



# Ag Risk 5



## Ag Risk Part I – Tools for Managing Risk for Hawaii Ranchers



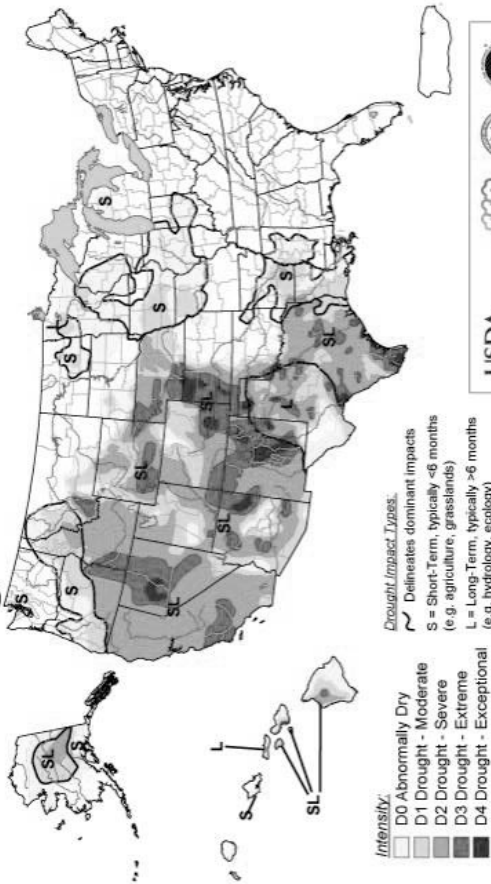
**John P. Hewlett – UW Farm/Ranch Management Specialist**

**Jay Parsons – CSU Risk Management Specialist**



# U.S. Drought Monitor

August 20, 2013  
Valid 7 a.m. EDT



**Intensity:**

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

**Drought Impact Types:**

- S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically >6 months (e.g. hydrology, ecology)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

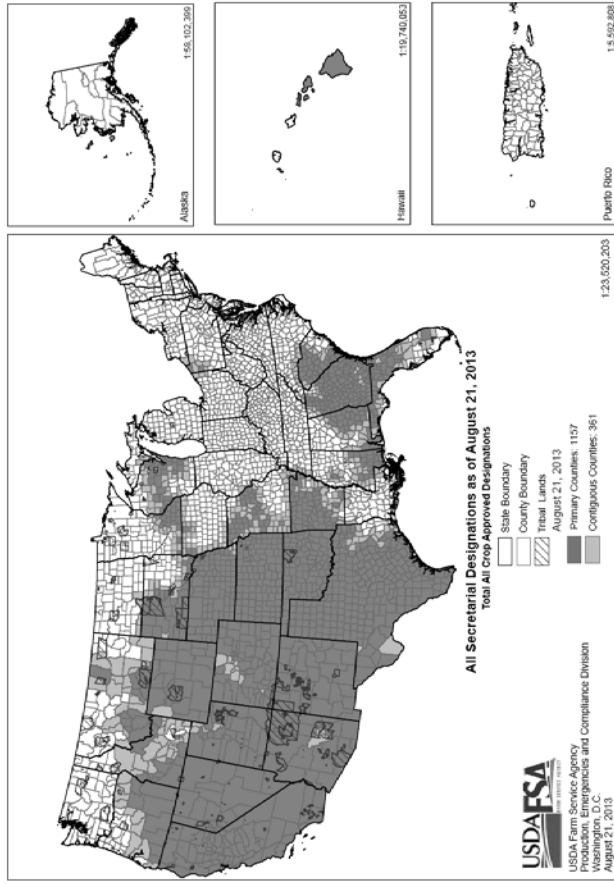
<http://droughtmonitor.unl.edu/>

Released Thursday, August 22, 2013  
Author: Michael Brewer/L. Love-Brotak, NOAA/NESDIS/NCDC



# Secretarial Disaster Designations - CY 2013

Primary and Contiguous Counties Designated for 2013 Crop Disaster Losses



All Secretarial Designations as of August 21, 2013  
Total All Crop Approved Designations

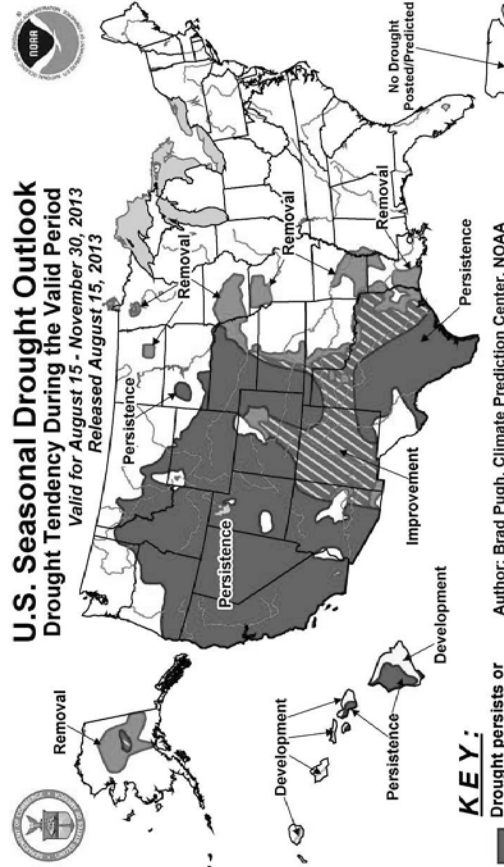
USDA FSA  
Production, Emergencies and Compliance Division  
Washington, DC  
August 21, 2013

- State Boundary
- County Boundary
- Tribal Lands
- August 21, 2013
- Primary Counties: 1157
- Contiguous Counties: 361



# U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period  
Valid for August 15 - November 30, 2013  
Released August 15, 2013



**KEY:**

- Drought persists or intensifies
- Drought remains but improves
- Drought removal likely
- Drought development likely

Author: Brad Pugh, Climate Prediction Center, NOAA  
[http://www.cpc.ncep.noaa.gov/products/expert\\_assessment/season\\_drought.html](http://www.cpc.ncep.noaa.gov/products/expert_assessment/season_drought.html)

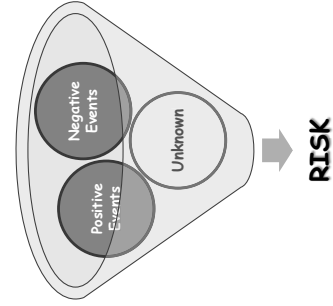
Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor.

NOTE: The Green and Brown hatched areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period although drought will remain. The Green areas imply drought removal by the end of the period (D0 or none)



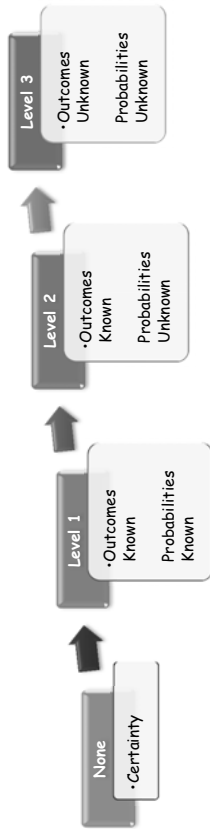
## What is RISK?

