

-- Case Study --

**The Impact of Value-Added Adjustments on
The Adjusted Gross Revenue (AGR) Insurance
Program**

Sample Farm

**- A Representative Diversified Vegetable Farm
with Direct Marketing Outlets
in Pilot County, New York**

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**AN ADJUSTED GROSS REVENUE (AGR) INSURANCE ANALYSIS ON THE IMPACT
OF VALUE-ADDED ADJUSTMENTS
FOR
THE Sample FARM
ANY COUNTY, NEW YORK**

Purpose of the Study

During the process of developing AGR case studies in 2000, many fresh vegetable growers and extension educators in the Northeast region expressed concerns on how value-added adjustments were applied in the 2000 and 2001 AGR policies. One particular concern was that the policy considers packaging vegetables in boxes as a value-added activity; therefore, the cost of boxes and packaging labor had to be adjusted from the allowable expenses and the allowable incomes. The basis for the concern is that packaging products in boxes is required for a majority of fresh vegetable producers in the Northeast to sell their products to retail outlets and is not an option, and no price premium is added to the boxed products. Moreover, packaging materials, especially boxes, represent a significant cost for Northeast fresh vegetable growers (about 70-80% of the cost of supplies purchased). This case will evaluate the impact of value-added adjustments in Adjusted Gross Revenue (AGR) Crop Insurance on the revenue of a representative diversified vegetable farm with direct marketing outlets.

Two scenarios will be compared in this report:

- **Scenario 1:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are considered post-production value added operation.
- **Scenario 2:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are **NOT** considered post-production value added operation.

Farm Description

• ***Farming History***

The Sample family began farming in 1952. John Sample started farming in Pilot County, New York with his son Richard. He started with very small acreage and a retail farm market. The farm continued to grow over the years. In 1975, John Sample purchased a farm in Anothertown with a house, small barn and about 50 acres (22 acres are woodland). In 1992, the family purchased another farm in the Anytown area. The new farm has apples, blueberries and raspberries already established. The farm buildings include a large packinghouse, storage barn, retail farm market, and maintenance shop and labor camp. In 1996, a total of 138 acres were under cultivation.

The farm is largely a wholesale operation with two retail farm markets operated in Anytown and Anothertown, New York. It produces mainly vegetables and some fruits for fresh market sales with about 80% wholesale and 20% retail sales. The retail markets are open from May to October. The farm currently has 250 acres under cultivation of a wide variety of crops and 14,000 square feet greenhouse

area (two-100x40 and one 150x40 greenhouses) for propagation purposes. At the peak of the season, the farm employs over forty people.

- ***Insurance History***

Sample Farm began purchasing crop insurance in 1997. It was for apples only. The year 2000 was the first year the farm purchased insurance for an additional crop – sweet corn. The farm has always maintained a commercial policy for the farm with liability coverage and bought crop insurance through the government. Sample Farm purchased Adjusted Gross Revenue (AGR) Insurance for his operation in 2001, and is now considering AGR for his operation again in the year 2002.

- ***Other Risk Reduction Practices***

The farm invested in irrigation equipment for watering and frost control. They also invested in machinery which will cut labor costs by reducing man hours, including new transplanters, cultivation equipment, and a sweet corn harvester.

- ***Application Process***

To be eligible for AGR coverage, Sample 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, Sample 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 (2002) – 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.)

- ***Revenue History***

To apply for AGR coverage, Sample Farm must furnish a summary of the cropping history over the five most recent years. The attached AGR – Form 823 – Agricultural Commodity Profile shows the five-year cropping history (1997 – 2001). Due to the deadline for application being January 31, 2002, 2001 is considered a lag year. Therefore, allowable income for the five consecutive tax years prior to the year preceding the insurance year, 2002, are prepared (1996 – 2000) for the two scenarios.

- **Scenario 1:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are considered post-production value added operation.

Table 1 shows Sample Farm's five-year allowable income and expenses history under Scenario 1 conditions. It should be noted that adjustments were made to gross income for the following situations:

- 1) The **costs** of agricultural commodities bought for resale must be subtracted from gross sales;
- 2) The **added value** for agricultural commodity due to post-production operations including processing apples into cider and **packaging vegetables in boxes** was deducted from gross income to reflect allowable income;
- 3) Sample Farm received a disaster payment of \$85,000 in 2000 which is not considered allowable income.

- **Scenario 2:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are **NOT** considered post-production value added operation.

Table 2 shows Sample Farm's five-year allowable income and expenses history under Scenario 2 conditions. Adjustments were still made to gross income for the following situations:

- 1) The **costs** of agricultural commodities bought for resale must be subtracted from gross sales;
- 2) The **added value** for agricultural commodity due to post-production value added operations (processing apples into cider) was deducted from gross income to reflect allowable income;
- 3) Sample Farm received an \$85,000 disaster payment in 2000, and it is not included in allowable income.

**Table 1. Sample Farm's Five-Year Allowable Income and Allowable Expenses History,
1996 – 2000 – Scenario 1⁵**

	<i>Schedule F</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Allowable Income						
Sales of animals and other ag commodities bought for resale less the cost or other basis	line 3	15,968	18,365	24,234	25,707	11,561
Sales of animals, produce, and other ag commodities raised	line 4 (Adjusted) ¹	370,739	454,915	555,924	598,788	505,216
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	800	800	800	1,200	0
Total Allowable Income		387,507	474,080	580,958	625,694	510,996
Allowable Expenses						
The cost of items bought for resale	line 2	5,000	9,000	9,976	11,164	11,561
Car and truck expenses	line 12	7,480	9,096	5,943	6,446	4,908
Chemicals	line 13	28,760	29,800	33,000	30,000	14,694
Conservation	line 14	0	0	0	0	0
Custom hire (machine work)	line 15	0	0	0	0	0
Depreciation	line 16 (Adjusted) ²	0	0	0	0	0
Feed purchased	line 18	0	0	0	0	0
Fertilizer and lime	line 19	44,947	21,089	73,420	20,650	31,983
Freight and trucking	line 20	442	4,217	2,917	4,568	1,208
Gasoline, fuel and oil	line 21	8,145	10,742	12,191	15,724	18,958
Insurance (other than health)	line 22	15,795	17,898	29,368	33,621	28,379
Labor hired (less employment credits)	line 24 (Adjusted) ³	61,677	140,443	161,998	214,629	178,490
Repair and maintenance	line 27	12,816	12,990	4,051	2,942	20,408
Seeds and plants purchased	line 28	20,800	21,300	19,800	23,000	21,711
Storage and warehousing	line 29	0	0	0	0	0
Supplies purchased	line 30 (Adjusted) ⁴	7,563	21,436	31,743	28,608	47,200
Utilities	line 32	11,839	11,614	32,337	15,797	35,940
Veterinary, breeding, and medicine	line 33	0	0	0	0	0
Other farm expenses	line 34	11,675	15,101	19,012	33,201	24,715
Total Allowable Expenses		236,939	324,726	435,756	440,350	440,144

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

² Includes only the amount of depreciation allowed for animals.

