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# Whole Farm Revenue Protection

The Basics of Farm Revenue Insurance Coverage





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**75 Years Serving the Ag Industry**  
**25 Years as CAWG's Endorsed Insurance Provider**



# Whole Farm Revenue Protection (WFRP)

## Whole Farm Key Points

- A crop insurance product providing protection for **all commodities** grown on the farm (by tax entity), under one insurance policy
  - Excluding timber, forest, forest products, and animals for sport, show or pets
- Coverage is for **loss of revenue** due to decline in yields and/or market prices caused by naturally occurring perils
- Coverage caps at **\$8.5 million**



# Whole Farm Revenue Protection (WFRP)

## WFRP Diversification and Commodity Count

- Subsidy qualifications: Farms with 2 or more commodities receive additional subsidy towards their premium
- Premium discount: Farms with 2 or more commodities will receive a premium rate discount determined by the amount of diversification
- Coverage Options: Farms with 3 or more commodities can purchase 80% or 85% coverage levels
- Potential for disqualification: Each commodity requires a specific amount of revenue to be counted towards farm diversification



# Whole Farm Revenue Protection (WFRP)

## You Only Grow Grapes...?

- **White grapes** and **red grapes** are considered 2 separate commodities

### Revenue requirements for diversification

Number of Commodities	2	3	4	5	6	7
Percent of Revenue Required	16.7%	11.1%	8.3%	6.7%	5.6%	4.8%



# Whole Farm Revenue Protection (WFRP)

## Whole Farm Premium

Premiums are subsidized or “discounted” by the federal government

- Up to **80% premium subsidy** for diversified farmers
- Premium billed and due in **September**
- Premium discount for having MPCl
- Premium discount based on number of commodities

Coverage Level	50%	55%	60%	65%	70%	75%	80%	85%
Basic Subsidy 1 Commodity	67%	64%	64%	59%	59%	55%	N/A	N/A
Whole Farm Subsidy 2 Commodities	80%	80%	80%	80%	80%	80%	N/A	N/A
Whole Farm Subsidy 3 Commodities	80%	80%	80%	80%	80%	80%	71%	56%



# Whole Farm Revenue Protection (WFRP)

## WFRP Qualifications

- The farming entity must have **5 consecutive years of tax returns**
  - Some exceptions for this requirement
- Must file a **Schedule F** tax form or provide a **Substitute Schedule F**
- Must be a U.S. Citizen or resident and eligible to receive federal benefits
- Cannot have MPCl coverage **at the CAT level**
  - MPCl at “buy up” levels (50%-85%) is allowed





# Whole Farm Revenue Protection (WFRP)

## WFRP Covered Perils

- Adverse weather
- Earthquake
- Failure of irrigation water supply (due to a covered peril)
- Fire (smoke)
- Insects, plant disease (unless insufficient/improper control measures occurs)
- Volcanic eruption
- Wildlife
- Declines in local market prices
  - These are presumed to be due to unavoidable natural causes
    - FCIC must specifically identify a man-made cause resulting in a measurable change in price



# Whole Farm Revenue Protection (WFRP)

## WFRP Does Not Cover

- Declines in yield/market price due to man-made causes
- Inability to market commodities due to:
  - A quarantine or boycott
  - Lack of labor
  - Inability to find a buyer/market
  - Refusal of any market to accept the commodity for any reason other than damage due to a covered cause of loss
- Failure to collect payment for sold commodities or receive a price reflective of market value
- Deterioration of commodities in storage which reduces the quality/value of the commodity, unless this is due to a covered cause of loss
- **Rejections or failure to market grapes MUST be due to a covered cause of loss**

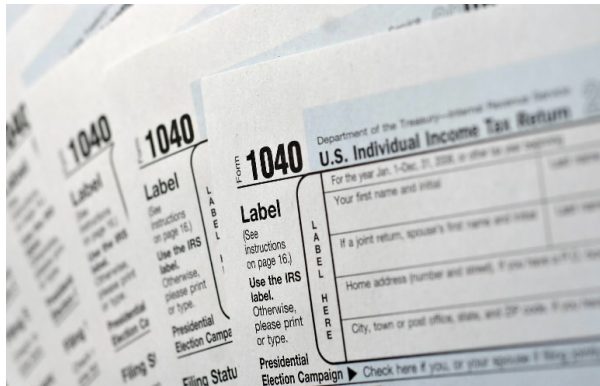


# Whole Farm Revenue Protection (WFRP)

## WFRP Approved Revenue

The approved revenue for the policy is based on the lower amount of either:

The farm operation's 5 year average revenue  
(with any options applied)



