 7-digit number assigned by the insurance provider for the entity.

8 **State Code-County Code:** Refer to the Annual Farm Report for the applicable State(s) and County(ies).

9 **Type of Entity:** The type of entity that best describes the applicant.

NOTE: The applicant must have the same type of entity as recorded on the farm tax forms.

10 **Applicant at Least 18 Years Old:** Place an "X" to the right of "yes" if applicant has reached 18th birthday.

If applicant HAS NOT reached 18th birthday, place an "X" to the right of the "NO", and to the right of the "X" enter the month, day and year of the applicant's birth.

A "NO" answer requires one of the following actions:

(1) Court-appointed guardian or parent must sign a statement to be entered on the application agreeing to guarantee the premium. (May insure at Limited level without this).

(2) Court-appointed guardian or parent signs the application. If the guarantor is a court-appointed guardian, he/she must provide a statement that indicates where the court decree can be verified.

11 **Identification Number:** The applicant's social security or tax identification number. Do not enter dashes, only the digits.

NOTE: When an applicant has not provided an ID number, the applicant must be informed of the following: In accordance with the IRS code, 20% of any indemnity payment due an insured will be withheld. If the applicant refuses to provide their ID number, the applicant must provide a signed statement of refusal.

12 **Type of ID Number:** The type of identification number that was entered in item 10 - enter an "X" in the appropriate box.

13 **Insurance Request for AGR Insurance:** Enter an "X" in the appropriate box.

14 **Insurance Year:** Applicable insurance year insurance coverage will be in effect.

15 **Annual Farm Report, etc.:** Enter "X" in yes, if the applicant has provided the listed documents. Enter "X" in no, if the applicant has not provided these documents.

16 **Coverage:** Enter the name and amount of coverage selected by the applicant. (Limited 65/75, limited 75/75 etc.).

17 **Name of Previous Carrier (if any):** Enter the name of the insurance provider if the applicant was insured under AGR the previous crop year with a different insurance provider.

18 **Policy Number under Previous Carrier:** Policy number of the insured applicant that was assigned by the previous insurance provider.

- 19 **Applicant's Signature:** Applicant's signature (must match item 1; or
Authorized applicant's representative's signature when a notarized power of attorney is on file in the service office granting such person authorization to sign (must match item 2); or
Applicant under 18 years of age; The respective court-appointed guardian or parent's signature with the following statement written in "I guarantee payment of premium." /s/ parent or guardian.
- 20 **Date:** Date the applicant or the applicant's authorized representative signs the application.
- 21 **Location of Farm Headquarters Phone Number:** Enter area code and 7-digit phone number where the applicant can be reached during regular business hours.
- 22 **Agent Signature:** Signature of the insurance provider who completed the application.
- 23 **Agent Code Number:** Insurance provider's assigned code number.
- 24 **Date:** Date the insurance provider signs the application.
- 25 **Agent Address and Telephone Number:** Complete address and telephone number of the insurance provider who completed the application.

FOR ILLUSTRATION PURPOSES ONLY

☉FCI-12 AGR
(10-98)

U. S. DEPARTMENT OF AGRICULTURE

OMB NO. 0563-0053

Federal Crop Insurance Corporation
ADJUSTED GROSS REVENUE APPLICATION
CONTINUOUS CONTRACT
(Unless otherwise specified in the Contract)

1 Name of Applicant I. M. INSURED		5 Applicant's Tele. No. XXX-XXX-XXXX	6 Applicant's Authorized Representative NONE	
2 Street or Mailing Address R. R. 2		7 Policy Number XXXXXXXX	8 State and Code - County and Code 026MI021-Berrien,159-VanBuren	
3 City and State ANY TOWN, MI	4 ZIP Code XXXXX	9 Type of Entity SOLE PROPRIETOR		10 Is Applicant at least 18 years old? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
11 Identification Number XXXXXXXXXX	12 Check Applicable <input checked="" type="checkbox"/> SSN <input type="checkbox"/> EIN <input type="checkbox"/> OTHER		13 I request insurance coverage for my approved Adjusted Revenue for the insurance year specified on my Annual Farm Report. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

A. Subject to the provisions of the Federal Crop Insurance Act and the regulations issued under that Act, I hereby apply for Adjusted Gross Revenue insurance on my tax entity. I understand that my insurable adjusted gross revenue (as indicated in box 13 above) must be insured. I also understand that the premium rates, and applicable deadlines are on file and available for my inspection in my agent's office. I further understand that no insurance will be available for my adjusted gross revenue unless this application and required forms (Annual Farm Report and farm tax forms) are completed and filed prior to the sales closing date for the insurance year. I also further understand that, although insurance under this application is continuous from year to year, policy terms, premium rates, the insurable adjusted gross revenue may change from year to year. All changes will be available in my agent's office prior to the contract change date.

14 Insurance Year YYYY	15 Annual Farm Report and farm tax forms attached. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	16 Coverage Level/Payment Rate LIMITED 75/75
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B. List all persons or entities with 10 percent or more interest in the applicant's farming operations. (See reverse side for additional space)

Name	Address	Phone (Include Area Code)	S=SSN/E=EIN/O=OTHER (Enter Code & Number)	Entity Type
SPOUSE NAME IF	FILING JOINT TAX RETURN			

C. CONDITIONS OF ACCEPTANCE: This application is accepted and insurance attaches in accordance with the policy unless: (1) The Federal Crop Insurance Corporation determines that, in accordance with the regulations, the risk is excessive; (2) any material fact is omitted, concealed or misrepresented in this application or in the submission of this application; (3) you have failed to provide complete and accurate information required by this application; (4) the answer to any of the following questions is "yes." An answer of yes to these questions does not automatically result in rejection of the application. For example, if you answer yes to question (a) but your debt was discharged in bankruptcy, the application would not be rejected.

YES	NO	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(a) Are you now indebted, and the debt is delinquent, for crop insurance under the Federal Crop Insurance Act?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(b) Have you in the last five years been convicted under federal or state law of planting, cultivating, growing, producing, harvesting, or storing a controlled
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(c) Have you ever had crop insurance terminated for violation of the terms of the contract or regulations, or for failure to pay your indebtedness?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(d) Are you disqualified or debarred under the Federal Crop Insurance Act, or the regulations of the Federal Crop Insurance Corporation or the United States Department of Agriculture?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(e) Have you ever entered into an agreement with the Federal Crop Insurance Corporation or with the Department of Justice that you would refrain from participating in the crop insurance program and that agreement is still effective?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	(f) Do you have like insurance on any of the agricultural commodity(ies) covered under this contract?

I understand that if coverage is currently terminated or would have subsequently terminated for indebtedness had this application been filed after the termination date no coverage can be provided and I am ineligible for any benefits under the Federal Crop Insurance Act until the cause for termination is corrected.

We will notify you of rejection by depositing notification in the United States mail, postage paid, to the above address. Unless rejected or the sales closing date has passed at the time you signed this application, the insurance contract shall be in effect for the insurance year specified and shall continue for each succeeding insurance year, unless otherwise specified in the policy until canceled, terminated or voided. The insurance contract, which includes the accepted application, is defined in the regulation published at 7 CFR chapter IV. No term or condition of the contract shall be waived or changed unless such waiver or change is expressly allowed by the contract and is in writing.

17 Name of Previous Carrier (if any) NONE	18 Policy Number under Previous Carrier (if any) NONE
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False Claim Statement

The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. §§ 1006 and 1014, 7 U.S.C. § 1506, 31 U.S.C. §§ 3729 and 3730 and other federal statutes. I certify that the information and answers on this application are correct to my knowledge and belief; that none of the reasons for rejection in items 1 through 4 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application.

19 Applicant's Signature I. M. INSURED	20 Date MMDDYYYY	21 Location of Farm Headquarters 1 MILE NORTH OF ANY TOWN	Phone Number XXX-XXX-XXXX
22 Agent's Signature I. R. AGENT	23 Code Number XXXXX	24 Date MMDDYYYY	25 Agent's Address 2222 ANY ST., ANY TOWN, MI
		Phone Number XXX-XXX-XXXX	

FCI-12 AGR (REVERSE)

Item B. (Cont.) Additional persons or entities with 10 percent or more interest in the farming operation.

Name	Address	Phone (Include Area Code)	S=SSN/E=EIN/O=Other (Enter Code & Number)	Entity Type
NONE				

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

To the extent that the information requested herein relates to your individual capacity as opposed to your business capacity, the following statements are made in accordance with the Privacy Act of 1974, as amended (5 U.S.C. 552a). The authority for requesting information to be furnished on this form is the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) and the Federal crop insurance regulations contained in 7 C.F.R. chapter IV.

Collection of the social security account number (SSN) or the employer identification number (EIN) is authorized by section 506 of the Federal Crop Insurance Act (7 U.S.C. 1506), and is required as a condition of eligibility for participation in the Federal crop insurance program. The primary use of the SSN or EIN is to correctly identify you, and any other person with an interest in you or your entity of 10 percent or more, as a policyholder within the systems maintained by the Federal Crop Insurance Corporation (FCIC). Furnishing the SSN or EIN is voluntary; however, failure to furnish that number will result in denial of program participation and benefits.

