USDA Risk Management Agency

Adjusted Gross Revenue
AGR and AGR-Lite

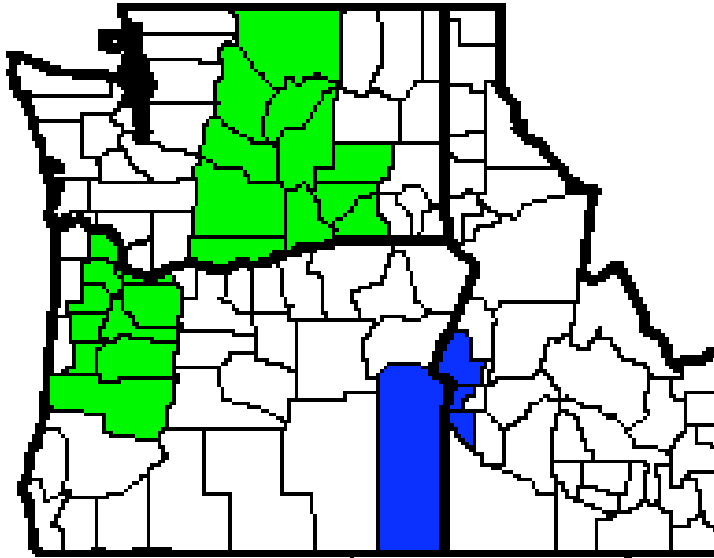**AGR**

AGR For 2009

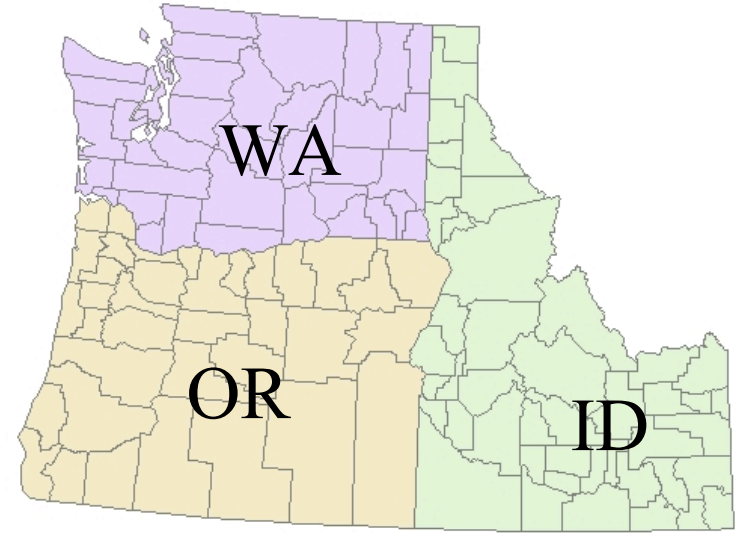- What is AGR?

- Who is Eligible for AGR?

- What does AGR Cover?

- How Does AGR Work?

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AGR Availability

3 States 25 counties

AGR-Lite Availability

WA
OR
ID

4 States 144 counties

X
X
AK

X - **Excluding the North Slope and Northwest Artic boroughs**

2000-2009 AGR/AGR-Lite PNW Summary

	Policies	$$ Coverage	$$ Indemnity
2000	11	2,895,928	$ 12,424
2001	313	131,747,263	$ 10,671,038
2002	494	187,328,854	$ 8,525,347
2003	489	184,482,905	$ 11,332,788
2004	460	180,511,070	$ 23,124,195*
2005**	517	206,128,180	$4,939,538*
2006**	576	237,644,927	$ 5,512,839*
2007**	572	216,397,337	$4,561,296*
2008**	546	230,421,410	$2,677,152*
2009**	499	289,344,730	$0*

*Data incomplete as not all claims finalized   ** Data includes both AGR and AGR-Lite policies

2009 AGR/AGR-Lite PNW State Summary

	Policies earning premium		$$$ Coverage	
	AGR	AGR-Lite	AGR	AGR-Lite
ID	3	10	$4,781,091	$3,491,161
OR	8	53	$17,669,174	$18,497,071
WA	214	211	$186,824,639	$58,081,594

What is AGR?

- Whole farm revenue insurance for farms and ranches
- Based on:
  - Tax return information
  - 5-year average of allowable income
  - Intended commodity income for crop year

Who is Eligible for AGR?

- Engaged in the business of farming
- Has 5 consecutive years of income tax records
- Less than 50% of allowable income is from ag products <u>purchased for resale</u>
- Refer to crop insurance agent for other qualification requirements
- Intended potato income cannot exceed 83.3% of total intended farm income

What does AGR Cover?

