

Make Crop Insurance Part of Your Business Plan

The Garden State Crop Insurance Education Initiative

January 2003



Whole-Farm Income Protection or Adjusted Gross Revenue

New Jersey producers now have the opportunity to enroll in a whole farm Adjusted Gross Revenue (AGR) program under a single insurance policy. This plan of insurance protection is made available by USDA as one of the many risk management choices available for producers to consider. AGR policies can provide up to \$6.5 million of protection for a farming operation.

Producers can purchase coverage levels of 80%, 75% or 65% of their five year adjusted whole farm income history based on their IRS Schedule F., 1040 records. Percentage indemnity payment rates of 90% and 75% are available at each coverage level which work similar to 10% or 25% co-pays of other insurance programs.

Under this plan, qualifying producers' can insure at up to 80 percent of their

revenue history as recorded on their federal IRS Schedule F, 1040 tax forms for the years of 1997–2001 as insurance protection for their 2003 income. In the event of low revenue from insurable causes of loss, payment rates are 90 or 75% of the calculated loss payment (percentage selected by the producer at the time of enrollment).

The beauty of this plan is that producers do not need to keep additional yield or expense records to be eligible for this plan of protection. Only one set of records is needed for the entire farming operation. To establish a revenue guarantee, specific income items are selected from

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**Adjusted Gross Revenue (AGR) Policies must be in place
by January 31st**

Crop Insurance and Risk Management Web Sites

Risk Management Agency of the USDA

<http://www.rma.usda.gov>

Garden State Crop Insurance Education Initiative

(Rutgers, the State University of New Jersey)

<http://saalem.rutgers.edu/cropinsurance>

Crop Insurance Education Web Site

(Pennsylvania State University)

<http://www.cropins.aers.psu.edu/>

National Ag Risk Education Library

(University of Minnesota)

<http://www.agrisk.umn.edu/>

Northeast Center for Risk Management Education

(University of Delaware)

<http://www.necrme.org/>

Whole-Farm Income Protection (cont.)

part 1 of the Schedule F 1040 (most government payments are excluded from the calculation). The producer's five year adjusted revenue history can also be trend adjusted if the income from at least one of the last two years is larger than the 5 year average. Another benefit of AGR is that producers avoid the worry of forgetting to buy coverage on one of their crops as the policy is based on whole-farm income.

An AGR policy can cover most field and greenhouse crops. However, it has some limitations. It can include animal and animal byproducts and aquaculture raised in a controlled environment as long as these receipts are not more than 35% of the revenue. Potato production cannot account for more than 83.35% of the total revenue. Commodities purchased for resale cannot exceed 50% of the projected revenue. If more than 50% of the revenue is projected from crops that are eligible for individual

crop policies, such crops must also be insured at least at the CAT level.

The policy more clearly addresses quality protection and realistic price elections because the insurance guarantees the historical results of the producer from the marketplace. Many producers find AGR policies easier to understand because both commodity prices and adjustments for poor quality are based on determinations of the marketplace rather than being based on terms specified in the insurance policy.

AGR is very affordable. USDA cost share support for this protection plan in 2003 varies from about 74% to 80% of the gross premium, depending on whether a grower selects 65%, 75% or 80% level of coverage. This results in grower net premiums of only approximately 20% to 26% of the gross premium. This plan makes it possible for some growers to protect their whole-farm income for as little as about \$1 per \$100 of protection.

**Have A Crop Insurance
Question?
Have E-mail Access?**

Contact us On-line

We will answer your question by replying to your e-mail and posting the question and response on our web site. Send your e-mail to:

linonis@aesop.rutgers.edu

<http://saalem.rutgers.edu/cropinsurance>

NOTE: We can NOT provide price quotes for policies. You must contact an insurance agent for pricing information.

**Whole-Farm Income Protection
(cont.)**

Whole farm coverage will make the producers more credit worthy. This is because lenders usually recognize the increased loan security of the policy when loss proceeds are assigned to the bank.

The enrollment deadline is January 31, 2003. Contact an approved crop insurance agent for coverage details and to enroll your farming operation.

See:
<http://saalem.rutgers.edu/cropinsurance/>
for a complete list of licensed insurance agents for New Jersey, or call Rutgers Cooperative Extension of Salem County at 856.769.0090.

NOTICE

RMA to offer an additional 50% cost share towards the producer premium for AGR policies.

Example

The application of this AGR cost share at the 80% level of coverage is as follows:

\$1.00	GROSS PREMIUM
<u> x 48%</u>	INITIAL SUBSIDY (cost share)
\$ 0.52	PRODUCER PREMIUM (before 12/24)
<u> x 50%</u>	ADDITIONAL SUBSIDY (cost share)
\$ 0.26	PRODUCER NET PREMIUM

Therefore, for each dollar of premium, the producer pays only 26¢

RMA will also cover the entire administrative fee for all eligible policies

Remember the Important Dates

There are several critical dates to keep in mind when purchasing crop insurance policies. All paperwork must be turned in to your insurance agent in a timely manner in order for policies to remain in effect.

Closing – date by which the policy must be in place

Production Report – date by which expected production must be given

Acreage Report – date by which all acreage (insured and uninsured) must be claimed

Notice of Loss – report to your agent *as soon as* you believe a loss will occur (send a follow-up letter as well as call)

Remember that these dates are different for each commodity. See a commodity fact sheet or contact your agent for exact dates.

Facts sheets are available on line at:
<http://saalem.rutgers.edu/cropinsurance/>
or by calling the Rutgers Cooperative Extension Office in Salem County at 856.769.0090

Farm Visits & Surveys

As part of our directive from the Risk Management Agency, the Garden State Crop Insurance Education Initiative will be scheduling – over the next few months – on-farm visits with New Jersey agricultural producers to distribute crop insurance information and to solicit information concerning crop insurance as it pertains to their unique situations.

If you have concerns about existing policies (unrealistic dollar amounts or coverage levels), ideas about future policies (insurance to cover aquaculture, winter wheat, etc.) or any other issues, please contact Kim Linonis or David Lee of the Rutgers Cooperative Extension Office in Salem County at 856.769.0090 (or e-mail Kim at linonis@aesop.rutgers.edu) to schedule a personal visit.

2002 CENSUS OF AGRICULTURE



Do yourself and other American farmers a favor.
Fill out your Census and return it by **February 3, 2003**.
If you did not receive a Census form or need help
with the form call **1-888-4AG-STAT**
All the information you give is completely confidential by law.



Next Closing Date – March 15, 2003

Coverage for:

Corn
Fresh Market Sweet Corn
Processing Beans
Processing Tomatoes
Soybeans
Winter Squash
Spring Oats

Contact an insurance agent for an exact quote and to discuss covered losses, coverage amounts and reporting dates for your specific commodities.