The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

In accordance with the Paperwork Reduction Act, public reporting burden for the collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate, or any other aspect of this collection information, including suggestions for reducing this burden to the Department of Agriculture, Clearance Officer OIRM (OMB No. 0563-0053), Stop 7630, Washington, D.C. 20250-7630.

NONDISCRIMINATION STATEMENT

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

34 ANNUAL FARM REPORT COMPLETION INSTRUCTIONS

Verify or make the following entries:

HEADING**Item****No. Information Required**

- 1 **IRS Reporting Method:** The accounting method used to file income taxes with the IRS (Historic and the insurance year).
- 2 **Insurance Year:** The insurance year for which the approved AGR is calculated.
- 3 **Producer Information:** The name of the applicant/insured that identifies exactly the person (a legal entity which must be the same as for income tax purposes) for whom the Annual Farm Report is completed. Enter the applicant/insured's complete address and telephone number.

Enter the social security number or the tax identification number associated with the entity. Enter the type tax entity; sole proprietor, partnership, a corporation, estate, trust, etc.
- 4 **Agency Information:** The name, address, telephone number, and code number of the agent that provides insurance service to the insured.

Policy Number: The insured's assigned policy number (applicable if a carryover policy).
- 5 **State/County:** Enter ALL state(s) and ALL county(ies) in which agricultural commodities will be produced that are expected to generate allowable income. Producers are not eligible for AGR coverage, if they do not produce agricultural commodities in pilot counties or if they produce agricultural commodities in counties whose boundary(ies) DO NOT touch pilot counties.
- 6 **Other Insurance:** Enter the commodities on which other insurance policies are in force and the corresponding policy numbers.

REVENUE (AGR) REPORT

- 7 **Tax Year:** Enter the IRS tax years corresponding to the allowable income and allowable expenses for each tax year reported for AGR history purposes. Five tax years are required to document the historic revenue. Entities, in the business of farming, that do not file Schedule F's for tax purposes must file substitute Schedule F's to be eligible for AGR coverage. This is necessary to account for allowable income and expenses in the same manner as producers who file Schedule F's.
- 8 **Allowable Income:** Enter the allowable income (rounded to the nearest whole dollar) taken from applicable IRS tax records, for each tax year reported.
- 9 **Allowable Expenses:** Enter the allowable expenses (rounded to the nearest whole dollar) taken from applicable IRS tax records, for each tax year reported.
- 10A **Total:** Enter the sum of the allowable income reported in Col. 8. in Item 10A.
- 10B Enter the sum of the allowable expenses reported in Col. 9 in Item 10B.

- 11A **Average:** Enter the results of dividing the total allowable income for the insurance year (Item 10A, Column 8) by five. Round to the nearest whole dollar.
- 11B Enter the results of dividing the total allowable expenses for the insurance year (item 10B, Column 9) by five. Round to the nearest whole dollar.
- 12A **Commodity Name/Code:** Enter the name of any agricultural commodity that will be produced or purchased for resale during the insurance year. (The insurance provider must enter the applicable agricultural commodity code). Each different agricultural commodity must be listed on a separate line. Commodities purchased for resale must also be listed on separate line(s). If purchased for resale, place "PR" immediately behind the agricultural commodity's name. Commodities (including animals/poultry and their by-products) must be categorized and listed on a separate line according to the way they will be marketed [See Part 2, Section 20B for additional instructions]. Examples: cucumbers (for pickles), cucumbers (fresh market), apples, cabbage, turnip greens, maple syrup, animal products (honey, milk, wool, etc.), animals (fat hogs, feeder pigs, feeder calves), and animals/poultry (turkeys/poults, chickens/broilers, etc.).
- If more than one production cycle/marketing of the agricultural commodity is intended, enter each cycle on a separate line (e.g., 1st planting is cabbage planted in the fall of 1998 and harvested in the 1999 calendar year, 2nd planting is cabbage planted in February of 1999 and harvested in the spring of 1999). For crops produced in a greenhouse enter greenhouse, if more than one greenhouse is accounted for on one line, enter the number of greenhouses immediately behind "greenhouse".
- 12B **Total Number Commodities:** Enter the total number of commodities reported in 12A.
- 13 **No. Years Produced:** Enter the number of years the agricultural commodity was produced in the previous six calendar years.
- 14 **Intended Amount:** Enter the amount of the agricultural commodity in the unit of measure in which it is marketed that will be produced or purchased for resale during the insurance year. For field crops indicate the number of acres to tenths and if a perennial crop list ONLY the bearing acres. For animals enter the number and type (cattle, hogs, sheep, goats, etc.) to be produced during the insurance year. For crops produced in greenhouses enter the total square feet for the number of greenhouses listed on the line. For commodities purchased for resale enter the total number/amount that will be purchased for resale . For milk and wool enter the total tons or total pounds respectively that will be produced.
- 15 **Total Amount:** Enter the total amount of the agricultural commodity expected to be produced. If a field crop, multiply the acres reported (Col. 14) times the expected yield and enter the total amount of production (Col. 15). For example: 30.0 acres of cucumbers for pickles X 5.5 tons per acre = 165 tons. For commodities purchased for resale (except animals whose production is measured by gain in pounds) or commodities for which total expected production (e.g., 100 tons of milk) was reported in Col. 14, carry that amount forward. For animals that are marketed in pounds, multiply the expected gain in pounds per animal times the number of animals.
- 16 **Expected Value:** Enter the average expected value (contracted value if produced under a contract with a specified price) of the agricultural commodity in the unit of measure which it is marketed (tons, cwt., bu, lbs., etc.) For example: The average market price of cucumbers for pickles is expected to be \$155 per ton; therefore, \$155 ton is entered. For crops produced in a greenhouse enter the expected gross income per square foot relative to the crops that will be produced. For commodities purchased for resale (except animals that will be marketed in

pounds) enter the expected market price less the cost or other basis. For animals that are marketed in pounds, enter the average expected market price.

- 17 **Dollars:** Enter the total dollars expected from each agricultural commodity (by line) that will be produced during the insurance year. Multiply the total amount of expected production (Col. 15 times the expected market value (Col. 16) and enter the result in Col. 17. For example: 165 tons X \$155 per ton = \$25,575.
- 18 **Total Expected Income:** Enter the sum of the dollars reported in Col. 17 for all commodities reported. Round to the nearest whole dollar.
- 19 **Adjustment:** The adjustments to the average allowable income, enter the growth factor when applicable. See Part 2, section 19.
- 20 **Preliminary Yield:** For all new insureds, the agent must calculate and enter the preliminary AGR. Preliminary AGR's are calculated following the same procedures as approved AGR's.
- 21 **Approved AGR:** The insurance provider (verifier) must calculate and enter all approved AGR's.
- 22 **Report of Changes:** The applicant/ insured must explain in the Narrative:

Any changes to the farming operation for the insurance year that will change the expected income as compared to the historic AGR.

Changes such as: tax entity, tax accounting method, the size of the farming operation (decrease in acreage/share), marketing method to be used (fresh market, processing, wholesale, retail), condition of a perennial crop, removal of perennial crop's root stock, failure to replace expendable commodities, and etc., must be reported. The expected effect of the change to the AGR must be described in detail.

- 23 **Producer's Signature:** The applicant/insured must sign and date the Annual Farm Report. Insurance providers may not accept unsigned Annual Farm Reports or Annual Farm Reports signed after the applicable sales closing date.
- 24 **Representative's Signature and Date:** The agent's signature is optional, as required by the insurance provider.

Page Numbers: Examples: Page 1 of 1, Page 1 of 2, Page 2 of 2, etc.)

