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A Risk Management Agency Fact Sheet

Adjusted Gross Revenue-Lite (AGR-Lite)

Revised November 2003 (orig. February 2003)

Adjusted Gross Revenue-Lite (AGR-Lite) is a streamlined whole-farm revenue protection package. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations that affect income during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection. The program is based on the 5-year farm average revenue reported on IRS Form 1040, Schedule F or other IRS tax form. Therefore, minimal additional recordkeeping is required.

AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans—such as Multi-Peril Crop Insurance, Crop Revenue Coverage, and Income Protection, except AGR—by coordinating the insurance protection and benefits with other plans. When producers purchase both AGR-Lite and other crop insurance plans, the AGR-Lite premium will be reduced.

The AGR-Lite concept:

- Uses a producer's historical IRS Form 1040 Schedule F tax form and other IRS tax form farm income information and an annual farm 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;
- Establishes revenue as a common denominator for the insurance of all agricultural commodities; and
- Reinforces program credibility by using IRS tax forms and regulations to alleviate compliance concerns.

Availability

In addition to Pennsylvania, the program is now offered in several counties in Connecticut, Delaware, Maine, Vermont, Massachusetts, New Hampshire, New Jersey, Rhode Island, West Virginia, New York, and Maryland. Sales for AGR-Lite are now available for the expanded States, with a sales closing date of January 31, 2004.

For a list of crop insurance agents, visit the Risk Management Agency (RMA) online Agent Locator at: <http://www3.rma.usda.gov/tools/agents>

Producer Eligibility

A producer must meet these criteria to be eligible for AGR-Lite coverage:

- Be a U.S. citizen or resident.
- File a calendar year or fiscal year farm tax return.
- Have less than \$512,821 in gross income; policy size is limited to \$250,000 of liability.
- Have IRS Form 1040, Schedule F tax forms (or equivalent IRS form) available for the previous 5 consecutive years under the same tax entity (unless at least 90 percent of a previous farming operation was transferred to the current tax entity).
- May not also purchase Adjusted Gross Revenue (AGR) insurance.
- Have revenue from commodities purchased for resale not exceeding 50 percent of total.
- Have revenue from potatoes not exceeding 83.35 percent of total.

AGR-Lite Timeline

Sales Closing Date. January 31 (cancellation and termination date also).

Beginning of Insurance. January 1 (For the year of application, the beginning of insurance is 10 days after a properly completed application is received.)

Contract Change Date. November 30.

Insurance Year. The calendar year in which the sales closing date occurs and includes both calendar year and fiscal year filings (corresponding to the producer's IRS tax period).

Claims. Claims are settled after taxes are filed for the insurance year.

Share Insured

Protection will be provided against a loss of revenue for only the person or entity named on the AGR-Lite application. Other persons or entities having an ownership share in the farming operation must also enroll in AGR-Lite to have protection.

Insured Causes of Loss

Insurance is provided against loss of revenue due to unavoidable natural peril that results in lost income during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the insured, the insured's family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; and other causes listed in the insurance policy.

AGR-Lite Application Information

Producers must provide the following information when completing an AGR-Lite application:

- Five years of selected income and expense data from their IRS 1040, Schedule F forms (or equivalent IRS forms);
- An annual farm report showing the intended revenue-producing commodities and their expected revenue;
- A commodity profile report for the previous 2 years;
- An indication of changes that will result in less income for the insurance year than the historical average; and
- Beginning inventories, if applicable.

Choosing a Revenue Guarantee

AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the coverage level and payment rate percentage selected by the producer. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer will be paid for each dollar lost under the coverage level. Coverage levels and payment rates can vary with the number of commodities produced

Available Coverage

65% Coverage Level/75% Payment Rate

The 75-percent payment rate is available to all eligible producers.

65% Coverage Level/90% Payment Rate as well as 75% Coverage Level/75% or 90% Payment Rate

For these coverage choices, a minimum of two commodities must be produced, with each contributing a certain minimum percentage of the total revenue.

75% Coverage Level/65% Payment Rate

This choice is for one-commodity farms only and the 75-percent coverage rate will apply.

80% Coverage Level / 75% or 90% Payment Rate

For 75-percent and 90-percent payment rates, a minimum of four commodities must be produced, with each contributing a certain percentage of the total revenue.

and are selected by the producer from the Special Provisions of Insurance. A producer selects one amount of coverage that will cover all commodities.

Policy Size Limit

The following table demonstrates maximum annual income that results in the \$250,000 liability limit.

Loss Payments

Loss payments are triggered when the adjusted income for the insurance year is less than the approved adjusted gross revenue times the selected coverage level. Once a loss is triggered, the insured is paid based on the payment rate selected, either 65 percent, 75 percent, or 90 percent of each dollar lost.

Notice of Damage or Loss

A written notice is required to be filed in your agent's office within 72 hours of discovery that your

Coverage and Maximum Income Levels

Coverage Level/ Payment Rate	Maximum Annual Income
65/75	\$512,821
65/90	\$427,350
75/65	\$512,821
75/75	\$444,444
75/90	\$370,370
80/75	\$416,667
80/90	\$347,222

Source: USDA/Risk Management Agency, 2003.

allowable income may be less than the revenue guarantee of the policy. Failure to provide notice within 15 days after the filing of your farm tax forms for the insurance year will result in denial of your claim. Extensions will not be considered.

Premium Subsidy

Section 508(e) of the Federal Crop Insurance Act states that the government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Contact Information

For AGR-Lite program information, agents and producers can contact the following RMA regional office:

Raleigh Regional Office
 Attn: Larry Atkinson
 4407 Bland Road, Suite 160
 Raleigh, NC 27609
 Phone: (919) 875-4880
 or Gene Gantz
 (717) 497-6398

Loss Payment Example

Assumptions:

- Approved AGR of \$94,900.
- AGR 5-year average expenses of \$63,480.
- Adjusted gross income of \$21,000 (revenue to count).
- 80-percent coverage level and 90-percent payment rate.

Determining Loss:

- Approved AGR of \$94,900 X 80-percent coverage level = \$75,920.
- \$75,920 - \$21,000 revenue to count = \$54,920 loss of revenue.
- \$54,920 X 90-percent payment rate = \$49,428 indemnity due the insured.
- If a 75-percent payment rate had been selected, the indemnity due would have been \$41,190.

Note: If the insured's allowable expenses for the current crop year falls below 70 percent of the approved expenses (\$63,480 X 70 percent = \$44,436), the approved AGR will be reduced. This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR-Lite.

This fact sheet provides certain features of the AGR-Lite plan and is not intended to provide the terms or conditions of the AGR-Lite policy. The information presented here neither modifies nor replaces terms and conditions of the basic policy, the AGR-Lite provisions, or county actuarial document.

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