

**Adjusted Gross Revenue (AGR) Insurance  
Case Study**

**Diversified Vegetable Wholesale Farm  
Western New York**

**Prepared by**

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# AN ADJUSTED GROSS REVENUE (AGR) INSURANCE ANALYSIS FOR THE REPRESENTATIVE FARM ANYTOWN, ABC COUNTY, NEW YORK

## **Farm Description**

- ***Farming History***

Joe Representative began growing vegetables, potatoes, strawberries and red kidney beans at the end of WW II. He bought out his present main farm in 1951. The farm continued to expand in size and alter its crop mix throughout the 1960's and 1970's. The farm discontinued potatoes in 1980, red kidney beans in 1986, and field corn in 1989. The farm continued to place an emphasis on fresh market vegetables. In 1990, Joe retired and two of his sons Mike and Bob formed a partnership and continued to grow the fresh market vegetable acreage. In the year of 2000, the farm had about 200 acres in fresh market vegetables, 50 acres of rye, and about 800 acres in conservation reserve or "set-aside" programs, which was previously used to produce red kidney beans or field corn.

The farm is largely a wholesale operation with one retail farm market operated in Anytown New York. It produces mainly vegetables and some fruits for fresh market sales with about 95% wholesale and 5% retail sales. The retail market is open 12 weeks of the year.

- ***Insurance History***

The Representative Farm has never purchased crop insurance and is now considering the Adjusted Gross Revenue (AGR) Insurance Program for his operation in the year 2001.

- ***Risk Reduction Practices***

The Representative Farm irrigates all its vegetable production to protect against drought and frost, and purchased a mechanical harvest aid in 1986 to reduce labor on some crops. It maintains a diversified crop mix as a risk management strategy.

## **Application**

To be eligible for AGR coverage, Representative Farm must have less than 50% of the allowable income from agricultural commodities purchased for resale and less than 50% of the allowable income from insurable crop & livestock commodities, unless such commodities are insured under other available insurance. Prior to applying for AGR coverage, Representative Farm needs to:

- Prepare Form FCIC-18050 – Adjusted Gross Revenue Application Continuous Contract;
- Copies of the tax return forms from five consecutive tax years prior to the year immediately preceding the insurance year (2001) – Form 1040-Schedule F;
- Annual Farm Report (Form 821-AGR);
- Five-year cropping history (Form 823 – AGR); and
- The beginning inventory (Form 822 – AGR). See attached for forms.

Sample forms are attached to this document.

## Revenue History

To apply for AGR coverage Representative Farm must furnish a summary of the cropping history over the five most recent years and five consecutive tax years of allowable income prior to the year immediately preceding the insurance year (1995-1999). The attached Form 823 AGR – Agricultural Commodity Profile shows the five-year cropping history. See Table 1 for the five-year allowable income and expenses history. It should be noted that adjustments were made to gross income for two situations: 1) the cost of agricultural commodities bought for resale must be subtracted from the gross sales amount; and 2) gross income that includes added value received from post-production products including processing apples into cider and packaging materials were deducted from the gross income to reflect the allowable income. Copies of the form 1040 Schedule F for the years 1995 through 1999 are attached to the document.

**Table 1. Representative Farm’s Five-Year Allowable Income and Allowable Expenses History**

	<i>Schedule F</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
<b>Allowable Income</b>						
Sales of animals and other ag commodities bought for resale less the cost or other basis	line 3	0	0	0	0	0
Sales of animals, produce, and other ag commodities raised	line 4 (Adjusted) <sup>1</sup>	436,893	546,116	833,534	852,673	926,350
Taxable amount of total cooperative distributions	line 5b	0	0	0	0	0
Commodity Credit Corporation (CCC) loans	line 7a	0	0	0	0	0
Taxable amount of CCC loans forfeited	line 7c	0	0	0	0	0
Other income - exclude gas/fuel tax credits	line 10	75,000	90,000	2,000	14,000	24,000
<b>Total Allowable Income</b>		<b>511,893</b>	<b>636,116</b>	<b>835,534</b>	<b>866,673</b>	<b>950,350</b>
<b>Allowable Expenses</b>						
Items bought for resale	line 2	0	0	0	0	0
Car and truck expenses <sup>5</sup>	line 12	0	0	0	0	0
Chemicals <sup>6</sup>	line 13	54,670	68,337	54,998	0	0
Conservation	line 14	0	0	0	0	0
Custom hire	line 15	4,451	5,564	5,930	0	0
Depreciation	line 16 (Adjusted) <sup>2</sup>	0	0	0	0	0
Feed purchased	line 18	0	0	0	0	0
Fertilizer and lime	line 19	32,809	41,012	24,074	78,260	63,609
Freight and trucking	line 20	14,607	18,259	28,906	21,987	9,821
Gasoline, fuel and oil	line 21	21,633	27,042	36,940	30,804	35,288
Insurance	line 22	19,637	24,547	28,389	53,857	46,381
Labor hired	line 24 (Adjusted) <sup>3</sup>	110,414	138,018	153,082	149,932	216,430
Repair and maintenance	line 27	9,382	11,728	224,123	21,202	23,163
Seeds and plants purchased	line 28	31,432	39,291	53,455	105,736	141,329
Storage and warehousing	line 29	0	0	0	0	0
Supplies purchased	line 30 (Adjusted) <sup>4</sup>	11,766	14,707	12,346	44,532	80,773
Utilities	line 32	12,147	15,184	22,251	21,038	20,939
Veterinary, breeding, and medicine	line 33	0	0	0	0	0
Other farm expenses	line 34	85,558	106,948	254,561	199,162	177,980
<b>Total Allowable Expenses</b>		<b>408,510</b>	<b>510,637</b>	<b>899,055</b>	<b>726,510</b>	<b>815,713</b>