- Certainty- lack of doubt
- Uncertainty- doubt about future events
- RISK- potential variation in the outcome of future events



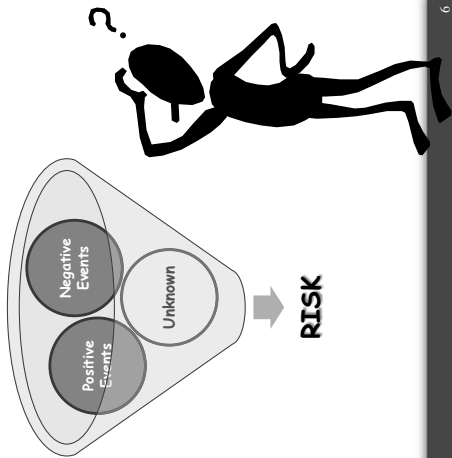
## What is RISK?

- **RISK**- potential *variation* in the outcome of future events



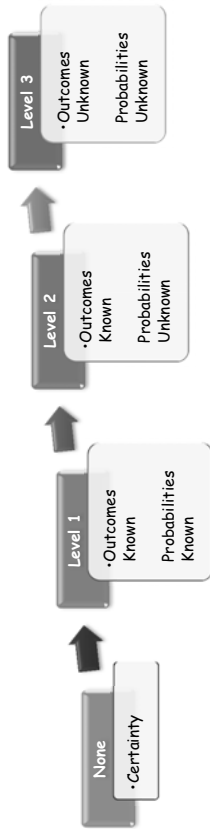
## What is RISK?

- **Cost of Loss**
  - *Income*
  - *Resources*
  - *Productive capacity, etc.*
- **Cost of Uncertainty**
  - *Worry, doubt, fear, misallocation of resources, etc.*
  - *With potential for gain or loss comes moral or ethical implications*



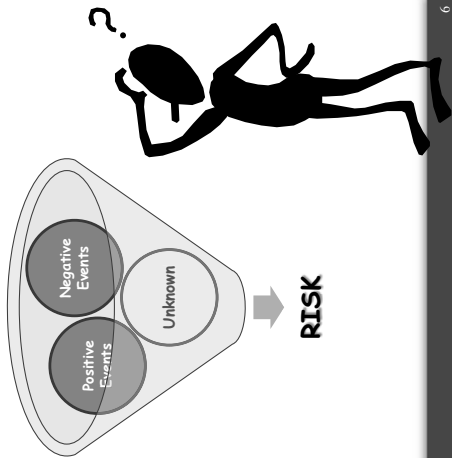
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## The HUMAN Dimension of Risk Management

- Emotionally we **avoid risk (uncertainty)** to avoid the shame of:
  - *Failure,*
  - *Being wrong,*
  - *Being laughed at*
  - *Being made fun of,*
  - *Loosing the farm, etc.*



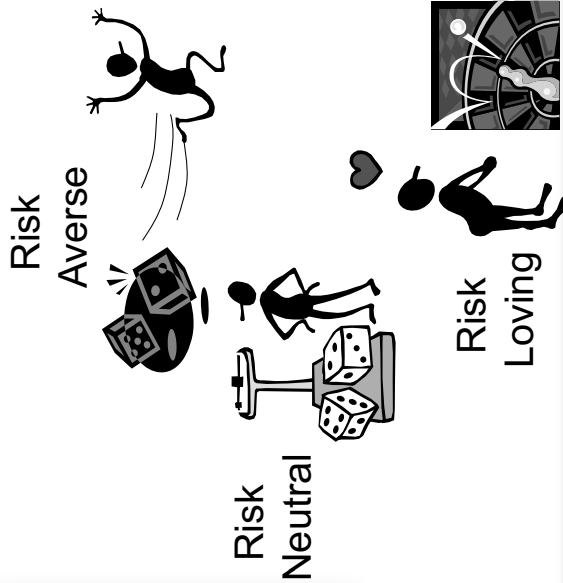
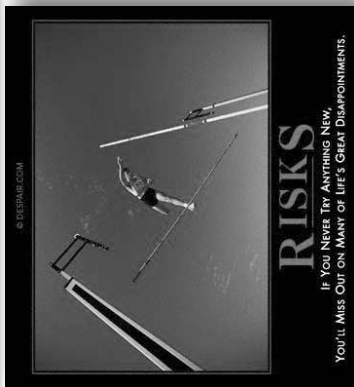
## Personal Perspectives on Risk

- **Generational differences**
- **Gender differences**
- **Life stage/family differences**
- **Life experiences**

*These are dynamic and change over time.*



## Types of Risk Preference



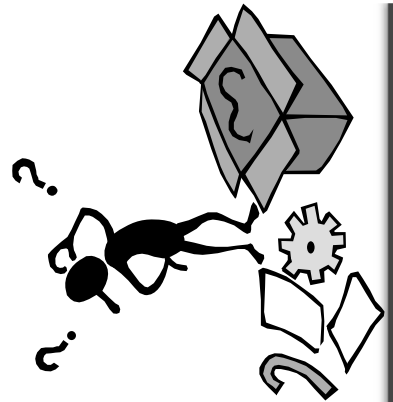
## What is RISK?

- **RISK:** The probability of an event occurring that can negatively impact your:
  - Current profit level
  - Financial situation (equity position)
  - Satisfaction and well-being



## Sources of Risk

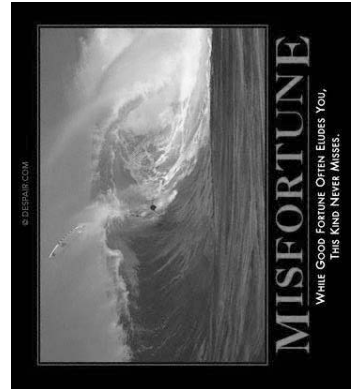
- Business Risks
  - Business risks are those risks that occur independently of the way a firm (or farm) is financed. Even with 100% equity (no debt obligations) these risks still occur.
- Sources of Business Risk
  - Market risk
  - Production risk
  - Institutional risk
    - Social risk
    - Legal risk
  - Human risk



## Risk Tradeoffs

**Profits are returns for taking risks**

- **Upside:** Greater risk taking usually leads to greater wealth over time
- **Downside:** Losses from risk taking can potentially be devastating
- Managing risks are a matter of **evaluating tradeoffs**
- How much **risk** (uncertainty) are you willing to accept for **possible higher returns**?



1. Marketing and Price Risk
2. Production Risk
3. Institutional Risk
4. Human Risk
5. Financial Risk



Prices of inputs or outputs change after you commit to a plan of action.

