

United States
Department of
Agriculture



Federal Crop
Insurance
Corporation



FCIC 18160

WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK

2015 and Succeeding Crop Years

**UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

TITLE: WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK	NUMBER: 18160
EFFECTIVE DATE: 2015 Succeeding Insurance Years	ISSUE DATE: November 14, 2014
SUBJECT: Provides the procedures and instructions for the Whole-Farm Revenue Protection program.	OPI: Product Administration and Standards Division
	APPROVED: /s/ Tim B. Witt Deputy Administrator for Product Management

REASONS FOR ISSUANCE

This handbook provides the official FCIC-approved underwriting and administration standards for the Whole-Farm Revenue Protection pilot program for the 2015 and succeeding crop years.

WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK

CONTROL CHART

Whole-Farm Revenue Protection Pilot Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page(s)	Date	Directive Number
Insert	Entire Handbook						
Current Index	1-2	1-4	1-76	1	77	11-2014	FCIC-18160
				2	78	11-2014	FCIC-18160
				3	87	11-2014	FCIC-18160
				4	88	11-2014	FCIC-18160
				5	89	11-2014	FCIC-18160
				6	99	11-2014	FCIC-18160
				7	102	11-2014	FCIC-18160
				8	107	11-2014	FCIC-18160
				9	111	11-2014	FCIC-18160
				10	116	11-2014	FCIC-18160
				11	124	11-2014	FCIC-18160
				12	127	11-2014	FCIC-18160
				13	128	11-2014	FCIC-18160
				14	130	11-2014	FCIC-18160
				15	134	11-2014	FCIC-18160
				16	140	11-2014	FCIC-18160
				17	145	11-2014	FCIC-18160
				18	147	11-2014	FCIC-18160

**WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK
TABLE OF CONTENTS**

PAGE NO.

PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1	General Information.....	1
2	Responsibilities.....	2
3	Access to Commodities and Records	5
4	Document Origination	7
5	Duplicate WFRP Policies	7
6	Tax Years.....	7
7	Accounting Methods.....	7
(8-20 Reserved)		

PART 2 WFRP POLICY INFORMATION

21	Eligibility	9
22	Pre-Acceptance Inspection	11
23	Application	11
24	Use of a Different Person’s Tax Return	13
25	Vertically Integrated and Related Taxpayer	15
26	How to Handle an IRS Disregarded Entity.....	15
27-40 (Reserved)		

PART 3 COVERAGE AND REPORTS

Section 1 Coverage Information and Required Reports

41	Basic Information and Commodity Count.....	16
42	Coverage Levels	18
43	Replant Payments	19
44	Allowable Revenue and Allowable Revenue Worksheet.....	19
45	Allowable Expenses and Allowable Expenses Worksheet.....	21
46	Whole-Farm History Report	23
47	Intended Farm Operation Report	24
48	Revised Farm Operation Report	27
49	Final Farm Operation Report.....	33
50	IRS Tax Forms and Supporting Records	33
51	WFRP Databases	35
52	Premium Calculation and Subsidy.....	35
53-70 (Reserved)		

Section 3 Revenue and Expense Calculations

71	Revenue	36
72	Expenses	38
73	Inventory.....	41
74	Accounts Receivable and Accounts Payable Report	43
75-90 (Reserved)		

TABLE OF CONTENTS

PAGE NO.

PART 4 LOSS AND CLAIM INFORMATION

Section 1 Loss Information

91	Insurable Losses.....	45
92	Uninsurable Losses.....	45
93	Quality Determinations.....	47
94	Duties in the Event of Damage or Loss.....	47
95	Replant Payment.....	49
96-100 (Reserved)		

Section 2 Claim Information

101	Adjustments to Revenue.....	51
102	Adjustments to Expenses.....	53
103	Changes Occurring Within Insurance Year.....	54
104	Changes That Occurred in Year Prior to Insurance Year.....	56
105	Damage and Price Fluctuations That Occurred in Year Prior to Insurance Year.....	56
106	Revenue to Count.....	57
107	Indemnities.....	58
108-120 (Reserved)		

PART 5 ADMINISTRATIVE PROVISIONS

121	Assignment of Indemnity.....	61
122	Transfer of Coverage.....	61
123	Other Insurance.....	61
124	Noninsured Crop Disaster Assistance Program.....	61
125	Commodities as Payment.....	62
126	Mediation, Arbitration, and Judicial Review of AIP Determinations.....	62
127	Controlled Substance Provisions.....	62
128-140 (Reserved)		

PART 6 SPECIAL CIRCUMSTANCES

141	Organically Grown Commodities.....	63
142	Post-Production Operations and Market Readiness.....	65
143	Animals.....	66
144	Nursery.....	70
145	Commodities with Market Order Reserves.....	73
146	Commodities Sold with Co-op Retainages.....	73
147	Vertically Integrated Operations.....	76

TABLE OF CONTENTS

PAGE NO.

EXHIBITS

1	Acronyms and Abbreviations	77
2	Definitions	78
3	Method of Establishment	87
4	Unit of Measure	88
5	Form Standards	89
6	Whole-Farm History Report Elements Description and Example	99
7	Inventory Report Elements Description and Example	102
8	Accounts Receivable and Accounts Payable Report Elements Description and Example	107
9	Market Animal and Nursery Inventory Report Elements Description and Example	111
10	Farm Operation Report Elements Description and Example	116
11	Replant Payment Worksheet Elements Description and Example	124
12	Schedule F Example	127
13	Substitute Schedule F Elements Description and Example	128
14	Allowable Expenses Worksheet Elements Description and Example	130
15	Allowable Revenue Worksheet Elements Description and Example	134
16	Claim for Indemnity Form Elements Description and Example	140
17	Inventory Valuation Guidelines	145
18	Expected Value Guidelines	147

PART 1 GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose and Objective

This handbook provides information, procedures and instructions for administering the Whole-Farm Revenue Protection (WFRP) program.

WFRP pilot provides protection against loss of revenue that the insured expects to earn or will obtain from commodities produced or purchased for resale during the insurance period.

All terms referenced in this handbook have the same meaning as defined in the WFRP policy.

B. Source of Authority

The WFRP pilot program is an RMA developed product approved by the FCIC Board of Directors under Section 522(c) of the Act. It is not codified in the CFR.

C. Duration

The WFRP pilot will continue until cancelled by FCIC or no rate is filed.

D. Required to Offer

Because it is an RMA developed product, the AIPs are required to offer the WFRP pilot program to all eligible persons in the pilot area, and must administer the program according to the WFRP pilot policy and the procedures in this handbook.

E. Pilot Area

See the Actuarial Documents to determine where the WFRP pilot program is available.

F. Procedural Questions

- (1) Questions regarding WFRP procedures in this handbook are to be directed:
 - (a) to the AIP; then, if not resolved,
 - (b) through appropriate channels within the AIP to the applicable RMA Regional office; then if not resolved,
 - (c) through appropriate channels within the AIP to RMA's PASD by e-mail at rma.WFRP@rma.usda.gov or in writing at the following address:

1 General Information (Continued)

F. Procedural Questions (continued)

Office of Deputy Administrator for Product Management
Product Administration and Standards Division
USDA—Risk Management Agency
Beacon Facility—Mail Stop 0812
P.O. Box 419205 Kansas City, MO 64141-6205

RMA will not attempt to instruct agents or insureds of the AIP.

- (2) If a perceived error is identified, notify RMA by e-mail at rma.WFRP@rma.usda.gov or in writing at the above address.

Clearly identify the error and provide a proposed correction.

If RMA determines the error identified is significant, RMA will issue a correction either in the existing crop year through a slipsheet to the WFRP handbook or a memorandum/bulletin. Conversely, if RMA determines the error identified is not significant, the correction will be included in the subsequent issuance of the WFRP handbook.

G. Other procedures

No other procedures apply to the administration of the WFRP policy except as otherwise stated in this handbook.

