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RightRisk™

RightRisk News

Dates to Remember

- **March 15, 2014**: Crop insurance sales closing and cancellation dates for spring planted crops. For more information see: http://www.rma.usda.gov
- **April 1, 2014**: Noninsured Crop Disaster Assistance Program (NAP) application deadline for spring seeded forage and all other crops. For more information see: http://www.fsa.usda.gov.

How Much Risk is Right for You?

AGR-Lite Protects Against Low Revenues

Adjusted Gross Revenue-Lite (AGR-Lite) is a streamlined whole-farm revenue protection package. The plan protects against low revenues due to losses attributable to unavoidable natural disasters such as fire, adverse weather, and market fluctuations. Most farm-raised crops, animals, and animal products are eligible for protection.

AGR-Lite provides insurance coverage for multiple agricultural commodities in one insurance product and establishes revenue as a common denominator for the insurance of all agricultural commodities. AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans. However, the maximum liability of coverage is $1 million.

To be eligible for AGR-Lite coverage, a producer must be a U.S. citizen or resident; file a calendar year or fiscal year farm tax return; and have appropriate IRS tax forms available for the previous 5 consecutive years under the same tax entity (for exceptions, contact a crop insurance agent). Also, revenues from commodities purchased for resale cannot exceed 50 percent of total revenues and revenue from potatoes cannot exceed 83.35 percent of total revenue to be eligible for AGR-Lite coverage. A new policy must be purchased by March 15th for the year in which coverage is to first occur. After the first year, the policy is continuously in effect but policy changes and cancellations must occur by January 31st. Claims are settled after taxes are filed for the insurance year.

A producer, producing at least three commodities, shall select one of three levels of coverage – 65 percent, 75 percent, or 80 percent – and an associated payment percentage of either 75 percent or 90 percent. A producer, producing less than three commodities, can insure at 65/75, 65/90, 75/75, and 75/90 coverage levels and payment percentages. The government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

AGR-Lite Levels of Insurance

Coverage Level	Payment Percentage
65%	75% 90%
75%	75% 90%
80%	75% 90%

The 80% coverage level is not available to those producing less than three commodities.

Assume a producer had an approved AGR-Lite income of $500,000 and wanted to insure revenues at the "80 percent coverage at 90 percent payment rate. Further assume adjusted gross income turns out to be $215,000.

Step 1: Calculate the loss inception point (approved AGR times the coverage level) => $500,000 x 0.80 = $400,000

Step 2: Calculate the loss of revenue (loss inception point less actual revenues) => $400,000 - $215,000 = $185,000

Step 3: Calculate the indemnity due (lost revenue times payment percentage) => $185,000 x 90% = $166,500

AGR-Lite insurance can be purchased from private insurance agents. A list of crop insurance agents is available at a USDA Service Center or on the RMA web site: http://www3.rma.usda.gov/tools/agents/. Also, more information about AGR-Lite is available at http://RightRisk.org.

Risk Management Profile

Juan and Suzanne were sitting in their kitchen one January afternoon getting information ready to take to their tax preparer. Check stubs, invoices, receipts, weigh tags from the local co-op, and sale bills were scattered across the table. Suzanne was frustrated with the mess and with the amount of information Juan kept in his head. They both knew they would have a better handle on their finances, keep their banker happier, and be better prepared for their tax preparer if they maintained good financial records throughout the year. To read more see: http://RightRisk.org > Resources > Risk Mgt Profiles

Highlighted Course

The interactive AGR-Lite course was designed for producers at both ends of the crop insurance knowledge spectrum – whether they already use and are accustomed to crop insurance programs or they are new to the programs available and are just beginning to determine their risk management needs. The course is interactive and has lessons at the end of each section to help participants apply what they have learned to their own situations. It also provides electronic tools to help producers assess how the program may fit with their operation.

The course is divided into six sections. The first two sections cover general risk management and an overview of the AGR-Lite program. The basic concepts of risk management and the five sources of agricultural risk are discussed using real-life examples and situations. The overview of the AGR-Lite program includes a breakdown of individual farming and livestock enterprises eligible for coverage under the program as well as other eligibility requirements.

The third section discusses the application process for AGR-Lite. This includes the necessary forms and information as well as determining the variables and adjustments that go into determining a farm's adjusted gross revenue (the basis for the insurance coverage).

Section four talks about steps a producer must take in the event of a loss. It is important to note losses under AGR-Lite coverage are determined on a year-to-year basis as opposed to when a loss occurs in conventional insurance.

The last two sections discuss document considerations as part of AGR-Lite and a whole farm example. It is important for producers using AGR-Lite to keep accurate records in the event of a revenue loss. These include invoices, weight slips, and other records pertaining to production.

For More Information on the AGR-Lite course, see http://RightRisk.org > courses.

RightRisk™

RightRisk helps decision-makers discover innovative and effective risk management solutions.

- *Education*
- *Coaching*
- *Research*

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How much risk is right for you and your operation?

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