- Revenue:
  - Generally, based on an average adjusted gross revenue from all agricultural commodities on a whole farm basis
- Except:
  - Timber, Forest or Forest Products
  - Animals for sport, show or pets

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What am I insured for?

- <u>Loss of revenue</u> from the sale of ag commodities produced during the insurance year due to:
  - Unavoidable natural disasters
  - Market fluctuations during insurance year

What is an Insurance Year?

Insurance Year = Producer's tax year

Either:

- Calendar Year Tax Filer **_or_** Fiscal Year Tax Filer

Either:

- Cash or accrual accounting method

Determine 5 - year average farm revenue

AGR revenue guarantee <u>minus</u> actual crop revenue X payment rate = loss paid

How AGR Works

Project 2009 expected crop revenue

Taxes filed / possible claim calculated

Harvest: Actual crop revenue determined

Determine Approved AGR

Decide what percentage of AGR to guarantee

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Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩

Loss paid

How AGR Works

Determine 5 - year average farm revenue

- 2003 = 423,000
- 2004 = 422,000
- 2005 = 417,000
- 2006 = 416,000
- 2007 = 417,000

$419,000 = 5 year average

How AGR Works

Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

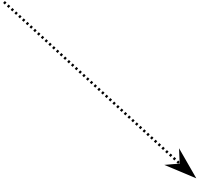Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩

Loss paid

Project 2009 expected crop revenue

Commodity	Amt	Unit	Yield		Value		Expected Revenue
Evergreen	10	ac	6400	lb	$	1.20	$76,800
Marion	10	ac	6400	lb	$	1.30	$83,200
Red Raspberry	10	ac	3800	lb	$	1.60	$60,800
Boysenberry	10	ac	3800	lb	$	1.60	$60,800
Strawberry	10	ac	115	cwt	$	120	$138,000
							$419,600

How AGR Works

Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩

Loss paid

Determine Approved AGR

Compare:

- 5 year farm average farm revenue
    - $419,000
- Intended commodity report for coming crop year
    - $419,600

Approved AGR is the "lesser" of the two above numbers

= $419,000

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How AGR Works

Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩
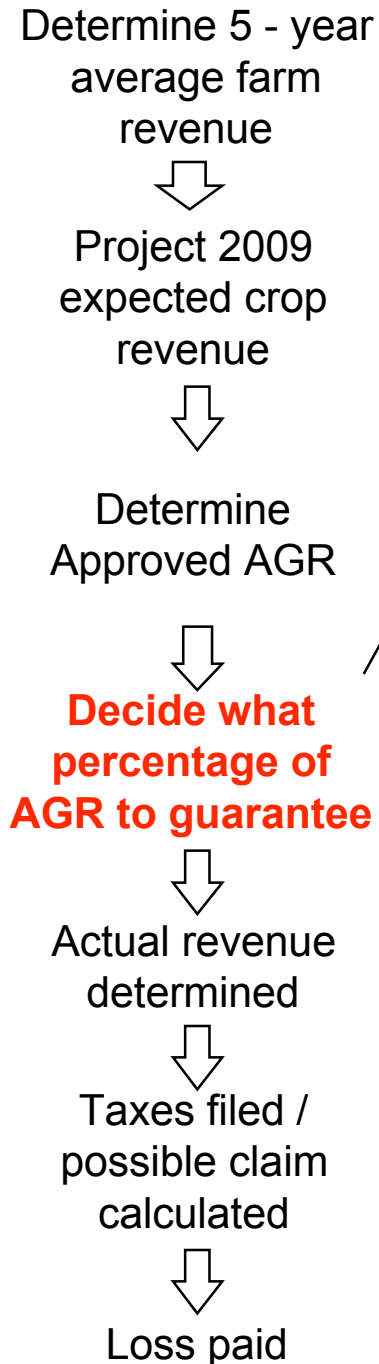
Loss paid

Decide what percentage of AGR to guarantee

|	
$419,000	Approved AGR
x **80%**	**Coverage level (deductible)**
335,200	Trigger point - where loss payment begins
x **90%**	**Payment rate (deductible)**
$301,680	**Asset protection** (maximum amount of loss payable)