2 Responsibilities

A. RMA PASD Responsibilities

RMA PASD will:

- (1) establish and maintain the policy, procedure and instructions for administering the WFRP program; and
- (2) provide guidance and clarification, as needed, regarding the policy, procedure and instructions for the WFRP program.

B. AIP Responsibilities

AIPs must:

- (1) offer WFRP to all persons in the WFRP pilot area;
- (2) provide persons insured under the WFRP policy a copy of the WFRP policy;
- (3) comply with and implement the standards, procedures, instructions, and requirements in the WFRP policy, this handbook, and other documents issued by RMA;

B. AIP Responsibilities (continued)

- (4) report any program issues or concerns regarding the WFRP to RMA, Director of PASD;
- (5) instruct the insured of their responsibilities in accordance with the WFRP policy and subparagraph D;
- (6) prior to acceptance, ensure the application is accurate and complete;
- (7) ensure all documentation, determinations, and calculations are completed as provided in the WFRP policy and this handbook;
- (8) notify insured of changes following the AIP underwriting reviews;
- (9) update revenue databases for carryover insureds;
- (10) for policies being transferred, an assuming the AIP must:
 - (a) verify the revenue history;
 - (b) notify the insured their premium and loss experience will be transferred;
 - (c) notify the insured their revenue history will be verified and transferred;
 - (d) notify the insured of policy termination if they are indebted to the ceding AIP; and
 - (e) notify the ceding AIP when it has accepted the transferred policy.
- (11) if necessary, make farm visits to determine beginning and ending inventories, such as bin or storage facility measurements, and pre-acceptance inspections;
- (12) ensure all forms and reports required under the WFRP policy are properly signed by the insured and dated;
- (13) complete all quality control reviews and audits according to the Standard Reinsurance Agreement, Appendix IV; and
- (14) flag the policy for review when yields or expected values on the Farm Operation Report are questionable.

C. Agent Responsibilities

Agents must:

- (1) Understand the qualification requirements for the program and explain all program participation requirements and deadlines to applicants and insureds;
- (2) be able to explain the WFRP program to applicants and insureds,

C. Agent Responsibilities (continued)

- (3) determine the correct allowable revenue and expenses for each year in the whole-farm history period using associated tax returns, applicable worksheets, and supporting documentation;
- (4) inform carryover insureds that mutual consent cancellation is allowed only in the initial year of insurance;
- (5) review all reports for completeness and accuracy, and insure all applicable signatures and dates are provided;
- (6) obtain all records and documentation required for program participation;
- (7) provide all applicable forms and records to the AIP; and
- (8) refer requests to the AIP for farm visits to determine beginning and ending inventories, such as bin or storage facility measurements, and pre-acceptance inspections.

D. Insured Responsibilities

Insureds must:

- (1) Provide 5 consecutive years of farm tax records.
- (2) Show additional tax records if necessary so the AIP can verify that farm taxes were filed. For example-if the insured is a disregarded entity under IRS rules, the AIP may request other tax records to verify the entity information under which the entity's taxes were filed.

Example: John Doe, LLC is the entity with insurable interest. However LLC's that are in individual names are disregarded entities under IRS rules. John and Jane Doe file their personal income taxes with the John Doe LLC farm attached listing the farm income. A copy of the personal income tax record needs to be included to show the amount from the John Doe LLC that was filed.

- (3) Provide their farm plan for the insurance year. Information from other Federal crop insurance plans of insurance the insured has may also be required by the AIP to use in underwriting the WFRP policy. This includes actual production histories and acreages.
- (4) Provide any applicable organic documentation requested by the AIP. See paragraph 141 for Organically Grown Commodities.
- (5) Provide information about any changes to the farm plan to the AIP during the year.

2 Responsibilities (Continued)

D. Insured Responsibilities (continued)

- (6) Provide all necessary notices in a timely manner to the AIP.
- (7) Complete the final production report on the Farm Operation Report by the earlier of the time a claim is submitted or the SCD of the subsequent insurance year.
- (8) Comply with all the terms and conditions of the WFRP policy.
- (9) If an insured has short tax years in the farm history and wants to insure under WFRP, they must provide completed Schedule F or Substitute Schedule F form along with the original farm tax forms and supporting records for consideration by the AIP for insurance.
- (10) Provide any supporting records or information requested by the AIP for underwriting or loss adjustment of the policy.

3 Access to Commodities and Records

A. Record Retention

Insureds are required to retain complete and verifiable records for three years after the later of the:

- (1) end of the insurance year; or
- (2) date of final payment of the indemnity.

The record retention period applies to the records for the insurance year and all years in the whole-farm history period for the insurance year.

Example: The whole-farm history period for the 2015 insurance year is 2009, 2010, 2011, 2012, and 2013 (2014 is a lag year and is not included in the 2015 whole-farm history period). Verifiable records for 2009 through 2013, all years in the whole-farm history period, and for 2015 must be maintained for three years after the insurance period for 2015 ends or the date of final payment of indemnity for the 2015 insurance year, whichever is later.

The AIP or any employee of USDA, or any person acting for the AIP or USDA authorized to investigate or review any matter relating to insurance authorized under the Act may extend the record retention period beyond three years by notifying the insured of such extension in writing.

B. Accessing Records and Commodities

Within the record retention period, insureds must, upon request, provide complete and verifiable records to the AIP, any employee of USDA, or any person acting for the AIP or USDA authorized to investigate or review any matter relating to insurance authorized under the Act. Such persons are also authorized to obtain records from any person who may have custody of such records, including but not limited to, FSA offices, banks, warehouses, gins, cooperatives, marketing associations, landlords, and accountants.

Records that may be accessed include, but are not limited to, records pertaining to the:

- (1) planting, replanting, inputs, production, harvest, storage, sale, shipment, and disposition of the insured commodities;
- (2) insurable, insured, and uninsured acres;
- (3) facilities;
- (4) allowable revenue and allowable expenses stated on farm tax forms and supporting documents;
- (5) value of any post-production operations for insured commodities;
- (6) documentation supporting beginning and ending inventories, and accounts payable and accounts receivable;
- (7) ownership, share, lease, contract agreement, or other agreements that are applicable to the insured commodities; and
- (8) mediation, arbitration, and litigation records related to the insured and insured commodities.

The AIP or any employee of USDA, or any person acting for the AIP or USDA, authorized to investigate or review any matter relating to insurance authorized under the Act may examine the insured commodities at any location where such commodities may be found or maintained. Such commodities may be examined as often as reasonably necessary during the record retention period.

C. Failure to Provide Records or Access

Failure to provide access to the insured commodities on the farm, maintain or provide any required records, authorize access to the records maintained by third parties, or assist in obtaining all such records will result in a determination that no indemnity is due for the insurance year for which the failure occurred.

4 Document Origination

If original insurance documents are required by RMA but are unavailable, a photocopy, fax copy, carbon copy or electronic form with electronic authorized signature of an original insurance document may be used if certified by the AIP. The copy must be marked or stamped "Certified True Copy", signed and dated by the AIP's authorized representative.

A certified true copy must be accompanied by a memorandum explaining why a copy is being submitted instead of the original document.

5 Duplicate WFRP Policies

Duplicate WFRP policies are not allowed. AIPs must use the PHTS to determine if more than one WFRP policy is in force for the same person. If more than one WFRP policy is in force for the same person, the policy with the earliest date of application will remain in force and all other WFRP policies will be canceled. The insured may be subject to the fraud provisions of the WFRP policy if the AIP determines duplicate WFRP policies exists and this was intentional.

RMA will edit to ensure that duplicate WFRP policies are not in force.

6 Tax Years

A person must calculate and report taxable revenue to the IRS on a tax year basis. The calendar year is the most common tax year used but some persons use a fiscal year as their tax year. IRS also allows a 52-53 week tax year, which is a fiscal year tax year that varies from 52-53 weeks and may not end on the last day of a month. For WFRP purposes a 52-53 week tax year is considered a 12 month fiscal year.

