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Adjusted Gross Revenue-Lite

United States Department of Agriculture

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A Risk Management Agency Fact Sheet

Adjusted Gross Revenue-Lite

Program Aid Number 1907

Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm revenue protection plan of insurance. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations that affect income during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection.

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

The AGR-Lite concept:

- Uses a producer's 5-year historical farm average revenue as reported on the IRS tax return (Schedule F or equivalent forms) and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period;
- Provides insurance coverage for multiple agricultural commodities in one insurance product; and
- Establishes revenue as a common denominator for the insurance of all agricultural commodities.

AGR-Lite Timeline

Sales Closing Date: March 15.
Cancellation and Termination Date: January 31.
Contract Change Date: August 31.
Year of Insurance: For the year of application, you will not be covered for any losses that occur earlier than 10 days after we receive your properly completed application. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year is covered.
Insurance Year: Defined as a calendar year in which the sales closing date occurs and includes both calendar year and fiscal year filings (corresponding to the producer's IRS tax period).
Claims: Claims are settled after taxes are filed for the insurance year.

Availability

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

Producer Eligibility

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

- Be a U.S. citizen or resident;
- File a calendar year or fiscal year farm tax return;
- Produce agricultural commodities primarily in counties where AGR-Lite is available (includes income from contiguous counties);
- Have liability not exceeding $1 million (less than $2,051,282 in approved gross income);
- Have had same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in tax entity is reviewed and approved by the insurance provider;
- Have no more than 50 percent of total revenue from commodities purchased for resale; and
- Have no more than 83.35 percent of total revenue from potatoes.

Premium Subsidy

The Government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Insured Causes of Loss

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

AGR-Lite Application Information

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

- History calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected price for the commodity;

- A commodity profile report for the previous 2 years for producers selecting higher coverage levels;
- Beginning inventories, if applicable; and
- Indication of changes that will result in less income for the insurance year than the historical average.

Choosing a Revenue Guarantee

Coverage levels and payment rates vary with the number of commodities produced and are selected by the producer (see table below) from the Special Provisions of Insurance. AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the selected coverage level and payment rate. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer will be paid for each dollar lost under the coverage level. A producer selects one amount of coverage that will cover all commodities.

Available Protection Amounts

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

*Must meet minimum income requirements. Commodity grouping is available for the 80-percent coverage level.
**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR-Lite due to the $1,000,000 maximum liability allowed.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the insured is paid based on the payment rate selected, either 75 cents or 90 cents for each dollar lost.

Loss Payment Example

Assumptions:

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

Loss Scenario:

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

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

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

Contact Information

For a list of crop insurance agents, visit RMA's online agent locator at: http://www3.rma.usda.gov/apps/agents.

To view additional information, visit the following RMA online resources: http://www.rma.usda.gov/policies/2008policy.html for policy and forms, http://www.rma.usda.gov/data/m13 for Draft Manual 13 Requirements, and http://www3.rma.usda.gov/apps/premcalc for premium calculation.

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