<sup>1</sup> Gross income adjusted for added value received for post-production operations such as processing, packing, packaging, etc.

<sup>2</sup> Include only the amount of depreciation allowed for animals.

<sup>3</sup> Exclude share holder wages if reported on this line.

<sup>4</sup> Exclude those used in post-production value added operations such as processing, packing, packaging, etc.

<sup>5</sup> “Car and Truck” expenses are included in “Freight and Trucking”.

<sup>6</sup> 1998 and 1999 “Chemical expenses are included in “Fertilizer and Lime”

## AGR Calculation

To determine the revenue that will be covered by the AGR insurance plan, the average of the allowable income for the five consecutive years prior to the year immediately preceding the insurance year needs to be calculated. If either of the two most recent years' allowable income is greater than the average AGR, a trend adjustment may be employed to "Adjust" the Gross Revenue for insurance purposes. Because Representative Farm's allowable income of the two most recent years (1998 & 1999) are greater than the average, The adjustment to the average gross revenue (indexed average AGR) is carried out as follows:

- **Indexed AGR:** Divide each tax year's allowable income by the preceding tax year's allowable income. The factor may not exceed 1.200 (20% cap) or be less than 0.800 (20% cup). Therefore:

	<u>Indexed factor</u>
1. 1996 allowable income \$636,116/1995 allowable income \$511,893 = 1.243	1.200
2. 1997 allowable income \$835,534/1996 allowable income \$636,116 = 1.313	1.200
3. 1998 allowable income \$866,673/1997 allowable income \$835,534 = 1.037	1.037
4. 1999 allowable income \$925,202/1998 allowable income \$866,673= 1.097	1.097
5. Average Indexed Factor = 1.133	
6. Income Trend Factor = (Average Indexed Factor) <sup>4</sup> = 1.133 <sup>4</sup> = 1.651	
7. The Adjusted Revenue = Average x Income Trend Factor = \$760,113 x 1.651 = \$1,254,569	

The attached Annual Farm Report (Form 821-AGR) also contains Representative's estimate of acreage, yields, and prices for the insurance year. Insurance levels will be based on the *lesser* of the Adjusted Revenue or the Expected Income from the Report. The Representative Farm's expected income from the Intended Commodity Report is \$917,239. Therefore, the Representative Farm's approved AGR is \$917,239.

- **Indexed Expenses:** Because the approved AGR is established at a greater amount than the average of Representative Farm's AGR income history. Representative Farm's average allowable expenses for the insurance year (2001) needs to be indexed in the following way:

	<u>Indexed factor</u>
1. 1996 allowable expenses \$510,637/1995 allowable expenses \$408,510 = 1.250	1.200
2. 1997 allowable expenses \$899,055/1996 allowable expenses \$510,637 = 1.761	1.200
3. 1998 allowable expenses \$726,510/1997 allowable expenses \$899,055 = 0.808	0.808
4. 1999 allowable expenses \$815,713/1998 allowable expenses \$726,510= 1.123	1.123
5. Average Indexed Factor = 1.083	
6. Income Trend Factor = (Average Indexed Factor) <sup>4</sup> = 1.083 <sup>4</sup> = 1.374	
7. The Approved Expenses = Average x Expenses Trend Factor = \$672,085 x 1.374 = \$923,597	

\* The factor may not exceed 1.200 (20% cap) or be less than 0.800 (20% cup).