A person will not be considered a qualifying person for the insurance year if they have a short tax year for the insurance year, if they have a short tax year in their whole-farm history period, or if the lag year is a short tax year. However, if the person has a short tax year(s) in their history and they resubmit their whole-farm history based on the calendar or fiscal year used for the insurance year, the AIP may, at their discretion, and based on the person's resubmitted records, allow the applicant to obtain WFRP insurance.

The person's tax year, calendar or fiscal, is used for WFRP accounting purposes. The WFRP insurance year is designated by the calendar year in which the SCD occurs.

For accounting purposes, the terms beginning and ending inventories, beginning and ending accounts payable, and beginning and ending accounts receivable, are synonymous with the beginning and ending dates for the IRS tax year.

7 Accounting Methods

A. Cash Accounting

Persons using the cash accounting method generally report revenue in the tax year it is received and deduct expenses in the tax year they are paid, even if it is not the same year when they were incurred. See exhibit 2 for the definition of cash accounting method.

B. Accrual Accounting

Persons using the accrual accounting method generally report revenue in the tax year it is earned, whether it has been received yet or not, and deduct expenses in the tax year incurred, regardless of whether the expenses are paid yet. Accrual accounting allows the person to match revenue and expenses to the year in which revenue was earned.

Under the WFRP policy, coverage is for a loss of revenue that insureds expect to earn or will obtain from commodities they produce or purchase for resale during the insurance period. The accrual accounting method, using the Inventory Report(s) and Accounts Receivable and Accounts Payable Report, is used to determine what has been produced during the insurance year.

Example: A commodity has matured to the extent it is regarded as saleable at established markets and the revenue from the commodity can be determined with reasonable accuracy. The revenue for the commodity is included in the tax year the commodity reached this level of maturity, regardless of whether revenue from the commodity was received in that tax year or the next tax year.

See exhibit 2 for a definition of the accrual accounting method.

8-20 (Reserved)

PART 2 WFRP POLICY INFORMATION

21 Eligibility

A. Qualifying Person Criteria

- (1) The insured must be the same person as the person designated on the farm tax forms. To be eligible for WFRP, a person must:
 - (a) not be ineligible for crop insurance under 7 C.F.R. part 400, subpart U;
 - (b) meet the qualifying person criteria provided in the WFRP policy;
 - (c) have filed a Federal tax return for their farm for the required 5 consecutive years. (The forms must be for the same tax entity as the applicant unless section 2(b) of the policy applies that allows use of another person's farm tax forms in specific situations); and
 - (d) have 100 percent interest in the revenue to be earned from the insured commodities.
- (2) The following persons are not qualifying persons and are not eligible for WFRP.
 - (a) Persons who have a short tax year for the insurance year, if they have a short tax year in their whole-farm history period, or if the lag year is a short tax year. The only means in which a short tax year can be considered is if it is in the historic years (not for the insurance year) and if the applicant submits the tax returns filed and a Schedule F or Substitute Schedule F form for each tax year up to and including the short tax year. The Schedule F or Substitute Schedule F forms must show a reallocation of the income and expenses for each year up to and including the short tax year.
 - (b) Persons whose revenue is not subject to Federal income tax, such as some Indians Represented by Bureau of Indian Affairs.
 - (c) Individuals less than 18 years of age where legal majority has not been conferred by a court:

Exception: Individuals less than 18 years of age where legal majority has not been conferred by a court may be eligible for WFRP insurance if:

- (1) the individual provides evidence an insurable share exists;
- (2) a written statement describing the farm operation and insurable share is provided;
- (3) a court-appointed guardian or parent co-signs the application; and
- (4) the court-appointed guardian or parent guarantees payment of the annual premium.

A. Qualifying Person Criteria (continued)

When a minor reaches 18 years of age, or is conferred legal majority by a court, and is competent to enter a legally binding contract, their existing WFRP policy is dissolved and a new application is required.

- (d) Beginning farmers and ranchers, unless they are producers who qualify for WFRP by having the required five consecutive years of tax records but do not have to count those years as experience years of farming or ranching due to the specific exclusions in the beginning farmer and rancher procedures (for example, in school or active military service).

B. Ineligible Farm Operation

A farm operation is ineligible for WFRP insurance when:

- (1) the insured raises potatoes and the commodity count calculation under the policy indicates the insured does not qualify as having two commodities;
- (2) at SCD the expected revenue from animals and animal products is greater than \$1 million, or more than 35 percent of the insured revenue from all commodities on the farm operation for the insurance year;
- (3) at SCD the expected revenue from nursery or greenhouse products is greater than \$1 million, or more than 35 percent of the insured revenue from all commodities on the farm operation for the insurance year;
- (4) at SCD only one commodity will be produced on the farm operation during the insurance year and revenue protection is available for that commodity through another plan of insurance offered under the authority of the Act;
- (5) CAT coverage is obtained through another plan of insurance offered under the authority of the Act for any commodity on the farm operation; or
- (6) at SCD the insured revenue for the insurance year is greater than \$ 8.5 million.

C. Pass-Through Revenue

Entities that are considered to be pass-through entities by the IRS may only insure the allowable revenue from commodities if the entity is the originating entity that produced the commodity. Owners of a pass-through entity that are not the originating entity may not insure pass-through revenue or loss under WFRP. Pass-through revenue can only be insured by the originating entity because the originating entity reports the revenue and expenses to IRS and maintains the supporting documents required to participate in WFRP.

22 Pre-Acceptance Inspections

A Pre-Acceptance Worksheet is required each year before the beginning of the insurance period for all commodities identified as a perennial on the Actuarial Documents. For carryover insureds, pre-acceptance inspections are not required unless the policy was transferred and documentation required by paragraph 23E was not provided by the ceding AIP.

For the first year of insurance, a pre-acceptance inspection must be completed before accepting an application if any insured commodity is damaged prior to the application being submitted. The expected revenue on the Farm Operation Report must be reduced to reflect the reduced revenue caused by the damage occurring before acceptance of the application.

If perennial crops with production cycles exceeding 12 months are damaged, the expected revenue may be reduced for two or more WFRP insurance years and may require additional underwriting to avoid paying uninsured losses that occurred prior to the date that coverage initially began.

Coverage must be denied if crops are damaged to the extent that it is apparent during the inspection that the applicant will have a claim.

23 Application

A. Acceptance

An application is required. Before accepting the application, AIPs must ensure the application:

- (1) is for a qualifying person with a 100 percent interest in the revenue derived from the commodities to be insured;
- (2) contains all required information according to the WFRP policy;
- (3) is for the same person as the person that filed Federal income tax returns with the IRS for the tax year (IRS disregarded entities can be the person insured but the AIP must require the tax record that shows the amount shown on the farm tax form was filed with the IRS); and
- (4) is signed by the person to be insured or an authorized representative of that person.

The application must be rejected if all requirements in the policy for acceptance are not met. If an application is rejected, the original application and a letter explaining why the application was rejected must be sent to the applicant.

B. Insurance Year and Prior Damage

The insurance year begins prior to the SCD and damage to commodities may occur prior to insurance attaching. If damage has occurred, an inspection must be performed prior to acceptance of the application. See paragraph 22 for information about pre-acceptance inspections.

C. Sales Closing Date

Completed and signed applications for WFRP must be submitted on or before the SCD. If the SCD falls on a Saturday, Sunday, or Federal holiday, the SCD is extended to the next business day.

D. Transfers

- (1) To transfer a policy from one AIP to another, the insured must request a transfer in writing on or before the cancellation date. The insured must complete and submit a Policy Transfer/Application to the assuming AIP, or the assuming AIP must complete and sign, and have the insured sign, a Request to Transfer a Policy including the ceding AIP's policy number for the policy being transferred.
- (2) If a Policy Transfer/Application is not used, an application must be completed and signed by the insured and the assuming AIP indicating the crop was insured in the previous crop year. The assuming AIP must, within 45 days after the applicable cancellation date, notify the ceding AIP when the transfer has been accepted and a new policy has been issued.
- (3) An insured may transfer a policy only once per insurance period between the AIPs. A transfer within an AIP from one policy issuing company to another is not considered a transfer for this purpose.
- (4) The assuming AIP should notify the insured the policy will be terminated if the insured is indebted to the ceding AIP.
- (5) All of the following must be transferred when a policy is transferred to a different AIP or agent.
 - (i) Revenue and expense history, including copies of farm tax forms.
 - (ii) Copy of the current year's Farm Operation Report.
 - (iii) Copy of the PAW, if applicable.
 - (iv) Copy of the most recent year's Pre-Acceptance Inspection Report, if applicable.
- (6) AIPs are required to transmit premium, loss, and revenue data to RMA. RMA maintains this data in its databases. AIP's are reminded that farms with animals and animal products require acceptance from the underwriting capacity manager.