³ Excludes shareholder wages if reported on this line & labor costs for packaging vegetables.

⁴ Excludes those used in post-production value added operations such as processing, packing, packaging, etc.

⁵ **Scenario 1:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are considered post-production value added operations.

**Table 2. Sample Farm's Five-Year Allowable Income and Allowable Expenses History,
1996 – 2000 – Scenario 2⁵**

	<i>Schedule F</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Allowable Income						
Sales of animals and other ag commodities bought for resale less the cost or other basis	line 3	15,968	18,365	24,234	25,707	5,781
Sales of animals, produce, and other ag commodities raised	line 4 (Adjusted) ¹	398,385	519,932	649,992	700,540	592,427
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	800	800	800	1,200	0
Total Allowable Income		415,153	539,097	675,026	727,447	598,208
Allowable Expenses						
The cost of items bought for resale	line 2	5,000	9,000	9,976	11,164	11,561
Car and truck expenses	line 12	7,480	9,096	5,943	6,446	4,908
Chemicals	line 13	28,760	29,800	33,000	30,000	14,694
Conservation	line 14	0	0	0	0	0
Custom hire (machine work)	line 15	0	0	0	0	0
Depreciation	line 16 (Adjusted) ²	0	0	0	0	0
Feed purchased	line 18	0	0	0	0	0
Fertilizer and lime	line 19	44,947	21,089	73,420	20,650	31,983
Freight and trucking	line 20	442	4,217	2,917	4,568	1,208
Gasoline, fuel and oil	line 21	8,145	10,742	12,191	15,724	18,958
Insurance (other than health)	line 22	15,795	17,898	29,368	33,621	28,379
Labor hired (less employment credits)	line 24 (Adjusted) ³	71,677	155,443	181,998	249,629	249,710
Repair and maintenance	line 27	12,816	12,990	4,051	2,942	20,408
Seeds and plants purchased	line 28	20,800	21,300	19,800	23,000	21,700
Storage and warehousing	line 29	0	0	0	0	0
Supplies purchased	line 30 (Adjusted) ⁴	25,209	71,453	105,811	95,361	98,802
Utilities	line 32	11,839	11,614	32,337	15,797	31,504
Veterinary, breeding, and medicine	line 33	0	0	0	0	0
Other farm expenses	line 34	11,675	15,101	19,012	33,201	29,151
Total Allowable Expenses		264,585	389,743	529,824	542,103	562,966

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

² Includes only the amount of depreciation allowed for animals.

³ Excludes shareholder wages if reported on this line.

⁴ Excludes those used in post-production value added operations such as processing, packing, packaging, etc.

⁵ **Scenario 2:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are **NOT** considered post-production value added operations.

- **Approved 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. The adjustment to the average gross revenue (indexed average AGR) for Sample Farm 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:

- **Scenario 1:** Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.

	<u>Indexed factor</u>
1. 1997 allowable income \$474,080 /1996 allowable income \$387,507 = 1.233	1.200
2. 1998 allowable income \$580,958 /1997 allowable income \$474,080 = 1.225	1.200
3. 1999 allowable income \$625,694 /1998 allowable income \$580,958 = 1.077	1.077
4. 2000 allowable income \$510,996 /1999 allowable income \$625,694 = 0.817	0.817
5. Average Indexed Factor = (1.200+1.200+1.077+0.817)/4 = 1.073	
6. Income Trend Factor = (Average Indexed Factor) ⁴ = 1.073 ⁴ = 1.328	
7. The Adjusted Revenue = Average Allowable Income x Income Trend Factor = \$515,847 x 1.328 = \$684,863	

The attached Annual Farm Report (Form 821-AGR) also contains Sample'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 Sample Farm's expected income from the Intended Commodity Report is \$1,375,812. Therefore, the Sample Farm's approved AGR is \$684,863 for 2002 insurance year.

- **Scenario 2:** Packaging for vegetables and other agriculture commodities produced on the farm are **NOT** considered value added..

	<u>Indexed factor</u>
1. 1997 allowable income \$539,097 /1996 allowable income \$415,153 = 1.299	1.200
2. 1998 allowable income \$675,026 /1997 allowable income \$539,097 = 1.252	1.200
3. 1999 allowable income \$727,447 /1998 allowable income \$675,026 = 1.078	1.078
4. 2000 allowable income \$598,208 /1999 allowable income \$727,447 = 0.822	0.822
5. Average Indexed Factor = (1.200+1.200+1.078+0.822)/4 = 1.075	
6. Income Trend Factor = (Average Indexed Factor) ⁴ = 1.075 ⁴ = 1.335	
7. The Adjusted Revenue = Average Allowable Income x Income Trend Factor = \$590,986 x 1.335 = \$789,241	

The attached Annual Farm Report (Form 821-AGR) also contains Sample's estimates 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 Sample Farm's expected income from the

Intended Commodity Report is \$1,375,812. Therefore, the Sample Farm's approved AGR is \$789,241 for 2002 insurance year.

Indexed Expenses: Because the approved AGR is established at a greater amount than the average of Sample Farm's AGR income history, Sample Farm's average allowable expenses for the insurance year (2002) need to be indexed. Similar to the calculation for indexed AGR, the factor may not exceed 1.200 (20% cap) or be less than 0.800 (20% cup). Therefore, Sample Farm's allowable expenses are indexed in the following way:

- **Scenario 1:** Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.

