

## Adjusted Gross Revenue-Lite (AGR-Lite)



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and  
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Colorado, Kansas, Nebraska



Examples provided by USDA Risk Management  
Agency

## AGR-Lite for 2006 and Beyond

- What is AGR-Lite?
- Who is Eligible for AGR-Lite?
- What does AGR-Lite Cover?
- How Does AGR-Lite Work?

### What is AGR-Lite?

- Whole farm revenue insurance for farms and ranches
- Based on:
  - Tax return information
  - 5-year average of allowable income
  - Intended commodity income for crop year

### Who is Eligible for AGR-Lite?

- An person who is...
  - Engaged in the business of farming
  - Has 5 consecutive years of income tax records
  - Less than 50% of allowable income is from ag products purchased for resale
  - An adjusted gross revenue of less than \$2,015,282 (an AGR-Lite liability of \$1,000,000 or less)
  - Have no more than 83.35% of total revenue from potatoes
  - Other qualification requirements will apply

### What does AGR-Lite Cover?

- Revenue:
  - Generally, based on an average adjusted gross revenue from all agricultural commodities on a whole farm basis
  - Most farm-raised crops including crops not yet covered by MPCl, animals and animal products including aquaculture and greenhouse production
- Except:
  - Timber, Forest or Forest Products
  - Animals for sport, show or pets

### What am I insured for?

- Loss of revenue from the sale of ag commodities produced during the insurance year due to:
  - Unavoidable natural disasters
  - Market fluctuations during insurance year
- Claims are settled after taxes are filed for the insurance year

## What is an Insurance Year?

Insurance Year = Producer's tax year

Either:

- Calendar Year Tax Filer
- or Fiscal Year Tax Filer

Either:

- Cash or accrual accounting method

## How Can AGR-Lite Be Used?

• AGR-Lite can be used...

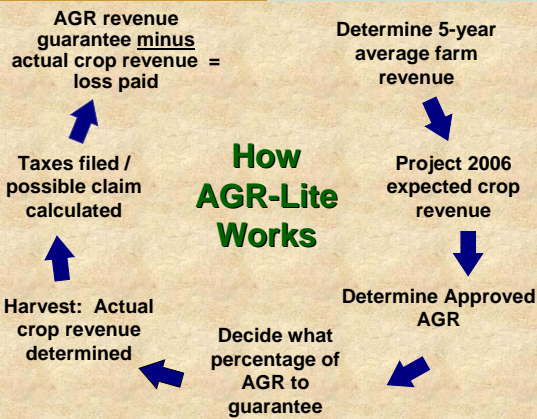
- As a stand alone product
- Or in conjunction with other Federal crop insurance plans
  - Multi-Peril, Crop Revenue Coverage and/or Income Protection (except AGR)

## The AGR-Lite Concept

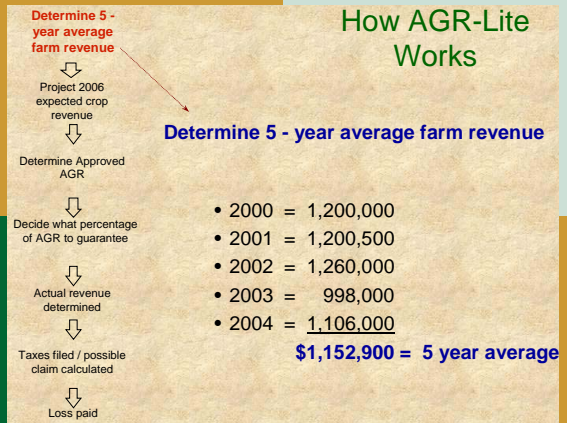
- Uses a producer's historical IRS Form 1040 Schedule F and other IRS tax forms and an annual report as a base to provide a level of guaranteed revenue for the insurance period
- Provides insurance coverage for multiple agricultural commodities in one insurance product

## The AGR-Lite Concept

- Establishes revenue as a common denominator for the insurance of all agricultural commodities
- Reinforces program credibility by using IRS tax forms and regulations to alleviate compliance concerns



## How AGR-Lite Works



### How AGR-Lite Works

Determine 5 - year average farm revenue  
 ↓  
 Project 2006 expected crop revenue  
 ↓  
 Determine Approved AGR  
 ↓  
 Decide what percentage of AGR to guarantee  
 ↓  
 Actual revenue determined  
 ↓  
 Taxes filed / possible claim calculated  
 ↓  
 Loss paid