E. Cancellation after First Year

The WFRP policy may not be cancelled during the first year. The insured or the AIP may cancel a WFRP policy for any insurance year following the first year by giving a signed notice to the other party on or before the cancellation date. A request made by the insured to cancel the policy after the cancellation date will be effective the following insurance year.

23 Application (Continued)

F. Change in Person Type

When an insured changes person type, such as changing from an individual to a corporation, a new application must be submitted by the new person on or before the SCD. Coverage will continue until the end of the insurance year when a change in person type occurs after insurance has attached for the year. However, the policy will be automatically cancelled as of the cancellation date, and a new application and associated documents must be submitted by the applicable SCD to continue coverage under WFRP.

The insured must be the same person as the person designated on the United States Income Tax form for the year of insurance and all the years in the whole-farm history period.

24 Use of a Different Person's Tax Returns

A. Criteria for Using a Different Person's Tax Records

However, an applicant/insured may use the tax records of another person to meet the requirement of providing tax records for the years in the whole-farm history period if the requirements in the policy are met.

The purchase, lease, or inheritance of a farm operation, by itself, is not sufficient for applicant/insured to use the tax returns of the person from whom they purchased, leased, or inherited an operation. AIP may approve an applicant/insured to use a different person's tax returns for the applicable years in the whole-farm history period if:

- (1) the applicant/insured purchased, inherited, or leased at least 90 percent of the other person's farm operation, including the land and facilities, such as irrigation equipment and systems, greenhouses, and other facilities;
- (2) for each year of the other person's tax returns the applicant/insured wishes to use, the other person:
 - (a) Had an insurable interest in all commodities produced on the farm operation the applicant/insured obtained;
 - (b) Filed Federal income tax returns for the revenue received from those commodities; and
 - (c) Is willing to provide all records necessary under the policy including the Federal income tax returns necessary.
- (3) on or before the SCD, the applicant/insured submits to the AIP:
 - (a) a written request to use the other person's tax returns for the specific years;
 - (b) copy of the other person's tax return for each year the applicant/insured wishes to use;

A. Criteria for Using a Different Person's Tax Records (continued)

- (c) a completed and signed Whole-Farm History Report that represents the combination of the applicant's/insured's allowable revenue and allowable expenses and the allowable revenue and allowable expenses of the other person for the applicable tax years; and
- (d) verifiable documentation that:
 - (i) at least 90 percent of the other person's farm operation was obtained by the applicant/insured and added to their farm operation;
 - (ii) the other person whose tax returns the applicant/insured wishes to use had an insurable interest in all the commodities produced on the farm operation the applicant/insured obtained; and
- (4) within 15 calendar days of a request by the AIP, the applicant/insured provides:
 - (a) verifiable documentation that supports the income and expenses on the tax return(s) of the other person; and
 - (b) verifiable documentation of all post-production operations related to the other person's farm operation for the tax years the applicant/insured wishes to use.

B. AIP Action and Notification

- (1) The AIP may approve the use of a different person's tax records only if:
 - (a) all requirements in the policy and subparagraph A are met; and
 - (b) obtaining another farm operation or the change in the person type was not done to circumvent any tax law or any program eligibility criteria, including evading the ineligibility for program benefits under 7 C.F.R. part 400, subpart U.
- (2) The AIP must notify the applicant/insured whether the use of the different person's tax records is approved or denied within 15 business days after receiving all required information.
- (3) If the use of a different person's tax returns is:
 - (a) approved, the applicant's/insured's allowable revenue and allowable expenses and the other person's allowable revenue and allowable expenses will be combined for the applicable year; or
 - (b) denied, the applicant's/insured's Whole-Farm History Report and all other applicable reports will be modified to reflect only the approved allowable revenue and allowable expenses of the applicant/insured for each applicable year.

25 Vertically Integrated and Related Tax Entity

If the applicant's/insured's farm operation is vertically integrated, or the applicant/insured owns or has interest in related tax entities, the applicant/insured must clearly identify and explain the relationship between the entities at the time the application is filed. The AIP must:

- (1) Assure that expected values used in the underwriting for these operations are similar to operations that are not vertically integrated.
- (2) Assure that post-production expense amounts that are adjusted out of revenue to calculate approved revenue amounts are similar to expenses that other parties in the area would incur.

26 How to Handle an IRS Disregarded Entity

Some entities are considered as disregarded entities under IRS rules. This means they do not file taxes under the entity name. Example: John Doe, LLC is the entity with insurable interest for the farm. However, LLC's that are in individual names are disregarded entities under IRS rules. John and Jane Doe file their personal income taxes with the John Doe LLC farm tax form attached and the farm income amount listed on the personal tax form. In these cases, the AIP should also require a copy of the personal income tax record that shows the farm tax income amount from John Doe LLC was filed with the IRS.

27-40 (Reserved)

PART 3 COVERAGE AND REPORTS

Section 1 Coverage Information and Required Reports

41 Basic Information and Commodity Count

A. Insured Information

Only the insured's allowable revenue is insurable. Insurance does not extend to any person, including any person having a share in the revenue from commodities produced or purchased for resale during the insurance year.

Insurance is based on the insured's approved revenue, which is the revenue expected to be produced on the farm during the insurance year and is determined on the Farm Operation Report from information obtained from farm tax forms and the current year's farm plan. The insured must provide a Whole-Farm History Report, Farm Operation Report, Inventory Report (if applicable), Market Animal and Nursery Inventory Report (if applicable), PAW (if applicable), and an Accounts Receivable and Accounts Payable Report to the AIP on or before the SCD.

B. Commodity Count Calculation

- (1) The commodity count calculation is used to determine the number of commodities on the farm; and
 - (a) Determine if a farm with potatoes has at least 2 commodities to be eligible for WFRP. This is a legislated requirement that there can be no revenue insurance for potatoes unless it is on a 'whole-farm basis.'
 - (b) Determine if a farm is eligible for higher coverage levels. Refer to the SP statement.
 - (c) Determine if a farm has only one commodity and that commodity is also insurable under another revenue insurance plan such as Revenue Protection, Revenue Protection with the Harvest Price Exclusion, and the Actual Revenue History plan. In this case the farm is not eligible for WFRP.
 - (d) Determine which formula on the SP will be used to calculate the farm diversification discount applied to the premium rate. Formulas are based on the number of commodities produced/raised on the farm.
 - (e) Determine if the farm has two or more commodities, which will receive the whole-farm subsidy. If the farm only has one commodity under this count it will receive the basic subsidy.

B. Commodity Count Calculation (continued)

(2) The Commodity Count Calculation is calculated as follows:

- (a) Determine the number of commodities on the farm. Each separate commodity code on the Farm Operation Report is counted once to determine the number of commodities, regardless of the number of times the commodity code is used;

Example: If two lines are present for cattle with significantly different prices, such as for heifers and steers, and the commodity codes are the same, the expected revenues from these two lines are added together and treated as one commodity.

- (b) Divide 1 by the result of (a) and round the result to three decimals.
- (c) Multiply the result of (b) by 0.333 and round the result to three decimals; and
- (d) Multiply the result of (c) by the Expected Revenue on the Farm Operation Report and round this to whole dollars;
- (e) Sum the Expected Revenue for each individual commodity;
- (f) Determine how many of the commodities in (e) have Expected Revenue equal to or greater than the result of (d);
- (g) Sum the Expected Revenue amounts from the result of (e) and subtract the result from the Total Expected Revenue;
- (h) Divide the result of (f) by the result of (d) to determine the number of additional commodities to count using whole numbers and no rounding; and
- (i) Add the result of (f) to the result of (h) to determine the commodity count for WFRP.