	<u>Indexed factor</u>
1. 1997 allowable expenses \$324,726 /1996 allowable expenses \$236,939 = 1.371	1.200
2. 1998 allowable expenses \$435,756 /1997 allowable expenses \$324,726 = 1.342	1.200
3. 1999 allowable expenses \$440,350 /1998 allowable expenses \$435,756 = 1.011	1.011
4. 2000 allowable expenses \$440,144 /1999 allowable expenses \$440,350 = 1.000	1.000
5. Average Indexed Factor = (1.200+1.200+1.011+1.000)/4 = 1.103	
6. Income Trend Factor = (Average Indexed Factor) ⁴ = 1.103 ⁴ = 1.478	
7. The Approved Expenses = Average x Expenses Trend Factor = \$375,583 x 1.478 = 554,945	

Therefore, Sample Farm's approved allowable expenses are \$554,945 for the 2002 insurance year.

- **Scenario 2:** Packaging for vegetables and other agriculture commodities produced on the farm are **NOT** considered value added.

	<u>Indexed factor</u>
1. 1997 allowable expenses \$389,742/1996 allowable expenses \$264,585 = 1.473	1.200
2. 1998 allowable expenses \$529,824/1997 allowable expenses \$389,742 = 1.359	1.200
3. 1999 allowable expenses \$542,103/1998 allowable expenses \$529,824 = 1.023	1.023
4. 2000 allowable expenses \$562,966/1999 allowable expenses \$542,103 = 1.038	1.038
5. Average Indexed Factor = (1.200+1.200+1.023+1.038)/4 = 1.115	
6. Income Trend Factor = (Average Indexed Factor) ⁴ = 1.115 ⁴ = 1.548	
7. The Approved Expenses = Average x Expenses Trend Factor = \$457,844 x 1.548 = 708,703	

Therefore, Sample Farm's approved allowable expenses are \$708,703 for the 2002 insurance year.

• **Possible Coverage Elections**

Amount of Coverage: The amount of AGR coverage will be elected by the insured (Sample 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 amounts (80% and 75%) in the insurance year (2002), Sample Farm needs to meet the diversification requirements. The calculations are as follows:

Diversification Formula = (1 ÷ the number of commodities to be produced x 0.33) x (the total expected income for the insurance year) = (1 ÷ 16 x 0.33) x (\$1,375,812) = \$28,376

- ⇒ For 65/90, 75/75 and 75/90 coverage, at least **two** agricultural commodities will be produced yielding expected income for the insurance year is equal to or greater than the amount determined by the formula (\$28,376).
- ⇒ For 80/75 and 80/90 coverage, at least **four** agricultural commodities will be produced generating expected income for the insurance year which is equal to or greater than the amount determined by the formula (\$28,376).

Based on the Intended Commodity Report, Sample Farm has more than four commodities with expected income greater than \$28,376. Therefore, Sample Farm qualified for all the coverage elections in the insurance year (2002).

AGR losses begin to apply 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.

Sample Farm’s Insurance Scenarios Are as Follows:

Elected coverage	65/75	65/90	75/75	75/90	80/75	80/90
Coverage level	65%	65%	75%	75%	80%	80%
Payment rate	75%	90%	75%	90%	75%	90%
<input type="checkbox"/> Scenario 1: Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.						
2002 Approved AGR	\$684,863	\$684,863	\$684,863	\$684,863	\$684,863	\$684,863
Loss payment begin at when 2002 allowable income lower than	\$445,161	\$445,161	\$513,647	\$513,647	\$547,890	\$547,890
<input type="checkbox"/> Scenario 2: Packaging for vegetables and other agriculture commodities produced on the farm are NOT considered value added.						
2002 Approved AGR	\$789,241	\$789,241	\$789,241	\$789,241	\$789,241	\$789,241

Loss payment begin at when 2002 allowable income lower than	\$513,007	\$513,007	\$591,931	\$591,931	\$631,393	\$631,393
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- **Annual Premium and Administrative Fees**

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%

In 2002, the Risk Management Agency of the U.S. Department of Agriculture (RMA) will offer a cost-sharing 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, Ontario, Orange, Orleans, Oswego, Seneca, Suffolk, Ulster, Wayne, and Yates.

Under this cost-sharing program, RMA will share in 50 percent of the premium cost of a producer’s AGR policy. This 50 percent cost-sharing 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. The administrative fee is \$30.00 for all coverage levels. The sales closing date for all states with AGR insurance is January 31, 2002.

Information needed to calculate the annual premium includes the 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/>.

Sample Farm is located in one of the pilot counties in New York. Assuming Sample Farm has purchased \$150,000 MCPI liability, its premium rates are:

Premium Calculation For Sample Farm

Coverage Level	65%	75%	80%
Payment Rate	\$	\$	\$
<input type="checkbox"/> Scenario 1: Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.			
90%	1,393	2,891	4,655
75%	1,022	2,179	3,541
<input type="checkbox"/> Scenario 2: Packaging for vegetables and other agriculture commodities produced on the farm are NOT considered value added.			
90%	1,722	3,525	5,647

75%	1,297	2,707	4,367
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- ***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 (Sample Farm) must provide the following:

- ❑ 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*.

Sample Farm does not have to file the AGR – Form 822 – Inventory and Accounts Receivable Report because it did not have agricultural commodity inventory or account receivables at the beginning and the end of the insured year. The AGR – Form 822 – is required to calculate allowable income to be counted 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.

Moreover, if the allowable expenses for the insurance year fall below 70% of the approved expenses, reducing the result of approved AGR by 0.1% for each 0.1% of the allowable expenses for the insurance year fall below 70% of the approved expenses.

Loss Example 1: Assume Sample Farm has a revenue loss in the insurance year (2002), and its allowable expenses for the insurance year did **NOT** fall below 70% of the approved expenses.

Table 3 and Table 4 show the possible revenue losses, insurance payments, and corresponding revenues for Scenario 1 and Scenario 2, respectively.

