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2018 Farm Bill

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Can the New Whole Farm Revenue Protection Insurance Pilot Product Be Improved?

BACKGROUND

Under general direction from the 2014 Farm Bill, the Risk Management Agency (RMA) created Whole Farm Revenue Protection (WFRP) as a pilot program beginning in the 2015 insurance year to provide a risk management safety net for all commodities on the farm under one insurance policy.

ISSUE

The new WFRP insurance product acts much like the expanded Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue Lite (AGR-Lite) policies. WFRP replaced those two products. AGR and AGR-Lite carried $6.5 million and $1 million liability limits respectively, while WFRP's limit covers $8.5 million in a diversified farm's insured revenue with a maximum revenue level of $17 million at a 50 percent coverage level. WFRP also distinguishes itself from AGR with different coverage levels, along with other key differences.

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss that occurs during the insurance period. The policy provides replant coverage equal to the cost of replanting, up to a maximum of 20 percent of the expected revenue. Coverage levels range from 50-85 percent, and are not available in combination with Catastrophic Risk Protection (CAT) coverage. Coverage levels are highest for those producers who produce a minimum of three commodities with a maximum $10 million in revenue. Those levels drop as the number of covered commodities drops to one and revenue rises to $17 million. WFRP may be purchased alone or with additional FCIC approved policies. Farms with one commodity receive a basic level of premium subsidy, while those with two or more commodities qualify for the maximum premium subsidy.

In its first year, WFRP was available in limited states and counties. It has since expanded in its second year into every county in the U.S. The program has appealed to producers of commodities that have not traditionally had an insurance product available to them, and to those who don't produce enough of one commodity to qualify for a product. For example, farms with specialty or organic commodities, including crops and livestock, are covered under WFRP, including those who market to local, regional, farm-identity preserved, specialty, or direct markets. The program does not cover timber, forest, forest products, and animals for sport, show, or pets.

In 2015, WFRP covered 213 commodities, many of which had never been insurable. In the 2016 insurance year, 256 commodities are covered. Included in those totals are dairy, livestock, poultry, eggs, and aquaculture. The vast majority of crops are defined as specialty crops, thus representing a vast increase in the availability of crop insurance to traditionally non-covered crops. Currently, 38 specialty crops have their own FCIC approved product.

Specific data representing the percentage of coverage by commodity is unavailable. Certain WFRP provisions ensure that animal and nursery coverage do not exceed $1 million in revenue in a crop year.

In 2014, specialty crops consisted of 8 percent of all crop insurance premiums. While coverage levels are low for specialty crops, their liability continues to increase.

The top three states to utilize WFRP are Washington, Oregon, and California, in that order.

WFRP, while not mentioned in current AFBF policy, is consistent with our support of "the availability of crop yield and/or revenue insurance for all producers of all crops, livestock, and poultry in the country," perhaps offering the first product that conforms with this statement.

To qualify for WFRP, there are several key requirements. Most producers need five consecutive years of Schedule F tax forms. The exception is for beginning farmers or ranchers who must supply three years of forms. Both producers and crop insurance agents find this requirement difficult to achieve. As the number of commodities increases, crops are grouped into risk pools, which adds to the difficulty in writing an accurate policy.

OPTION #1

Should WFRP be streamlined to improve delivery among producers who find the product too complicated? If so, how should it be streamlined?

OPTION #2

Should we specifically cite WFRP as a program that should receive more attention from USDA-RMA?

OPTION #3

Are there ways to incentivize WFRP for traditional row crop producers?