Therefore, Representative Farm's approved allowable expenses is \$923,597.

## Possible Coverage Elections

Amount of Coverage: The amount of AGR coverage will be elected by the insured (Representative Farm). The options are as follows:

Elected Coverage	Revenue Coverage	Payment rate	Number of Crops			
			1	2	3	4 or more
65/75	65%	75%	Yes	Yes	Yes	Yes
65/90	65%	90%	No	Yes	Yes	Yes
75/75	75%	75%	No	Yes	Yes	Yes
75/90	75%	90%	No	Yes	Yes	Yes
80/75	80%	75%	No	No	No	Yes
80/90	80%	90%	No	No	No	Yes

To qualify for the two higher coverage amount (80% and 75%) in the initial year (2001), Representative Farm needs to meet the diversification requirements. The calculations are as follows:

**Diversification Formula** =  $(1 \div \text{the number of commodities to be produced} \times 0.33) \times (\text{the total expected income for the insurance year}) = (1 \div 13 \times 0.33) \times (\$917,239) = \$23,284$

- For 65/90, 75/75 and 75/90 coverage, at least two agricultural commodities will be produced whose expected income for the insurance year is equal to or greater than the amount determined by the formula (\$23,284).
- For 80/75 and 80/90 coverage, at least four agricultural commodities will be produced whose expected income for the insurance year is equal to or greater than the amount determined by the formula (\$23,284).

Based on the Intended Commodity Report, Representative has eight commodities with expected income greater than \$23,284. Therefore, Representative Farm qualified for the two higher coverage amount (80% and 75%) in the initial year (2001).

AGR losses begin with when the income to count for the insurance year is less than the product of multiplying the percentage for the coverage level elected times the Approved AGR. The payment rate is the percentage of the revenue deficiency that will then be paid by the insurance provider.

- **Representative Farm's scenarios will be as follows:**

Elected coverage	Coverage level	Payment rate	Approved AGR	Loss payment begin at when income lower than
65/75	65%	75%	\$917,239	\$ 596,205
65/90	65%	90%	\$917,239	\$ 596,205
75/75	75%	75%	\$917,239	\$ 687,929
75/90	75%	90%	\$917,239	\$ 687,929
80/75	80%	75%	\$917,239	\$ 733,791
80/90	80%	90%	\$917,239	\$ 733,791

## Annual Premium and Administrative Fee

The producer subsidy rates for AGR annual premiums for the years 2001-2004 are as the follows:

- 65% Coverage Level - 59%
- 75% Coverage Level - 55%
- 80% Coverage Level - 48%

RMA will also offer a cost-share program as an incentive to producers in eleven underserved northeastern states to purchase AGR insurance. It will be available to New York producers located in the following counties - Cayuga, Chautauqua, Erie, Genesee, Monroe, Niagara, Onondaga, Ontraio, Orange, Orleans, Oswego, Seneca, Suffolk, Ulster, Wayne, and Yates.

Under this cost-share program, RMA will share in 50 percent of the premium cost of a producer's AGR policy. This 50 percent cost-share will be calculated on the premium remaining after the standard premium subsidy for AGR, as authorized under section 508 (e) of the Federal Crop Insurance Act, is applied. In addition, RMA will pay the entire administrative fee (\$30 per policy) for producers who purchase AGR policies in the eligible states and counties. The sales closing date for all states with AGR insurance is January 31, 2001. Information needed to calculate the annual premium includes five-year allowable income and allowable expenses prior to the year immediately preceding the insurance year and the intended commodity list for the insurance year.

Information needed to calculate the annual premium includes five-year allowable income and allowable expenses prior to the year immediately preceding the insurance year and the intended commodity list for the insurance year. Premium calculation is available at RMA web-site:

<http://www.rma.usda.gov/tools/>.

Assume Representative Farm is located in one of the pilot counties in New York.

### Premium Calculation For Representative Farm

Coverage Level	65%	75%	80%
Payment Rate	Premium / Coverage	Premium / Coverage	Premium / Coverage
90%	\$2,537 / \$515,744	\$4,820 / \$595,089	\$7,757 / \$634,762
75%	\$2,114 / \$429,787	\$4,017 / \$495,908	\$6,464 / \$528,968

## The Event of Damage or Loss

Insurance is provided against loss of revenue due to any unavoidable peril that causes a loss in revenue during the current insurance year. In the event of probable loss, the insured farm (Smith Farm) must provide the followings:

- A notice of loss within 72 hours of the initial discovery that the allowable income for the insurance year could fall below the amount determined by the coverage level elected. Such notice will not be accepted later than 15 days after the filing of farm tax forms for the insurance year;
- A copy of the farm tax forms and any amendments for the insurance year and any additional documentation required to convert the allowable income and allowable expenses for the insurance year to an *accrual accounting method*.