Example: At SCD, the applicant reported on the Intended Farm Operation Report that corn, mums, geraniums, pigs, carrots, cucumbers, and squash will be produced with a total expected revenue of \$170,250. Mums and geraniums have the same commodity code and expected revenue for each are added together and count as one commodity. The expected revenue from each of at least three of the commodities must be at least \$9,534 $[(1.0 \div 6) \times 0.333] \times \$170,250$ for the applicant to be eligible for a coverage level above 75 percent (as shown in SP). The expected revenue for each commodity is: \$93,750 for corn; \$9,500 (\$9,000 + \$500) for mums and geraniums; \$50,000 for pigs; \$9,000 for carrots; \$6,000 for cucumbers; and \$2,000 for squash. Only two commodities (corn and pigs) individually have expected revenue equal to or exceeding the \$9,534 commodity count calculation required amount.

41 Basic Information and Commodity Count (Continued)

Example (continued)

However, the applicant can combine the expected revenue of any of the other commodities (nursery (mums and geraniums), carrots, cucumbers and squash) to meet the commodity count calculation required amount. The combined revenue for the nursery, carrots, cucumbers, and squash is \$26,500 (\$9,500 + \$9,000 + \$6,000 + \$2,000), which results in an additional 2 counted commodities ($\$26,500 \div \$9,534$) bringing the commodity count to 4. The applicant is eligible for a coverage level above 75 percent (as shown in SP).

C. Administrative Fee

See WFRP policy for administrative fee amount and payment date. The procedures in the CIH regarding administrative fee waivers and third party prohibitions apply.

42 Coverage Levels

A. Available Coverage Levels

Coverage levels offered under WFRP are provided on the actuarial documents.

Insureds:

- (1) may elect any amount of coverage they are eligible to receive;
- (2) will have only one coverage level per policy;
- (3) must have a commodity count as calculated in paragraph 41B that is the minimum number of commodities required for the coverage level selected, as provided in the SP and subparagraph B below;
- (4) may change the coverage level, if requested in writing on or before the SCD; and

Exception: Insureds cannot increase their coverage level if any cause of loss that would reduce the allowable revenue for the insurance year is evident prior to the request to change coverage levels.

- (5) must select a buy-up coverage level for the any other Federally reinsured policy purchased, unless otherwise stated in the SP, when any of the crops insured under the WFRP policy will also be insured under another FCIC plan of insurance.

B. Coverage Level Reductions

The AIP must reduce the insured's coverage level when the insured does not:

- (1) qualify for the coverage level they selected; or

42 Coverage Levels (Continued)

B. Coverage Level Reductions (continued)

- (2) meet coverage level requirements throughout the entire insurance year, unless due to an insured cause of loss.

If a reduction in coverage level is necessary, the insured's coverage level must be reduced to the highest level for which the insured qualifies. All reductions in coverage must include the signature of the insured indicating their understanding of the changes to their guarantee.

43 Replant Payments

A replant payment may be allowed if specified in the SPs. See paragraph 95.

44 Allowable Revenue and Allowable Revenue Worksheet

A. When to Submit

On or before the SCD, an Allowable Revenue Worksheet must be completed for each year in the whole-farm history period. See exhibits 5 and 15 for required elements with descriptions and examples of the Allowable Revenue Worksheet.

B. Allowable Revenue

- (1) Allowable revenue is farm revenue from the production of commodities produced by the farm operation, or purchased for further growth and development by the farm operation, that the IRS requires to be reported. Allowable revenue includes revenue from all insurable commodities.
- (2) Allowable revenue for WFRP purposes is limited to the revenue listed in section 10(b) of the policy. These items are directly listed on the Schedule F tax form from the IRS so they can be transferred directly from the form onto the Allowable Revenue Worksheet.
- (3) Completion of the Allowable Revenue Worksheet is required to show which commodities are allowed from the farm tax forms and what adjustments are necessary.
- (4) The AIP must not accept any revenue amount or an adjustment to the revenue amount if the amount reported for WFRP purposes cannot be verified through the use of supporting records.

C. Commonly Used Tax Forms

The following are commonly used IRS tax forms used to report farm revenue and expenses. If forms other than the Schedule F are used, a Substitute Schedule F must be completed. The Substitute Schedule F must result in the same revenue as the alternative tax form used and records must be available to support the Substitute Schedule F to the AIP's satisfaction.

C. Commonly Used Tax Forms (continued)

- (1) Schedule F (Form 1040), Profit or Loss from Farming. (See exhibit 12 for a completed example)
- (2) Schedule J (Form 1040), Income Averaging for Farmers and Fisherman.
- (3) Schedule D (Form 1040), Capital Gains and Losses.
- (4) Form 4835, Farm Rental Income and Expenses.
- (5) Form 1065, U.S. Return of Partnership Income.
- (6) Form 1120, U.S. Corporation Income Tax Return.
- (7) Form 1120-S, U.S. Tax Return for an S Corporation.
- (8) Form 1120-C, U.S. Income Tax Return for Cooperative Associations.
- (9) Form 4797, Sales of Business Property.

D. Excluded Revenue

There are specific types of revenue that are reported on farm tax forms but are not considered insurable revenue. These are listed in section 10(c) of the policy. These items also are directly listed on the Schedule F tax form from the IRS. While such revenue is excluded from allowable revenue and expected revenue, it may be included in revenue-to-count for claim purposes. See paragraph 101 for information regarding adjustments to revenue for claims purposes.

- (1) All of the following must be excluded from the allowable revenue in each year of the whole-farm history period, expected revenue for the insurance year, and revenue-to-count for claims:
 - (a) Revenue from any post-production operations;
 - (b) Revenue from value added to commodities (such as gift baskets and wine);
 - (c) Revenue from commodities in which the insured does not have an insurable interest;
 - (d) Revenue earned from custom hire activities;
 - (e) Cooperative distributions that are not directly related to the production of a commodity;
 - (f) Revenue earned as an animal contract grower;
 - (g) Revenue from wages, salaries, tips, and cash rent;
 - (h) Revenue from Federal government agricultural programs and Federal crop disaster payments;
 - (i) Revenue from uninsurable commodities, such as, animals for show or sport, timber, forest, and forest products;

44 Allowable Revenue and Allowable Revenue Worksheet (Continued)

E. Excluded Revenue (continued)

- (j) CCC loans and CCC loans forfeited;
- (2) All of the following must also be excluded from the allowable revenue in each year of the whole-farm history period and expected revenue for the insurance year. However, all of the following are included in revenue-to-count for claims:
 - (a) Net gain from commodity hedges;
 - (b) Value assigned for uninsured cause of loss or abandoned acreage;
 - (c) Accrual adjustments for beginning and ending accounts receivables and inventories; and
 - (d) Crop insurance indemnities, NAP payments, prevented planting payments from other FCIC policies, replant payments, and any other federal government program that does not allow multiple benefits;

Example: Insured A has apples insured under WFRP and under a FCIC yield based apple policy. Any indemnity under the yield based apple policy is not included in the allowable revenue however, it is included in revenue-to-count for WFRP.

45 Allowable Expenses and Allowable Expense Worksheet

A. When to Submit

On or before the SCD, an Allowable Expense Worksheet must be completed for each year in the whole-farm history period. See exhibits 5 and 14 for required elements with descriptions and examples of the Allowable Expense Worksheet.

B. Allowable Expenses

Expenses are used under this policy only to adjust the insured revenue downwards if expenses during the insured year are not equal to at least 70 percent of the approved expenses.

The AIP must not accept any expense amount or an adjustment to the expense amount if the amount reported for WFRP purposes cannot be verified through the use of supporting records.