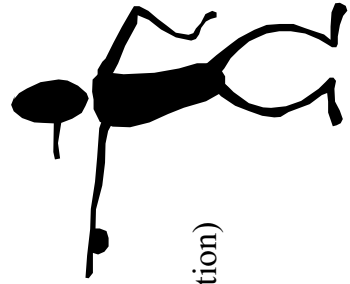
### What are Your Sources?

- Total national production
- Government programs
- Demand (including quality issues)
- Seasonal effects



### What are Your Management Controls?

- Forward pricing or contracting
- Diversified market timing
- Diversified production
- Selecting low price risk enterprises
- Obtaining market outlook reports (information)
- Negotiated lease agreements
- Crop Insurance



Uncontrollable events such as weather, pests or disease make yields or inputs unpredictable.

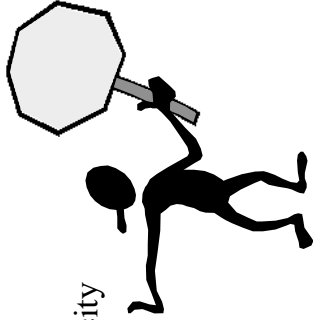
### What are Your Sources?

- Weather
- Pests
- Disease
- Genetic variations
- Timing of operations



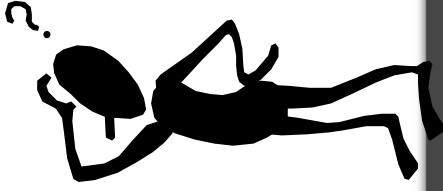
### What are Your Management Controls?

- Selecting low production risk enterprises
- Using low-risk production practices
- Diversification
- Maintaining flexibility and extra capacity
- Utilizing land over a wide spread area
- Crop insurance



### Supplemental Revenue Assistance (SURE)

- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Assistance Program (ELAP)



### Disaster Assistance Programs

**LFP**

Property Name 1	Year	Accounting Program Code	Organization Name	2015	2016	2017	2018	2019	Total
Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount
PHARM	2015	10001	WAKAULA	1	\$1,176,422.00	0	\$0.00	0	\$1,176,422.00
PHARM	2016	10001	WAKAULA	1	\$1,176,422.00	0	\$0.00	0	\$1,176,422.00
PHARM	2017	10001	WAKAULA	1	\$1,176,422.00	0	\$0.00	0	\$1,176,422.00
PHARM	2018	10001	WAKAULA	1	\$1,176,422.00	0	\$0.00	0	\$1,176,422.00
PHARM	2019	10001	WAKAULA	1	\$1,176,422.00	0	\$0.00	0	\$1,176,422.00
<b>TOTAL</b>				<b>5</b>	<b>\$5,882,110.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$5,882,110.00</b>

**LIP**

Property Name 1	Year	Accounting Program Code	Organization Name	2015	2016	2017	2018	2019	Total
Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount
PHARM	2015	10001	WAKAULA	0	\$29,213.00	0	\$0.00	0	\$29,213.00
PHARM	2016	10001	WAKAULA	0	\$29,213.00	0	\$0.00	0	\$29,213.00
PHARM	2017	10001	WAKAULA	0	\$29,213.00	0	\$0.00	0	\$29,213.00
PHARM	2018	10001	WAKAULA	0	\$29,213.00	0	\$0.00	0	\$29,213.00
PHARM	2019	10001	WAKAULA	0	\$29,213.00	0	\$0.00	0	\$29,213.00
<b>TOTAL</b>				<b>0</b>	<b>\$116,852.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$116,852.00</b>

**ELAP**

Property Name 1	Year	Accounting Program Code	Organization Name	2015	2016	2017	2018	2019	Total
Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount	Total Count	Transaction Amount
PHARM	2015	10001	WAKAULA	0	\$29,200.00	0	\$0.00	0	\$29,200.00
PHARM	2016	10001	WAKAULA	0	\$29,200.00	0	\$0.00	0	\$29,200.00
PHARM	2017	10001	WAKAULA	0	\$29,200.00	0	\$0.00	0	\$29,200.00
PHARM	2018	10001	WAKAULA	0	\$29,200.00	0	\$0.00	0	\$29,200.00
PHARM	2019	10001	WAKAULA	0	\$29,200.00	0	\$0.00	0	\$29,200.00
<b>TOTAL</b>				<b>0</b>	<b>\$146,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$146,000.00</b>

# 2012 Hawaii Crop Insurance Profile

## Insurance Plans Available in Hawaii

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Tropical Fruit - Banana	351	1,400	25%
Tropical Fruit - Coffee	3,861	8,000	48%
Macadamia Nuts	12,638	17,000	74%
Tropical Fruit - Papaya	72	2,075	3%

Dollar Liability Program	Total Dollar Liability
Adjusted Gross Revenue - LITE	\$27,111
Macadamia Trees	\$59,135,430
Nursery	\$17,987,959
Tropical Tree- Banana	\$624,889
Tropical Tree- Coffee	\$14,063,554
Tropical Tree- Papaya	\$81,425

**Davis Regional Office**  
 Contact: Jeff Yasui, Director  
 Address: 430 G Street, # 4168  
           Davis, CA 95616  
 Phone: (530) 792-5870  
 Fax: (530) 792-5893  
 E-Mail: [jeff.yasui@rma.usda.gov](mailto:jeff.yasui@rma.usda.gov)

Crop Pilot Programs	
Program	County Availability
Tropical Fruits & Trees	All Counties
Banana	
Coffee	
Papaya	

**Western Regional Compliance Office**  
 Contact: Susan Choy, Director  
 Address: 430 G Street, # 4167  
           Davis, CA 95616  
 Phone: (530) 792-5850  
 Fax: (530) 792-5865  
 E-Mail: [susan.choy@rma.usda.gov](mailto:susan.choy@rma.usda.gov)

*Data as of January 2013*



Risk Management Agency/USDA

# Livestock Insurance Options

- *LRP Livestock Risk Protection  
(starting with the 2014 crop year, 7/1/2013)*
- *NAP Noninsured Crop Disaster Assistance  
Program - Farm Service Agency*
- *AGR-Lite (started November 2<sup>nd</sup>, 2006)*





# Livestock Risk Protection

## Feeder Cattle

Revised May 2009

### General Background

Livestock Risk Protection (LRP)-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and insurance periods that match the time their feeder cattle would normally be marketed (ownership may be retained).

LRP-Feeder Cattle insurance may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

### Coverage Availability

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

LRP-Feeder Cattle insurance is available to producers with feeder cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

### Coverage Levels, Prices, and Rates

Cattle producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency's Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency's Web site at the end of the insurance period.