Representative Farm does not have to file the AGR – Form 822 – Inventory and Accounts Receivable Report because it did not have agricultural commodity inventory at the beginning or the end

of the insured year, and its accounts receivables are stable at around \$5,000 at the beginning or the end of the year. The AGR – Form 822 is required to calculate allowable income to count on an accrual basis when an indemnity is claimed.

- When an insured's accounts receivables increase, cash basis allowable income for the insurance year will be increased by the increase in accounts receivables.
- When an insured's accounts receivables decrease, cash basis allowable income for the insurance year will be decreased by the decrease in accounts receivables.

If the allowable expenses for the insurance year fall below 70% of the approved expenses, reduce the result of approved AGR by 0.1% for each 0.1% the allowable expenses for the insurance year fall below 70% of the approved expenses.

**Loss Scenario 1:**

- Ninety percent of Representative Farm’s vegetable acreage is within 1-mile radius. A hailstorm in August, which is right before harvest, can potentially cause 80-100 percent loss in the farm.
- Sold and wet weather in July can cause 40-50 percent crop losses in melons, cucumbers, squash (summer and winter), and pumpkins.
- Cold and wet spring weather will hurt some crops, especially watermelon and muskmelon.

Table 2 shows the possible revenue losses, insurance payments, and corresponding revenues assuming that the allowable expenses for the insurance year was above 70% of the approved expenses.

**Table 2 Income Scenarios When Income Loss Occurs Under AGR Insurance**

Revenue Loss	No Insurance	Coverage Election					
		80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
				<u>Dollars (\$)</u>			
20%	733,791	0	733,791	0	733,791	0	733,791
30%	642,067	68,793	710,860	34,396	676,464	0	642,067
40%	550,343	137,586	687,929	103,189	653,533	34,396	584,740
50%	458,620	206,379	664,998	171,982	630,602	103,189	561,809
60%	366,896	275,172	642,067	240,775	607,671	171,982	538,878
70%	275,172	343,965	619,136	309,568	584,740	240,775	515,947
80%	183,448	412,758	596,205	378,361	561,809	309,568	493,016
90%	91,724	481,550	573,274	447,154	538,878	378,361	470,085
100%	0	550,343	550,343	515,947	515,947	447,154	447,154
Revenue Loss		80/90		75/90		65/90	
		Payment	Revenue	Payment	Revenue	Payment	Revenue
				<u>Dollars (\$)</u>			
20%		0	733,791	0	733,791	0	733,791
30%		82,552	724,619	41,276	683,343	0	642,067
40%		165,103	715,446	123,827	674,171	41,276	591,619
50%		247,655	706,274	206,379	664,998	123,827	582,447
60%		330,206	697,102	288,930	655,826	206,379	573,274
70%		412,758	687,929	371,482	646,653	288,930	564,102
80%		495,309	678,757	454,033	637,481	371,482	554,930
90%		577,861	669,584	536,585	628,309	454,033	545,757
100%		660,412	660,412	619,136	619,136	536,585	536,585

**Loss Scenario 2:**

Assuming the allowable expenses is lower because lower expenses on harvesting, tracking due to crop loss. Assuming the allowable expenses for the insurance is \$600,338, which is 65 percent of approved expenses (\$923,597). The allowable expenses are 5 percent less than 70 percent. Therefore, the Approved AGR (\$917,239) is reduced by 5 percent to \$871,376.

Table 3 shows the possible income losses, insurance payments adjusted for lower allowable expenses (assuming 65% of approved expenses), and corresponding revenues.

**Table 3 Income Scenarios When Income Loss Occurs and Allowable Expenses is 65% of Approved Expenses Under AGR Insurance**

