

# Risk Management Agency / Spokane Regional Office

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## ADJUSTED GROSS REVENUE (AGR)

PILOT PROGRAM



### Non-traditional Risk Management Tool

The Adjusted Gross Revenue (AGR) program is a non-traditional, whole farm risk management tool, which uses a producer's historic Schedule F (or equivalent) tax form information to provide a base from which the revenue guarantee is calculated.

### AGR Protection

**AGR provides protection during the insurance year against loss of revenue due to any unavoidable natural disaster and/or market fluctuation.**

### Adjusted Gross Revenue

provides insurance coverage for multiple agricultural commodities in one insurance product. Covered farm revenue includes income from crops, other agricultural commodities, and incidental amounts of income from livestock and animal products and aquaculture reared in a controlled environment. Livestock income is representative of the value of crop production fed to livestock.

Loss payments are triggered when the adjusted gross income for the insured year is less than the loss inception point. The loss inception point is calculated by

multiplying the approved gross revenue times the selected coverage level. Once a loss is triggered, the insured is paid based on the payment rate selected.

Availability The AGR Pilot Program is offered for the 2002 crop year and is available in the following Pacific Northwest states and counties:

**Idaho:** Canyon, Payette, and Washington counties.  
**Oregon:** Benton, Clackamas, Columbia, Lane, Linn, Malheur, Marion, Multnomah, Polk, Washington and Yamhill counties.  
**Washington:** Adams, Benton, Chelan, Douglas, Franklin, Grant, Kittitas, Klickitat, Okanogan, Walla Walla, and Yakima counties.

### AGR Time-Line

Sales Closing Date : For producers in the approved piloted areas is : **January 31, 2002** (cancellation & termination date also)

Beginning of Insurance : For calendar year filings, January 1 (For the year of application, the beginning of insurance is the later of January 1 or ten days after a properly completed application is received.)

Contract Change Date :  
November 30

Insurance Year: Calendar or Fiscal Year (corresponding with producer's IRS tax year)

Claims : Paid after filing with IRS for the tax year.

Shared Insured As an alternative safety net tool, the AGR insurance obtained will be provided against loss of revenue **only for the person**

### named on the AGR

application and will not extend to any other person having a share in the farm operation.

### AGR Producer Eligibility

- Produces agricultural commodities primarily in pilot counties, and may include income from contiguous non-pilot counties;
- Filed U.S. Income tax forms (Schedule F, or equivalent) for the same tax entity for history purposes and the insurance year (unless at least 90 percent of the farming operation was transferred to the current tax entity);
- If more than 50 percent of expected income is from insurable crops, animals and animal products, Multi-Peril Crop Insurance must be obtained if available. (**Note:** *AGR complements other Federal crop insurance plans by coordinating the insurance protection and benefits with the other plans. When producers purchase both AGR and other crop insurance plans, the AGR premium will be reduced.*);
- No more than 35 percent of expected allowable income can be from animals and animal products.
- Farms with greater than 83.35 percent of the total expected allowable income from potatoes (for the insurance year) are not eligible for AGR.
- Other restrictions may apply.

## Causes of Loss

Insurance is provided against loss of revenue due to any unavoidable natural disaster and/or market fluctuation during the current insurance year. No payment will be made for losses due to negligence, mismanagement or wrong doing by the insured, insured's family or member of household, tenants, employees or contractors; abandonment and other causes listed in the insurance policy. (Note: If the insured's allowable expenses, for the current crop year, fall below 70% of the approved expenses, the approved AGR will be reduced).

Available Protection Amounts			
Coverage Level	Payment Rate	Minimum # of Commodities *	USDA Cost Share
65	75	1	59
65	90	2	59
75	75 or 90	2	55
80	75 or 90	4	55

\* Must meet minimum income requirements

### AGR Example with MPCl Requirement

#### AGR Income History (from Schedule F)

1996	\$215,000
1997	\$205,000
1998	\$240,000
1999	\$210,000
2000	\$205,000
<b>Average</b>	<b>\$215,000</b>

#### Expected Allowable Income

Crop	Income
Potatoes	\$100,000
Corn	\$ 25,000
Grass Hay (Irr)	\$ 25,000
Alfalfa Hay (Irr)	\$100,000
<b>Expected Income</b>	<b>\$250,000</b>

#### Approved AGR is the lesser of :

AGR Income History	<b>\$215,000</b>
Expected Allowable Income	\$250,000

### Example: 80% Coverage Level and 90% Payment Rate

$$\text{Approved AGR} \times \text{Coverage Level} \times \text{Payment Rate} = \text{AGR Liability (Revenue Guarantee)}$$

$$\$215,000 \times 0.80 \times 0.90 = \$154,800$$

#### AGR Premium Calculation

AGR Liability =	\$154,800
50 % AGR Liability =	\$ 77,400
AGR Premium Liability	
\$154,800 - 34,375 (MPCI) * =	\$120,425
AGR Premium	
\$120,425 x .045 (AGR rate) ** =	\$5,419
USDA Subsidy and admin fee	Producer Premium
(\$5,419 - \$2,601) + \$30 =	\$2,848

#### AGR Coverage Summary

Approved AGR Income	= \$215,000
Loss Inception Point	= \$172,000
AGR Liability	= \$154,800
AGR Premium Liability	= \$120,425
AGR Premium	= \$ 5,419
Subsidy (includes A & O)	= \$ (2,601)
Producer Premium + \$30 Fee	= \$ 2,848

When the income drops below \$172,000, AGR will pay 90 cents for every dollar the income drops below \$172,000 up to a total of \$154,800.

\* MPCl liability is removed to calculate AGR liability for premium calculation. The maximum amount for removal is 50%. MPCl Liability for Potatoes + Corn = \$34,375. \*\* The actual rate varies by individual farm operation.

Coverage Level	Payment Rate	Loss Inception Point	AGR Liability
65	75	\$139,750	\$104,813
65	90	\$139,750	\$125,775
75	75	\$161,250	\$120,775
75	90	\$161,250	\$145,125
80	75	\$172,000	\$129,000
80	90	\$172,000	\$154,800

### Detailed Information

This summary is for general illustration purposes only. Please contact your crop insurance agent to learn more details or purchase AGR. A list of crop insurance agents is available at all USDA Service Centers throughout the U.S. (which are pilot counties) or at the website address: [www.rma.usda.gov/tools/agents](http://www.rma.usda.gov/tools/agents)

**Additional Information** Questions may be addressed to Dave P. Paul, Director or Chris Mahelona, USDA/Risk Management Agency, Spokane Regional Office, at (509) 353.2147.

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