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How AGR Works

Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩

Loss paid
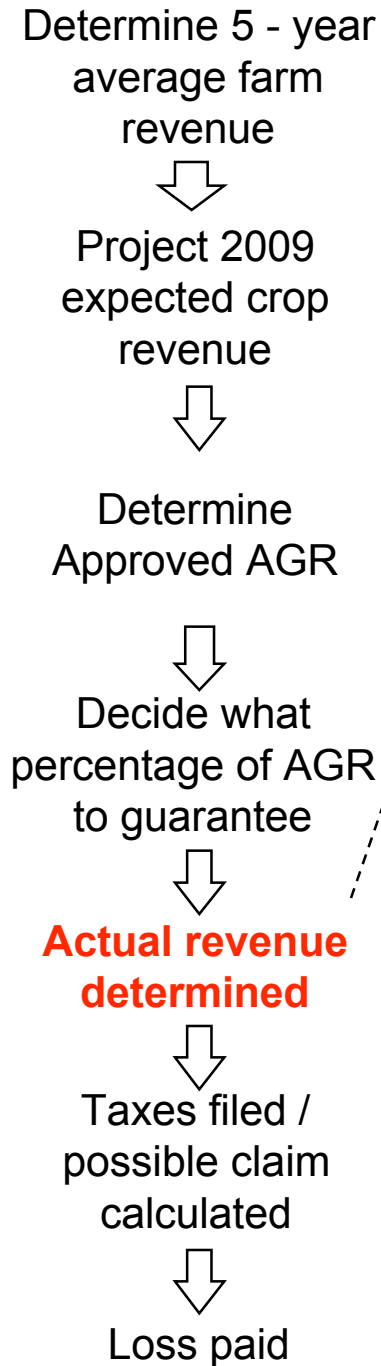
Actual 2009 revenue determined

Commodity	60	Unit	Yield		Value	Actual Revenue
Evergreen	10	ac	4700	lb	1.00	$47,000
Marion	10	ac	3000	lb	0.90	$27,000
Red Raspberry	10	ac	2000	lb	1.00	$20,000
Boysenberry	10	ac	3000	lb	1.30	$39,000
Strawberry	10	ac	60	cwt	0.85	$510
						$133,510

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Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩

Loss paid

Taxes filed / possible claim calculated

$419,000	**Approved AGR**
x 80%	**Coverage level (deductible)**
335,200	**Trigger point**
-133,510	**2009 crop revenue**
$ 201,690	**Revenue shortfall**

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How AGR Works

Determine 5 - year average farm revenue

⇩

Project 2009 expected crop revenue

⇩

Determine Approved AGR

⇩

Decide what percentage of AGR to guarantee

⇩

Actual revenue determined

⇩

Taxes filed / possible claim calculated

⇩
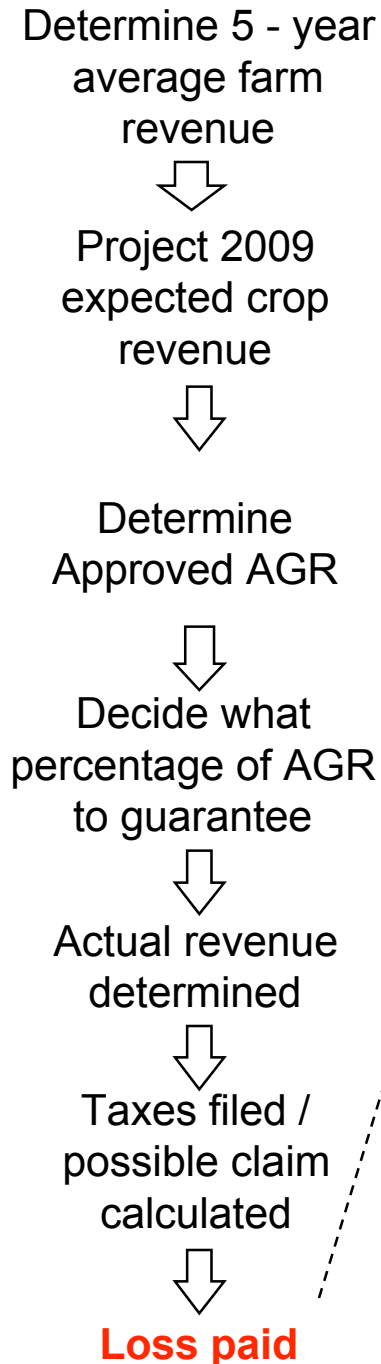
Loss paid

Loss paid

$419,000	**Approved AGR**
x 80%	**Coverage level (deductible)**
335,200	**Trigger point**
-133,510	**2009 crop revenue**
$201,690	**Revenue shortfall**
x 90%	**Payment rate (deductible)**
$181,521	**Loss paid**

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What Does it Cost?

Depends:

-- County

-- Number and diversity of crops

-- Types of crops Insured

Subsidy Portion of Total Premium Paid by USDA

Coverage Level	Premium Subsidy
80	48 Percent
75	55 Percent
65	59 Percent

Multi-Peril Crop Insurance reduces the AGR premium (optional for AGR-Lite)

USDA Risk Management Agency

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Spokane, WA 99206
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DISCLAIMER

- This presentation does not provide full details of policy provisions or approved procedures.

- Producers should consult with a local agent for specific details and program requirements.

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