Revenue Loss	No Insurance	Coverage Election					
		80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
				<u>Dollars (\$)</u>			
20%	733,791	0	733,791	0	733,791	0	733,791
30%	642,067	41,275	683,343	8,599	650,666	0	642,067
40%	550,343	110,068	660,412	77,392	627,735	12,039	562,382
50%	458,620	178,861	637,481	146,185	604,804	80,832	539,451
60%	366,896	247,654	614,550	214,978	581,873	149,625	516,520
70%	275,172	316,447	591,619	283,771	558,943	218,418	493,589
80%	183,448	385,240	568,688	352,564	536,012	287,210	470,658
90%	91,724	454,033	545,757	421,357	513,081	356,003	447,727
100%	0	522,826	522,826	490,150	490,150	424,796	424,796
Revenue Loss		80/90		75/90		65/90	
		Payment	Revenue	Payment	Revenue	Payment	Revenue
				<u>Dollars (\$)</u>			
20%		0	733,791	0	733,791	0	733,791
30%		49,531	691,599	10,319	652,387	0	642,067
40%		132,083	682,426	92,871	643,214	14,447	564,790
50%		214,634	673,254	175,422	634,042	96,998	555,618
60%		297,186	664,081	257,974	624,869	179,550	546,445
70%		379,737	654,909	340,525	615,697	262,101	537,273
80%		462,289	645,737	423,077	606,525	344,653	528,101
90%		544,840	636,564	505,628	597,352	427,204	518,928
100%		627,392	627,392	588,180	588,180	509,756	509,756

# Attachments

OCTOBER 1998

FCIC-18050

FCI-12 AGR  
(10-98)

U. S. DEPARTMENT OF AGRICULTURE

OMB NO. 0563-0053

## Federal Crop Insurance Corporation ADJUSTED GROSS REVENUE APPLICATION CONTINUOUS CONTRACT (Unless otherwise specified in the Contract)

1 Name of Applicant		5 Applicant's Tele. No.	6 Applicant's Authorized Representative	
2 Street or Mailing Address		7 Policy Number		8 State and Code - County and Code
3 City and State	4 ZIP Code	9 Type of Entity		10 Is Applicant at least 18 years old? <input type="checkbox"/> Yes <input type="checkbox"/> No
11 Identification Number	12 Check Applicable <input type="checkbox"/> SSN <input type="checkbox"/> EIN <input type="checkbox"/> OTHER		13 I request insurance coverage for my approved Adjusted Revenue for the insurance year specified on my Annual Farm Report. <input type="checkbox"/> Yes <input type="checkbox"/> No	

A. Subject to the provisions of the Federal Crop Insurance Act and the regulations issued under that Act, I hereby apply for Adjusted Gross Revenue insurance on my tax entity. I understand that my insurable adjusted gross revenue (as indicated in box 13 above) must be insured. I also understand that the premium rates, and applicable deadlines are on file and available for my inspection in my agent's office. I further understand that no insurance will be available for my adjusted gross revenue unless this application and required forms (Annual Farm Report and farm tax forms) are completed and filed prior to the sales closing date for the insurance year. I also further understand that, although insurance under this application is continuous from year to year, policy terms, premium rates, the insurable adjusted gross revenue may change from year to year. All changes will be available in my agent's office prior to the contract change date.

14 Insurance Year	15 Annual Farm Report and farm tax forms attached. <input type="checkbox"/> Yes <input type="checkbox"/> No	16 Coverage Level/Payment Rate
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B. List all persons or entities with 10 percent or more interest in the applicant's farming operations. (See reverse side for additional space)

Name	Address	Phone (Include Area Code)	S-SSNE=EINO=OTHER (Enter Code & Number)	Entity Type

C. CONDITIONS OF ACCEPTANCE: This application is accepted and insurance attaches in accordance with the policy unless: (1) The Federal Crop Insurance Corporation determines that, in accordance with the regulations, the risk is excessive; (2) any material fact is omitted, concealed or misrepresented in this application or in the submission of this application; (3) you have failed to provide complete and accurate information required by this application; (4) the answer to any of the following questions is "yes." An answer of yes to these questions does not automatically result in rejection of the application. For example, if you answer yes to question (a) but your debt was discharged in bankruptcy, the application would not be rejected.

YES	NO	Question
<input type="checkbox"/>	<input type="checkbox"/>	(a) Are you now indebted, and the debt is delinquent, for crop insurance under the Federal Crop Insurance Act?
<input type="checkbox"/>	<input type="checkbox"/>	(b) Have you in the last five years been convicted under federal or state law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance?
<input type="checkbox"/>	<input type="checkbox"/>	(c) Have you ever had crop insurance terminated for violation of the terms of the contract or regulations, or for failure to pay your indebtedness?
<input type="checkbox"/>	<input type="checkbox"/>	(d) Are you disqualified or debarred under the Federal Crop Insurance Act, or the regulations of the Federal Crop Insurance Corporation or the United States Department of Agriculture?
<input type="checkbox"/>	<input type="checkbox"/>	(e) Have you ever entered into an agreement with the Federal Crop Insurance Corporation or with the Department of Justice that you would refrain from participating in the crop insurance program and that agreement is still effective?
<input type="checkbox"/>	<input type="checkbox"/>	(f) Do you have like insurance on any of the agricultural commodity(ies) covered under this contract?

