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RightRisk™

RightRisk News

Dates to Remember

PLC/SCO Election
- March 15, 2015

Crop Insurance Sign Up
(Most Spring Planted Crops)
- March 15, 2015

Base Acre/Yield Updates
- March 31, 2015

ARC/PLC Election
- March 31, 2015

For more information see:
http://www.rma.usda.gov
http://www.fsa.usda.gov

Benchmarking in Agriculture

Benchmarking is a powerful business analysis tool becoming popular with agricultural producers. Benchmarks allow producers to compare financial and production performance with previous years for their own farm or with other producers and agricultural businesses. These comparisons point out trends, strengths and weaknesses in a businesses very quickly.

Monitoring trends can provide an early warning system when performance is in decline, so adjustments can be made before serious problems get out of hand. Trend analysis also allows operators to see the effect of changes in management decisions and practices.

In 1989 a group of farmers, lenders, and university faculty created a task force that later became known as the Farm Financial Standards Council with the mandate to develop and publish "Financial Guidelines for Agricultural Producers." The financial guidelines were intended to promote the uniformity of financial reporting and identify financial measures that may be used in the measurement of financial position and financial performance. The Council recommended 21 financial viability measures for farm and ranch operations. Over time, each one of these measures has become an industry benchmark.

When someone goes to a doctor for a check-up, the physician gathers information; such as blood pressure, pulse rate, body temperature, and other information they deem necessary for assessing medical health. Each of these measures has a benchmark or general guideline for what the measure should be in a healthy individual. For example, body temperature for an adult should be between 97.8 and 99.1 degrees F. Anything outside this range *might* indicate a potential health problem. It does not specify what the problem is, but it gives the doctor and patient an indicator that some action may be necessary.

Athletes also use benchmarks to measure their performance. Points per game, average yards per rush, time required to run a race, and batting average are all good examples of benchmarks for performance.

Financial benchmarks work in much the same way. Each financial measure has an established benchmark in a typical, healthy business. Be aware that variations do occur between various sizes of operations, owned versus leased operations, geographic location, and other factors.

Formal benchmarking is a systematic approach for identifying possible management changes that may lead to improved business performance. Many insights can be gained through benchmarking. It can uncover problems with production practices, management practices and other factors that affect productivity, cost of production and profitability. These insights and discoveries can be used to improve farm performance.

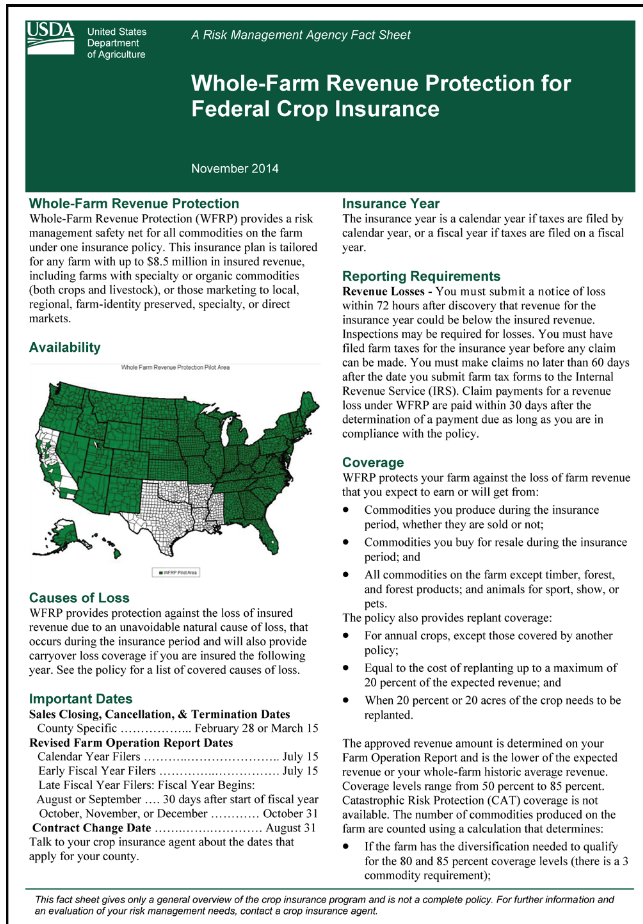
Farmers and ranchers often do benchmarking informally. A farmer may see another farmer receive a better price for products at the same market and ask "Why is this happening?" Or a farmer may hear another farmer talk about how a new technology has reduced operating expenses. Individual farmers can often improve the performance of their business by observing and learning from other farmers.