(RESERVED)

FOR ILLUSTRATION PURPOSES

✪FCI-821 AGR (6-98)	U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation ANNUAL FARM REPORT	1 IRS Accounting Method? Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/>	2 Insurance Year YYYY YYYY
3 PRODUCER INFORMATION I. M. INSURED R. R. 2 ANY TOWN, MI XXXXX Phone Number: SSN <input checked="" type="checkbox"/> EIN <input type="checkbox"/> XXXXXXXXXXXX	Type of Tax Entity: SOLE PROPRIETOR	4 AGENCY INFORMATION I. R. AGENT 2222 ANY ST. ANY TOWN, MI XXXXX Policy No. xxxxxxxx Phone Number: Agent Code: XXX-XXX-XXXX XXXXXX	5 State(s): MI - 026 County(ies) 021-BERRIEN 159-VANBUREN
			6 Will any listed commodity also be insured under another insurance policy? If yes, list the commodity and contract number(s). CORN XXXXXXXXXX

ADJUSTED GROSS REVENUE (AGR) REPORT			INTENDED COMMODITY REPORT					TOTAL VALUE BY COMMODITY
TAX YEAR 7	ALLOWABLE INCOME 8	ALLOWABLE EXPENSES 9	COMMODITY NAME/CODE 12A	NO. YEARS PRODUCED 13	INTENDED AMOUNT (Acres, Tons, No., Bu., etc.) 14	TOTAL AMOUNT 15	EXPECTED VALUE 16	DOLLARS 17
			CUCUMBERS (PICKLES) 0603	4	40.0 ACRES	220 TON	155	34,100
			GRAPES 0053	6	31.2 ACRES	162 TON	230	37,260
1993	90,500	63,500	APPLES 0054	6	40.0 ACRES	744,000 LB	.10	74,400
1994	99,550	74,660	CORN 0041	4	80.0 acres	8,000 bu	2.20	17,600
1995	92,000	83,500						
1996	119,600	83,900						
1997	130,360	100,370						
TOTAL	10A 532,010	10B 405,930						
AVERAGE	11A 106,402	11B 81,186	12B TOTAL NUMBER COMMODITIES: 4				18 TOTAL EXPECTED INCOME:	163,360
19 ADJUSTMENT 1.355 106,402 x (1.079 ⁴) = 144,175			20 PRELIMINARY AGR 144,175			21 APPROVED AGR: (Company use only) 144,175		

22 REPORT OF CHANGES:

Have there been any changes in tax entity or changes in crops/crop mix, intended use of a crop, marketing plans, ownership, business structure, size of operation, farming practice, type of farming activity, accounting methods, or any other change that alters farm income from the average (historic) income? If yes, describe this change(s) and its expected effect on adjusted gross revenue, by applicable commodity. (Explain in Narrative and on an attachment if necessary)

Narrative:
Purchased 10 additional bearing acres of Apples.

(Continued on Reverse)

FCI-821 AGR (Reverse)

22 REPORT OF CHANGES (Continued):

I certify that the information I have furnished as reflected on this form is complete and accurate for the IRS tax entity, commodity(ies), income, expenses and year(s) shown. I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form, may result in a recomputation of the approved adjusted gross revenue. I also understand that failure to report completely and accurately may result in avoidance of my adjusted gross revenue insurance contract and may result in criminal or civil false claims penalties (18 U.S.C., 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730).

23 PRODUCER'S SIGNATURE	DATE	24 REPRESENTATIVE'S SIGNATURE	DATE
I. M. Insured	MMDDYYYY	XXXXX I. R. AGENT	MMDDYYYY

Page 1 of 1

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

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NONDISCRIMINATION STATEMENT

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

35 INVENTORY AND ACCOUNTS RECEIVABLE REPORTS

Verify or make the following entries:

HEADING**Item****No. Information Required**

- 1 **IRS Reporting Method:** The accounting method used to file income taxes with the IRS (Historic and the insurance year).
- 2 **Insurance Year:** The insurance year.
- 3 **Producer Information:** The name of the applicant/insured that identifies exactly the person (a legal entity which must be the same as for income tax purposes) for whom the Annual Farm Report is completed. Enter the applicant/insured's complete address and telephone number.
- 4 **Agency Information:** The name, address, telephone number, and code number of the agent that provides insurance service to the insured.
- Policy Number:** The insured's assigned policy number.
- 5 **State:** Enter ALL state(s) and ALL county(ies) where the insured's farm revenue is earned.

PART I - INVENTORIES

- 6 **Commodity (Name):** Enter the name of the agricultural commodity that is required to be inventoried. This will include any agricultural commodities stored on the farm, in commercial storage, or delivered to a processor or warehouse which was not sold (or was not under contract with a buyer for a specified price) at the beginning or end of the insurance year. Make a separate line entry for each agricultural commodity or different category of the agricultural commodity as appropriate (e.g., corn, soybeans, apples, cherries, potatoes, etc.).
- Enter a separate line, the name of each agricultural commodity that was produced during the insurance year for which the claim is being completed that was on inventory at the end of that insurance year.
- 7 **Year:** For beginning inventories, enter the insurance year from which the beginning inventory was carried forward. For ending inventories of agricultural commodities produced during the insurance year for which the claim is being completed, enter that insurance year.
- 8 **Locations:** Enter the location of the inventoried agricultural commodity. For example: If in commercial storage, enter the name and address of the storage facility. If delivered to a processor but not under contract for a specified price, enter the name and address of the processor.
- 9 **Beginning Inventory:** Enter the total amount of the commodity (in the unit of measure which it is marketed; tons, cwt., bu., lbs., etc.) that was produced or purchased for resale in the previous insurance year that was not sold or otherwise disposed of prior to the beginning of the covered insurance year. The insured must provide supporting verifiable records which document the beginning inventory certified.

- 10 **Ending Inventory:** Enter the total amount of the commodity (in the unit of measure which it is marketed; tons, cwt, bu, lbs, etc.) that was not sold (or was not under contract with a buyer for a specified price) or otherwise disposed or prior to the end of the insurance year. The insured must provide supporting verifiable records which document the ending inventory certified. The ending inventory is the beginning inventory for the subsequent insurance year.
- 11A **Disposed Of:** Enter the amount of the commodity (in the unit of measure which it is marketed; tons, cwt, bu., lbs., etc.) From the beginning inventory that was sold, fed, lost in storage, bartered, or otherwise disposed of during the insurance year. The ending inventory plus the amount disposed of must equal the beginning inventory. Separate calculations (line entries are required if disposed of differently or different prices are applicable).
- 11B **Code:** Enter the applicable code that best describes how the beginning inventory was disposed of. S=Sold, F=Fed to animals/livestock, LS=Lost during storage (spoiled, structure destroyed, animals died, etc.).

Enter CO for ending inventories that will be carried over to the beginning of the subsequent insurance year.

- 12 **Value (Dollars):** Enter the value that is applicable to the beginning inventory that was disposed of or the value that is applicable to the ending inventory of agricultural commodities produced during the insurance year for which the claim is completed.

For beginning inventories disposed of, enter the actual value if sold prior to the end of the insurance year. For commodities that were fed, bartered, lost in storage, or otherwise disposed of prior to the end of the insurance year from which income was not earned and reported to IRS, enter "0" value.

For ending inventories of agricultural commodities produced during the insurance year, use the actual price received if sold prior to the time the claim is completed. If not sold prior to the time the claim is completed, use the local market value applicable on the first day of the month in which the claim is completed. Separate calculations are required if different prices are applicable (separate line entries).

- 13 **Dollar Amount:** Multiply the disposed of (Col. 11A) and the amount of ending inventory from agricultural commodities produced during the insurance year (Col 10) times the applicable value (Col. 12) and enter the product in Col. 13 (+/-). Amounts attributed to beginning inventories disposed of are subtracted from allowable income (negative amounts). Amounts attributed to ending inventories of commodities produced during the insurance year are added to allowable income (+).
- 14 **Total Inventory Adjustments (+ -) To Claim:** Total the dollar amounts (Column 12) attributed to changes in inventory, enter the total, and round to the nearest whole dollar (+/-). Transfer the total to the AGR Claim for Indemnity Worksheet (Item 27). Attach a copy of the worksheet to document the amount entered on the claim.

PART II - ACCOUNTS RECEIVABLE

- 15 **Commodity (Name):** Enter the name of any agricultural commodity that was sold at a specified price from which complete settlement has not been made at the beginning or end of the covered insurance year. This will include agricultural commodities stored on the farm, in commercial storage, or delivered to a processor or warehouse. Make a separate line entry for each commodity or for different categories of commodities, as appropriate.

- 16 **Name and Address of Buyer:** Enter the name and address of the buyer of the agricultural commodity. the inventoried agricultural commodity.
- 17 **Beginning Amount (Dollars):** Enter the total dollar amount receivable at the beginning of the insurance year. The insured must provide supporting verifiable records which indicate the amount of the commodity sold and the specified price per unit of measure (tons, cwt., bu., lbs., etc.).
- 18 **Ending Amount (Dollars):** Enter the total dollar amount receivable at the end of the insurance year. The insured must provide supporting verifiable records which indicate the amount of the commodity, the specified price per unit of measure (tons, cwt., bu., lbs., etc.). The ending amount becomes the beginning accounts receivable for the subsequent insurance year.
- 19 **Balance:** The change in accounts receivable (balance) is determined by subtracting the beginning amount (Col. 17) from the ending amount (Col. 18). The result can be either a positive or negative amount (+/-).
- 20 **Total Accounts Receivable:** Total the amounts in Col. 19 and enter the sum in item 20 rounded to the nearest whole dollar (+/-). Attach a copy of the worksheet to document the amount entered on the claim in item 28.
- 21 **Producer's Signature and Date:** The applicant/insured must sign and date the Inventory and Accounts Receivable Report. Insurance providers may not accept if unsigned or if submitted and signed after the claim for indemnity is processed.
- 22 **Representative's Signature and Date:** The representative's (adjuster's) signature is required when a claim for indemnity is completed.