I understand that if coverage is currently terminated or would have subsequently terminated for indebtedness had this application been filed after the termination date no coverage can be provided and I am ineligible for any benefits under the Federal Crop Insurance Act until the cause for termination is corrected.

We will notify you of rejection by depositing notification in the United States mail, postage paid, to the above address. Unless rejected or the sales closing date has passed at the time you signed this application, the insurance contract shall be in effect for the insurance year specified and shall continue for each succeeding insurance year, unless otherwise specified in the policy until canceled, terminated or voided. The insurance contract, which includes the accepted application, is defined in the regulation published at 7 CFR chapter IV. No term or condition of the contract shall be waived or changed unless such waiver or change is expressly allowed by the contract and is in writing.

17 Name of Previous Carrier (if any)	18 Policy Number under Previous Carrier (if any)
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**False Claim Statement**

The information I have furnished on this form is complete and accurate. I understand that any false or inaccurate information may result in the sanctions outlined in my policy and administrative, civil, and criminal sanctions under 18 U.S.C. 1006 and 1014, 7 U.S.C. 1506, 31 U.S.C. 3729 and 3730 and other federal statutes.

I certify that the information and answers on this application are correct to my knowledge and belief; that none of the reasons for rejection in items 1 through 4 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application.

19 Applicant's Signature		20 Date	21 Location of Farm Headquarters		Phone Number	
22 Agent's Signature		23 Code Number	24 Date	25 Agent's Address		Phone Number

**Schedule F****Profit or Loss From Farming****1995**

**Name of Proprietor** *Representative Diversified Vegetable Farm* SSN XXXXXXXX

**A. Principal product** *Vegetables and Fruits*

**Accounting method** *Cash*

**Part 1 Farm income-Cash Method**

1. Sales of livestock or other items you bought for resales	0
2. Cost or other basis of livestock and other items reported on line 1	0
3. Subtract line 2 from line 1	0
4. Sales of lvstk, produce, grains and other products you raised	500,000
5. Total cooperative distributions	0
6. Agricultural program payments	0
7. CCC loans	
a. CCC loans reported under election	0
b. CCC loans forfeited	0
8. Crop insurance proceeds and certain disaster payments	
a. Amount received in 1995	0
c. If election to defer to 1996 is attached enter amt. deferred	0
9. Custom hire (machine work) income	0
10. Other income inc. Fed. And State gasoline or fuel tax credit or refund	75,000
11. Gross Income	575,000

**Part 2 Farm Expenses**

12. Car and truck expenses <sup>1</sup>	0	25. Pension and profit-sharing plans	
13. Chemicals	54,670	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	4,451	b. Other (land)	
16. Depreciation	49,726	27. Repairs and maintenance	9,382
17. Employee benefit programs		28. Seeds and plants purchased	31,433
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	32,810	30. Supplies purchased	43,766
20. Freight and Trucking	14,607	31. Taxes	
21. Gasoline, fuel, and oil	21,634	32. Utilities	12,147
22. Insurance (other than health)	19,638	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. To banks, etc.)		a. <i>Water</i>	8,352
b. Other		b. <i>Legal/profession</i>	8,346
24. Labor hired	110,414	c. <i>miss</i>	68,860
		d.	
		e.	
		f.	

**35. Total Expenses****36. Net Farm Profit or (loss)**

<sup>1</sup> Car and truck expenses are included in freight and trucking expenses.

**Schedule F****Profit or Loss From Farming****1996**

**Name of Proprietor** *Representative Diversified Vegetable Farm* SSN XXXXXXXX

**A. Principal product** *Vegetables and Fruits*

**Accounting method** *Cash*

**Part 1 Farm income-Cash Method**

1. Sales of livestock or other items you bought for resales	0
2. Cost or other basis of livestock and other items reported on line 1	0
3. Subtract line 2 from line 1	0
4. Sales of lvstck, produce, grains and other products you raised	586,116
5. Total cooperative distributions	0
6. Agricultural program payments	0
7. CCC loans	
a. CCC loans reported under election	0
b. CCC loans forfeited	0
8. Crop insurance proceeds and certain disaster payments	
a. Amount received in 1996	0
c. If election to defer to 1997 is attached enter amt. deferred	0
9. Custom hire (machine work) income	0
10. Other income inc. Fed. And State gasoline or fuel tax credit or refund	90,000
11. Gross Income	676,116