- (1) Allowable expenses will be listed on the Allowable Expense Worksheet and for WFRP purposes will be limited to the following expenses:
 - (a) the cost or basis of animals and other commodities you bought for resale;
 - (b) car and truck expenses;

B. Allowable Expenses (continued)

- (c) chemicals;
 - (d) conservation expenses;
 - (e) custom hire (machine work);
 - (f) depreciation and IRS Section 179 expense deduction not claimed elsewhere (include on the amount of depreciation allowed for animals);
 - (g) feed purchased;
 - (h) fertilizers and lime;
 - (i) freight and trucking;
 - (j) gasoline, fuel, and oil;
 - (k) insurance (other than health);
 - (l) labor hired (less employment credits) exclude shareholder wages, if reported on the corresponding line of the Schedule F;
 - (m) repairs and maintenance;
 - (n) seeds and plants purchased;
 - (o) storage and warehousing;
 - (p) supplies purchased (exclude those used in post-production operations) see subparagraph C below;
 - (q) utilities;
 - (r) veterinary, breeding, and medicine; and
 - (s) other farm expenses (include only those related to the production of commodities allowed for reporting by the IRS).
- (2) Allowable expenses do not include expenses for commodities in which the insured does not have an insurable interest.

C. Excluded Expenses

Exclude any expenses associated with post-production operations (except do not exclude expenses that are considered market readiness expenses) from the allowable lines of the farm tax forms

45 Allowable Expenses and Allowable Expense Worksheet (Continued)

C. Excluded Expenses (continued)

Example 1: A lettuce farm must harvest their lettuce directly into boxes in the field in order to remove the lettuce from the field. The cost of the boxes and labor to harvest and pack the lettuce in the field as it is harvested do not have to be removed from the expenses reported as ‘supplies purchased’ or ‘labor hired’ (both allowable expenses).

Example 2: A farm selling to direct markets harvests vegetables and fruits, washing and trimming them at the side of the field and placing in plastic bags or small boxes so they can be transported to market. The cost of the bags, boxes, and labor do not have to be removed from the expenses reported as ‘supplies purchased’ or ‘labor hired’ (both allowable expenses).

Example 3: A farm selling pears and apples harvests the fruit, putting them in large bins that are hauled to a processing facility on the farm. The cost of boxes, labor, waxing, and grading are significant costs for these commodities and ,therefore, do not qualify as the minimum necessary to remove the commodities from the field and make the commodity market ready, and are not performed in or near the field. These costs must be removed from the allowable expenses.

46 Whole-Farm History Report

A. When to Submit

Insureds must provide the information needed for the AIP to complete the Whole-Farm History Report on or before the SCD for the insurance year.

B. Required Information

The Whole-Farm History Report includes the:

- (1) allowable revenue and allowable expenses calculated on the Allowable Revenue and Allowable Expense Worksheets in paragraphs 44 and 45 for each year of the whole-farm history period are entered for each applicable tax year on the Whole-Farm History Report;

Example: The whole-farm history period for the 2015 insurance year is the five consecutive tax years prior to 2015 including 2009, 2010, 2011, 2012, and 2013 (2014 is a lag year with no tax records required).

- (2) sum, simple average, indexed average, and expanded operation values for both the allowable revenue (see paragraph 71) and the allowable expenses (see paragraph 72); and

46 Whole-Farm History Report (Continued)

B. Required Information (continued)

- (3) the highest of the simple average, indexed average or expanded operation whole-farm allowable revenue and allowable expenses is entered as the whole-farm historic average revenue and expenses.

See exhibits 5 and 6 for required elements, descriptions of required elements, and an example of a Whole-Farm History Report.

A copy of the applicant's/insured's tax form(s) for each year in the whole-farm history period must be provided with the Whole-Farm History Report. If Substitute Schedule F forms are used, they must also be provided at that time. Allowable Revenue and Allowable Expense Worksheets will need to be completed for each tax year.

See paragraph 50 for more information about required farm tax forms and supporting information.

47 Intended Farm Operation Report

A. When to Submit

The Intended Farm Operation Report is the form on which the insured provides all required information regarding the commodities that will be produced during the insurance year and that the insured can expect to earn or will obtain revenue from during the insurance period.

Insureds must provide an Intended Farm Operation Report to the AIP on or before the SCD for the insurance year.

B. Required Information

The Farm Operation Report will include a list of all commodities to be produced during the year. The following apply to the Farm Operation Report:

- (1) Commodity codes can be found in the actuarial documents. If the AIPs find a commodity is missing from a county list they should use the most applicable "Other" commodity code such as, Other Fruits. If the commodity is widely grown, notify the RMA Regional Office for their region.
- (2) The expected value section of the policy must be used to determine the best local market value for each commodity and the source of the expected value should be noted on the Farm Operation Report.
- (3) Commodities produced on Native Sod must be listed on a separate line on the Farm Operation Report.
- (4) Commodities with multiple expected values, such as organic and non-organic, should be listed on multiple lines on the Farm Operation Report.

B. Required Information (continued)

- (5) Commodities listed on multiple lines with the same commodity code will be submitted to RMA as one line that is summed with prices calculated as a weighted average.
- (6) AIPs must monitor how commodity counts are calculated since the commodity count forms the basis of the insurance.
- (7) Premium rating for WFRP is based on the commodities grown and the amount of each commodity grown. Premium rates are calculated for each individual farm and are based on the Farm Operation Report so it is important to report accurately. When commodities or amounts of commodities change on a Revised Report (compared to the Intended Report), the approved revenue, premium rate, and premium will change.
- (8) The Whole-Farm Historic Average Allowable Revenue and Expenses from the Whole-Farm History Report are carried forward to the Farm Operation Report. Total Expected Revenue from all commodities on the Farm Operation Report is summed. The approved revenue is determined as the lesser of the Whole-Farm Historic Average Revenue or the Total Expected Revenue from the Intended Farm Operation Report.
- (9) The AIP identifies farm operations that are vertically integrated or has related operations and if there are post-production expenses that were removed.
- (10) The AIP should note any condition or change that will affect the approved revenue compared to the whole-farm historic average revenue, including but not limited to any IRS reporting changes, such as a change in accounting methods, tax year, or person type.

See exhibit 10 for example of Farm Operation Report submitted at SCD and revised during the insurance year.

C. Multiple Planting and Harvest of Same Commodity/Acreage in Insurance Year

The total number of acres of the same commodity planted and harvested more than once in the insurance year must be reported on the Farm Operation Report.

Example: Insured A intends to plant and harvest lettuce on the same five acres two separate times during the insurance year. This is a normal practice for the insured and is considered a GFP for the area. Insured A would report they intend to plant 10 acres of lettuce on the Farm Operation Report.

D. Commodities Purchased for Resale

The expected value provided on the Farm Operation Report for a commodity that was purchased for resale must not include the cost, or other basis, of the commodity. See exhibit 18 for guidelines on determining expected value.

47 Intended Farm Operation Report (Continued)

D. Commodities Purchased for Resale (continued)

Important: If the insured derives more than 50 percent of allowable revenue from commodities purchased for resale, they are not eligible for WFRP insurance.

E. Separate Line Items and Data Reporting

Each commodity the applicant/insured intends to produce or purchase for resale or already has produced or purchased for resale for the insurance year must be listed on a separate line on the Farm Operation Report. If a commodity has significantly different yields or expected values, the AIP must list it multiple times on the Farm Operation Report. The commodity information will be summarized to report the data associated with each commodity code. Each commodity has a separate commodity code for reporting, rating, and underwriting purposes.

The RMA processing system will not accept multiple line items for the same commodity. Therefore, separate line items of the same commodity must be summarized by the AIP for data reporting.

Example: Insured A intends to plant 10 acres of onions with a yield of 4 tons per acre for one price and 2 tons per acre for a substantially different price. Production from 7 acres will be sold to a processor with an expected value of \$150/ton, and the remaining production from 3 acres will be sold in the fresh market with an expected value of \$190/ton. The onions must be reported on separate lines on the Farm Operation Report because of the substantially different expected values of the production. However, only one line item for onions that represents the combined separate lines is transmitted to the RMA processing system. Insured A's Farm Operation Report for onions would appear as follows.

