



## RIGHT RISK

### On Solid Ground: Insuring Whole Farm Success

**D**an and Kate Leader moved to the Anchorage, Alaska area four years ago. Kate had a new teaching degree and a good job lined up at a local high school. Dan had an agronomy degree and a desire to start his own crop farm.

very fulfilling and she is looking forward to a long career in education. Dan was looking for a challenge and the Alaskan climate and market conditions have given him everything he could have hoped for from an agronomy and business standpoint.

The last four years seem to have passed quickly but, for the most part, they have been able to pursue their dreams. While teaching math to a diverse group of ram-bunctious high school kids can be challenging, Kate's teaching career has been

Soon after moving to the area, Dan and Kate were able to locate and purchase property outside of Anchorage that would provide space for Dan to grow some crops and be close enough to town to provide Kate with an easy commute to

work someday. The property did have a home on it when they bought it. The house needed a lot of repair work, so they continued to live in their two bedroom townhouse while Dan built up the farm into a profitable venture.

In just three years, they have managed to put enough money away that they are starting to seriously discuss plans to remodel the farm house

*Their dream of living on a farm appears about to become a reality.*

into their dream home. Kate poured herself a cup of coffee and sat down at the kitchen table with Dan one morning and asked him how comfortable he would be taking out a loan to speed up the process a bit and make it happen within the next year.

Dan is instinctively averse to risk which is why he had made it a priority to participate in some risk management webinars recently presented by RightRisk. In those webinars, he learned about the basics of managing risk in an agricultural operation and about a number of risk management tools available from USDA in the form of Risk Management Agency (RMA) insurance programs and Farm Service Agency (FSA) disaster assistance programs.

He knew Kate's suggestion made quite a bit of sense, but he would feel better about taking on the additional debt if he had a solid risk management plan in place for their farm operation.

One of the programs that intrigued Dan the most was the Whole Farm Revenue Protection (WFRP) insurance product offered by RMA. Dan had built a really good reputation at the local farmers market and was selling his vegetables and cut flowers to local buyers at a pretty high premium. With WFRP, he wouldn't have to worry about any national average prices limiting the amount of protection he could purchase. He could customize the WFRP insurance by selecting the level of revenue he wanted





to protect, based on his risk management needs. In the webinar, Dan learned that five years of tax history were needed to enroll in the program. However, he recently came across an announcement in a RightRisk newsletter that USDA is making changes to the program that would allow beginning producers better access to the WFRP program.

Dan mentioned this to Kate, and they discussed risk management along with his reservations about taking on too much risk.

They decided Dan would follow up with some research on WFRP, while Kate started to assess the loan required to allow them to remodel the farm house into the home they both envisioned for their family.

Dan learned that one of the changes made by RMA to WFRP was reducing the required records

from five to three historical years for beginning farmers and ranchers. That change was important because now Dan and Kate are eligible to participate in the WFRP program in the upcoming calendar year.

Dan also learned that RMA was increasing the cap on historical revenue for expanding operations from 10 percent to 35 percent to allow growing farms the opportunity to better cover their growth in the insurance guarantee. This change was also important to Dan and Kate because Dan's farming revenue was growing at about 25 percent per year and continuation of that growth for the next few years was important to their financial plans. Further reading revealed that they would meet the diversification requirements that qualify them for the 80 and 85 percent coverage levels.

Kate reported that a \$125,000 loan would be enough to get a good start on remodeling the farm house into their dream home.



Together, Dan and Kate decided to push forward with the loan application along with contacting a crop insurance agent about enrolling in Whole Farm Revenue Protection. The couple felt comfortable with their ability to protect their income with WFRP and agreed they would both prefer to complete the remodel of the farm house sooner rather than later.

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[RightRisk Risk Analysis Tools](#)

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[USDA Risk Management Agency](#)

<http://www.rma.usda.gov>

[USDA Farm Service Agency](#)

<http://www.fsa.usda.gov>

