



2006

ADJUSTED GROSS REVENUE-LITE (AGR-Lite)

A Program in States of AK, CT, DE, ID, MA, ME, MD, NC, NH, NJ, NY, OR, PA, RI,
VA, VT, WA, WV

DEADLINES: 3/15/06 for new applications, 1/31/06 changes for renewals

IMPROVEMENTS

- * Fits farms with up to \$2 mil. of annual gross income,
- * Broader insured causes of loss,
- * More producers eligible for higher coverages, and
- * 3/15 enrollment deadline for new applicants.

A Whole-Farm Revenue Risk Management Tool

AGR-Lite is a streamlined whole-farm revenue protection package that can be used as a stand-alone coverage or in addition to other individual crop insurance policies (except AGR). The plan is easy to understand because it follows the marketplace. Most farm raised crops, animals, and animal products are eligible for protection. The program is based on the 5-year average of selected revenue reported on IRS Schedule F 1040 or equivalent tax forms, therefore, minimal additional record keeping is required.

Protection

AGR-Lite provides protection against low revenue due to unavoidable causes. Covered farm revenue includes income from almost all crops and agricultural commodities including animals and animal products such as milk, aquaculture products grown in a controlled environment, and greenhouse production. The value of any crop production fed to animals is counted as animal income. Excluded are revenues from post packaging, sorting, processing, added value including controlled atmosphere storage, and income from timber, forests, forest products, pets, sport and hobbies.

Availability

AGR-Lite is available in all or most counties of AK, CT, DE, ID, MA, MD, ME, NC, NH, NJ, NY, OR, PA, RI, VA, VT, WA, and WV.

Eligibility Requirements

Basic eligibility requirements include having:

1. Five consecutive years of IRS Schedule F 1040 records (or same information from other tax forms) for the same tax entity for the past five years (unless at least 90 percent of a previous farming operation was transferred to the current tax entity). These records must be available for inspection.
2. Average annual adjusted gross revenue of \$2,051,282 less (\$1,000,000 max. policy liability).
3. Not more than 50% of allowable income from ag commodities purchased for resale, and
4. Expected potato revenue not to exceed 83.35% of the total revenue.

Policy Size Limit

The policy is limited in size to a maximum liability (protection in force) of \$1,000,000 annually. The table shows the maximum allowable income by level, to be eligible for AGR-Lite.

Cov. Level & Pmt. %	Max. Annual Income
65/75	\$2,051,282
65/90	\$1,709,401
75/75	\$1,777,777
75/90	\$1,481,481
80/75	\$1,666,666
80/90	\$1,388,888

Insured Entity

Protection will be provided against a loss of revenue only for the person or entity named on the AGR-Lite application (usually the same as shown on the tax forms). Other persons or entities having an ownership share in the farming operation must also enroll in AGR-Lite to have protection.

Insured Causes of Loss

Insurance is provided against loss of revenue due to any unavoidable natural occurrences, including but not limited to, adverse weather, fire, insects, disease, wildlife, earthquake, volcanic eruption, or failure of irrigation water supply, if applicable, that causes production losses that occur during the current or previous insurance year or market fluctuation that cause a loss of revenue during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the insured, the insured's family, members of the household, tenants, employees, or contractors; abandonment and other causes listed in the insurance policy.

Coverage Choices

Protection is calculated by multiplying the approved adjusted gross revenue (AGR) by the coverage level and payment rate percentage selected at the time of enrollment. Choices are:

*65% Coverage Level with the 75% or 90% Payment Rate

*75% Coverage Level with the 75% or 90% Payment Rate

*80% Coverage Level with the 75% or 90% Payment Rate

Commodity Requirements for Coverage Choices

Producers of one or more commodities can insure at 65/75, 65/90, and 75/75 and 75/90%. Three or more qualifying commodities are required to insure at the 80/75 and 80/90%. To qualify as three eligible commodities each must be projected to generate: 11.1% or more of the gross revenue shown on the annual farm report. Commodities with small revenues will be grouped by quoting software to determine the total number of eligible commodities.