Intended							
6. Commodity Name/Code	7. Method of Establishment	8. Yield per Unit	9. Expected Value per Unit	10. Expected Revenue (8x9)	11A. Intended Quantity	11B. Cost/Basis and/or Value	11C. Total Expected Revenue (10x11A) – 11B
Onions/xxx	Acres	4.0 tons	\$150.00/ton	\$600	7.0 ac.		\$4,200
Onions/xxx	Acres	2.0 tons	\$190.00/ton	\$380	3.0 ac.		\$1,140

To summarize multiple lines for one commodity code use the following calculation:

- (1) Sum the Total Expected Revenues;
- (2) Sum the Intended Quantities;
- (3) Divide the result of (1) by the result of (2) to determine the Expected Revenue (round result to the nearest whole dollar);
- (4) Use a weighted average, as shown in the example below, to determine the Expected Value per Unit; and

47 Intended Farm Operation Report (Continued)

E. Separate Line Items and Data Reporting (continued)

- (5) Divide the result of (3) by the result of (4) to determine the Yield per Unit (round the result to one decimal).

Example: Sum of Total Expected Revenues: \$5,340 (\$4,200 + \$1,140)
Sum of Intended Quantities: 10.0 acres (7.0 + 3.0)
Reported Expected Revenue: \$534 (\$5,340 ÷ 10.0)
Weighted Average of Expected Values: \$162 (((\$150 x 7 ac) + (\$190 x 2 ac))/10 ac)
Reported Yield per Unit: 3.3 ac (\$534 ÷ \$162)

The data transmitted to RMA processing system would be as follows:

Intended							
6. Commodity Name/Code	7. Method of Establishment	8. Yield per Unit	9. Expected Value per Unit	10. Expected Revenue (8x9)	11A. Intended Quantity	11B. Cost/Basis and/or Value	11C. Total Expected Revenue (10x11A) – 11B
Onions/xxx	Summarized	3.3 tons	\$162.00/ton	\$534	10.0 acres		\$5,340

F. Conditions and Changes Affecting Approved Revenue

Any condition or change on the farm that has occurred since the Whole-Farm history period must be reported on the Farm Operation Report. Such conditions and changes include, but are not limited to:

- (1) change in the size of the farm operation;
- (2) removal or planting of perennial crops/trees;
- (3) land renovations, such as bog renovation;
- (4) changes in farming practices, including organic transitional or organic;
- (5) changes in farm management or accounting methods;
- (6) change in tax year;
- (7) change in person type, such as changing from a partnership to a corporation;
- (8) change in the commodities produced or purchased for resale;
- (9) change in the share of commodities produced or purchased for resale;
- (10) changing marketing methods or markets, such as wholesale, retail, or direct; and
- (11) damage to perennial crops occurring prior to beginning of the insurance year.

Any of the above changes could result in changes to the expected revenue for the insurance year and must be reflected on the Farm Operation Report.

48 Revised Farm Operation Report

A. When to Submit

A revised Farm Operation Report must be submitted during the insurance year, similar to an acreage report, to reflect the activities that actually occurred on the farm. The Revised Farm Operation Report is due:

A. When to Submit (continued)

- (1) No later than July 15 of the insurance year if the insured is a calendar or early fiscal year filer;
- (2) The last day of the month in which the insured's fiscal year begins, but no later than October 31 if the insured is a late fiscal year filer; or
- (3) Within 30 days of the insured making changes to the commodities grown on the farm or purchased for resale after the Revised Farm Operation Report is completed. The Revised Farm Operation Report may only be revised later, with AIP approval and may not increase the approved revenue and must exclude any changes to revenue resulting from a covered cause of loss.

B. Purpose

The purpose of a Revised Farm Operation Report is to report information about changes to the farm operation after the Farm Operation Report was initially submitted. The revised Farm Operation Report must include:

- (1) commodities that were actually planted or purchased for resale;
- (2) commodities that were intended to be produced or purchased for resale but will not be produced or purchased for resale, such as in the case of prevented planting, and the reason they were not produced or purchased for resale;
- (3) commodities produced or purchased for resale that were not intended to be produced or purchased for resale when the Farm Operation Report was initially submitted;
- (4) damaged commodities, and the reason for the damage;
- (5) commodities produced to replace commodities damaged or prevented from being produced; and
- (6) any circumstances that will affect the expected revenue, including, but not limited to, a renegotiated price with a buyer or changes in production or irrigation practices.

See exhibit 10 for an example of the Farm Operation Report that includes the Intended, Revised, and Final sections.

C. Commodities Insured Under WFRP and another FCIC Plan of Insurance

When a commodity is insured under WFRP and another FCIC plan of insurance, the acreage and expected yield reported on the Farm Operation Report should be the same as the acreage and yield for the commodity covered under the other FCIC plan of insurance. Any deviation of acreage and yield between the two plans of insurance must be justified, reasonable, and documented. If any deviation is not justified, reasonable, and documented, refer to section 15(j) in the WFRP policy.

D. Reporting Destroyed Commodities and those Prevented from Being Produced

The expected quantity and revenue of commodities the insured intends to produce during the insurance year, but that have not yet been produced the date the Farm Operation Report is initially submitted (on or before the required reporting date as stated in subparagraph A above), are identified in the “Intended” columns of the Farm Operation Report. If those commodities are actually produced, these numbers will be carried forward to the Revised Farm Operation Report.

The following table provides instructions for determining the quantity and expected revenue to enter on the Revised Farm Operation Report. See exhibit 10 for example of Farm Operation Report submitted at required reporting date and revised during the insurance year.

IF a commodity identified in the “Intended” column of the Farm Operation Report on SCD is ...	AND ...	THEN ...
produced or if purchased for resale, at the time the Revised Farm Operation Report is submitted	No changes are made and the intended report is still correct as to what is being produced and what was purchased for resale,	The numbers pertaining to the quantity produced and expected revenue from the Intended column of the Farm Operation Report are carried forward to the Revised section.
not produced or purchased for resale at the time the Revised Farm Operation Report is submitted in July or, for fiscal filers, as of the last day of the month in which the insured’s fiscal year begins, but no later than October 31. (Fiscal filers with years beginning in November or December must fill out the Revised Farm Operation Report by October 31.)	the insured still intends to produce, or purchase for resale, the same amount of the commodity in the insurance year	The numbers pertaining to the quantity produced and expected revenue from the Intended column of the Farm Operation Report are carried forward to the Revised section.
	Because the insured changed their mind about what would be produced or the amount that would be produced and the AIP determines the failure to produce the commodity was NOT due to an insured cause of loss	The Revised section of the Farm Operation Report is filled out with what was actually produced (number of acres/head, etc.). If the commodity is the same as on the intended report, carry forward the expected value. If it is a new commodity, use the expected value as of the date the commodity was planted or purchased for further growth or purchased for resale.