The expected revenue from the commodities  
produced in the insurance year

OR





# Whole Farm Revenue Protection (WFRP)

## WFRP Expected Revenue with No Contracts

The expected revenue from the commodities produced in the insurance year **must be realistic and substantiated**

- All contracts must be supplied by June 15<sup>th</sup>
- Growers without contracts may be able to use RMA insurance prices, market prices or previous sales records to support estimated revenue



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Options

- Growers can select to cover between 50% and 85% (in 5% increments) of the approved revenue
  - If less than 3 commodities, only 50%-75%
- The policy liability limit is \$8.5M in insured revenue
- This is a revenue cap, not an exclusion

Coverage Level	Min. Commodity Count Required	Max. Farm Revenue
85%	3	\$10,000,000
80%	3	\$10,625,000
75%	1	\$11,333,333
70%	1	\$12,142,857
65%	1	\$13,067,923
60%	1	\$14,166,167
55%	1	\$15,454,545
50%	1	\$17,000,000



# Whole Farm Revenue Protection (WFRP)

## WFRP Approved Revenue Options

The insured may select one or more of the following options

- **Revenue Substitution (RS)**
- **Revenue Exclusion (RX)**
- **Revenue Cup (RC)**

The option providing the highest revenue amount will be used in the determination of the approved average and premium, options can not be used in conjunction



# Whole Farm Revenue Protection (WFRP)

## WFRP Revenue Substitution

When elected, allows the revenue substitution for any year within 5 year history period that falls below 60 percent of their simple average allowable revenue (or indexed revenue)

2015	–	\$5,200,000	
2016	–	\$5,400,000	
2017	–	\$5,800,000	
2018	–	<del>\$2,800,000</del>	← \$3,000,000
2019	–	\$5,800,000	

Example:

- Simple average =  $\$5,000,000 \times 60\% = \$3,000,000$
- Any years in the 5 year tax history below \$3,000,000 in revenue, will be substituted with \$3,000,000 and used in the average for the policy



# Whole Farm Revenue Protection (WFRP)

## WFRP Revenue Exclusion

When elected, allows the exclusion of the lowest year within the insured's whole-farm history period

2015 – \$5,750,000  
~~2016 – \$4,780,000~~  
2017 – \$6,200,000  
2018 – \$5,900,000  
2019 – \$5,850,000

Policy average uses the four highest revenue years





# Whole Farm Revenue Protection (WFRP)

WFRP Revenue Cup (*For Carryover Insureds Only*)

Replaces the average revenue with **90% of the previous year's approved revenue**

Example:

- Previous years approved revenue = \$1,000,000
- Current years average = \$860,000
- Approved revenue with RC = **\$900,000**



# Whole Farm Revenue Protection (WFRP)

## WFRP Approved Revenue Options

- Options have a premium surcharge, and will also increase your liability, which increased premium
- Options impact the average revenue determination only
  - The policy is based off the lessor of the average, with options applied, OR the expected revenue for the year



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, Estimated REvenue

Lodi grower, crush district 11

Coverage Level	Producing Acres	Average Production Per Acre	Total Estimated Production	Contracted or Estimated Price	Estimated Revenue
Cab. Sauvignon	395	8.4 Tons	3,318 tons	\$1,300 / Ton	\$4,315,200
Chardonnay	140	8.1 Tons	1,134 tons	\$900 / Ton	\$1,019,466
Olives for Oil	25	135 Gallons	3,375 gallons	\$18 / Gallon	\$59,334

**Total Estimated Revenue = \$5,394,000**



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, Commodity Count

### Commodity Count:

Red Grapes – \$4,315,200	(80% of revenue)
White Grapes – \$1,019,466	(18.9% of revenue)
Olives – \$59,334	(1.1 % of revenue)

Based on commodity qualification calculations, only 2 commodities qualify towards diversification



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, 5 Year Average

Determine the 5 year historic average:

2015 – \$5,750,000

2016 – \$4,780,000

2017 – \$6,200,000

2018 – \$5,900,000

2019 – \$5,850,000

***Average Revenue = \$5,696,000***

There is a lag year, the most recent years revenue is not used



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, Determining the Approved Revenue

Determine the lesser of the two:

*Average Revenue = \$5,696,000*

*OR*

*2021 Expected Commodity Revenue = \$5,394,000*



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, MPCCI Policy Impacts

Comparing premiums for coverage with, and without underlying multiperil coverage

### 50% MPCCI Coverage Level Example

Commodity	Insurance Price for Losses	Tonnage Guarantee	Total Liability	Farmers Premium
Cabernet Sauvignon	\$1,300 per ton	1,639 tons	\$2,131,090	\$11,176
Chardonnay	\$900 per ton	567 tons	\$510,300	\$2,676
Olives	NONE	NONE	NONE	NONE
			\$2,641,390	\$13,852