Page Numbers: Page numbers - (Example: Page 1 of 1, Page 1 of 2, Page 2 of 2, etc.)

(RESERVED)

FOR ILLUSTRATION PURPOSES ONLY

OMB No. 0563-0053

✪FCI-822 AGR (7-98)	U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation INVENTORY AND ACCOUNTS RECEIVABLE REPORT	1 IRS accounting method? Cash <input checked="" type="checkbox"/> Accrual	2 Insurance Year YYYY
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3 PRODUCER INFORMATION I. M. INSURED R.R. 2 ANY TOWN, MI XXXXX Phone Number: SSN <input checked="" type="checkbox"/> EIN <input type="checkbox"/> XXX-XXX-XXXX	Type of Tax Entity: SOLE PROPRIETOR	4 AGENCY INFORMATION I. R. AGENT 2222 ANY ST ANY TOWN, MI XXXXX Policy No. xxxxxxxx Phone Number: XXX-XXX-XXXX Agent Code: XXXXXX	5 State(s): 026-MI County(ies) 021-BERRIEN 159-VANBUREN
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PART I - INVENTORIES								
COMMODITY (Name) 6	YEAR 7	LOCATIONS 8	BEGINNING INVENTORY (Tons, No., Bu., Lbs., etc.) 9	ENDING INVENTORY (Tons, No., Bu., Lbs., etc.) 10	DISPOSED OF (Col. 9 - 10) 11A	CODE 11B	VALUE (Dollars) 12	DOLLAR AMOUNT (Col. 10 x 12 or 11A x 12) 13
APPLES		BEGINNING INVENTORY						
	1998	CA STORAGE INC.	279,000 LB					
		ENDING INVENTORY						
APPLES	1998	CA STORAGE INC. KALAMAZOO, MI	279,000 LB	0	279,000	S	.12 LB	<33,480>
APPLES	1999	CA STORAGE INC.		30,000 LB		C/O	.10 LB	3,000
					14 TOTAL INVENTORY ADJUSTMENTS (+/-) TO CLAIM		<30,480>	

FCI-822 AGR (Reverse)

PART II - ACCOUNTS RECEIVABLE				
COMMODITY (Name) 15	NAME AND ADDRESS OF BUYER 16	BEGINNING AMOUNT (Dollars) 17	ENDING AMOUNT (Dollars) 18	ENDING AMOUNT (Col. 18 - 17 (+/-)) 19
		20 TOTAL ACCOUNTS RECEIVABLE ADJUSTMENTS (+/-) TO CLAIM (DOLLARS)		

I certify that the information I have furnished as reflected on this form is complete and accurate for the commodity(ies). I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form, may result in income from all inventories and accounts receivable being considered income to count for the current insurance year. I also understand that failure to report completely and accurately may result in voidance of my adjusted gross revenue insurance contract and may result in criminal or civil false claims penalties (18 U.S.C., 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730).

21 PRODUCER'S SIGNATURE I . M . INSURED	DATE MMDDYYYY	22 REPRESENTATIVE'S SIGNATURE XXXXXX I . R . AGENT	DATE MMDDYYYY
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COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

In accordance with the Paperwork Reduction Act, public reporting burden for the collection of information is estimated to average 60 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate, or any other aspect of this collection information, including suggestions for reducing this burden to the Department of Agriculture, Clearance Officer, OIRM (OMB No. 0563-0053), Stop 7630, Washington, D.C. 20250-7630.

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OCTOBER 1998

36 AGRICULTURAL COMMODITY PROFILE

Verify or make the following entries:

PART I - PRODUCER INFORMATION

Item

No. Information Required

1 Name/Policy Number:

Producer: Your name and if insured, your AGR policy number.

Insurance Provider: The insured's policy number or if entered by the insured verify that it is correct.

2 Insurance Year:

Producer: Enter the calendar year that corresponds to the insurance year.

3 Agency Information:

Insurance Provider: Enter the name, address, telephone number and code number of the agent responsible for servicing the AGR policy.

4 Type of Taxpayer:

Producer: Enter the entity under which you will file income taxes with the IRS for the insurance year.

5 State(s)/County(ies):

Producer: Enter all states and all counties from which farm revenue will be earned for the insurance year.

PART II - AGRICULTURAL COMMODITY PROFILE

6 Crop or Commodity:

Producer: The names of any crop or agricultural commodity produced or purchased for resale during the AGR base period.

- Each different crop or commodity must be listed on a separate line. If purchased for resale, place a "PR" immediately behind the crop/commodity's name.
- If a perennial crop, bearing and non-bearing acreage of the same crop must be listed on a separate line.
- Commodities (animals/livestock and their by-products) must be categorized and listed on a separate line according to the way they were marketed (See Part 2, Par. 20(b) for additional instructions).
- For crops that were produced in a greenhouse enter "Greenhouse" as the crop name. If more than one greenhouse enter the number of green houses. Example: Greenhouse (3).

7-11 **Tax Year:**

Producer: The tax years for the AGR base period. For the 1999 insurance year the 1993-1997 tax years are required. Begin with the oldest tax year (1993) and end with the most recent tax year (1997).

Sub Columns:

Tax Year: Producer: For each tax year and for each commodity listed, complete each subcolumn as follows.

Acres: Enter the:

- Number of acres to tenths for annual and perennial field crops;
- Number of square feet contained in greenhouses for greenhouse crops. Total square feet if more than one greenhouse;
- Number of animals/livestock sold; or for other commodities or animal/livestock by-products the
- Approximate amount of the commodity sold in the unit of measure sold (Example: Milk 100 tons, Wool 10,000 lbs, etc.).

Market: Enter the market code(s) that best describes how the commodity was marketed.

IN THE MICHIGAN PILOT AREA:

- Enter the applicable of the following market codes for perennial crops and perishable annual crops (e.g., apples, peaches, carrots, peas, green beans, etc.):
F = Sold as fresh market.;
P = Sold as a processing product (juice, baby food, etc.); or
F/P = Some of the crop was marketed as fresh market and some as a processing product.
- If greenhouse, a non-perishable annual crop, an animal/livestock, or an animal/livestock by-product use applicable of the following market codes:
W = Crops/commodities sold at a wholesale price in quantity for resale;
R = Crops/commodities sold at a retail price in small quantities to the ultimate consumer; or
W/R = Some of the crop/commodity sold wholesale and some sold retail.

IN THE FLORIDA AND NEW ENGLAND PILOT AREAS:

- Use applicable of the following market codes:
W = Crops/commodities sold at a wholesale price in quantity for resale;
R = Crops/commodities sold at a retail price in small quantities to the ultimate consumer;
W/R = Some of the crop/commodity sold wholesale and some sold retail.

Percentage (%): Enter the approximate percentage of:

- Acres from which production was marketed as either as "F" or "P". If production marketed as "F/P" enter the corresponding percentages (example 60 percent fresh market and 40 percent processing would be indicated as 60/40).
- The crop/commodity which was marketed as "W" or "R". If marketed as "W/R" enter the corresponding percentages (example 80 percent of the crop/commodity was sold wholesale and twenty percent sold retail, this would be indicated as 80/20).

Irrigated Practice: Enter the percent of income received from crops with an irrigated practice. Not applicable to non-irrigated crops.

FOR ILLUSTRATION PURPOSES ONLY

FCI-823 AGR
(8-98)

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

OMB No. 0563-0053

AGRICULTURAL COMMODITY PROFILE

PART I - PRODUCER INFORMATION

1 Name I. M. INSURED		Policy Number XXXXXXX	2 Insurance Year YYYY	3 Agency Information I. R. AGENT 2222 ANY STREET ANY TOWN, MI XXXXX Phone Number: XXX-XXX-XXXX Agent Code: XXXXX	4 Type of Taxpayer: Check one. If "Other Box" or corporation checked' Describe the tax entity. <input checked="" type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Other
5 State(s) 026 - MICHIGAN	County(ies) 021 BERRIEN	159-VANBUREN			

PART II - AGRICULTURAL COMMODITY PROFILE

6 CROP OR COMMODITY	7 TAX YEAR 1993				8 TAX YEAR 1994				9 TAX YEAR 1995				10 TAX YEAR 1996				11 TAX YEAR 1997			
	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.
CUCUMBERS 0603	0				15.0	P	100		0				20.0	P	100		30.0	P	100	
GRAPES 0053	25.0	P	100		25.0	P	100		25.0	P	100		25.0	P/F	80/20		31.2	P/F	80/20	
GRAPES (NON-BEARING) 0053	0				6.2				6.2				6.2				0			
APPLES (BEARING) 0054	25.0	P/F	60/40		25.0	F	100		25.0	P	100		30.0	F/P	80/20		30.0	F	100	
APPLES (NON-BEARING) 0054	5.0				5.0				5.0				0				0			
CORN 0041	40.0	W	100		0				80.0	W	100		0				60.0	W	100	
SOYBEANS 0081	40.0	W	100		40.0	W	100		0				50.0	W	100		0			
CARROTS 0624	5.0	P	100		0				5.0	P	100		6.0	P	100		0			