Table 3. Farm Revenue Scenarios When Income Loss Occurs and Allowable Expenses for the Insurance Year Did NOT Fall Below 70% of the Approved Expenses Under AGR Insurance -- Scenario 1¹ --

Revenue Loss	No Insurance	Coverage Election					
		80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
	Dollars (\$)						
20%	547,891	0	547,891	0	547,891	0	547,891
30%	479,404	51,365	530,769	25,682	505,087	0	479,404
40%	410,918	102,730	513,648	77,047	487,965	25,682	436,600
50%	342,432	154,094	496,526	128,412	470,844	77,047	419,479
60%	273,945	205,459	479,404	179,777	453,722	128,412	402,357
70%	205,459	256,824	462,283	231,141	436,600	179,777	385,236
80%	136,973	308,189	445,161	282,506	419,479	231,141	368,114
90%	68,486	359,553	428,040	333,871	402,357	282,506	350,993
100%	0	410,918	410,918	385,236	385,236	333,871	333,871

Revenue Loss	No Insurance	Coverage Election					
		80/90		75/90		65/90	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
	Dollars (\$)						
20%	547,891	0	547,891	0	547,891	0	547,891
30%	479,404	61,638	541,042	30,819	510,223	0	479,404
40%	410,918	123,275	534,193	92,457	503,375	30,819	441,737
50%	342,432	184,913	527,345	154,094	496,526	92,457	434,888
60%	273,945	246,551	520,496	215,732	489,677	154,094	428,040
70%	205,459	308,189	513,648	277,370	482,829	215,732	421,191
80%	136,973	369,826	506,799	339,007	475,980	277,370	414,342
90%	68,486	431,464	499,950	400,645	469,131	339,007	407,494
100%	0	493,102	493,102	462,283	462,283	400,645	400,645

¹ **Scenario 1**: Materials and labor used to package vegetables and other agriculture commodities produced on the farm are considered post-production value added operation.

Table 4. Farm Revenue Scenarios When Income Loss Occurs and Allowable Expenses for the Insurance Year Did NOT Fall Below 70% of the Approved Expenses Under AGR Insurance -- Scenario 2¹ --

Revenue Loss	No Insurance	Coverage Election					
		80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
Dollars (\$)							
20%	631,393	0	631,393	0	631,393	0	631,393
30%	552,469	59,193	611,662	29,597	582,065	0	552,469
40%	473,545	118,386	591,931	88,790	562,334	29,597	503,141
50%	394,621	177,579	572,200	147,983	542,603	88,790	483,410
60%	315,697	236,772	552,469	207,176	522,872	147,983	463,679
70%	236,772	295,965	532,738	266,369	503,141	207,176	443,948
80%	157,848	355,159	513,007	325,562	483,410	266,369	424,217
90%	78,924	414,352	493,276	384,755	463,679	325,562	404,486
100%	0	473,545	473,545	443,948	443,948	384,755	384,755

Revenue Loss	No Insurance	Coverage Election					
		80/90		75/90		65/90	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
Dollars (\$)							
20%	631,393	0	631,393	0	631,393	0	631,393
30%	552,469	71,032	623,501	35,516	587,985	0	552,469
40%	473,545	142,063	615,608	106,548	580,092	35,516	509,061
50%	394,621	213,095	607,716	177,579	572,200	106,548	501,168
60%	315,697	284,127	599,823	248,611	564,308	177,579	493,276
70%	236,772	355,159	591,931	319,643	556,415	248,611	485,383
80%	157,848	426,190	584,039	390,674	548,523	319,643	477,491
90%	78,924	497,222	576,146	461,706	540,630	390,674	469,599
100%	0	568,254	568,254	532,738	532,738	461,706	461,706

¹ **Scenario 2:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are **NOT** considered post-production value added operation.

Loss Example 2: Assume the allowable expenses are lower because of reduced expenses for harvesting, tracking due to crop loss.

- ❑ **Scenario 1:** Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.

Assuming the allowable expenses for the insurance year are \$360,714 – 65 percent of approved expenses (\$554,945) under Scenario 1 – the allowable expenses are 5 percent less than 70 percent. Therefore, the approved AGR (\$684,863) is reduced by 5 percent to \$650,620.

Table 5 shows the possible income losses, insurance payments adjusted for lower allowable expenses (assuming 65% of approved expenses), and corresponding revenues.

Table 5 Farm Revenue Scenarios When Income Loss Occurs and Allowable Expenses Fall Below 70% (65%) of Approved Expenses Under AGR Insurance for Scenario 1¹

Revenue Loss	Coverage Election						
	No Insurance	80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
	<u>Dollars (\$)</u>						
20%	547,891	0	547,891	0	547,891	0	547,891
30%	479,404	30,819	510,223	6,421	485,825	0	479,404
40%	410,918	82,184	493,102	57,785	468,703	8,989	419,907
50%	342,432	133,548	475,980	109,150	451,582	60,354	402,785
60%	273,945	184,913	458,858	160,515	434,460	111,718	385,664
70%	205,459	236,278	441,737	211,880	417,339	163,083	368,542
80%	136,973	287,643	424,615	263,244	400,217	214,448	351,421
90%	68,486	339,007	407,494	314,609	383,095	265,813	334,299
100%	0	390,372	390,372	365,974	365,974	317,177	317,177
Revenue Loss	No Insurance	80/90		75/90		65/90	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
	<u>Dollars (\$)</u>						
20%	547,891	0	547,891	0	547,891	0	547,891
30%	479,404	36,983	516,387	7,705	487,109	0	479,404
40%	410,918	98,620	509,538	69,342	480,260	10,787	421,705
50%	342,432	160,258	502,690	130,980	473,412	72,424	414,856
60%	273,945	221,896	495,841	192,618	466,563	134,062	408,007
70%	205,459	283,533	488,992	254,256	459,715	195,700	401,159
80%	136,973	345,171	482,144	315,893	452,866	257,337	394,310
90%	68,486	406,809	475,295	377,531	446,017	318,975	387,461

100%	0	468,447	468,447	439,169	439,169	380,613	380,613
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¹ **Scenario 1:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are considered post-production value added operation.

- **Scenario 2:** Packaging for vegetables and other agriculture commodities produced on the farm are **NOT** considered value added.

Assuming the allowable expenses for the insurance year is \$460,657 – 65 percent of approved expenses (\$708,703) under Scenario 2 -- the allowable expenses are 5 percent less than 70 percent. Therefore, the approved AGR (\$789,241) is reduced by 5 percent to \$749,779.

