PM-24-013: Whole-Farm Revenue Protection and Expected Values

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Date

February 20, 2024

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Deputy Administrator

Subject

Whole-Farm Revenue Protection (WFRP) and Expected Values

Background

The Risk Management Agency has been asked whether Federal Crop Insurance Corporation (FCIC) published prices released in the latter part of the prior policy year can be considered appropriate when establishing an expected value for a commodity under WFRP when the prices for that commodity have declined prior to the application for WFRP. The WFRP Pilot Policy provides direction on how to address this situation.

Action

Approved Insurance Providers (AIP), agents, and producers are reminded that the WFRP Pilot Policy requires the price of each commodity be based on current market prices at the time the WFRP application is submitted. Specifically, the policy states in Section 18(b) that the price of the commodity is the price that you (the insured) can expect to receive when the commodity is harvested and based on the most applicable source from the list of sources in Section 18 of the WFRP Pilot Policy, one being the FCIC published price.

Section 18(g)(1)-(6) of the WFRP Pilot Policy provides how to determine the excepted value. Furthermore, the policy reiterates with an example in Section 18(g)(4) that if at SCD the FCIC published price for a commodity is significantly different than the price you (the insured) can expect to receive at harvest time, the AIP cannot use that price for the expected value (e.g., if the FCIC published price last October was $850 and the price now is $600, then the $600 price would be used).

The WFRP Pilot Policy also includes language in Section 18(e) that says expected values must be reasonable, realistic, consistent with available local market information, and take into account current local markets, cycles, and trends.

In summary, as the AIPs and insureds work to establish expected values for commodities and the current prices are known to be lower than the FCIC established price or other sources listed in the WFRP Pilot Policy, the lower value must be used if the requirements of Section 18 are met, since it is the price most reflective of the what the producer can expect to receive at harvest.

DISPOSAL DATE:

December 31, 2024