USDA United States Department of Agriculture

RMA

Program Aid Number 1906

A Risk Management Agency Fact Sheet

Adjusted Gross Revenue (AGR)

November 2010

Adjusted Gross Revenue (AGR) crop insurance provides producers with protection against low revenue from natural causes and market fluctuations. The insurance covers income from agricultural commodities, as well as income from animals, animal products, and aquaculture species reared in a controlled environment.

Adjusted Gross Revenue:

- Uses your historical Internal Revenue Service (IRS) tax form (Schedule F or equivalent forms) information and an annual farm report as a base;
- Provides insurance for multiple agricultural commodities in one product;
- Establishes revenue as a common denominator for the production of all agricultural commodities.

AGR Timeline

Sales Closing Date: You must buy or cancel your policy on or before January 31.
Beginning of Insurance: All existing policies roll over each year if they are not canceled or changed. The insurance attaches each year on January 1. For new policies, insurance coverage will begin 10 days after a properly completed application is received.
Contract Change Date: You must make any and all changes to your insurance contract on or before August 31.
Insurance Year: Defined as a calendar year in which the sales closing date occurs and includes both calendar-year and fiscal-year filings (corresponding to the policyholder's IRS tax period).
Claims: Claims are settled after taxes are filed for the insurance year.

Availability

AGR insurance is available in: California (selected counties), Connecticut, Delaware, Florida (selected counties), Idaho (selected counties), Maine, Maryland (selected counties), Massachusetts, Michigan (selected counties), New Hampshire, New Jersey, New York (selected counties), Oregon (selected counties), Pennsylvania (selected counties), Rhode Island, Vermont, Virginia (selected counties), and Washington (selected counties).

Eligibility

To meet the eligibility criteria for AGR coverage, you must:

- Be a U.S. citizen or resident;
- File a calendar-year or fiscal-year farm tax return;
- Produce agricultural commodities primarily in pilot counties (may include income from contiguous non-pilot counties);
- Have liability not exceeding $6.5 million;
- Have had same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in tax entity is reviewed and approved by your insurance provider;
- Purchase traditional Federal crop insurance, if available, when more than 50 percent of your expected income is from insurable commodities (when you purchase both AGR and other crop insurance plans, the AGR premium will be reduced); and
- Earn no more than 35 percent of expected allowable income from animals and animal products.

Insured Causes of Loss

Insurance is provided against revenue loss due to any unavoidable natural occurrences during the current or previous insurance year or due to market fluctuations that cause a revenue loss during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the policyholder, the policyholder's family, household members, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other causes listed in the insurance policy.

AGR Application Information

When completing an AGR application, you must submit:

- A history calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected price for the commodity;
- Beginning inventories, if applicable; and
- An indication of changes that will result in lower income for the insurance year than the historical average.

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.

Choosing a Revenue Guarantee

AGR liability (protection) is calculated by multiplying the approved, AGR by the coverage level and payment rate percentage you select from the county Special Provisions of Insurance actuarial document (see table below). Coverage levels and payment rate eligibility vary with the number of commodities you produce. You may select only one coverage amount.

Available Protection Amounts

Coverage Payment Level	Rate	Minimum # of Commodities*	Maximum Annual Income**
65	75	1	$13,333,333
65	90	1	$11,111,111
75	75	1	$11,555,555
75	90	1	$ 9,629,629
80	75	3	$10,833,333
80	90	3	$ 9,027,777

*Must meet minimum income requirements.
**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR due to the $6.5 million maximum liability allowed.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved AGR by the selected coverage level. Once a revenue loss is triggered, you are paid based on the payment rate you selected, either 75 cents or 90 cents for each dollar lost.

Loss Payment Example

Assumptions:

- 80-percent coverage level and 90-percent payment rate chosen;
- Approved AGR of $94,900 and actual revenue from the farm for the year was $21,000;
- Liability: $94,900 x 0.80 x 0.90 = $68,328; then
- Loss Inception Point: $94,900 x 0.80 = $75,920.

Loss Scenario:

$75,920 - $21,000 revenue to count = $54,920 revenue loss; then
$54,920 x 0.90 payment rate = $49,428 indemnity payment.

Note: If your allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR payments will be reduced.

This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR.

Contact Us

United States Department of Agriculture
Risk Management Agency
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
Telephone: (202) 690-2803
Fax: (202) 690-2818
Web site: http://www.rma.usda.gov
E-mail: rma.cco@rma.usda.gov

For More Information

AGR insurance policies are available from private insurance agents. A list of crop insurance agents is available at all USDA Service Centers throughout the United States, or see RMA's online agent locator at: http://www3.rma.usda.gov/tools/agents/companies/.

Policy Information: http://www.rma.usda.gov/policies/agr.html

Premium Calculator: http://www3.rma.usda.gov/apps/premcalc

Download Copies from the Web

Visit our online publications/fact sheets page at: http://www.rma.usda.gov/pubs/rme/fctsht.html.