MPCCI provides coverage by variety type, WFRP is by farm/entity



# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, Revenue Insured

Select the coverage level based on \$5,394,000 approved revenue

Coverage Level	Insured Revenue
75%	\$4,045,500
70%	\$3,775,800
65%	\$3,506,100
60%	\$3,236,400
55%	\$2,966,700
50%	\$2,697,000





# Whole Farm Revenue Protection (WFRP)

## WFRP Coverage Example, Premium Assessment

Comparing premium with and without MPCCI Coverage  
(50% MPCCI used in example)

Coverage Level	Liability	WFRP Premium with NO MPCCI (\$0)	WFRP Premium with MPCCI (\$2.6M)	MPCI Policy Premium	Total Premium (WFRP & MPCCI)
50%	\$2,697,000	\$12,406	\$6,203	\$13,852	\$20,055
55%	\$2,966,700	\$17,207	\$8,603	\$13,852	\$22,455
60%	\$3,236,400	\$22,655	\$11,327	\$13,852	\$25,179
65%	\$3,506,100	\$29,451	\$14,726	\$13,852	\$28,578
70%	\$3,775,800	\$40,023	\$20,012	\$13,852	\$33,864
75%	\$4,045,500	\$53,401	\$26,700	\$13,852	\$40,552



# Whole Farm Revenue Protection (WFRP)

## WFRP Claim Example

Growers Expectations		
Cab. Sauv.	3,318 tons	\$4,315,200
Chardonnay	1,134 tons	\$1,019,466
Olives	3,375 gallons	\$59,334
Total Expected Revenue		\$5,394,000

Late Freeze Occurs

Growers Production		
Cab. Sauv.	1539 tons	\$2,000,000
Chardonnay	958 tons	\$862,500
Olives	2,700 gallons	\$48,600
Total Actual Revenue		\$2,911,100



# Whole Farm Revenue Protection (WFRP)

## WFRP Claim Example

\$2,911,100	Revenue earned for crop year
+ \$130,000	MPCI claim payment on tons lost
<b>\$3,041,100</b>	<b>Total revenue to count for WFRP insurance</b>
\$4,045,500	WFRP insured revenue
- \$3,041,100	Total revenue to count
<b>= \$1,004,400</b>	<b>Revenue claim (WFRP indemnity payment)</b>

*\$1,134,400 WFRP indemnity if there was no MPCI coverage*



# Whole Farm Revenue Protection (WFRP)

## WFRP Claim Details

- Claims should be **filed timely** (within 72 hours of notice of potential damage or loss in revenue has occurred)
- WFRP claims are **paid after taxes are filed** for the year
- Growers have **60 days after tax filing** to notify company of a loss in revenue



# Whole Farm Revenue Protection (WFRP)

## WFRP Growers Responsibilities

- Provide necessary policy documents
  - Contracts
  - Past yield and marketing history
  - Additional information to support special circumstances
  - Organic certifications (if necessary)
  - Proof of MPCl liability, if purchased at buy-up
- Must inform agent of any changes to the farm operation through the year
- Must meet claims reporting requirements
- Insured must retain complete verifiable records and direct marketing sales records for three years after the later of: end of insurance, or date of final indemnity payment



# Whole Farm Revenue Protection (WFRP)

## WFRP Important Dates

Application deadline dates for California operations:

- November 20 (Late fiscal year filers)
- **February 28**

Revised Farm Operations reporting date:

- On or before July 15

Final Farm Operations reporting date:

- On or before July 15<sup>th</sup> of the following year

**Based on the state and county the farm operation is headquartered in, and the filing method**



# Whole Farm Revenue Protection (WFRP)

## WFRP Common Winegrape Questions

- If I am a vertically integrated grower and winery do I qualify?
  - Yes! If there are two entities it's a cleaner process, but ultimately it can be potentially done
- I do custom crush, do I qualify?
  - Yes! This policy will follow your revenue for the year and it accounts for carryover and stored inventory/revenue



# Whole Farm Revenue Protection (WFRP)

## WFRP Things To Consider

- This is an all inclusive policy for losses, but ONLY naturally occurring losses
- The policy is complex, not all crop insurance agents offer this coverage
- Though schedule F's are used to establish the approved yield, additional entity or tax information may be required to determine eligibility





# Thank you – Questions?



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