Notice of Damage or Loss

A written notice is required to be filed in your agent's office within 72 hours of discovery that your allowable income may be less than the revenue guarantee of the policy. Failure to provide notice within 15 days after the filing of your farm tax forms for the insurance year may result in denial of your claim. (Requests for extensions will not be considered.)

Loss Payments

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

Calculating the Adjusted Gross Revenue and Expenses

Assumed AGR Income:

(Selected information from the IRS Schedule F 1040, Part I, the previous 5 years.) Example:

<u>Year</u>	<u>Adjusted Income</u>
2000	\$ 91,500
2001	102,000
2002	60,000
2003	90,000
2004	110,000
	<u>\$ 453,500</u>

Average AGR: \$ 90,700

Index (trend) Adj.: 1.355

Approved AGR: \$ 122,899

NOTE: The Index Adjustment only applies when certain criteria are met. The approved AGR and expenses must be updated annually before 1/15 or the application date. The insurance company may adjust the approved AGR and expenses to reflect changes of the farming operation that affect potential income.

Assumed AGR Expenses:

(Selected information from the IRS Schedule F 1040, Part II for the previous 5 years.) Example:

<u>Year</u>	<u>Adjusted Expenses</u>
2000	\$ 55,500
2001	69,200
2002	44,000
2003	61,100
2004	71,200
	<u>\$ 301,000</u>

Average Expenses: \$ 60,200

Index (trend) Adj.: 1.417

Approved Expenses: \$ 85,303

Loss Payment Example

Assume the adjusted gross revenue (AGR) for the insurance year is **\$21,000**. At the 80% coverage level with a payment rate of 90%, the insured's loss payment would be calculated as follows:

Approved AGR **\$122,899** times 80% coverage level equals **\$98,319 loss trigger**. From the loss trigger, subtract the **\$21,000 revenue-to-count**, which results in a **shortfall of \$77,319**. Multiply the shortfall by the **90% payment rate** and the **loss payment would be \$69,587**. (If the producer had selected the **75% payment rate**, the loss payment would be **\$57,989**.)

NOTE: If the insured's allowable expenses for the insurance year were below 70% of the average approved expenses (i.e., \$85,303), the approved AGR would be reduced proportionately.

Time-Lines

Sales Closing Date:

March 15 is the enrollment date for new applicants; policy change and the cancellation dates for all policies are 1/31.

Beginning of Insurance Year:

January 1 is the beginning of the insurance year for calendar year filers. For the first year, coverage will not begin until at least 10 days after the application is approved.

Revenue and Expense Report

Filing Deadline:

March 15 for new applications. January 31 deadline applies for renewal policies to update annual farm report, along with revenue and expenses for the previous year.

Beginning Inventory Report Filing Deadline:

The report must be filed by the end of the first month for the calendar or fiscal year that corresponds to the producer's IRS tax year (usually 1/31) (3/15 for new applications).

Claims Filing Deadline:

(1) Claims must be filed within 60 days after you file your income taxes; (2) No claim will be paid if you file your income taxes after the 1st day of the 7th month after the end of the insurance year.

Claims Settlement:

Copies of your tax records must be provided if a claim is filed. Claims will be settled after taxes are filed with the IRS for the tax year.

Timely Filing of Reports

Failure to file this report in a timely manner may result in denial of protection.

Where to Purchase

AGR-Lite insurance policies are available from private crop insurance agents. A list of agents is available at your local USDA Farm Service Agency office or you may log on to the RMA web site at:

www.rma.usda.gov/tools/agents

Additional Information

Questions may be addressed to insurance agents, approved insurance companies, or to:

Kyle Nagurny

PA Dept. of Agriculture

2301 N. Cameron Street

Suite 310

Harrisburg, PA 17110

Phone 717-772-3094

Knagurny@state.pa.us

Disclaimer

This fact sheet points out certain features of the AGR-Lite 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.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.