**Part 2 Farm Expenses**

12. Car and truck expenses <sup>1</sup>	0	25. Pension and profit-sharing plans	
13. Chemicals	68,337	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	5,564	b. Other (land)	
16. Depreciation	62,158	27. Repairs and maintenance	11,728
17. Employee benefit programs		28. Seeds and plants purchased	39,291
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	41,012	30. Supplies purchased	54,707
20. Freight and Trucking	18,259	31. Taxes	
21. Gasoline, fuel, and oil	27,042	32. Utilities	15,184
22. Insurance (other than health)	24,547	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. To banks, etc.)		a. <i>Water</i>	5,642
b. Other		b. <i>Legal/profession</i>	7,845
24. Labor hired	138,018	c. <i>miss</i>	93,461
		d.	
		e.	
		f.	

**35. Total Expenses****36. Net Farm Profit or (loss)**

<sup>1</sup> Car and truck expenses are included in freight and trucking expenses.

**Schedule F****Profit or Loss From Farming****1997**

**Name of Proprietor** *Representative Diversified Vegetable Farm* SSN XXXXXXXX

**A. Principal product** *Vegetables and Fruits*

**Accounting method** *Cash*

**Part 1 Farm income-Cash Method**

1. Sales of livestock or other items you bought for resales	0
2. Cost or other basis of livestock and other items reported on line 1	0
3. Subtract line 2 from line 1	0
4. Sales of lvstk, produce, grains and other products you raised	868,534
5. Total cooperative distributions	0
6. Agricultural program payments	0
7. CCC loans	
a. CCC loans reported under election	0
b. CCC loans forfeited	0
8. Crop insurance proceeds and certain disaster payments	
a. Amount received in 1997	0
c. If election to defer to 1998 is attached enter amt. deferred	0
9. Custom hire (machine work) income	0
10. Other income inc. Fed. And State gasoline or fuel tax credit or refund	2,000
11. Gross Income	870,534

**Part 2 Farm Expenses**

12. Car and truck expenses <sup>1</sup>	0	25. Pension and profit-sharing plans	
13. Chemicals	54,998	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	5,930	b. Other (land)	
16. Depreciation	74,702	27. Repairs and maintenance	224,123
17. Employee benefit programs		28. Seeds and plants purchased	53,455
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	24,074	30. Supplies purchased	47,346
20. Freight and Trucking	28,906	31. Taxes	
21. Gasoline, fuel, and oil	36,940	32. Utilities	22,251
22. Insurance (other than health)	28,389	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. To banks, etc.)		a. <i>Water</i>	9,566
b. Other		b. <i>Legal &amp; professional</i>	5,564
24. Labor hired	153,082	c. <i>Miss</i>	239,431
		d.	
		e.	
		f.	
<b>35. Total Expenses</b>			1,008,757
<b>36. Net Farm Profit or (loss)</b>			-138,223

<sup>1</sup> Car and truck expenses are included in freight and trucking expenses.

**Schedule F****Profit or Loss From Farming****1998**

**Name of Proprietor** *Representative Diversified Vegetable Farm* SSN XXXXXXXX

**A. Principal product** *Vegetables and Fruits*

**Accounting method** *Cash*

**Part 1 Farm income-Cash Method**

1. Sales of livestock or other items you bought for resales	0
2. Cost or other basis of livestock and other items reported on line 1	0
3. Subtract line 2 from line 1	0
4. Sales of lvstk, produce, grains and other products you raised	902,673
5. Total cooperative distributions	0
6. Agricultural program payments	0
7. CCC loans	
a. CCC loans reported under election	0
b. CCC loans forfeited	0
8. Crop insurance proceeds and certain disaster payments	
a. Amount received in 1998	0
c. If election to defer to 1999 is attached enter amt. deferred	0
9. Custom hire (machine work) income	0
10. Other income inc. Fed. And State gasoline or fuel tax credit or refund	14,000
11. Gross Income	916,673

**Part 2 Farm Expenses**

12. Car and truck expenses <sup>1</sup>	0	25. Pension and profit-sharing plans	
13. Chemicals <sup>2</sup>	0	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	101,520	27. Repairs and maintenance	21,202
17. Employee benefit programs		28. Seeds and plants purchased	105,736
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	78,260	30. Supplies purchased	94,532
20. Freight and Trucking	21,987	31. Taxes	
21. Gasoline, fuel, and oil	30,804	32. Utilities	21,038
22. Insurance (other than health)	53,857	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. To banks, etc.)		a. <i>Water</i>	5,326
b. Other		b. <i>Legal &amp; professional</i>	5,534
24. Labor hired	149,932	c. <i>Miss</i>	188,302
		d.	
		e.	
		f.	