Table 6 shows the possible income losses, insurance payments adjusted for lower allowable expenses (assuming 65% of approved expenses), and corresponding revenues under Scenario 2.

Table 6 Farm Revenue Scenarios When Income Loss Occurs and Allowable Expenses Fall Below 70% (65%) of Approved Expenses Under AGR Insurance for Scenario 2¹

Revenue Loss	Coverage Election						
	No Insurance	80/75		75/75		65/75	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
<u>Dollars (\$)</u>							
20%	631,393	0	631,393	0	631,393	0	631,393
30%	552,469	35,516	587,985	7,399	559,868	0	552,469
40%	473,545	94,709	568,254	66,592	540,137	10,359	483,904
50%	394,621	153,902	548,523	125,785	520,406	69,552	464,173
60%	315,697	213,095	528,792	184,978	500,675	128,745	444,442
70%	236,772	272,288	509,061	244,172	480,944	187,938	424,710
80%	157,848	331,481	489,330	303,365	461,213	247,131	404,979
90%	78,924	390,674	469,599	362,558	441,482	306,324	385,248
100%	0	449,868	449,868	421,751	421,751	365,517	365,517
Revenue Loss	No Insurance	80/90		75/90		65/90	
	Revenue	Payment	Revenue	Payment	Revenue	Payment	Revenue
<u>Dollars (\$)</u>							
20%	631,393	0	631,393	0	631,393	0	631,393
30%	552,469	42,619	595,088	8,879	561,348	0	552,469
40%	473,545	113,651	587,196	79,911	553,455	12,431	485,975
50%	394,621	184,682	579,303	150,942	545,563	83,462	478,083
60%	315,697	255,714	571,411	221,974	537,671	154,494	470,191
70%	236,772	326,746	563,518	293,006	529,778	225,526	462,298
80%	157,848	397,778	555,626	364,038	521,886	296,557	454,406
90%	78,924	468,809	547,733	435,069	513,993	367,589	446,513

100%	0	539,841	539,841	506,101	506,101	438,621	438,621
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¹ **Scenario 2:** Materials and labor used to package vegetables and other agriculture commodities produced on the farm are **NOT** considered post-production value added operation.

Conclusion

Table 7 shows the comparisons for Scenario 1 and Scenario 2. Packaging for vegetables and other agriculture commodities produced on the farm are considered post-harvest value added operation in Scenario 1. Therefore, the costs of boxes and packaging labor were deducted from allowable income and expenses in Scenario 1, but not in Scenario 2, where packaging for vegetables and other agriculture commodities produced on the farm are **NOT** considered post-harvest value added operation. As a result, the approved AGR and indexed expenses for Scenario 2 are higher than in Scenario 1. Representative Farm can have a higher amount of revenue coverage under Scenario 2 than Scenario 1. However, the premiums are also higher for Scenario 2 than Scenario 1.

Under Scenario 2, Representative Farm would have an average of \$76,544 higher coverage than Scenario 1 (Table 7). Table 8 shows that although premium is higher for Scenario 2 (an average of \$600 higher), the amount of payments Representative Farm would receive in the case of revenue loss under Scenario 2 is much greater (an average of \$29,500 higher).

Moreover, it could be a problematic process when determining the amount of value-added packaging to be adjusted from the revenue. It was relative easy for Sample Farm to establish the costs of packaging materials and labor because Representative Farm generally separate the packing house crew and production/harvesting crew. However, many vegetable farms used the same crew for production, harvesting as well as packaging. It would require much additional record keep effort to accurately estimate packaging labor costs from the total labor expenses. In addition, in almost all cases, New York vegetable growers have to package vegetables in boxes in order to sell them, and packing vegetables in boxes is not considered value-added by buyers.

Based on the case study with Sample Farm – a diversified vegetable farm with direct marketing outlets in New York, it would seem that Scenario 2 where packaging for vegetables and other agriculture commodities produced on the farm are **NOT** considered post-harvest value added operation is more producer-friendly.

Table 7. Comparisons of Premiums and Coverage Under Scenario 1 and Scenario 2

	Scenario 1	Scenario 2	<i>Difference</i> (Scenario 2 minus Scenario 1)
Approved AGR (\$)	\$ 684,863	\$ 789,241	\$ 104,378
Indexed Expenses (\$)	554,945	708,703	153,758
65% coverage (\$)	445,161	513,007	67,846
75% coverage (\$)	513,647	591,931	78,284
90% coverage (\$)	547,890	631,393	83,502
Premium Rates			
• 65% coverage /75% payment (\$)	1,002	1,297	295
• 65% coverage /90% payment (\$)	1,393	1,722	329
• 75% coverage /75% payment (\$)	2,179	2,707	528
• 75% coverage /90% payment (\$)	2,891	3,525	634
• 80% coverage /75% payment (\$)	3,541	4,367	826

• 80% coverage /90% payment (\$)	4,655	5,647	992
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Table 8. Payment Comparisons for Scenario 1 and Scenario 2

Coverage						
% Revenue loss	65/75	65/90	75/75	75/90	80/75	80/90
Loss Example 1: Assume Representative Farm has a revenue loss in the insurance year (2002), and its allowable expenses for the insurance year did NOT fall below 70% of the approved expenses.						
<i>AGR Insurance Payment (\$)</i>						
20%	0	0	0	0	0	0
30%	0	0	3,990	4,789	7,981	9,578
40%	3,990	4,789	11,971	14,366	15,963	19,155
50%	11,971	14,366	19,953	23,944	23,944	28,733
60%	19,953	23,944	27,934	33,521	31,925	38,310
70%	27,934	33,521	35,915	43,099	39,907	47,888
80%	35,915	43,099	43,897	52,676	47,888	57,465
90%	43,897	52,676	51,878	62,254	55,868	67,043
100%	51,878	62,254	59,859	71,831	63,850	76,620
Average Payment	21,726	26,072	28,377	34,053	31,925	38,310
Premium Difference	295	329	528	634	826	992
Loss Example 2: Assume the allowable expenses are reduced to 65% of approved expenses because of reduced expenses for harvesting, tracking due to crop loss.						
<i>AGR Insurance Payment (\$)</i>						
20%	0	0	0	0	0	0
30%	0	0	998	1,197	4,789	5,747
40%	1,397	1,677	8,979	10,774	12,770	15,324
50%	9,378	11,254	16,960	20,352	20,752	24,902
60%	17,360	20,832	24,942	29,929	28,733	34,479
70%	25,341	30,409	32,923	39,507	36,713	44,057
80%	33,321	39,987	40,904	49,084	44,695	53,634
90%	41,303	49,563	48,885	58,662	52,676	63,212
100%	49,284	59,141	56,867	68,240	60,657	72,789
Average Payment	19,709	23,651	25,718	30,861	29,087	34,905
Premium Difference	295	329	528	634	826	992

