



# CROP INSURANCE IN PENNSYLVANIA

PENNSYLVANIA DEPARTMENT  
OF AGRICULTURE

## AGR-Lite Works For Fruit And Vegetable Growers

**F**ederally subsidized Adjusted Gross Revenue - Lite (AGR-L) insurance offers simplified risk protection for fruit and vegetable growers according to Penn State and USDA's Risk Management Agency.

Penn State educator Lynn Kime says, "If you have a diversified operation or direct market your production, you may want to consider AGR-Lite. AGR-Lite will also cover many enterprises producing commodities not currently covered under traditional crop insurance policies such as cherries, plums or other minor crops. Because AGR-Lite insures the income of the operation, the protection provided is not directly related to the amount of bushels or the quality of the production. AGR-Lite also works in tandem with traditional Multi Peril Coverage Insurance (MPCI), and Crop Revenue Coverage (CRC) policies."

Adjusted Gross Revenue-Lite (AGR-L) is a whole farm income protection policy with coverage based on the previous 5 years of farm income (as shown on IRS schedule F). It is similar to business interruption protection for your farming operation. Producers can insure their gross farm income for 2005 at from 65-80% of their previous five year average, depending on their income diversification. A loss payment triggers when the eligible gross income for the current year is less than the 5 year average. Loss payments are made for income reduction because of natural disasters or market price fluctuations. The insurance policy pays from 65-90% of the calculated income loss.

The Risk Management Agency calculated this example:

\$100,000 average qualifying farm  
income of previous 5 years

75% level of coverage selected at  
enrollment

75,000 Loss trigger

- 25,000 Income in current year  
50,000 Difference

90% Payment rate (policyholder self  
insures 10%)

\$45,000 Loss payment

\$70,000 income with AGR-L,  
\$25,000 without AGR-L

About 50% of the premium is paid by USDA and PDA, premiums are also low because losses are paid when overall loss is experienced on the whole farm. In the long term, loss payments are expected to be about 2X the farmer paid premiums. AGR-L Works Best to protect agricultural

production (plants and animals) produced for direct sales. It covers:

- Production of almost all agricultural commodities
- Crops grown for direct market even if cash sales result
- Organic production
- Crops already insured similar to commercial umbrella policies
- Commodities at the individual's historical income (simplified and equitable method of insuring low yield poor quality and/or low price)
- Overall economic losses rather than spot losses which may be insignificant in the big picture

### Recent situations where AGR-Lite would work:

- To protect crops/animals that are not otherwise insurable
- Fresh market sweet corn and other vegetables where good yields were realized but prices were very low

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(AGR-L deductibles are smaller on sweet corn than MPCCI)

- Horse and other hay where excessive rains reduced quality and/or yields which result in reduced income
- Herb and vegetable production where excess moisture caused production to rot before reaching maturity
- Fruit losses due to poor quality due to excess moisture
- Loss of revenue for crops/animals

damaged, contaminated or destroyed by flooding

- Severe drought where all crops/animals are affected and individual crops are insured at lower levels of coverage due to cost of premium

### Where AGR-Lite may not work well:

- Animal breeding farms where primary risk is feed crop disasters and in such

situations additional feed is purchased which results in near normal gross revenues

- Where producer wants to insure crops on an individual or optional unit basis
- Beginning producers who do not have a 5 year income record base
- Large farms where gross receipts exceed \$500,000

Contact your insurance agent for details before January 31, 2005. ▲

## Who Qualifies

A producer must meet some basic criteria to be eligible for AGR-Lite:

- Must 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
- Have IRS Form 1040, Schedule F tax forms (or equivalent IRS form) available for the previous 5 years
- May not also purchase Adjusted Gross Revenue (AGR) although it is allowable to purchase other kinds of crop specific policies
- Have revenue from commodities purchased for resale not exceeding 50 percent of the total
- Have revenue from potatoes less than 83.35 percent of total

## How To Apply

You must provide four or five basic sets of information to your crop insurance agent (before January 31) to apply for AGR-Lite.

- Five years of selected income and expense data from your IRS 1040, Schedule F forms
- An annual farm report showing the intended revenue-producing commodities and their expected revenue
- An indication of changes that will result in less income for the insurance year than the historical average
- Beginning inventories, if applicable

You could simplify the process by getting your crop insurance agent to e-mail, fax, or mail you the forms. ▲

## Producer Feedback On AGR-Lite

*I suffered a total loss on my garlic crop. It rotted before maturing due to excessive rains. AGR-L would have been a great value to me.*

**Susquehanna Co. PA producer**

*I suffered severe tonnage and quality losses which significantly reduced my revenue on my horse hay for sale farming operation because of excess rains. AGR-L would have been of great value.*

**Butler Co. PA producer**

*I'm semi-retired and grow sweet corn for fresh market. I suffered severe loss of income because of low price...the excess rains caused over production and low prices resulted. AGR-L would have been of great value in reducing my income losses. It provides much more protection than the MPCCI sweet corn policy.*

**Somerset Co. PA producer**

*I use AGR-L in addition to CAT-MPCI on my apples. AGR-L provides umbrella type protection on my apples and provides protection on all of my other fruit. Its very affordable protection.*

**Adams Co. producer**

*I do everything except sing a bedtime lullaby to my specialty crops. You see, I use specialized varieties for special customers willing to pay a premium price. AGR-L recognizes the higher income and provides good protection against low yields and price fluctuations when disasters occur.*

**Lycoming Co. producer**

*AGR-L does a nice job of providing income protection on fresh market vegetable farm production sold through roadside markets. The loss adjustment is simple because its based on income records and triggers when low income occurs due to natural disasters or price fluctuations.*

**Cumberland Co. producer**

*AGR-L loss adjustment would have been so simple and straight forward on flood damaged crops. Since it provides income protection, the loss would have been adjusted comparing the income in 2004 (year of flooding) to the previous 5 year average from income tax records, instead of requiring laboratory testing and discount charts which may not completely address the situation.*

**Susquehanna Valley PA producer**



## Pennsylvania Department of AGRICULTURE

For more information contact us at [www.agriculture.state.pa.us](http://www.agriculture.state.pa.us) or call 717-787-6901.



*This information made possible in partnership with the USDA Risk Management Agency.*