### RMA Web Site

Daily LRP Coverage Prices, Rates, and Actual Ending Values: <http://www.rma.usda.gov/tools/livestock.html>

Premium Calculator:  
<http://www.rma.usda.gov/tools/premcalc.html>

Approved livestock agents and insurance companies:  
<http://www.rma.usda.gov/tools/agent.html>

Related AMS online livestock reports:  
[http://marketnews.usda.gov/portal/lg?paf\\_dm](http://marketnews.usda.gov/portal/lg?paf_dm)

## About the Application Process

LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency. There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

## Contact Us

USDA/RMA

1400 Independence Ave., SW, Stop 0801  
Washington, D.C. 20250-0801

**RMA Web site:** <http://www.rma.usda.gov>

**E-mail:** [rmaweb.content@rma.usda.gov](mailto:rmaweb.content@rma.usda.gov)

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# FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM SERVICE AGENCY

August 2011

## Noninsured Crop Disaster Assistance Program (NAP) for 2011 and Subsequent Years

### Overview

USDA's Farm Service Agency's (FSA) Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to producers of noninsurable crops when low yields, loss of inventory or prevented planting occur due to a natural disaster.

### Eligible Producers

An eligible producer is a landowner, tenant or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop. As authorized by the Food, Conservation, and Energy Act of 2008 (2008 Act), an individual's or entity's average nonfarm adjusted gross income (AGI) limitation cannot exceed \$500,000 to be eligible for NAP.

### Eligible Crops

Eligible crops must be commercially produced agricultural commodity crops for which the catastrophic risk protection level of crop insurance is not available and be any of the following:

- Crops grown for food;
- Crops planted and grown for livestock consumption, including, but not limited to grain and forage crops, including native forage;
- Crops grown for fiber, such as cotton and flax (except for trees);
- Crops grown in a controlled environment, such as mushrooms and floriculture;
- Specialty crops, such as honey and maple sap;
- Value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery

- and turfgrass sod;
- Sea oats and sea grass and;
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Producers must contact a crop insurance agent for questions regarding insurability of a crop in their county.

For further information on whether a crop is eligible for NAP coverage, producers must contact the FSA county office where their farm records are maintained.

### Eligible Natural Disaster

An eligible natural disaster is any of the following:

- Damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind or hurricanes;
- An adverse natural occurrence, such as earthquake or flood; A condition related to damaging weather or an adverse natural occurrence, such as excessive heat, plant disease, volcanic smog (VOG), insect infestation or;
- Any combination of these conditions.

The natural disaster must occur during the coverage period, before or during harvest and must directly affect the eligible crop.

### Applying for Coverage

Eligible producers must apply for coverage of noninsurable crops using Form CCC-471, "Application for Coverage," and pay the applicable service fee at the FSA office where their farm records are main-

tained. The application and service fee must be filed by the application closing date as established by the FSA State Committee.

The service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for a producer with farming interests in multiple counties. This fee is authorized by the 2008 Act.

Limited resource producers may request a waiver of the service fee. To qualify for an administrative service fee waiver, the producer must meet both of the following criteria:

- Earn no more than \$100,000 gross income in farm sales from each of the previous two years (to be increased starting in FY 2004 to adjust for inflation, using the prices paid by farmers index as compiled by the National Agricultural Statistics Service (NASS));
- Have a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household for both of the previous two years.

Limited resource producer status may be determined using the USDA Limited Resource Farmer and Rancher Online Self Determination Tool located on the Limited Resource Farmer and Rancher - (LRF/R) home page at [www.lrftrtool.sc.egov.usda.gov/](http://www.lrftrtool.sc.egov.usda.gov/). The automated system calculates and displays adjusted gross farm sales per year and the higher of the national poverty level or county median household income.

**Coverage Period for NAP**

The coverage period for NAP may vary depending on the crop.

The coverage period for an annual crop begins the later of:

- 30 days after application for coverage and the applicable service fees have been paid or;
- The date the crop is planted (cannot exceed the final planting date) and ends the earlier of:
  1. The date the crop harvest is completed;
  2. The normal harvest date for the crop;
  3. The date the crop is abandoned or;
  4. The date the entire crop acreage is destroyed.

The coverage period for a perennial crop, other than a crop intended for forage, begins 30 calendar days after the application closing date and ends the earlier of:

- 10 months from the application closing date;
- The date the crop harvest is completed;
- The normal harvest date for the crop;
- The date the crop is abandoned or;
- The date the entire crop acreage is destroyed.

Contact a local FSA office for information on the coverage periods for perennial forage crops, controlled-environment crops, specialty crops and value loss crops.

**Information Required to Remain Eligible for NAP**

To remain eligible for NAP assistance, the following crop acreage information must be reported annually:

- Name of the crop (lettuce, clover, etc.);
- Type and variety (head lettuce, red clover, etc.);
- Location and acreage of the crop (field, sub-field, etc.);
- Share of the crop and the names of other producers with an interest in the crop;
- Type of practice used to grow the crop (irrigated or non-irrigated);
- Date the crop was planted in each field and;
- Intended use of the commodity (fresh, processed, etc.).

Producers should report crop acreage shortly after planting (early in the risk period) to ensure reporting deadlines are not missed and coverage is not lost.

In addition, producers must annually provide the following production information:

- The quantity of all harvested production of the crop in which the producer held an interest during the crop year;
- The disposition of the harvested crop, such as whether it is marketable, unmarketable, salvaged or used differently than intended and;
- Verifiable or reliable crop production records (when required by FSA).

When those records are required by FSA, producers must provide them in a manner that can be easily understood by the FSA county committee. Producers should contact the FSA office where their farm records are maintained for questions regarding acceptable production records. .

Failure to report acreage and production information may result in reduced or zero NAP assistance. Be aware that acreage reporting and final planting dates vary by crop and by region. Producers should contact the FSA office where their farm

records are maintained for questions regarding local acreage reporting and final planting dates.

For aquaculture, floriculture and ornamental nursery operations, producers must maintain records according to industry standards, including daily crop inventories. Unique reporting requirements apply to beekeepers and producers of Christmas trees, turfgrass sod, maple sap, mushrooms, ginseng and commercial seed or forage crops. Producers should contact the FSA office where their farm records are maintained regarding these requirements.

**FSA Use of Reported Acreage and Production**

FSA uses acreage reports to verify the existence of the crop and to record the number of acres covered by the application. The acreage and the production reports are used to calculate the approved yield (expected production for a crop year). The approved yield is an average of a producer’s actual production history (APH) for a minimum of four to a maximum of 10 crop years (five years for apples and peaches). To calculate APH, FSA divides a producer’s total production by the producer’s crop acreage.

A producer’s approved yield may be calculated using substantially reduced yield data if the producer does not report acreage and production or reports fewer than four years of crop production.

**Applying for NAP Assistance When a Natural Disaster Strikes**

When a crop or planting is affected by a natural disaster, producers must notify the FSA office where their farm records are maintained and complete Part B, (the Notice of Loss portion) of Form CCC-576, Notice of Loss and Application for Payment. This must be completed

# FACT SHEET

## Noninsured Crop Disaster Assistance Program

August 2011

within 15 calendar days of which-ever occurs earlier:

- Natural disaster occurrence;
- Final planting date if planting was prevented by a natural disaster;
- Date damage to the crop or loss of production became apparent;
- The normal harvest date.

