

# Risk Management Agency

Raleigh Regional Office

"Serving the Mid-Atlantic and Northeastern States"

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## ADJUSTED GROSS REVENUE (AGR) PILOT PROGRAM



### Non-traditional Risk Management Tool

In efforts to improve the insurance safety net for producers growing insurable and non-insurable crops, the **USDA Risk Management Agency (RMA)** has partnered with grower associations, cooperative extension specialists, and insurance company personnel to develop a whole farm insurance program called **Adjusted Gross Revenue (AGR)**. The AGR plan:

• provides insurance coverage for multiple agricultural commodities under one insurance product;

• uses a producer's historic Schedule F tax information (or the annual AGR farm report) as a base to provide a level of guaranteed revenue for the insurance period;

• uses the AGR farm report to determine coverage eligibility; and

• reinforces program credibility by using IRS tax forms and regulations to alleviate compliance concerns.

### AGR Protection

AGR provides protection against low revenue due to unavoidable

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causes. Covered farm revenue includes income from crops, other agricultural commodities, and incidental amounts of income from livestock and animal products and aqua culture reared in a controlled environment. Livestock income is representative of the value of crop production fed to livestock.

### Availability

The AGR Pilot Program is available in the following mid-Atlantic and northeastern states for 2001:

**Delaware:** All counties

**Maryland:** Anne Arundel, Baltimore, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Somerset, Talbot, Wicomico, and Worcester counties and Baltimore city

**New England:** All counties in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

**New Jersey:** All counties

**New York:** Cayuga, Chautauqua, Erie, Genesee, Monroe, Niagara, Onondaga, Ontario, Orange, Orleans, Oswego, Seneca, Suffolk, Ulster, Wayne, and Yates counties

**Pennsylvania:** Berks, Carbon, Lackawanna, Lehigh, Monroe, and Northampton counties

**Virginia:** Accomack, Caroline, Charles City, Chesterfield, Essex, Gloucester, Hanover, Henrico, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Mathews, Middlesex, New Kent, Northampton, Northumberland, Prince George, Richmond, Southampton, Surry,

Sussex, Westmoreland, and York counties; Chesapeake, Colonial Heights, Franklin, Hampton, Hopewell, Newport News, Norfolk, Petersburg, Poquoson, Portsmouth, Richmond, Suffolk, Virginia Beach, and Williamsburg cities.

### AGR Time-Line

**Sales Closing Date:** January 31, 2001 (cancellation & termination date for existing policies also)

**Beginning of Insurance Period:** January 1, 2001 (For the year of application, the beginning of insurance will be ten (10) days after a properly completed application is approved.)

**Insurance Year:** The Calendar or Fiscal Year that corresponds with the producer's IRS tax year.

**Claims:** Claims will be paid after filing with the IRS for the tax year.

### Shared Insured

As an alternative safety net tool, AGR insurance will be provided against a 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.

### AGR Producer Eligibility

- The AGR insured must produce agricultural commodities primarily in a pilot county, but may include income from contiguous non-pilot counties;
- Insured must have filed Schedule F income tax forms under the same tax entity for the past five years 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;
- An Administrative Fee of \$30.00 will be charged per insured entity in addition to the premium.

### Causes of Loss

Insurance is provided against loss of revenue due to any unavoidable peril that occurs during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrong doing by the insured, the insured's family, members of the household, tenants, employees, or contractors; abandonment and other causes listed in the insurance policy.

### Amount of Coverage

AGR coverage is calculated by multiplying the average approved adjusted gross revenue by the coverage level and payment rate percentage selected by the producer from the following choices:

**T 65% Coverage Level with a 75% or 90% Payment Rate**  
(for the 90% payment rate you must produce a minimum of two (2) commodities with each contributing a certain percentage of gross income);

### **T 75% Coverage Level with a 75% or 90% Payment Rate**

(you must produce a minimum of two (2) commodities with each contributing a certain percentage of gross income);

### **T 80% Coverage Level with a 75% or 90% Payment Rate**

(you must produce a minimum of four (4) commodities with each contributing a certain percentage of gross income).

### Loss Payments

Loss payments are triggered when the adjusted gross income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the average approved AGR times the selected coverage level. Once a loss is triggered, the producer is paid the revenue shortfall at the payment rate previously selected by the producer (75% or 90%).

### Loss Payment Example

Assume AGR Income:

<u>Year</u>	<u>Dollar Amount</u>
1995	\$91,500
1996	\$119,000
1997	\$89,000
1998	\$90,000
1999	\$85,000
	<u>\$474,500</u>

### **Average**

**Approved AGR: \$94,900**

Assume AGR Expenses:

<u>Year</u>	<u>Dollar Amount</u>
1995	\$66,500
1996	\$75,200
1997	\$57,000
1998	\$59,100
1999	\$59,800
	<u>\$317,600</u>

### **Average**

**Approved Expenses: \$63,520**

Assume the insured's adjusted gross income for the insurance year

is **\$21,000**. At the 80% coverage level with a payment rate of 90%, the insured's indemnity would be calculated as follows:

Approved AGR **\$94,900** times 80% coverage level equals **\$75,920**. From that, subtracting **\$21,000** revenue-to-count results in a shortfall of **\$54,920**. Multiply the shortfall by the **90%** payment rate and the indemnity would be **\$49,428**. (At the **75% payment rate**, the indemnity would be **\$41,190**.)

**NOTE:** If the grower's allowable expenses for the insurance year were below 70% of the average approved expenses (i.e., \$44,464), the approved AGR would also be reduced.

### Disclaimer

**This fact sheet points out certain features of the AGR plan and is not comprehensive. The information presented here neither modifies nor replaces terms and conditions of the basic policy, the AGR provisions, or county actuarial documents. Contact a crop insurance agent for further details (see below).**

### Where to Purchase

AGR insurance policies are available from private crop insurance agents. A list of agents is available at your local USDA Farm Service Agency office. You may also check the RMA web site at:

[www.rma.usda.gov/tools/agents](http://www.rma.usda.gov/tools/agents)

### Additional Information

Questions may be addressed to:

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