FCI-823 AGR (Reverse)

PART II - AGRICULTURAL COMMODITY PROFILE

6 CROP OR COMMODITY	7 TAX YEAR				8 TAX YEAR				9 TAX YEAR				10 TAX YEAR				11 TAX YEAR			
	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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PAPERWORK REDUCTION ACT

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37 ANIMAL INVENTORY/ACCOUNTING WORKSHEET

If applicable, beginning and ending inventories are necessary to determine revenue to count for an insurance year on an accrual basis. If applicable, a beginning inventory (Part 2 of the Animal Inventory/Accounting Worksheet) must be provided to the insurance provider no later than January 31 of the insurance year. An ending inventory (Part 3 of the worksheet) must also be completed if an indemnity is to be claimed. Part 4, calculates the revenue to count for claim purposes using increases or decreases in inventory values during the insurance year, less the cost or the basis for animals purchased. Animals must be grouped according to the type/category corresponding to how they will be marketed. Local market value is determined at the beginning or the insurance year for beginning inventories and for ending inventories at the end of the insurance year for each applicable type/category:

- If animals are marketed in pounds, gross inventory values will be determined by multiplying the number of animals X the average lbs. per animal for the type/category X applicable value/price per lb.
- For animals sold individually (by the head/animal) inventory values will be measured by multiplying the number of animals/livestock X the average value/price per animal for the type/category.
- For animals being depreciated, inventory values are the amount paid less the depreciation allowed on previous years' and the current year's tax form.

Complete the beginning inventory for each applicable type/category of animals on hand at the beginning of the insurance year. Complete the ending inventory for animals/livestock on hand at the end of the insurance year. Include animals/livestock from which income is accounted for as gains or losses on Schedule D (Form 1040), Form 4797 (animals held for breeding, dairy purposes, or not held primarily for sale), or is depreciated on Form 4562. Complete each applicable column or item by entering:

**Item
No.**

Information Required

PART 1 - PRODUCER INFORMATION

- 1 Name:** The name of the insured that identifies exactly the person (a legal entity which must be the same as for income tax purposes) for whom the Animal Inventory/Accounting Worksheet is completed.

Policy Number: The insured's assigned policy number (applicable if a carryover policy).
- 2 Insurance Year:** The insurance year for which the approved AGR is calculated.
- 3 Agency Information:** The name, address, telephone number, and code number of the agent that provides insurance service to the insured.

PART 2 - BEGINNING INVENTORY ON JANUARY 1

- 4 Type of Animals or Commodities:** The type/category of animals or commodities (cattle/feeder calves, hogs/feeder pigs, turkeys/broilers, chickens/broilers, catfish/stockers, etc). A separate line entry must be made for: each type of animal and the intended market category, animals produced/born, and animals purchased. See Part 2, Section 20(B) for additional information concerning types/categories.

- 5 Number:** The number of animals for each type/category (by line) on hand at the beginning of the calendar/insurance year (Jan 1).
- 6 Average Weight:** The average weight at the beginning of the calendar/insurance year for animals marketed in pounds.
- For animals sold individually (e.g., baby calves or weaning pigs sold by the head) and animals being depreciated enter a dash (-).
- 7 Average Value:** The average value per pound at the beginning of the calendar/insurance year for animals marketed in pounds.
- For animals sold individually, enter the average value per animal at the beginning of the calendar/ insurance year. For animals being depreciated, enter the amount paid less the depreciation allowed for previous tax years and the current tax year.
- 8 Total Value \$:** The total value of all the animals entered on the line.
- For animals marketed in pounds, multiply the No. animals (Col. 5) X the average weight (Col. 6) X the average value (Col. 7).
 - For animals sold individually and for animals being depreciated, multiply the No. animals (Col. 5) X the average value (Col. 8).
- 9 Cost or Basis:** The total cost of animals that were purchased. For animals being depreciated, enter the amount paid less the depreciation allowed for previous tax years and the current tax year multiplied times the number of animals. For animals that were not purchased (produced on the farm) enter "0."
- 10 Net Value:** The net value of animals on inventory at the beginning of the year. Subtract the amount in Col. 9 from Col. 8 and enter the remainder.
- 11 Total Beginning Value Less Cost or Other Basis:** The total net value of all animals on inventory at the beginning of the insurance year. Sum the amounts entered in Col. 10.

PART 3 - ENDING INVENTORY ON DECEMBER 31

- 12 Number:** The number of animals on hand at the end of the insurance year (December 31). If animals in beginning inventory will be carried over to the subsequent insurance year, enter the number to be carried over. If all animals in the beginning inventory on the line were disposed of, enter "0". For animals purchased or produced during the insurance year, enter number purchased and the number produced on separate lines. Enter the applicable type/category in Column 4.
- 13 Average Weight:** For animals marketed in pounds, enter the average weight at the end of the insurance year for the type/category reported.
- For animals sold individually or being depreciated, enter a dash (-).
- 14 Average Value:** The average value per pound for animals marketed in pounds at the end of the insurance year.
- For animals sold individually, enter the average value per animal at the end of the calendar/ insurance year. For animals being depreciated enter the amount paid less the depreciation allowed for previous tax years and the current tax year.
- 15 Total \$ Value:** The total value of all animals entered on the line.

- For animals marketed in pounds, multiply the No. animals (Col. 12) X the average weight (Col. 13) X the average value (Col. 14).
 - For animals sold individually or animals being depreciated, multiply the No. animals (Col. 12) X the average value (Col. 14).
- 16 Cost or Basis:** The average cost of the animals purchased during the insurance year. For animals being depreciated, enter the amount paid less the depreciation allowed in previous tax years and the current tax year, multiplied times the number of animals and animals being depreciated. For animals produced on the farm enter "0."
- 17 Net Value:** The net value of animals on inventory at the end of the year. Subtract the amount in Col. 16 from Col. 15 and enter the remainder.
- 12-17** Carry forward the applicable information as the beginning inventory for the subsequent insurance year.
- 18 Total Ending Value Less Cost or Other Basis:** The total net value of all animals on inventory at the end of the insurance year. Sum the amounts entered in Col. 17.

PART 4 - INVENTORY ADJUSTMENT (to be completed ONLY if a claim filed)

- 19 Adjustment:** Any applicable adjustment to the income to count for inventoried animals/commodities. Subtract the amount in Item 11 from the amount in Item 18. Enter the resulting amount in item 19. If the amount is positive, add it to income to count. If a negative amount, subtract it from the income to count. Transfer the amount to the Claim for Indemnity (Item 27).

(RESERVED)

FCI-824 AGR**COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)**

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38 CLAIM FOR INDEMNITY COMPLETION INSTRUCTIONS

Verify or make the following entries:

Item**No. Information Required**

- 1 **State/County Code:** Enter ALL state(s) and ALL county(ies) where the insured's allowable income is earned.
- 2 **Unit:** Five-digit unit number assigned to the whole farm.
- 3 **Farm Headquarters Phone:** Telephone number of the insured entity.
- 4 **SSN/EIN:** The social security number or the tax identification number associated with the insured entity.
- 5 **Entity Type:** The type of entity in which the policy was sold. (e.g., sole proprietor, partnership, etc.).
- 6 **Date of Damage:** The first three letters of the month during which MOST of the damage causing the loss in revenue (including progressive damage) occurred. Include the SPECIFIC DATE where applicable as in the case of hail damage (e.g. JUN 11).
- 7 **Cause of Damage:** The cause of loss that created the loss in revenue. Refer to the LAM for causes of loss and applicable codes. If it is evident that no indemnity is due, enter "NONE".

If an insured cause of loss is coded as "Other", explain in the narrative (e.g. price fluctuation will be coded as other and explained).

NOTE: Refer to the AGR policy for information pertaining to uninsured causes of loss.
- 8 **Primary Cause %:** Enter the whole percent of primary cause of damage (primary cause of damage must exceed 50 percent (e.g., 51%)).
- 9 **Agency Information:** The name, address, telephone number, and code number of the agent that provides insurance service to the insured.
- 10 **Name of Insured:** Name of the insured that identifies exactly the person (legal entity) to whom the policy is issued.
- 11 **Insurance Year:** The insurance year for which the claim is being completed.
- 12 **Claim Number:** The claim number as assigned by the insurance provider.
- 13 **Policy Number:** Insured's assigned policy number.
- 14 **Date(s) of Notice:** The date the notice of damage was given for the unit in item 2. Refer to section 11 of the AGR policy.
- 15 **Companion Policy(s):** If no OTHER person has a share in the whole farm unit (insured has 100 percent share of all agricultural commodities), MAKE NO ENTRY.

In all cases where the insured has LESS than a 100 percent share of a loss-affected unit, ask the insured if the OTHER person sharing in the unit has an AGR contract (i.e., not crop-hail, fire, etc.). If the other person does not, enter "NONE."