To receive NAP benefits, producers must complete Form CCC-576, Notice of Loss and Application for Payment, Parts D, E, and F as applicable, and certify in Part G, no later than the immediately subsequent crop year acreage reporting date for the crop. The CCC-576 requires acceptable appraisal information. Producers must provide evidence of production and note whether the crop was marketable, unmarketable, salvaged or used differently than intended.

### Amount of Production Loss to Receive a NAP Payment

The natural disaster must have either:

- Reduced the expected unit production of the crop by more than 50 percent or;
- Prevented the producer from planting more than 35 percent of the intended crop acreage.

Expected production is the amount of the crop produced in the absence of a natural disaster. FSA compares expected production to actual production to determine the percentage of crop loss.

### Defining a NAP Unit

The NAP unit includes all the eligible crop acreage in the county where the producer has a unique crop interest. A unique crop interest is either:

- 100 percent interest or;
- A shared interest with another producer.

### How Much Loss NAP Covers

NAP covers the amount of loss greater than 50 percent of the expected production based on the approved yield and reported acreage.

### Information FSA Uses to Calculate Payment

The NAP payment is calculated by unit using:

- Crop acreage;
- Approved yield;
- Net production;
- 55 percent of an average market price for the specific commodity established by the FSA state committee;
- A payment factor reflecting the decreasing cost incurred in the production cycle for the crop that is harvested, unharvested or prevented from being planted.

### Payment Limitation

NAP payments received, directly or indirectly, will be attributed to the applicable individual or entity and limited to \$100,000 per crop year, per individual or entity.

### Risk Management Purchase Requirement for Other Programs

Noninsurable commodities on a farm, except forage crops intended for grazing, are required to have NAP coverage in order for producers on that farm to be eligible for the Supplemental Revenue Assistance Payments (SURE) Program, Tree Assistance Program (TAP) and the Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP).

Producers are required only to have NAP coverage on the forage crop acreage intended for grazing and for

which benefits are being requested to be eligible for the Livestock Forage Disaster Program (LFP).

### More Information

Further information on NAP is available from your local FSA office or on FSA's website at [www.fsa.usda.gov/nap](http://www.fsa.usda.gov/nap).

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# Adjusted Gross Revenue-Lite

November 2010

Program  
Aid  
1907

Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm, revenue-protection plan of insurance. 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.

AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans, except Adjusted Gross Revenue (AGR). When producers purchase both AGR-Lite and other Federal crop insurance the AGR-Lite premium will be reduced.

## The AGR-Lite concept:

- Uses a producer's 5-year historical farm average revenue as reported on the IRS tax return (Schedule F or equivalent forms) 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; and
- Establishes revenue as a common denominator for the insurance of all agricultural commodities.

## AGR-Lite Timeline

**Sales Closing Date:** March 15.

**Cancellation and Termination Date:** January 31.

**Contract Change Date:** August 31.

**Year of Insurance:** For the application year, you will not be covered for any losses that occur earlier than 10 days after we receive your properly completed application. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year is covered.

**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 producer's IRS tax period).

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

## Availability

AGR-Lite is available in: Alabama, Alaska (selected counties), Arizona, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Kansas, Maine, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York (selected counties), North Carolina, Oregon, Pennsylvania (except Philadelphia County), Rhode Island, South

Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

## Producer Eligibility

To be eligible for AGR-Lite coverage, a producer must:

- Be a U.S. citizen or resident;
- File a calendar year or fiscal year farm tax return;
- Produce agricultural commodities primarily in counties where AGR-Lite is available (includes income from contiguous counties);
- Have liability not exceeding \$1 million (less than \$2,051,282 in approved gross income);
- Have had the 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 the tax entity is reviewed and approved by the insurance provider;
- Have no more than 50 percent of total revenue from commodities purchased for resale; and
- Have no more than 83.35 percent of total revenue from potatoes.

## Premium Subsidy

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.

## 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 loss of revenue during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the producer, the producer's family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other uninsurable causes listed in the insurance policy.

## AGR-Lite Application Information

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

- 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; and
- Indication of changes that will result in less income for the insurance year than the historical average.

### Choosing a Revenue Guarantee

Coverage levels and payment rates vary with the number of commodities produced and are selected by the producer (see table below) from the Special Provisions of Insurance. AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the selected coverage level and payment rate. 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. A producer selects one amount of coverage that will cover all commodities.

### Available Protection Amounts

Coverage Payment		Minimum # of Commodities*	Maximum Annual Income**
Level	Rate		
65	75	1	\$2,051,282
65	90	1	\$1,709,401
75	75	1	\$1,777,777
75	90	1	\$1,481,481
80	75	3	\$1,666,666
80	90	3	\$1,388,888

\*Must meet minimum income requirements. Commodity grouping is available for the 80-percent coverage level.

\*\*The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR-Lite due to the \$1,000,000 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 adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the producer is paid based on the payment rate selected, either 75 cents or 90 cents for each dollar lost.

### Loss Payment Example

#### Assumptions:

- 80-percent coverage level and 75-percent payment rate chosen;
- Approved adjusted gross revenue of \$100,000 and actual revenue from the farm for the year was \$70,000;
- Liability:  $\$100,000 \times 0.80 \times 0.75 = \$60,000$ ; then
- Loss Inception Point:  $\$100,000 \times 0.80 = \$80,000$ ;

### Loss Scenario:

\$80,000 - \$70,000 revenue to count = \$10,000 loss of revenue; then  
 $\$10,000 \times 0.75$  payment rate = \$7,500 indemnity payment.

**Note:** If the producer's allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR-Lite payments will be reduced.

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

### 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](mailto:rma.cco@rma.usda.gov)

### For More Information

AGR-Lite 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/>.

**Policies:** <http://www.rma.usda.gov/policies/index.html>  
**Draft Manual 13 Requirements:** <http://www.rma.usda.gov/data/m13>  
**Premium Calculation:** <http://www3.rma.usda.gov/apps/premcalc/>

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**Government or other institutional rules, regulations and policies effect profitability through costs or returns.**

**What are Your Sources?**

- Changes in social attitudes
- Changing regulations about land use and environmental quality
- The possibility of lawsuits for accidents or misuse of chemicals



**What are Your Management Controls?**

- Maintaining a liability insurance program
- Keeping informed of new regulations and interpretations of the law



**The character, health or behavior of the people involved in your operation introduces risk.**

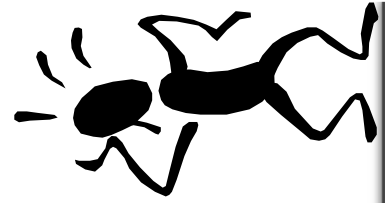
**What are Your Sources?**

- Health issues
- Divorce
- The possibility of losing a key employee
- Moral or the mental state of the work force



**What are Your Management Controls?**

- A backup management plan
- A plan to deal with the possible loss of a key employee
- Maintaining a health and life insurance program
- Establishing and maintaining an estate plan
- A good employee benefit package





Financial risk is the extra risk that is attached to being leveraged. It's the added variability that results from financial obligations associated with debt financing.

