

**UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
MICRO FARM PILOT PROVISIONS**



If you meet the eligibility requirements at the sales closing date and you elect to purchase coverage under these Micro Farm provisions, these provisions will be attached to and made part of the Whole-Farm Revenue Protection provisions (WFRP), subject to the terms and conditions described herein. If a conflict exists among the policy provisions the order of priority is as follows: (1) the Special Provisions; (2) these Micro Farm provisions; and (3) the Whole-Farm Revenue Protection provisions with (1) controlling (2) etc. Unless otherwise specified in the Special Provisions or these Micro Farm provisions, all provisions of the WFRP apply.

1. Definitions

Carryover insured - In addition to the definition in WFRP, coverage the previous crop year must have included Micro Farm coverage to qualify as a carryover insured under these Micro Farm provisions.

Commodity code - In lieu of the definition in WFRP, all agricultural commodities on your farm operation are designated under a single code for micro farms.

Consolidated sales records - Contemporaneous records that document the sale of commodities by your farm operation. You must provide the contemporaneous records used to determine allowable revenue on the Schedule F farm tax form.

Whole-farm history period - In lieu of the definition in WFRP, the whole-farm history period is the series of consecutive tax years prior to the policy year, with a minimum of three years and a maximum of five years (including the lag year).

2. Micro Farm Eligibility

(a) To be eligible for insurance under these Micro Farm provisions you must have at least three years of consecutive tax records, including the lag year; and

- (1) Your farm operation must have an approved revenue of \$350,000 or less; or
- (2) If you are a carryover insured, your farm operation must have an approved revenue of \$400,000 or less.

(b) If you no longer meet the eligibility requirements under section 2(a) of these Micro Farm provisions after the sales closing date, your approved revenue will be capped at \$350,000 for the purpose of calculating your coverage, or \$400,000 if you are a carryover insured, and all revenue will be considered revenue-to-count.

3. Required Reports

(a) When providing your sales records, you must provide a total value for the commodities reported on your farm operation which comprises a complete record of revenue generated from insurable commodities.

(b) In lieu of section 15(e) of WFRP, replant payments are not available under these Micro Farm provisions.

(c) In lieu of section 15(h) of WFRP, the provisions relating to special circumstances do not apply under these Micro Farm provisions, except:

- (1) The provisions relating to industrial hemp contained in section 50 of WFRP are still applicable; and
- (2) The provisions relating to expanding operations contained in section 49 of WFRP are still applicable, as modified by section 9 of these Micro Farm provisions.

4. Whole-Farm History Report

(a) In addition to section 16(a) of WFRP, on or before the sales closing date for each policy year, if you have not filed farm tax forms with the IRS for the lag year, you must provide a completed Substitute Schedule F Worksheet and Allowable Revenue Worksheet reflecting the revenue earned by your farm operation during that tax year.

(b) In lieu of section 16(c) of WFRP, if you have four years of tax records in your whole-farm history period your average allowable revenue will be calculated as follows:

- (1) Sum the allowable revenue from each year in your whole-farm history period;
- (2) Determine the lowest allowable revenue from the four years of tax records in your whole-farm history period;
- (3) Add the result of clause (1) to the result of clause (2); and
- (4) Divide the result of clause (3) by 5, or by 4 if you have chosen to exclude a year under 16(c)(5) of WFRP.

(c) In lieu of section 16(c) of WFRP, if you have three years of tax records in your whole-farm history period your average allowable revenue will be calculated as follows:

- (1) Sum the allowable revenue from each year in your whole-farm history period;
- (2) Determine the lowest allowable revenue from the three years of tax records in your whole-farm history period and multiply the amount by 2;
- (3) Add the result of clause (1) to the result of clause (2); and

(4) Divide the result of clause (3) by 5, or by 4 if you have chosen to exclude a year under section 16(c)(5) of WFRP.

(d) To qualify for indexing under section 16(d) of WFRP, you must provide five years of farm tax forms for your whole-farm history period, including a Substitute Schedule F for the tax year immediately prior to the insurance year.

5. Farm Operation Report and Expected Value

(a) In lieu of the provisions relating to expected value and expected yield in section 18 of WFRP, individual commodities on your farm operation are not required to have separate expected values or expected yields.

(b) For the purposes of section 18(e)(2) and 22(b)(2) you may use consolidated sales records for the commodities insured under these Micro Farms provisions. Three years of sales records are required.

(c) You may certify the sales records, but upon our request you must provide these sales records that comprise a complete marketing record of commodities on your farm operation.

(d) When certifying your sales records, you must also certify your total planted acres (or other unit of measure as applicable) over that same three-year period so an "expected value" per method of establishment can be calculated. You must have acceptable verifiable records to support the acres (or other unit of measure as applicable) you certify. Upon our request, you must provide those records to us.

(e) When completing your Final Farm Operation Report, you must provide a total value for the insurable commodities on your farm operation.

(f) The expected value of commodities on your farm operation will be based on the average allowable revenue from all commodities on your farm operation for a minimum of the three years immediately prior to the insurance period, building up to a maximum of five years. If you have provided five years of allowable revenue you may select one of the five years to exclude when calculating the expected value of commodities on your farm operation.

(g) If market conditions, commodity mixtures, or production capacity used to produce commodities on your farm operation have changed such that the total revenue generated on your farm operation is expected to be lower than that of those years used to calculate the expected value of commodities on your farm operation, the expected value of insurable commodities will be reduced to reflect market conditions, commodity mixtures, or production capacity for the insurance year.

6. Your Commodity Count and Diversification Discount

(a) In lieu of section 19(c) of WFRP, a commodity count is not calculated under these Micro Farm provisions. For purposes of diversification discount and associated premium subsidy, these are based on the WFRP count of three commodities unless otherwise denoted in the Actuarial Documents.

(b) In lieu of section 9(c)(1) of WFRP, you qualify for all available coverage levels.

(c) In lieu of section 14(b)(6) of WFRP, a diversification discount is not calculated under these Micro Farm provisions. Your diversification discount is 0.523 for the purpose of calculating your premium.

7. Post-Production and Added Value

(a) In lieu of section 10(b)(1) of WFRP, revenue generated from post-production operations may be included in allowable revenue.

(b) Revenue from sources other than insurable commodities (e.g., bottled water or souvenir sales through a farm stand) and the cost of commodities purchased for resale must be removed when determining your expected revenue.

8. Other Insurance

(a) In lieu of section 30(b) of WFRP, other FCIC insurance policies purchased at an additional coverage level will not be considered primary insurance:

(1) You will not receive an adjustment to your insured revenue for premium calculation purposes under section 14(c); and

(2) Indemnities from such policies will not be considered revenue to count when calculating an indemnity under these Micro Farm provisions.

(b) Indemnities from other FCIC insurance policies will not be included as revenue-to-count when calculating your claim unless total payments from all other insurance programs exceed the deductible of your Micro Farm coverage in accordance with section 30(d) of the WFRP provisions.

9. Expanding Operations

(a) Only the addition of production capacity during the insurance period may be considered when calculating your expanding operation factor.

(b) In lieu of section 49(d) of the WFRP policy, your expanding operation factor will be calculated by dividing the total production capacity in use during the insurance period by the highest production capacity in use during any year in your whole-farm history period (section 49(a)(4) of the WFRP policy will still apply if you have also made physical reductions to your production capacity).