- 16 **Coverage Level/Payment Rate:** The applicable Coverage Level and Payment Rate elected by the insured (i.e. limited 65/75).
- 17 **Expenses for Insurance Year:** The whole dollar amount of allowable actual expenses for the current insurance year as shown on the Farm Reports.
- 18 **Approved Expenses Insurance Year:** The approved whole dollar amount of allowable expenses from the Farm Reports.
- 19 **Expense Percentage:** The result of dividing the actual expenses for the current insurance year (item 17) by the approved expenses for the current insurance year (item 18). The percentage rounded to 2 decimals.
- 20 **Expense Reduction Percentage:** The results of subtracting the percent reduction (item 19) from 70 percent as stated in section 12(a) of the AGR policy.
- 21 **Approved AGR:** The approved AGR (in whole dollars) as shown on the Farm Reports.
- 22 **Expense Reduction Dollar Amount:** The results (if applicable) of multiplying the Expense reduction percentage (item 20) by the Approved AGR (item 21).
- 23 **AGR Adjusted for Expenses:** The result of the Approved AGR (item 21) times the Expense Reduction Percentage (item 20) in whole dollars.
- 24 **Coverage Level:** The applicable coverage level elected by the insured.
- 25 **Revenue Guarantee:** The result of multiplying the AGR adjusted for expenses (item 23) by the Coverage Level Percentage (item 24). Enter in whole dollars.
- 26 **Revenue to Count Insurance Year:** The actual amount of allowable income earned in the current insurance year.
- 27 **Inventory (+ -):** The total dollar value of the inventory for the current insurance year as shown on the Inventory and Accounts Receivable Report.
- 28 **Accounts Receivable:** The total dollar value of the accounts receivable for the current insurance year as shown on the Inventory and Accounts Receivable Report.
- 29 **Total Adjustment to Revenue to Count:** The results(in whole dollars) of adjusting the revenue to count for the insurance year (item 26) by adding or subtracting the inventory (item 27) and/or accounts receivable (item 28).
- 30 **Revenue Deficiency:** The result (in whole dollars) of subtracting the Total Adjustment to Revenue to Count (item 29) from the adjusted AGR (item 25).
- 31 **Payment Rate:** The applicable percentage payment rate elected by the insured. (Four decimals).
- 32 **Indemnity:** The result (in whole dollars) of multiplying the adjusted Revenue Deficiency (item 30) by the Payment Rate (item 31).

- 33 **Premium Due:** Enter the dollar amount due the insurance provider for unpaid premium, if any.
- 34 **Balance Due Insured:** The result (in whole dollars) of subtracting item 33 from item 32.
- 35 **Narrative:**
- NOTE:** If more space is needed, document on a Special Report, and enter "See Special Report". Attach the Special Report to the AGR Worksheet.
- a. Explain the reason for a "No Indemnity Due" claim. "No Indemnity Due" claims are to be distributed in accordance with the insurance provider's instructions.
 - b. Document the calculation used in determining the indemnity.
 - c. Document additions to Revenue to Count (e.g. Insurance payments not shown on tax form, etc.).
 - d. Document any other pertinent information, including any data to support any factors used to calculate the claim for indemnity.
 - e. Document how the price was established for the inventory (e.g. sold price, AME price, etc.).
- 36 **Date Current Year Taxes Filed:** Enter the MM/DD/YYYY the insured's tax forms were sent to the IRS.
- 37 **Similar Damage:** Circle yes or no. Circle yes if amount and cause of damage due to insurable causes is similar to the experience of other farms in the area. If "No" is circled, explain in the narrative.
- 38 **Assignment of Indemnity:** Circle Yes ONLY if an assignment of an indemnity is in effect for the tax year; otherwise check "NO".
- 39 **Adjuster's Signature, Code Number and Date:** Signature of adjuster, code number, and date signed after the insured (or insured's authorized representative) has signed. For an absentee insured, enter adjuster's code number ONLY. The signature and date will be entered AFTER the absentee has signed and returned the AGR worksheet.
- 40 **Insured's Signature and Date:** Insured's (or insured's authorized representative's) signature and date. BEFORE obtaining insured's signature, REVIEW ALL ENTRIES on the AGR worksheet WITH THE INSURED, particularly explaining codes, etc., that may not be readily understood.
- 41 **Page Numbers:** Page numbers - (Example: Page 1 of 1, Page 1 of 2, Page 2 of 2, etc.)

(RESERVED)

FOR ILLUSTRATION PURPOSES ONLY

FCI-74 AGR
(10-98)

U.S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

OMB No. 0563-0053

AGR CLAIM FOR INDEMNITY WORKSHEET

1 State Code 026	- County Code 021-159	2 Unit 00100	3 Farm Headquarters Phone XXX-XXX-XXXX	9 Agency Information: Name: I. R. AGENT Address: 2222 ANY ST. ANY TOWN, MI XXXXX Telephone Number: XXX-XXX-XXXX Code Number: XXXXX	10 Name of Insured I. M. INSURED	11 Insurance Year YYYY
4 SSN/EIN XXXXXXXXXX		5 Entity Type SOLE PROPRIETOR		12 Claim Number XXXXXXXXXX	13 Policy Number XXXXXXXXXX	
6 Date of Damage			SEP	14 Date(s) of Notice	1 st	2 nd Final MMDDYYYY
7 Cause of Damage			EX MOIST	15 Companion Policy(s)		
8 Primary Cause %			100			

16 Coverage Level/Payment Rate

LIMITED 75/75

CALCULATION OF CLAIM FOR INDEMNITY

Expenses For Insurance Year 17	Approved Expenses Insurance Year 18	Expense Percentage (.xxxx) 17 ÷ 18 = 19 19	Expense Reduction Percentage (.xxxx) (70% - 19) = 20 20	Approved AGR 21	Expense Reduction Dollar Amount 20 x 21 = 22 22	AGR Adjusted For Expenses 21 - 22 = 23 23	Coverage Level Percentage (.xxxx) 24	Revenue Guarantee 23 x 24 = 25 25	Revenue to Count Insurance Year 26
93,546	110,007	.8504	0	144,175	0	144,175	.7500	108,131	88,500

Inventory (+ -) 27	Accounts Receivable (+ -) 28	Total Adjustment To Revenue To Count 26 (+ -) 27, 28 = 29 29	Revenue Deficiency 25 - 29 = 30 30	Payment Rate Percentage (.xxxx) 31	Indemnity 30 x 31 = 32 32	Premium Due 33	Balance Due Insured 32 - 33 = 34 34
-30,480	0	58,020	50,111	.7500	37,583	0	37,583

35 Narrative: SCHEDULE F AND APPLICABLE FARM REPORTS ATTACHED TO VALIDATE INFORMATION.

93,546 ÷ 110,007 = .8504 EXP. % EXCEEDS AMOUNT FOR EXPENSE REDUCTION % 144,175 X .7500 = 108,131 REVENUE GUARANTEE; 108,131 - 88,500 - 30,480 = 58,020
108,131 - 58,020 = 50,111 REVENUE DEFICIENCY; 50,111 X .7500 = 37,583 INDEMNITY

36 Date Current Year Taxes Filled MMDDYYYY	37 Is damage similar to other farms in the area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	38 Assignment of Indemnity? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. §§ 1006 and 1014; 7 U.S.C. § 1506, 31 U.S.C. §§ 3729 and 3730 and other federal statutes..

39 Adjuster's Signature and Code Number (Final Inspection) I. R. ADJUSTER XXXXX	Date MMDDYYYY	40 Insured's Signature (Final Inspection) I. M. INSURED	Date MMDDYYYY
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FCI-74 AGR (Reverse)

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

In accordance with the Paperwork Reduction Act, public reporting burden for the collection of information is estimated to average 60 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate, or any other aspect of this collection information, including suggestions for reducing this burden to the Department of Agriculture, Clearance Officer, OIRM (OMB No. 0563-0053), Stop 7630, Washington, D.C. 20250-7630.

NONDISCRIMINATION STATEMENT

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EXHIBIT 1

THE FOLLOWING BLANK DOCUMENTS MAY BE COPIED

FCI-12 AGR - APPLICATION

AGR-821 - ANNUAL FARM REPORT

AGR-822 - INVENTORY AND ACCOUNTS RECEIVABLE REPORT

AGR-823 - AGRICULTURAL COMMODITY PROFILE

AGR-824 - ANIMAL INVENTORY/ACCOUNTING WORKSHEET

FCI-74 AGR - AGR CLAIM FOR INDEMNITY WORKSHEET

AGRICULTURAL COMMODITY CODES

(RESERVED)

✳FCI-12 AGR (10-98)

U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation ADJUSTED GROSS REVENUE APPLICATION CONTINUOUS CONTRACT (Unless otherwise specified in the Contract)

OMB NO. 0563-0053

1 Name of Applicant, 2 Street or Mailing Address, 3 City and State, 4 ZIP Code, 5 Applicant's Tele. No., 6 Applicant's Authorized Representative, 7 Policy Number, 8 State and Code - County and Code, 9 Type of Entity, 10 Is Applicant at least 18 years old?, 11 Identification Number, 12 Check Applicable (SSN, EIN, OTHER), 13 I request insurance coverage for my approved Adjusted Revenue for the insurance year specified on my Annual Farm Report.