### What are Your Sources?

- Possibility of losing a lease
- Production, prices, or casualty losses
- Instable financial partners
- Anything that would negatively affect cash flow and the ability to meet debt obligations

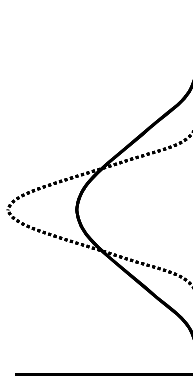
### What are Your Management Controls?

- Maintaining a financial cushion
- Practicing solid land leasing strategies
- Incorporating all or part of your operation
- Maintaining up-to-date financial information

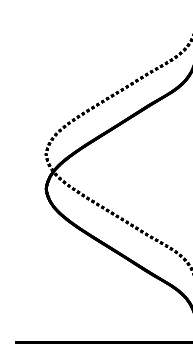


### Strategy Impacts

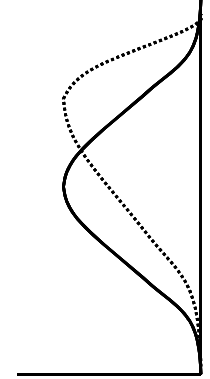
Panel 1: Same Mean, Less Dispersion



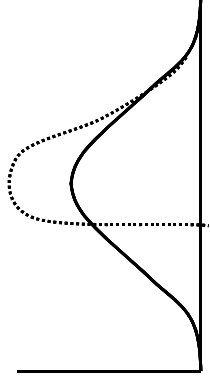
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



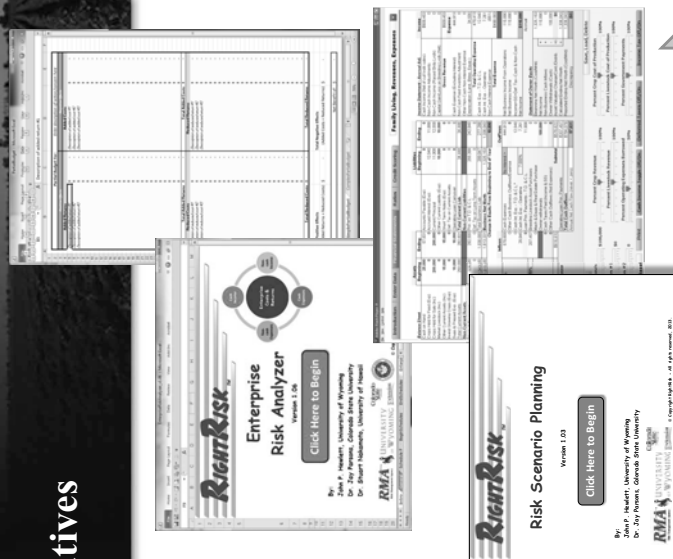
### Strategies for Managing Risk

1. Avoid it
2. Reduce it
  - a) Reduce the probability it will happen
  - b) Reduce the impact if it does happen
3. Transfer it outside the business
  - a) Insurance
  - b) Contracting
4. Increase capacity to bear
  - a) Increase reserves
  - b) Maintain flexibility
5. Accept it



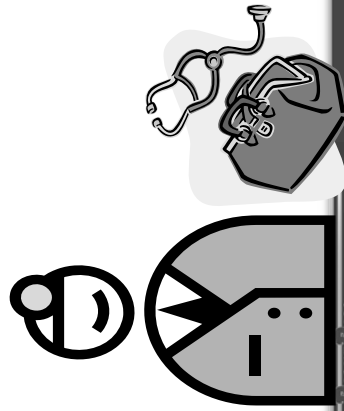
## Tools to Evaluate Alternatives

- Partial Budget  
*relatively minor changes*
- Enterprise Budget  
*larger changes*
- Whole Farm Budget  
*substantial changes*
- Risk Planning  
*assessing alternatives*

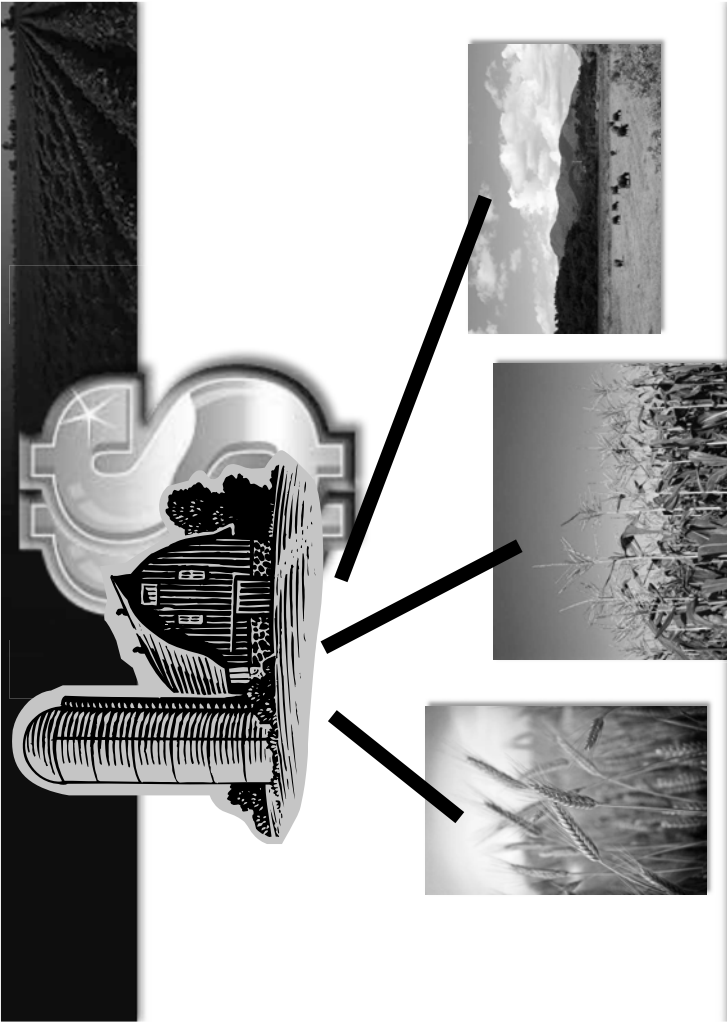
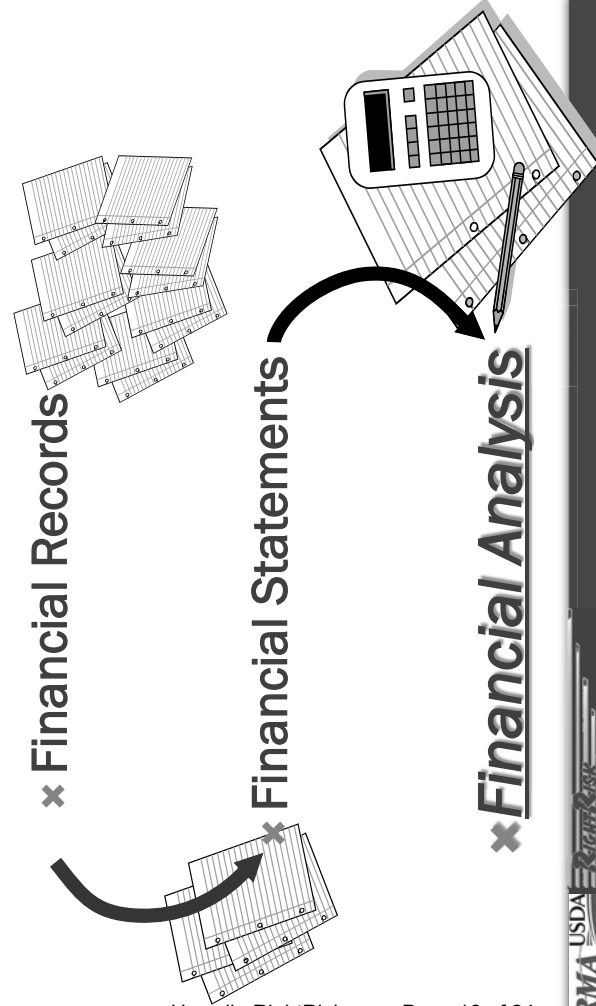