How Much Risk is Right for You?

Internal benchmarking is used where the performance of the farm business is compared with itself over time. In this way, an assessment of past results are used in an attempt to discover ways to improve. Over time the farm business is analyzed, performance is measured, weaknesses and opportunities are identified, and management improvements are introduced. Good farm records are a great help with this. Results of internal benchmarking can often be quite easy to calculate. The challenge is to know what can be done to improve performance once the results are in hand. The answer for many operators often lies beyond the farm boundaries. This leads to a need for external benchmarks.

External benchmarking compares performance of a single farm with the performance of other farms operating similar enterprises. The benchmark might be a competing farmer or a successful one ready to share good farm management practices with others in the area. Either way, the benchmark farm serves as the basis to compare results under an alternative management system. These results can be studied, learned from and imitated if that seems appropriate.

Benchmarking in agriculture can be a powerful business analysis tool. The approach can be as formal or informal as desired. It can be completed internally or externally. It can be used to measure financial performance, production performance, or both. It can help identify strengths or it can identify weaknesses. It can provide a farm manager with an early warning system for business management issues that need immediate attention. The objective is to improve business performance by evaluating proven management strategies used in similar farm or ranch businesses.


USDA United States Department of Agriculture

A Risk Management Agency Fact Sheet

Whole-Farm Revenue Protection for Federal Crop Insurance

November 2014

Whole-Farm Revenue Protection

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

Availability

Causes of Loss

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss, that occurs during the insurance period and will also provide carryover loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

Important Dates

Sales Closing, Cancellation, & Termination Dates
County Specific .... February 28 or March 15
Revised Farm Operation Report Dates
Calendar Year Filers .... July 15
Early Fiscal Year Filers .... July 15
Late Fiscal Year Filers: Fiscal Year Begins:
August or September .... 30 days after start of fiscal year
October, November, or December .... October 31
Contract Change Date .... August 31
Talk to your crop insurance agent about the dates that apply for your county.

Insurance Year

The insurance year is a calendar year if taxes are filed by calendar year, or a fiscal year if taxes are filed on a fiscal year.

Reporting Requirements

Revenue Losses - You must submit a notice of loss within 72 hours after discovery that revenue for the insurance year could be below the insured revenue. Inspections may be required for losses. You must have filed farm taxes for the insurance year before any claim can be made. You must make claims no later than 60 days after the date you submit farm tax forms to the Internal Revenue Service (IRS). Claim payments for a revenue loss under WFRP are paid within 30 days after the determination of a payment due as long as you are in compliance with the policy.

Coverage

WFRP protects your farm against the loss of farm revenue that you expect to earn or will get from:

- Commodities you produce during the insurance period, whether they are sold or not;
- Commodities you buy for resale during the insurance period; and
- All commodities on the farm except timber, forest, and forest products; and animals for sport, show, or pets.

The policy also provides replant coverage:

- For annual crops, except those covered by another policy;
- Equal to the cost of replanting up to a maximum of 20 percent of the expected revenue; and
- When 20 percent or 20 acres of the crop needs to be replanted.

The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue. Coverage levels range from 50 percent to 85 percent. Catastrophic Risk Protection (CAT) coverage is not available. The number of commodities produced on the farm are counted using a calculation that determines:

- If the farm has the diversification needed to qualify for the 80 and 85 percent coverage levels (there is a 3 commodity requirement);

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

Whole-Farm Revenue Protection Insurance Deadline Nears

The deadline to purchase the new USDA Risk Management Agency (RMA) Whole-Farm Revenue Protection pilot insurance policy is March 15. RMA created this whole-farm crop insurance policy to allow farmers to insure a variety of crops all at once, rather than one commodity at a time. The new product covers between 50 and 85 percent of the whole-farm revenue for a particular farm with one policy. This gives farmers the option of embracing greater crop diversity and helps support the production of a wider variety of food crops. The policy can be purchased in conjunction with individual crop policies, as long as those policies are at the buy-up coverage level.

Whole-Farm Revenue Protection is currently a pilot program available in 15 counties of California; in all of Alaska except North Slope and Northwest Arctic; and in all other U.S. states except Arkansas, Louisiana, Mississippi, Oklahoma, and Texas. It is sold and delivered solely through private crop insurance agents. More information, including a list of crop insurance agents, can be found on the RMA website (www.rma.usda.gov).

RightRisk™

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

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

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RightRisk News is brought to you by the RightRisk Team

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How much risk is right for you and your operation?

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