A. Subject to the provisions of the Federal Crop Insurance Act and the regulations issued under that Act, I hereby apply for Adjusted Gross Revenue insurance on my tax entity. I understand that my insurable adjusted gross revenue (as indicated in box 13 above) must be insured. I also understand that the premium rates, and applicable deadlines are on file and available for my inspection in my agent's office. I further understand that no insurance will be available for my adjusted gross revenue unless this application and required forms (Annual Farm Report and farm tax forms) are completed and filed prior to the sales closing date for the insurance year. I also further understand that, although insurance under this application is continuous from year to year, policy terms, premium rates, the insurable adjusted gross revenue may change from year to year. All changes will be available in my agent's office prior to the contract change date.

14 Insurance Year, 15 Annual Farm Report and farm tax forms attached. (Yes/No), 16 Coverage Level/Payment Rate

B. List all persons or entities with 10 percent or more interest in the applicant's farming operations. (See reverse side for additional space)

Table with 5 columns: Name, Address, Phone (Include Area Code), S=SSN/E=EIN/O=OTHER (Enter Code & Number), Entity Type

C. CONDITIONS OF ACCEPTANCE: This application is accepted and insurance attaches in accordance with the policy unless: (1) The Federal Crop Insurance Corporation determines that, in accordance with the regulations, the risk is excessive; (2) any material fact is omitted, concealed or misrepresented in this application or in the submission of this application; (3) you have failed to provide complete and accurate information required by this application; (4) the answer to any of the following questions is "yes." An answer of yes to these questions does not automatically result in rejection of the application. For example, if you answer yes to question (a) but your debt was discharged in bankruptcy, the application would not be rejected.

Table with 2 columns: YES, NO. Questions (a) through (f) regarding indebtedness, convictions, insurance termination, disqualification, and agreements.

I understand that if coverage is currently terminated or would have subsequently terminated for indebtedness had this application been filed after the termination date no coverage can be provided and I am ineligible for any benefits under the Federal Crop Insurance Act until the cause for termination is corrected.

We will notify you of rejection by depositing notification in the United States mail, postage paid, to the above address. Unless rejected or the sales closing date has passed at the time you signed this application, the insurance contract shall be in effect for the insurance year specified and shall continue for each succeeding insurance year, unless otherwise specified in the policy until canceled, terminated or voided. The insurance contract, which includes the accepted application, is defined in the regulation published at 7 CFR chapter IV. No term or condition of the contract shall be waived or changed unless such waiver or change is expressly allowed by the contract and is in writing.

17 Name of Previous Carrier (if any), 18 Policy Number under Previous Carrier (if any)

False Claim Statement

The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. 1006 and 1014, 7 U.S.C. 1506, 31 U.S.C. 3729 and 3730 and other federal statutes.

I certify that the information and answers on this application are correct to my knowledge and belief; that none of the reasons for rejection in items 1 through 4 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application.

19 Applicant's Signature, 20 Date, 21 Location of Farm Headquarters, Phone Number, 22 Agent's Signature, 23 Code Number, 24 Date, 25 Agent's Address, Phone Number

FCI-821 AGR (6-98)	U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation ANNUAL FARM REPORT	1 IRS Accounting Method? Cash Accrual	2 Insurance Year
3 PRODUCER INFORMATION Type of Tax Entity:	4 AGENCY INFORMATION Phone Number: Agent Code:	5 State(s): County(ies)	6 Will any listed commodity also be insured under another insurance policy? If yes, list the commodity and contract number(s).
Phone Number: SSN <input type="text"/> EIN <input type="text"/>	Phone Number: Agent Code:		

ADJUSTED GROSS REVENUE (AGR) REPORT			INTENDED COMMODITY REPORT					TOTAL VALUE BY COMMODITY
TAX YEAR 7	ALLOWABLE INCOME 8	ALLOWABLE EXPENSES 9	COMMODITY NAME/CODE 12A	NO. YEARS PRODUCED 13	INTENDED AMOUNT (Acres, Tons, No., Bu., etc.) 14	TOTAL AMOUNT 15	EXPECTED VALUE 16	DOLLARS 17
TOTAL	10A	10B						
AVERAGE	11A	11B	12B TOTAL NUMBER COMMODITIES:			18 TOTAL EXPECTED INCOME:		
19 ADJUSTMENT			20 PRELIMINARY AGR			21 APPROVED AGR: (Company use only)		

22 REPORT OF CHANGES:

Have there been any changes in tax entity or changes in crops/crop mix, intended use of a crop, marketing plans, ownership, business structure, size of operation, farming practice, type of farming activity, accounting methods, or any other change that alters farm income from the average (historic) income? If yes, describe this change(s) and its expected effect on adjusted gross revenue, by applicable commodity. (Explain in Narrative and on an attachment if necessary)

Narrative:

(Continued on Reverse)

FCI-821 AGR (Reverse)

22 REPORT OF CHANGES (Continued):

[Empty box for reporting changes]

I certify that the information I have furnished as reflected on this form is complete and accurate for the IRS tax entity, commodity(ies), income, expenses and year(s) shown. I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form, may result in a recomputation of the approved adjusted gross revenue. I also understand that failure to report completely and accurately may result in avoidance of my adjusted gross revenue insurance contract and may result in criminal or civil false claims penalties (18 U.S.C., 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730).

23 PRODUCER'S SIGNATURE

DATE

24 REPRESENTATIVE'S SIGNATURE

DATE

Page _____ of _____

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

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FCI-822 AGR (7-98)	U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation INVENTORY AND ACCOUNTS RECEIVABLE REPORT	1 IRS accounting method? Cash Accrual	2 Insurance Year
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3 PRODUCER INFORMATION Type of Tax Entity: _____ Phone Number: SSN <input type="text"/> EIN <input type="text"/>	4 AGENCY INFORMATION Phone Number: Agent Code: _____	5 State(s): _____ County(ies) _____
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PART I - INVENTORIES								
COMMODITY (Name) 6	YEAR 7	LOCATIONS 8	BEGINNING INVENTORY (Tons, No., Bu., Lbs., etc.) 9	ENDING INVENTORY (Tons, No., Bu., Lbs., etc.) 10	DISPOSED OF (Col. 9 - 10) 11A	CODE 11B	VALUE (Dollars) 12	DOLLAR AMOUNT (Col. 10 x 12 or 11A x 12) 13
					14 TOTAL INVENTORY ADJUSTMENTS (+/-) TO CLAIM			

FCI-822 AGR (Reverse)

PART II - ACCOUNTS RECEIVABLE				
COMMODITY (Name) 15	NAME AND ADDRESS OF BUYER 16	BEGINNING AMOUNT (Dollars) 17	ENDING AMOUNT (Dollars) 18	ENDING AMOUNT (Col. 18 - 17 (+/-)) 19
		20 TOTAL ACCOUNTS RECEIVABLE ADJUSTMENTS (+/-) TO CLAIM (DOLLARS)		

I certify that the information I have furnished as reflected on this form is complete and accurate for the commodity(ies). I understand this form may be reviewed or audited and that information inaccurately reported or failure to retain records to support information on this form, may result in income from all inventories and accounts receivable being considered income to count for the current insurance year. I also understand that failure to report completely and accurately may result in voidance of my adjusted gross revenue insurance contract and may result in criminal or civil false claims penalties (18 U.S.C., 1006 and 1014; 7 U.S.C. 1506; 31 U.S.C. 3729 and 3730).

21 PRODUCER'S SIGNATURE	DATE	22 REPRESENTATIVE'S SIGNATURE	DATE
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Page _____ of _____

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FCI-823 AGR (Reverse)

PART II - AGRICULTURAL COMMODITY PROFILE

6 CROP OR COMMODITY	7 TAX YEAR				8 TAX YEAR				9 TAX YEAR				10 TAX YEAR				11 TAX YEAR			
	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.

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FCI-824 AGR
(10-98)

U.S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

OMB No. 0563-0053

ANIMAL INVENTORY/ACCOUNTING WORKSHEET

PART 1 - PRODUCER INFORMATION

1 Name	Policy Number	2 Insurance Year	3 Agency Information
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TYPES OF ANIMALS OR COMMODITIES	PART 2: BEGINNING INVENTORY On January 1						PART 3: ENDING INVENTORY On December 31						
	Type/Category 4	Number 5	Average Weight 6	Average Value 7	Total \$ Value 8	Cost or Basis 9	Net Value 10	Number 12	Average Weight 13	Average Value 14	Total \$ Value 15	Cost or Basis 16	Net Value 17
11 Total Beginning Value Less Cost or Other Basis:						18 Total Ending Value Less Cost or Other Basis:							

PART 4 - INVENTORY ADJUSTMENT (to be completed ONLY if a claim is filed)

19 Adjustment:
 (Amount in Item 18 _____) - (Item 11 _____) = _____ Inventory Adjustment. If (+) add as income to count, if (-) subtract from income to count.