<http://RightRisk.org> > Tools

## GOT financial health?



## Determining Your Financial Health: HOW?



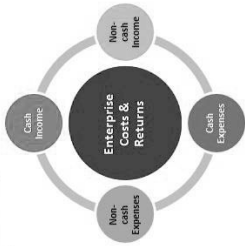
# Enterprise Risk Analyzer



## Enterprise Risk Analyzer

Version 1.11

[Click Here to Begin](#)



By:

John P. Hewlett, University of Wyoming  
 Dr. Jay Parsons, Colorado State University  
 Dr. Stuart Nakamoto, University of Hawaii



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# Enterprise Risk Analyzer

## General Inputs

Enterprise Title	Enterprise Description	Number of Units	Enterprise Type (Lower or Higher)	Enterprise Type (Lower or Higher)
Enterprise #1	Cow-calf	75	Cow	Beefsteak
Enterprise #2				
Enterprise #3				
Enterprise #4				
Enterprise #5				

Stochastic Elements	Estimate	Yield per Enterprise Unit	Units (bushels)	Price per Unit	Expected Revenue Enterprise Unit (most likely)
Cow-Calf	Advantage	300	lbs	\$ 0.05	\$ 30412
	Most Likely	101.33		\$ 0.08	
	Advantage	250		\$ 1.50	
	Advantage				
	Most Likely				
	Advantage				
	Most Likely				
	Advantage				
	Most Likely				
	Advantage				
	Most Likely				
	Advantage				
	Most Likely				
	Advantage				



# Enterprise Risk Analyzer

## Net Income Analysis

NET INCOME ANALYSIS

WORLD FARM	Cow-calf
FARM REVENUE	25,196.00
FARM EXPENSES	
NET FARM	
Net Inc	
NET Er (cash in	
NET I (gross re	

**Net Income Analysis**

Enterprise Gross Revenue - Gross Expenses

**Cow-calf**

Enterprise Cash Income - Cash Expenses

Probability Analysis (click button at right)

Most Likely: (30,360.00) (13,794.25)

Probability Analysis (click button at right)

Most Likely: 502.72 (1160.12)

Probability Analysis (click button at right)

Most Likely: 502.72 (1160.12)



# Enterprise Risk Analyzer

## Breakeven Analysis

BREAKEVEN ANALYSIS

Cow-calf	
FARM REVENUE	25,196.00
TOTAL FARM INCOME - GROSS	
TOTAL NON-CASH INCOME ADJUSTMENTS	

**Breakeven Price Analysis**

Break-Even Price - Gross Expenses

**Cow-calf**

Break-Even Price - Cash Expenses

**Breakeven Yield Analysis**

Break-Even Yield - Gross Expenses

**Cow-calf**

Break-Even Yield - Cash Expenses

Probability Analysis (click button at right)

Most Likely: 502.72 (1160.12)

Probability Analysis (click button at right)

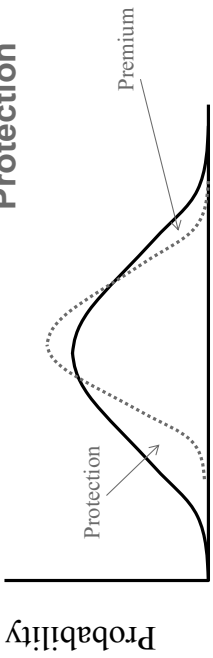
Most Likely: 502.72 (1160.12)





How much risk is right for you?

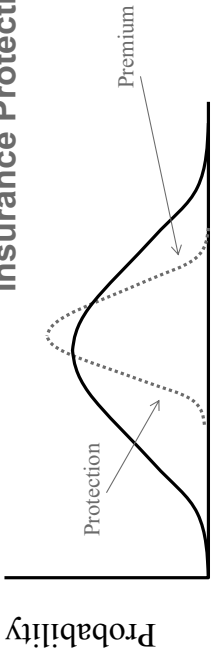
### Crop Insurance Protection



Net Income

How much risk is right for you?

### MORE Crop Insurance Protection

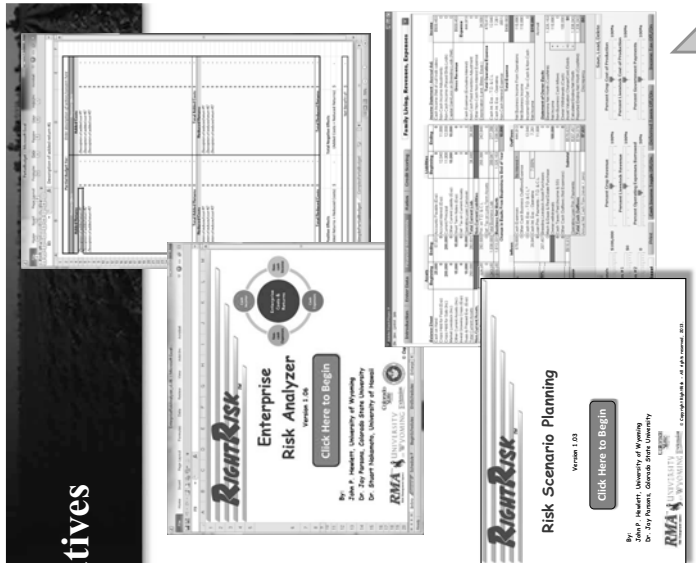


Net Income

How much risk is right for you?