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 SSN <input type="checkbox"/> EIN <input type="checkbox"/> OTHER <input type="checkbox"/>		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. 3728 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 1996

Name of Proprietor *Sample 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 resale	20,968
2. Cost or other basis of livestock and other items reported on line 1	5,000
3. Subtract line 2 from line 1	15,968
4. Sales of livestock, produce, grains and other products you raised	398,385
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	800
11. Gross Income	415,153

Part 2 Farm Expenses

12. Car and truck expenses	7,480	25. Pension and profit-sharing plans	
13. Chemicals	28,760	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	28,953	27. Repairs and maintenance	12,816
17. Employee benefit programs		28. Seeds and plants purchased	20,800
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	44,947	30. Supplies purchased	25,209
20. Freight and Trucking	442	31. Taxes	
21. Gasoline, fuel, and oil	8,145	32. Utilities	11,839
22. Insurance (other than health)	15,795	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. to banks, etc.)		a. <i>Water</i>	2,754
b. Other		b. <i>Legal/profession</i>	2,649
24. Labor hired	71,677	c. <i>miss</i>	6,272
		d.	
		e.	
		f.	

35. Total Expenses 293,538

36. Net Farm Profit or (loss)

Schedule F Profit or Loss From Farming 1997

Name of Proprietor *Sample 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 resale	27,365
2. Cost or other basis of livestock and other items reported on line 1	9,000
3. Subtract line 2 from line 1	18,365
4. Sales of livestock, produce, grains and other products you raised	519,932
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	800
11. Gross Income	539,097

Part 2 Farm Expenses

12. Car and truck expenses	9,096	25. Pension and profit-sharing plans	
13. Chemicals	29,800	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	29,803	27. Repairs and maintenance	12,990
17. Employee benefit programs		28. Seeds and plants purchased	21,300
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	21,089	30. Supplies purchased	71,453
20. Freight and Trucking	4,217	31. Taxes	
21. Gasoline, fuel, and oil	10,742	32. Utilities	11,614
22. Insurance (other than health)	17,898	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. to banks, etc.)		a. <i>Water</i>	6,704
b. Other		b. <i>Legal & professional</i>	2,990
24. Labor hired	155,443	c. <i>Miss</i>	5,407
		d.	
		e.	
		f.	
35. Total Expenses			410,546
36. Net Farm Profit or (loss)			128,551

Schedule F Profit or Loss From Farming 1998

Name of Proprietor *Sample 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 resale	34,210
2. Cost or other basis of livestock and other items reported on line 1	9,976
3. Subtract line 2 from line 1	24,234
4. Sales of livestock, produce, grains and other products you raised	649,992
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	800
11. Gross Income	675,026

Part 2 Farm Expenses

12. Car and truck expenses	5,943	25. Pension and profit-sharing plans	
13. Chemicals	33,000	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	30,258	27. Repairs and maintenance	4,051
17. Employee benefit programs		28. Seeds and plants purchased	19,800
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	73,420	30. Supplies purchased	105,811
20. Freight and Trucking	2,917	31. Taxes	
21. Gasoline, fuel, and oil	12,191	32. Utilities	32,337
22. Insurance (other than health)	29,368	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. to banks, etc.)		a. <i>Water</i>	2,231
b. Other		b. <i>Legal & professional</i>	6,549
24. Labor hired	181,998	c. <i>Miss</i>	10,232
		d.	
		e.	
		f.	

35. Total Expenses

36. Net Farm Profit or (loss)

Schedule F**Profit or Loss From Farming****1999**

Name of Proprietor *Sample 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 resale	36,871
2. Cost or other basis of livestock and other items reported on line 1	11,164
3. Subtract line 2 from line 1	25,707
4. Sales of livestock, produce, grains and other products you raised	700,540
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	1,200
11. Gross Income	727,447

Part 2 Farm Expenses

12. Car and truck expenses	6,446	25. Pension and profit-sharing plans	
13. Chemicals	30,000	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	55,020	27. Repairs and maintenance	2,942
17. Employee benefit programs		28. Seeds and plants purchased	23,000
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	20,650	30. Supplies purchased	95,361
20. Freight and Trucking	4,568	31. Taxes	
21. Gasoline, fuel, and oil	15,724	32. Utilities	15,797
22. Insurance (other than health)	33,621	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. to banks, etc.)		a. <i>Water</i>	4,365
b. Other		b. <i>Legal & professional</i>	6,393
24. Labor hired	249,629	c. <i>Miss</i>	22,443
		d.	
		e.	
		f.	

35. Total Expenses

36. Net Farm Profit or (loss)

Schedule F Profit or Loss From Farming 2000

Name of Proprietor *Sample 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 resale	17,342
2. Cost or other basis of livestock and other items reported on line 1	11,561
3. Subtract line 2 from line 1	5,781
4. Sales of livestock, produce, grains and other products you raised	592,427
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	85,000
11. Gross Income	683,208

Part 2 Farm Expenses

12. Car and truck expenses	4,908	25. Pension and profit-sharing plans	
13. Chemicals	14,694	26. Rent or lease	
14. Conservation expenses	0	a. Vehicles	
15. Custom hire (machine work)	0	b. Other (land)	
16. Depreciation	73,898	27. Repairs and maintenance	20,408
17. Employee benefit programs		28. Seeds and plants purchased	21,700
18. Feed purchased	0	29. Storage and warehousing	0
19. Fertilizer and lime	31,983	30. Supplies purchased	98,802
20. Freight and Trucking	1,208	31. Taxes	0
21. Gasoline, fuel, and oil	18,958	32. Utilities	31,504
22. Insurance (other than health)	28,379	33. Veterinary, breeding, medicine	0
23. Interest:		34. Other Expenses (specify)	
a. Mortgage (pd. to banks, etc.)		a. <i>Water</i>	4,436
b. Other		b. <i>Legal/profession</i>	4,832
24. Labor hired	249,710	c. <i>miss</i>	19,783
		d.	
		e.	
		f.	