FCI-824 AGR (Reverse)

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FCI-74 AGR
(10-98)

U.S. DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

OMB No. 0563-0053

AGR CLAIM FOR INDEMNITY WORKSHEET

1 State Code	- County Code	2 Unit	3 Farm Headquarters Phone	9 Agency Information: Name: Address: Telephone Number: Code Number:	10 Name of Insured	11 Insurance Year		
4 SSN/EIN		5 Entity Type			12 Claim Number	13 Policy Number		
6 Date of Damage					14 Date(s) of Notice	1 st	2 nd	Final
7 Cause of Damage					15 Companion Policy(s)			
8 Primary Cause %								
16 Coverage Level/Payment Rate								

CALCULATION OF CLAIM FOR INDEMNITY

Expenses For Insurance Year 17	Approved Expenses Insurance Year 18	Expense Percentage (.xxxx) 17 ÷ 18 = 19	Expense Reduction Percentage (.xxxx) (70% - 19) = 20	Approved AGR 21	Expense Reduction Dollar Amount 20 x 21 = 22	AGR Adjusted For Expenses 21 - 22 = 23	Coverage Level Percentage (.xxxx) 24	Revenue Guarantee 23 x 24 = 25	Revenue to Count Insurance Year 26
Inventory (+ -) 27	Accounts Receivable (+ -) 28	Total Adjustment To Revenue To Count 26 (+ -) 27, 28 = 29		Revenue Deficiency 25 - 29 = 30	Payment Rate Percentage (.xxxx) 31	Indemnity 30 x 31 = 32	Premium Due 33	Balance Due Insured 32 - 33 = 34	

35 Narrative:

36 Date Current Year Taxes Filled	37 Is damage similar to other farms in the area? <input type="checkbox"/> Yes <input type="checkbox"/> No	38 Assignment of Indemnity? <input type="checkbox"/> Yes <input type="checkbox"/> No
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The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. §§ 1006 and 1014; 7 U.S.C. § 1506, 31 U.S.C. §§ 3729 and 3730 and other federal statutes.

39 Adjuster's Signature and Code Number (Final Inspection)	Date	40 Insured's Signature (Final Inspection)	Date
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FCI-74 AGR (Reverse)

COLLECTION OF INFORMATION AND DATA (PRIVACY ACT)

To the extent that the information requested herein relates to your individual capacity as opposed to your business capacity, the following statements are made in accordance with the Privacy Act of 1974, as amended (5 U.S.C. 552a). The authority for requesting information to be furnished on this form is the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) and the Federal crop insurance regulations contained in 7 C.F.R. chapter IV.

Collection of the social security account number (SSN) or the employer identification number (EIN) is authorized by section 506 of the Federal Crop Insurance Act (7 U.S.C. 1506), and is required as a condition of eligibility for participation in the Federal crop insurance program. The primary use of the SSN or EIN is to correctly identify you, and any other person with an interest in you or your entity of 10 percent or more, as a policyholder within the systems maintained by the Federal Crop Insurance Corporation (FCIC). Furnishing the SSN or EIN is voluntary; however, failure to furnish that number will result in denial of program participation and benefits.

The balance of the information requested is necessary for the insurance company and FCIC to process this form to: provide insurance; provide reinsurance; determine eligibility; determine the correct parties to the agreement; determine and collect premiums or other monetary amounts (including administrative fees and over payments); and pay benefits. The information furnished on this form will be used by Federal agencies, FCIC employees, insurance companies, and contractors who require such information in the performance of their duties. The information may be furnished to: FCIC contract agencies, employees and loss adjusters; reinsured companies; other agencies within the United States Department of Agriculture; The Department of Treasury including the Internal Revenue Service; the Department of Justice, or other Federal or State law enforcement agencies; credit reporting agencies and collection agencies; other Federal agencies as requested in computer matching programs; and in response to judicial orders in the course of litigation. The information may also be furnished to congressional representatives and senators making inquiries on your behalf. Furnishing the information required by this form is voluntary; however, failure to report the correct and complete information requested may result in rejection of this form; rejection of any claim for indemnity, replanting payment, or other benefit; ineligibility for insurance; and a unilateral determination of any monetary amounts due.

PAPERWORK REDUCTION ACT

In accordance with the Paperwork Reduction Act, public reporting burden for the collection of information is estimated to average 60 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate, or any other aspect of this collection information, including suggestions for reducing this burden to the Department of Agriculture, Clearance Officer, OIRM (OMB No. 0563-0053), Stop 7630, Washington, D.C. 20250-7630.

NONDISCRIMINATION STATEMENT

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

1999 AGRICULTURAL COMMODITIES For AGR Program

<u>Crop Name</u>	<u>Code</u>	<u>Crop Name</u>	<u>Code</u>	<u>Crop Name</u>	<u>Code</u>
Apples	0054	Herbs	0639	Sunflowers	0078
Apricots	0098	Horseradish	0661	Sweet Corn	0042
Asparagus	0607	Indian Corn	0651	Sweet potatoes	0085
Aquatic Plants	0656	Kohlrabi	0636	Table Grapes	0052
Barley	0091	Leeks	0638	Tomatoes	0087
Beets	0616	Lettuce	0604	Turnips	0619
Berries (Other)	0601	Mango Trees	0214	Watermelons	0040
Blueberries	0012	Maple	0645	Wheat	0011
Strawberries	0628	Maple Syrup	0648	Wild Rice	0055
Broccoli	0620	Melons (All Others)	0101	Winter Squash	0065
Brussel Sprouts	0657	Cantaloupe	0612		
Cabbage	0070	Honeydew	0642		
Canola	0015	Mini Pumpkins	0617	<u>Animals</u>	
Rapeseed	0647	Pumpkins	0605	Beef Cattle	
Carambola Fruit	0103	Millet	0017	Cow-calf	0800
Carrots	0624	Mushrooms	0654	Stocker/Feeder	0801
Cauliflower	0621	Mustard	0069	Feedlot	0802
Celery	0658	Nursery (Container)	0056		
Cherries		Nursery (FG & C)	0073	Hogs	
Tart	0100	Oats	0016	Farrow	0803
Sweet	0099	Okra	0629	Farrow/Finish	0804
Christmas Trees	0635	Onions	0013	Finish	0805
Cigar Wrapper Tobacco	0236	Other			
Citrus	0026	Fruits	0608	Sheep	
Grapefruit	0201	Vegetables	0646	Ewe/Lamb	0806
Lemons	0202	Crops	0609	Stocker/Feeder	0807
Limes	0663	Parsnips	0643	Feedlot	0808
Oranges	0227	Parsley	0641		
Tangelos	0203	Peaches	0034	Goats	0809
Tangerines	0664	Nectarines	0102		
Corn	0041	Peanuts	0075	Other Traditional	
Cotton	0021	Pears	0089	Farm Animals	0810
Crambe	0068	Pecans	0020		
Cranberries	0058	Peppers	0083	Fish/Aquaculture	0820
Cucumbers	0603	Bell	0104	Poultry	0821
Dates	0659	Peppers, Chile	0045	Reptiles	0822
Dry Beans	0047	Peppers, Hot	0610	Other Live Animals	0823
Dry Peas	0067	Peppers, Jalapeno	0662		
Eggplant	0613	Peppers (Other)	0627	<u>Animal Products</u>	
Escarole	0649	Plums	0092	Cheese	0840
Flax	0031	Popcorn	0043	Eggs	0841
Flowers (Other)	0615	Potatoes	0084	Furs	0842
Bedding Plants	0630	Processing Beans	0046	Honey	0843
Forage Production	0033	Radishes	0625	Milk	0844
Alfalfa	0648	Rhubarb	0650	Other	0845
Clover	0668	Rye	0094	Wool	0846
Mixed Hay	0670	Safflower	0049		
Forage Seeding	0032	Scallions	0637		
Alfalfa Seed	0633	Seed (Other)	0626		
Clover Seed	0655	Flower	0602		
Grass Seed	0660	Hybrid Corn Seed	0062		
Flue Cured Tobacco	0229	Hybrid Sorghum Seed	0050		
Grain Sorghum	0051	Sesame	0644		
Grapes	0053	Vegetable	0667		
Green Peas	0064	Snap Beans (Fresh)	0082		
Greenhouse	0600	Soybeans	0081		
Greens (Other)	0631	Spinach	0623		
Collard Greens	0622	Squash (Other)	0669		
Kale	0614	Gourds	0652		
Swiss Chard	0653	Squash, Summer	0014		
Turnip Greens	0632	Zucchini	0640		
Hay (Other)	0611	Sugar Beets	0039		

(RESERVED)