### Tools to Evaluate Alternatives

- Partial Budget *relatively minor changes*
- Enterprise Budget *larger changes*
- Whole Farm Budget *substantial changes*
- Risk Planning *assessing alternatives*



<http://RightRisk.org> > Tools

### Risk Management Profiles: Risk Management Scenarios

**Fillizar Ranches Manage Forage and Marketing Risks**

At Fillizar and his wife Leliani Aki Fillizar currently operate with one of the bands of Hawaii. Aki grew up on a ranch that had been nearly a third more than several generations. They have always been a cow-calf operation, marketing their beef calves each year near the top of local prices. Keeping the ranch in the back is increasingly difficult with recent droughts and increasing input costs. Aki and Leliani in fact, just a few years ago, they had made the decision to diversify their operations in the past couple of years looking for ways to reduce risk. They have had to adjust their operations to improve their bottom line. The goal is to reduce cow numbers to a level that is sustainable in each year. They have had to reduce cow numbers to a level that is sustainable in each year.

Art and Leliani are that good commodity that are better than most. They are currently in the industry, but the RightRisk tool that LRP Forster has put together is coming in handy in their operation. The RightRisk tool is a great asset for anyone in the cattle business.

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<http://RightRisk.org> > Resources > RiskMgtProfiles

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**Applied Risk Management in Agriculture**  
Dana L. Hoag, editor  
James C. Livingston, author  
John P. Livingston, author  
Janet M. Livingston, author  
Dana Hoag, author

**AG SURVIVOR**

**Risk Navigator**  
STRATEGIC RISK MANAGEMENT

<http://RightRisk.org>

**Risk Navigator**  
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<http://RightRisk.org>

# Using RightRisk Tools

- Risk Preference Calculator
- RDFinancial
- Enterprise Risk Analyzer
- General Risk Management Questions
- More...

**Risk Preference Calculator**

How do you feel about risk? Do you like to take on more risk to make more money? Do you like to take on less risk to make less money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money?

**RDFinancial**

How do you feel about risk? Do you like to take on more risk to make more money? Do you like to take on less risk to make less money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money?

**Enterprise Risk Analyzer**

How do you feel about risk? Do you like to take on more risk to make more money? Do you like to take on less risk to make less money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money?

**General Risk Management Questions**

How do you feel about risk? Do you like to take on more risk to make more money? Do you like to take on less risk to make less money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money? Do you like to take on just the right amount of risk to make just the right amount of money?

**More...**

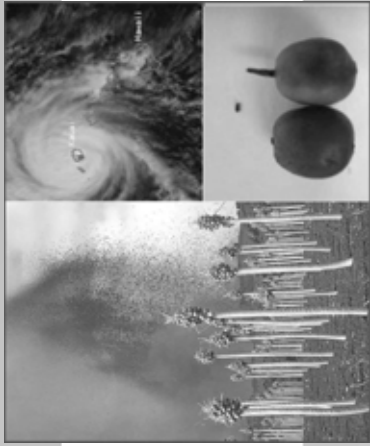
**RMA** **USDA** **RightRisk**

# QUESTIONS?

**RISK MANAGEMENT HAWAII**

**LIFE HAWAII**  
Helping Farmers Grow

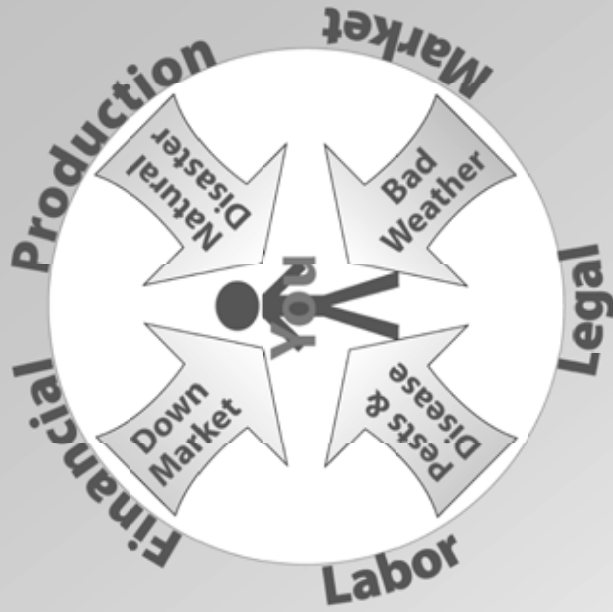
**RMA** **USDA** **RightRisk**



# Risk Management Resources For Hawaii's Agriculture

## Tools and Products to Manage Risk

### Five General Risk Areas



### USDA Risk Management Products

Commodity	Risk Management Agency (RMA) Current Insurance Plans			Farm Service Agency (FSA) Natural Disaster Programs					
	AGR-Lite	Fruit (APH)	Dollar Amount	Tree Dollar	NAP*	SURE	TAP	ELAP, LFP, LIP	ECP
Banana	✓	✓		✓		✓		✓	
Coffee	✓	✓		✓		✓		✓	
Mac Nuts	✓	✓	✓ Trees			✓		✓	
Papaya	✓	✓		✓		✓		✓	
Other Tree Crops	✓				✓			✓	
Nursery	✓		✓			✓		✓	
Other Crops	✓				✓			✓	
Livestock	✓					✓		✓	
Farm/Ranch Land							✓		✓

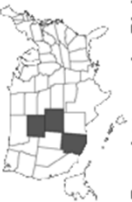
Notes:  
 \* NAP is not available for crops where catastrophic (CAT) is available such as APH, Fruit dollar or Tree base.  
 No RMA insurance of FSA NAP = No access to disaster programs

- Business Plans
- Product Differentiation
- Size of Business
- Marketing Mix
- Risk Analyses
- Contingency Plan
- Executive Summary

- RMA Workshops
- General Risk Management
- Crop Specific Insurance
- AGR-Lite
- Record Keeping
- Financial Measures
- Business Planning
- Marketing Plan

- Record Keeping
- Farm Management
- Financial Records
- Regulatory





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**Who We Are**

- Financial Risks
- Market Risks
- Production Risks
- Legal Risks
- Human Risks

**Educational Programs**

**Consulting**

**Research**

**Members Only**

RightRisk, LLC has offices in Colorado, Wyoming and Arizona giving our professional staff easy access to locations around the world.

Our professional staff consists of members with over 20 years of experience in education, consulting with individual farmers, ranchers, small business owners, farm families, and policy decision-makers, and research. They have university appointments with extension, teaching, and/or research responsibilities. Collectively, members of RightRisk, LLC have conducted educational programs in more than 30 U.S. states, and worked with more than 7,000 farm and ranch families.

**Contact us:**

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 719 - 251 - 0990  
 information@eRightRisk.com

**Over Night Deliveries:**

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 Pueblo, CO 81001 U.S.A.

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*RightRisk helps decision-makers throughout the world discover innovative and effective risk management solutions.*

*How much risk is right for you...*

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