35. Total Expenses 636,964

36. Net Farm Profit or (loss)

Sample Farm's Five-Year Cropping History

UNITED STATES DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation AGRICULTURAL COMMODITY PROFILE – FORM 823																				
PART I – PRODUCER INFORMATION																				
SAMPLE FARM																				
CROP OR COMMODIT Y	TAX YEAR 1996				TAX YEAR 1997				TAX YEAR 1998				TAX YEAR 1999				TAX YEAR 2000			
	Acres	Marke t	%	Irr. Prac.	Acres	Marke t	%	Irr. Prac.	Acres	Marke t	%	Irr. Prac.	Acres	Marke t	%	Irr. Prac.	Acres	Marke t	%	Irr. Prac.
Strawberries	15	W/R ¹	80/2 0	I	25	W/R ¹	80/2 0	I	18	W/R ¹	80/2 0	I	18	W/R ¹	80/2 0	I	18	W/R ¹	80/2 0	I
Cabbage	10	W/R	95/5	I	12	W/R	95/5	I	12	W/R	95/5	I	14	W/R	95/5	I	12	W/R	95/5	I
Blueberries	5	W/R	80/2 0	I	5	W/R	80/2 0	I	5	W/R	80/2 0	I	5	W/R	80/2 0	I	5	W/R	80/2 0	I
Raspberries	2	W/R	50/5 0	I					1	W/R	50/5 0	I	1	W/R	50/5 0	I	1	W/R	50/5 0	I
Sweet Corn	52	W/R	80/2 0	I	41	W/R	80/2 0	I	50	W/R	80/2 0	I	60	W/R	80/2 0	I	60	W/R	80/2 0	I
Tomatoes	15	W/R	80/2 0	I	25	W/R	80/2 0	I	25	W/R	80/2 0	I	25	W/R	80/2 0	I	22	W/R	80/2 0	I
Peppers	35	W/R	80/2 0	I	35	W/R	80/2 0	I	30	W/R	80/2 0	I	33	W/R	80/2 0	I	33	W/R	80/2 0	I
Squash, Summer	1	W/R	80/2 0	I	2	W/R	80/2 0	I	2	W/R	80/2 0	I	5	W/R	80/2 0	I	5	W/R	80/2 0	I
Melons	1	W/R	50/5 0	I	1	W/R	50/5 0	I	1	W/R	50/5 0	I	4	W/R	50/5 0	I	4	W/R	50/5 0	I
Pumpkins	7	W/R	70/3 0	I	20	W/R	70/3 0	I	20	W/R	70/3 0	I	23	W/R	70/3 0	I	23	W/R	70/3 0	I
Fall Squash	10	W/R	90/1 0	I	17	W/R	90/1 0	I	17	W/R	90/1 0	I	27	W/R	90/1 0	I	27	W/R	90/1 0	I
Indian Corn									1	W/R	90/1	I	1	W/R	90/1	I	1	W/R	90/1	I

										0				0				0		
Apples	10	R	100	NO	10	R	100	NO	8	R	100	I	8	R	100	I	8	R	100	I
Apples		P for R ²	100		N/A	P for R ²	100		N/A	P for R ²	100	NO	N/A	P for R ²	100	NO	N/A	P for R ²	100	NO

¹ W – Wholesale,

R – Retail

² P for R – Purchased for Retail

ANNUAL FARM REPORT – Form 821

- **Scenario 1:** Packaging for vegetables and other agriculture commodities produced on the farm are considered value added.

UNITED STATES DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation ANNUAL FARM REPORT – Form 821								
PRODUCER INFORMATION								
Sample Farm								
ADJUSTED GROSS REVENUE (AGR) REPORT			INTENDED COMMODITY REPORT					
			<i>Commodity Name/Code</i>	<i># Years Produced</i>	<i>Intended Amount</i>	<i>Total Amount</i>	<i>Expected Value</i>	<i>Dollars</i>
<i>Tax Year</i>	<i>Allowable Income</i>	<i>Allowable Expenses</i>	Blueberries 0012					
1996	397,507	246,939	Wholesale	6	4.6 acres	630 flats	13.00	8,354
1997	489,080	339,726	Retail	6	0.5 acres	70 flats	24.00	1,714
1998	600,958	455,756	Pumpkins 0605					
1999	660,694	475,350	Wholesale	49	24.0 acres	880 bins	65.00	57,200
2000	510,996	475,754	Retail	49	6.0 acres	220 bins	200.00	44,000
			Strawberries 0628					
TOTAL	2,659,235	1,993,526	Wholesale	49	9.6 acres	8,800 flats	11.00	96,800
AVERAGE	531,847	398,705	Retail	49	2.4 acres	2,200 flats	20.00	44,000
			Tomatoes 0086					
			Wholesale	49	15.8 acres	17,600 boxes	10.00	157,600
			Retail	49	3.9 acres	4,400 boxes	24.75	97,515
			Peppers 0104					
			Wholesale	49	24.0 acres	31,680 bu	11.00	316,800
			Retail	49	6.0 acres	7,920 bu	14.75	106,200
			Sweet Corn 0044					
			Wholesale	49	36.0 acres	7,200 bu	9.50	68,400
			Retail	49	24.0 acres	4,800 bu	12.50	60,000
			Eggplants 0613					
Adjustment	531,847 x (1.075⁴) = 709,870		Wholesale	49	1.0 acres	120 bu	11.00	1,584
			Retail	49	0.2 acres	30 bu	12.25	441
Preliminary AGR		709,870	Peas 0064					
			Wholesale	49	1.6 acres	142 bu	18.00	2,549
			Retail	49	0.4 acres	35 bu	25.00	885
			Cucumbers 0603					
Approved AGR		709,870	Wholesale	49	8.9 acres	6,012 bu	12.00	72,141