**35. Total Expenses****36. Net Farm Profit or (loss)**

<sup>1</sup> Car and truck expenses are included in freight and trucking expenses.

<sup>2</sup> Chemical expenses are included in fertilizer and lime expenses.

**Schedule F****Profit or Loss From Farming****1999****Name of Proprietor***Representative Diversified Vegetable Farm* SSN

XXXXXXX

**A. Principal product***Vegetables and Fruits***Accounting method***Cash***Part 1 Farm income-Cash Method**

1. Sales of livestock or other items you bought for resales	0
2. Cost or other basis of livestock and other items reported on line 1	0
3. Subtract line 2 from line 1	0
4. Sales of lvstk, produce, grains and other products you raised	976,350
5. Total cooperative distributions	0
6. Agricultural program payments	0
7. CCC loans	
a. CCC loans reported under election	0
b. CCC loans forfeited	0
8. Crop insurance proceeds and certain disaster payments	
a. Amount received in 1999	0
c. If election to defer to 2000 is attached enter amt. deferred	0
9. Custom hire (machine work) income	0
10. Other income inc. Fed. And State gasoline or fuel tax credit or refund	24,000
11. Gross Income	1,000,350

**Part 2 Farm Expenses**

12. Car and truck expenses <sup>1</sup>	0	25. Pension and profit-sharing plans	
13. Chemicals <sup>2</sup>	0	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	109,489	27. Repairs and maintenance	23,163
17. Employee benefit programs		28. Seeds and plants purchased	141,329
18. Feed purchased	0	29. Storage and warehousing	
19. Fertilizer and lime	63,609	30. Supplies purchased	130,773
20. Freight and Trucking	9,821	31. Taxes	
21. Gasoline, fuel, and oil	35,288	32. Utilities	20,939
22. Insurance (other than health)	46,381	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. To banks, etc.)		a. <i>Water</i>	13,254
b. Other		b. <i>Legal &amp; professional</i>	8,346
24. Labor hired	216,430	c. <i>Miss</i>	156,380
		d.	
		e.	
		f.	

**35. Total Expenses****36. Net Farm Profit or (loss)**<sup>1</sup> Car and truck expenses are included in freight and trucking expenses.<sup>2</sup> Chemical expenses are included in fertilizer and lime expenses.

## Representative Farm's Five-Year Cropping History

<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>																				
Federal Crop Insurance Corporation																				
<b>AGRICULTURAL COMMODITY PROFILE – FORM 823</b>																				
CROP OR COMMODITY	TAX YEAR 1995				TAX YEAR 1996				TAX YEAR 1997				TAX YEAR 1998				TAX YEAR 1999			
	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.	Acres	Market	%	Irr. Prac.
Strawberry	20	W/R	90/10	I	22	W/R	90/10	I	22	W/R	90/10	I	23	W/R	90/10	I	23	W/R	90/10	I
Sweet Corn	60	W/R	90/10	I	65	W/R	90/10	I	70	W/R	90/10	I	75	W/R	90/10	I	70	W/R	90/10	I
Tomatoes	20	W/R	90/10	I	20	W/R	90/10	I	20	W/R	90/10	I	20	W/R	90/10	I	22	W/R	90/10	I
Blueberries	4	W/R	75/25	I	4	W/R	75/25	I	4	W/R	75/25	I	4	W/R	75/25	I	4	W/R	75/25	I
Peppers	12	W	100	I	12	W	100	I	12	W	100	I	12	W	100	I	12	W	100	I
Cucumbers	5	W	100	I	6.5	W	100	I	8	W	100	I	9	W	100	I	10	W	100	I
Squash	8	W	100	I	8	W	100	I	8	W	100	I	10	W	100	I	10	W	100	I
Snap Beans	8	W	100	I	7	W	100	I	7	W	100	I	7	W	100	I	6	W	100	I
Peas	4	W	100	I	4	W	100	I	4	W	100	I	4.5	W	100	I	5	W	100	I
Eggplants	1	W	100	I	1.2	W	100	I	1.5	W	100	I	1.5	W	100	I	2	W	100	I
Cabbage	4.5	W	100	I	4.5	W	100	I	4.9	W	100	I	5	W	100	I	5	W	100	I
Pumpkins	8	W	100	I	8	W	100	I	8	W	100	I	7	W	100	I	6	W	100	I
Guards	1	W	100	I	1.5	W	100	I	1.5	W	100	I	2	W	100	I	2	W	100	I

<sup>1</sup> W – Wholesale  
R – Retail

<sup>2</sup> P for R – Purchased for Retail