**Project 2006 expected crop revenue**

Commodity	Amt	Unit	Yield	Value	Expected Revenue
Alfalfa (Irr)	150	ac	9 ton	125.00	\$168,750
Blue Grass Seed	500	ac	1200 lbs	0.90	\$540,000
Cattle: Cow/Calf	600	hd	650 lbs	1.15	\$448,500
					<b>\$1,157,250</b>

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 Decide what percentage of AGR to guarantee  
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 Actual revenue determined  
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 Taxes filed / possible claim calculated  
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 Loss paid

**Determine Approved AGR**

**Compare:**

- 5 year farm average farm revenue
  - \$1,152,900
- Intended commodity report for coming crop year
  - \$1,157,250

**Approved AGR is the "lesser" of the two above numbers**

**= \$1,152,900**

### How AGR-Lite Works

Determine 5 - year average farm revenue  
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 Project 2006 expected crop revenue  
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 Determine Approved AGR  
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 Decide what percentage of AGR to guarantee  
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 Actual revenue determined  
 ↓  
 Taxes filed / possible claim calculated  
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 Loss paid

**Decide what percentage of AGR to guarantee**

\$1,152,900 Approved AGR  
 x 80% Coverage level (deductible)  
**922,320** Trigger point - where loss payment begins  
 x 90% Payment rate (deductible)  
**\$830,088** Asset protection  
 (maximum amount of loss payable)

### How AGR-Lite Works

Determine 5 - year average farm revenue  
 ↓  
 Project 2006 expected crop revenue  
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 Determine Approved AGR  
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 Decide what percentage of AGR to guarantee  
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 Actual revenue determined  
 ↓  
 Taxes filed / possible claim calculated  
 ↓  
 Loss paid

**Actual 2006 revenue determined**

Commodity	Amt	Unit	Yield	Value	Actual Revenue
Alfalfa (Irr)	150	ac	8.5 ton	95.00	\$121,125
Blue Grass Seed	500	ac	1000 lbs	0.75	\$375,000
Cattle: Cow/Calf	600	hd	650 lbs	0.75	\$292,500
					<b>\$788,625</b>

### How AGR-Lite Works

Determine 5 - year average farm revenue  
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 Decide what percentage of AGR to guarantee  
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 Actual revenue determined  
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 Taxes filed / possible claim calculated  
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 Loss paid

**Taxes filed / possible claim calculated**

\$1,152,900 Approved AGR  
 x 80% Coverage level (deductible)  
**922,320** Trigger point  
 - 788,625 2006 crop revenue  
**\$ 133,695** Revenue shortfall

### How AGR-Lite Works

Determine 5 - year average farm revenue  
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 Project 2006 expected crop revenue  
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 Determine Approved AGR  
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 Decide what percentage of AGR to guarantee  
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 Actual revenue determined  
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 Taxes filed / possible claim calculated  
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 Loss paid

**Loss Paid**

\$1,152,900 Approved AGR  
 x 80% Coverage level (deductible)  
**922,320** Trigger point  
 - 788,625 2006 actual crop revenue  
**\$ 133,695** Revenue shortfall  
 x 90% Payment rate (deductible)  
**\$ 120,326** Loss paid

Western Center for Risk Management Education



AGR-Lite Video Streaming Broadcast

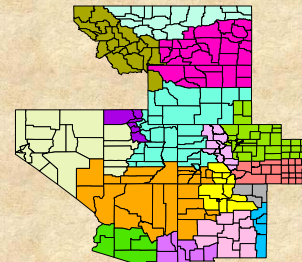
Status of WCRME Project Submission

- Through the Western Center for Risk Management Education, a seven western states proposal has been submitted to the Pennsylvania Department of Agriculture and the FCIC
- This proposal has been accepted and the rating process is nearing completion.

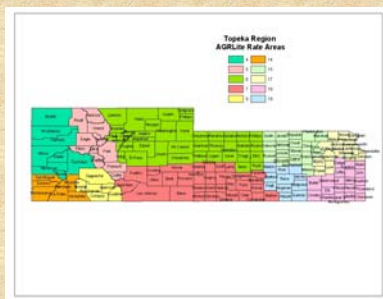
AGR-Lite Availability in 2006



Western States included in 2006 AGR-Lite Proposal Submission



Western States included in 2006 AGR-Lite Proposal Submission



Southeastern States included in 2006 AGR-Lite Proposal Submission



## More Information

Western Center for Risk Management Education

<http://westrme.wsu.edu/>

Videostreaming Broadcast

<http://www.caheinfo.wsu.edu/video/other.html>