			Retail	49	2.2 acres	1,503 bu	16.00	24,047
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INTENDED COMMODITY REPORT - CONTINUED								
			<i>Commodity Name/Code</i>	<i># Years Produced</i>	<i>Intended Amount</i>	<i>Total Amount</i>	<i>Expected Value</i>	<i>Dollars</i>
			Summer Squash 0640					
			Wholesale	49	4.0 acres	1,762 bu	12.00	21,144
			Retail	49	1.0 acres	441 bu	20.00	8,810
			Winter Squash 0652					
			Wholesale	48	24.0 acres	8,000 bu	11.00	88,000
			Retail	48	6.0 acres	2,000 bu	12.00	24,000
			Cabbage 0070					
			Wholesale	48	9.9 acres	5,974 boxes	5.25	31,364
			Retail	48	0.1 acres	60 boxes	10.00	603
			Indian Corn 0651					
			Wholesale	3	1.6 acres	120 bu	25.00	3,000
			Retail	3	0.4 acres	30 bu	60.00	1,800
			Raspberries 0679					
			Wholesale	2	0.8 acres	52 flats	20.00	1,040
			Retail	2	0.2 acres	13 flats	36.00	468
			Apples 0054					
			Retail	5	9.34 acres	1,868 bu	8.00	14,944
			Purchased for resale			1,600 bu	10.00	16,000
			Total Number Commodities	16		Total Expected Income		\$ 1,375,812

- **Scenario 2: Packaging for vegetables and other agriculture commodities produced on the farm are NOT considered value added.**

UNITED STATES DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation ANNUAL FARM REPORT – Form 821								
PRODUCER INFORMATION Sample Farm								
ADJUSTED GROSS REVENUE (AGR) REPORT			INTENDED COMMODITY REPORT					
			<i>Commodity Name/Code</i>	<i># Years Produced</i>	<i>Intended Amount</i>	<i>Total Amount</i>	<i>Expected Value</i>	<i>Dollars</i>
<i>Tax Year</i>	<i>Allowable Income</i>	<i>Allowable Expenses</i>	Blueberries 0012					
1996	415,153	264,585	Wholesale	6	4.6 acres	630 flats	13.00	8,354
1997	539,097	389,743	Retail	6	0.5 acres	70 flats	24.00	1,714
1998	675,026	529,824	Pumpkins 0605					
1999	727,447	542,103	Wholesale	49	24.0 acres	880 bins	65.00	57,200
2000	598,208	562,966	Retail	49	6.0 acres	220 bins	200.00	44,000
			Strawberries 0628					
TOTAL	2,954,931	2,289,221	Wholesale	49	9.6 acres	8,800 flats	11.00	96,800
AVERAGE	590,986	457,844	Retail	49	2.4 acres	2,200 flats	20.00	44,000
			Tomatoes 0086					
			Wholesale	49	15.8 acres	17,600 boxes	10.00	157,600
			Retail	49	3.9 acres	4,400 boxes	24.75	97,515
			Peppers 0104					
			Wholesale	49	24.0 acres	31,680 bu	11.00	316,800
			Retail	49	6.0 acres	7,920 bu	14.75	106,200
			Sweet Corn 0044					
			Wholesale	49	36.0 acres	7,200 bu	9.50	68,400
			Retail	49	24.0 acres	4,800 bu	12.50	60,000
			Eggplants 0613					
Adjustment	590,986 x (1.069⁴) = 772,968		Wholesale	49	1.0 acres	120 bu	11.00	1,584
			Retail	49	0.2 acres	30 bu	12.25	441
Preliminary AGR		772,968	Peas 0064					
			Wholesale	49	1.6 acres	142 bu	18.00	2,549
			Retail	49	0.4 acres	35 bu	25.00	885
			Cucumbers 0603					

Approved AGR	772,968	Wholesale	49	8.9 acres	6,012 bu	12.00	72,141
		Retail	49	2.2 acres	1,503 bu	16.00	24,047

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INTENDED COMMODITY REPORT - CONTINUED								
			<i>Commodity Name/Code</i>	<i># Years Produced</i>	<i>Intended Amount</i>	<i>Total Amount</i>	<i>Expected Value</i>	<i>Dollars</i>
			Summer Squash 0640					
			Wholesale	49	4.0 acres	1,762 bu	12.00	21,144
			Retail	49	1.0 acres	441 bu	20.00	8,810
			Winter Squash 0652					
			Wholesale	48	24.0 acres	8,000 bu	11.00	88,000
			Retail	48	6.0 acres	2,000 bu	12.00	24,000
			Cabbage 0070					
			Wholesale	48	9.9 acres	5,974 boxes	5.25	31,364
			Retail	48	0.1 acres	60 boxes	10.00	603
			Indian Corn 0651					
			Wholesale	3	1.6 acres	120 bu	25.00	3,000
			Retail	3	0.4 acres	30 bu	60.00	1,800
			Raspberries 0679					
			Wholesale	2	0.8 acres	52 flats	20.00	1,040
			Retail	2	0.2 acres	13 flats	36.00	468
			Apple 0054					
			Retail	5	9.34 acres	1,868 bu	8.00	14,944
			Purchased for resale			1,600 bu	10.00	16,000
			Total Number Commodities	16		Total Expected Income		\$ 1,375,812

OCTOBER 1998

FCIC-18050

OMB No. 0563-0053

OFCI-822 AGR (7-98)	U. S. DEPARTMENT OF AGRICULTURE Federal Crop Insurance Corporation INVENTORY AND ACCOUNTS RECEIVABLE REPORT	1 IRS accounting method? Cash Accrual	2 Insurance Year
3 PRODUCER INFORMATION		4 AGENCY INFORMATION	5 State(s):
Type of Tax Entity:		Phone Number:	County(ies)
Phone Number: SSN <input type="text"/> EIN <input type="text"/>		Agent Code:	

PART I - INVENTORIES									
COMMODITY (Name) 6	YEAR 7	LOCATIONS 8	BEGINNING INVENTORY (Tons, No., Bu., Lbs., etc.) 9	ENDING INVENTORY (Tons, No., Bu., Lbs., etc.) 10	DISPOSED OF (Col. 9 - 10) 11A	CODE 11B	VALUE (Dollars) 12	DOLLAR AMOUNT (Col. 10 x 12 or 11A x 12) 13	
14 TOTAL INVENTORY ADJUSTMENTS (+/-) TO CLAIM									