



United States Department of Agriculture
Risk Management Agency

January 2005

2005 INSURANCE FACT SHEET

Adjusted Gross Revenue Pilot Idaho, Oregon, Washington

Non-traditional Risk Management Tool

The Adjusted Gross Revenue (AGR) pilot program is a non-traditional, whole farm risk management tool, which uses a producer's historic Schedule F (or equivalent) tax form information to provide a base from which the revenue guarantee is calculated.

AGR Pilot insurance offers protection against the loss of revenue due to any unavoidable natural disaster that occurs after coverage begins and for market fluctuations that cause a loss in revenue during the current insurance year.

AGR Pilot provides insurance coverage for multiple agricultural commodities in one insurance product. Covered farm revenue includes income from crops, other agricultural commodities, and incidental amounts of income from livestock and animal products and aquaculture reared in a controlled environment. Livestock income is representative of the value of crop production fed to livestock.

Availability

AGR Pilot program is offered for the 2005 crop year and is available in the following Pacific Northwest states and counties:

Idaho: Canyon, Payette, and Washington counties.

Oregon: Benton, Clackamas, Columbia, Lane, Linn, Malheur, Marion, Multnomah, Polk, Washington, and Yamhill counties.

Washington: Adams, Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Klickitat, Okanogan, Walla Walla, and Yakima counties.

Shared Insured

As an alternative safety net tool, AGR Pilot insurance obtained will be provided against loss of revenue **only for the person* named on the AGR application** and will not extend to any other person having a share in the farm operation. (*Definition provided on page 2.)

AGR Pilot Timeline

Sales Closing Date: For producers in the approved piloted areas is: January 31 (also cancellation & termination date).

Beginning of Insurance: For the year of application, coverage for losses due to unavoidable natural disasters do not begin until 10 calendar days after insurance providers receive properly completed applications. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year, is covered.

Contract Change Date: November 30

Insurance Year: Calendar or Fiscal Year (*corresponding with producer's IRS tax year*)

Claims: Paid after filing with IRS for the tax year.

AGR Pilot Producer Eligibility

- Produces agricultural commodities primarily in pilot counties, and may include income from contiguous non-pilot counties;
- Filed U.S. Income tax forms (Schedule F, or equivalent) for the same tax entity for history purposes and the insurance year (unless at least 90 percent of the farming operation was transferred to the current tax entity);
- If more than 50 percent of expected income is from insurable crops, animals and animal products, Multi-Peril Crop Insurance must be obtained if available. (**Note:** AGR complements other Federal crop insurance plans by coordinating the insurance protection and benefits with the other plans. When producers purchase both **AGR** and other crop insurance plans, the **AGR** premium will be reduced.);
- No more than 35 percent of expected allowable income can be from animals and animal products.
- Farms with greater than 83.35 percent of the total expected allowable income from potatoes (for the insurance year) are not eligible for AGR.
- Other restrictions may apply.
- AGR insurance will be limited to individual policies with AGR liability of \$6.5 million or less. Policies with more than \$6.5 million AGR liability are not eligible for insurance.

Person

An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision of a State. "Person" does not include the U.S. Government or any agency thereof.

Causes of Loss

Insurance is provided against loss of revenue due to any unavoidable natural disaster and/or market fluctuation during the current insurance year. No payment will be made for losses due to negligence, mismanagement or wrong doing by the insured, insured's family or member of household, tenants, employees or contractors; abandonment and other causes listed in the insurance policy. (Note: If the insured's allowable expenses, for the current crop year, fall below 70 percent of the approved expenses, the approved AGR will be reduced.)

AGR Coverage Summary

| Available Protection Amounts | | | |
|------------------------------|--------------|----------------------------|-----------------|
| Coverage Level | Payment Rate | Minimum # of Commodities * | USDA Cost Share |
| 65 | 75 | 1 | 59 |
| 65 | 90 | 2 | 59 |
| 75 | 75 or 90 | 2 | 55 |
| 75 | 75 or 90 | 4 | 48 |

*Must meet minimum requirements.

Assume: 80-percent coverage/90-percent payment rate
 Approved AGR Income = \$215,000
 Trigger point = \$172,000
 AGR liability = \$154,800
 AGR premium liability = \$120,425
 AGR premium * = \$ 5,419
 Subsidy (includes A & O) = \$ (2,601)
 Producer premium + \$30 fee = \$ 2,848

*Premium will vary by number and mixtures of commodities on the farm.

When the income drops below \$172,000, AGR will pay 90 cents for every dollar the income drops below \$172,000 up to a total of \$154,800.

| Coverage Level | Payment Rate | Loss Trigger Point | AGR Liability |
|----------------|--------------|--------------------|---------------|
| 65 | 75 | \$139,750 | \$104,813 |
| 65 | 90 | \$139,750 | \$125,775 |
| 75 | 75 | \$161,250 | \$120,938 |
| 75 | 90 | \$161,250 | \$145,125 |
| 80 | 75 | \$172,000 | \$129,000 |
| 80 | 90 | \$172,000 | \$154,800 |

\$215,000 Approved AGR Loss Payments

Loss payments are triggered when the adjusted gross income for the insured year is less than the trigger point. The loss trigger point is calculated by multiplying the approved gross revenue times the selected coverage level. Once a loss is triggered, the insured is paid **based on the payment rate selected.**

Where to Purchase

Please contact your local crop insurance agent to learn more about AGR-Lite. For a list of crop insurance agents, visit the Risk Management Agency's (RMA's) online Agent Locator at:
<http://www3.rma.usda.gov/tools/agents/>

Regional Contact for RMA

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