**D. Reporting Destroyed Commodities and those Prevented from Being Produced
(continued)**

IF a commodity identified in the “Intended” column of the Farm Operation Report on SCD is ...	AND ...	THEN ...
<p>not produced or purchased for resale at the time the Revised Farm Operation Report is submitted in July or, for fiscal filers, as of the last day of the month in which the insured’s fiscal year begins, but no later than October 31. (Fiscal filers with years beginning in November or December must fill out the Revised Farm Operation Report by October 31.) (continued)</p>	<p>(1) the AIP verifies that the failure to produce the commodity was not due to an insured cause of loss; and</p> <p>(2) the commodity is/will not be replaced by the production of a different commodity in the insurance year</p>	<p>The numbers pertaining to the quantity produced and expected revenue from the Intended column of the Farm Operation Report are carried forward to the Revised section. If a portion of a commodity was produced and that commodity was listed on the intended commodity report, then carry the expected value forward, otherwise use the expected value from the date the commodity was planted or purchased.</p>
<p>changed after the date the Revised Farm Operation Report is due.</p>	<p>The insured must report this within 30 days after the change to the AIP and the AIP determines that a revision to the Revised Farm Operation Report should be made.</p>	<p>The AIP may revise the Revised Farm Operation Report with the revised commodities or commodity amounts. Expected values will be as of the date the commodity was planted or purchased for further growth or purchased for resale and the approved revenue will not be increased. This change assures that the farm operation will not be over-insured and that the premium rates charged will be appropriate for what was produced.</p>
	<p>The insured must report this within 30 days after the change to the AIP and the AIP determines that a revision to the Revised Farm Operation Report should NOT be made.</p>	<p>No revisions are made to the Revised Farm Operation Report, premium is based on the Revised Farm Operation Report, and all revenue counts as revenue to count even if the commodity is not listed on the Revised Farm Operation Report</p>

**D. Reporting Destroyed Commodities and those Prevented from Being Produced
(continued)**

IF a commodity identified in the “Intended” column of the Farm Operation Report on SCD is ...	AND ...	THEN ...
<p>not produced (or reduced production) at the time the Revised Farm Operation Report is submitted</p>	<p>(1) the AIP verifies failure to produce the commodity was due to an insured cause of loss; and</p> <p>(2) the commodity has been replaced by the production of a different commodity</p>	<p>(1) the quantity, from the Intended Report, of the commodity not produced is entered in the “Actual Quantity” column of the Revised Farm Operation Report for the commodity;</p> <p>(2) the quantity and expected revenue of the replacement commodity, with expected value calculated as of the date of planting or purchase, is entered in the “Actual Quantity” and “Expected Revenue” columns, respectively, of the Revised Farm Operation Report for the replacement commodity; and</p> <p>(3) the expected revenue of the commodity not produced in (1) is reduced, to not less than zero, by the expected revenue of the replacement commodity, and the reduced amount is entered in the “Expected Revenue” column of the Revised Farm Operation Report for the commodity not produced (or with reduced production and replacement); and the expected revenue of the replacement commodity is entered in full along with the acres/head, etc., of the replacement commodity. The expected value of the replacement commodity will be as of the date the commodity was planted or purchased for further growth or purchased for resale.</p>

**D. Reporting Destroyed Commodities and those Prevented from Being Produced
(continued)**

IF a commodity identified in the “Intended” column of the Farm Operation Report on SCD is ...	AND ...	THEN ...
produced but was damaged prior to harvest and prior to the time the Revised Farm Operation Report is submitted	the AIP determines the damage was NOT due to an insured cause of loss	the quantity produced and the expected revenue from the Intended Commodity Report are entered in the “Actual Quantity” and “Expected Revenue” columns, respectively, of the Revised Farm Operation Report for the commodity.
	(1) the AIP verifies the damage was due to an insured cause of loss; and (2) the commodity was or was not replanted, or will not be replaced by the production or purchase of a different commodity in the insurance year	the quantity of the commodity that was damaged and the expected revenue from the Intended Commodity Report are entered in the “Actual Quantity” and “Expected Revenue” columns, respectively, column of the Revised Farm Operation Report for the commodity.
	(1) AIP verifies the damage was due to an insured cause of loss; and (2) the commodity has been replanted or replaced.	the quantity of the commodity that was damaged and replanted and the expected revenue from the Intended Commodity Report are entered in the “Actual Quantity” and “Expected Revenue” columns, respectively, column of the Revised Farm Operation Report for the commodity: (1) If the total amount of the commodity is different, the changes in amounts will be determined the same as if a covered cause of loss occurred to a portion of the commodity; and, (2) If part of the commodity was replaced by another commodity, the replacement commodity provisions above apply to that portion.

48 Revised Farm Operation Report (Continued)

D. Limitations

The Approved Revenue cannot exceed \$8.5 million divided by the coverage level elected by the insured. If this occurs the Approved Revenue will be capped. Any applicable Animal/Animal Products and Nursery/Greenhouse limitations must be calculated prior to applying the Approved Revenue limit (See paragraph 143F). Regardless of any limitation, all allowable revenue earned during the insurance year will be considered revenue to count.

Example: At Revised Farm Operation Report time the Approved Revenue is \$12,000,000. The insured has elected the 85 percent coverage level. \$8,500,000 divided by .85 equals \$10,000,000, so the Approved Revenue for this farm is capped at \$10,000,000. Insured Revenue will equal to \$8,500,000 and all revenue earned during the insurance year will be considered revenue to count.

49 Final Farm Operation Report

The total production for each commodity produced or purchased for resale in the insurance year, and the revenue actually received, or the expected value as of the last day of the insurance period if the production was not sold, must be provided:

- (1) in the “Final” columns of the Farm Operation Report; and
- (2) at the earlier of the time a claim is submitted for indemnity or the SCD of the subsequent insurance year, unless this is not required as specified in the SP. If the final report is not provided, the insured will be limited to a 65 percent coverage level for the next insurance year.

50 IRS Tax Forms and Supporting Records

A. IRS Tax Forms

Copies of the applicable IRS tax form(s), such as Schedule F, Form 1040, Form 1120, Form 1041, Form 1065, Form 1102S, and Form 4835, must be provided to the AIP for each tax year in the whole-farm history period.

The AIP must request supporting records to verify the allowable revenue and allowable expenses on the Whole-Farm History Report when the AIP has reason to believe the farm tax form(s) do not provide adequate documentation of revenue or expenses for WFRP purposes. In such cases, the AIP must not accept any Whole-Farm History Report if the allowable revenue for any year cannot be verified through the requested supporting records.

B. Substitute Schedule F

Persons who do not file a Schedule F tax form must report and certify allowable revenue and expenses in the same manner as provided on a Schedule F tax form using a Substitute Schedule F. The person must use the same accounting period when completing the Substitute Schedule F as was used on the farm tax form they filed with the IRS for the applicable year.

In addition to the Substitute Schedule F, such persons must provide:

- (1) the farm tax forms filed with the IRS; and
- (2) supporting records for each year no Schedule F tax form was filed

The AIP must not accept any Whole-Farm History Report that does not include or is not supported by a Substitute Schedule F and associated supporting records if no Schedule F tax form was filed.

See exhibit 13 for an example of a Substitute Schedule F.

C. Supporting Records

Adjustments are required when revenue not covered by WFRP is reported on the person's Schedule F or Substitute Schedule F. Revenue not covered is provided in paragraph 44D. Such revenue must be:

- (1) subtracted from the revenue reported to IRS; and
- (2) documented via supporting records.

Supporting records include third party verifiable documentation such as accounting records, farm management records, warehouse receipts, ledger sheets, sales receipts/records, settlement sheets, accounts paid, payroll receipts, copies of payments made to the Social Security Administration for tax payments, canceled checks showing the banking institution's stamp of payment, and feeding records. Supporting records regarding the buying or selling of a commodity must include the:

- (1) name of the commodity;
- (2) name of buyer, seller, store house, or marketing outlet, as applicable; and
- (3) date and year of transaction.

The AIP must not accept any revenue amount or an adjustment to the revenue amount if the amount reported for WFRP purposes cannot be verified through the use of supporting records.

51 WFRP Database

An insured's WFRP database consists of their revenue and expense history for the five consecutive tax years prior to the tax year immediately preceding the insurance year.

Example: The five consecutive years of revenue and expense history in a database for the 2015 insurance year are 2009 through 2013. There is always a lag year before the insurance year.

The revenue and expense history for a tax year must remain in the database until the tax year is outside the five year whole-farm history period, or it is determined the revenue or expenses for a tax year must be corrected.

52 Premium Calculation and Subsidy

- (1) The pilot county with the largest amount of expected revenue on the farm is the county that should be listed on the application and Farm Operation Report. Premium rates from this county will be used to determine premium under WFRP. Calculate the WFRP premium according to the Section 14 of the WFRP policy. See the Detail Worksheet of the Cost Estimator on the RMA website for an example.
- (2) If insureds purchases or has purchased individual Federal crop insurance policies issued under the authority of the Act, the insured revenue will be adjusted to reflect these purchases for premium calculations only.
- (3) Do not include the liability for commodities such as pasture and rangeland insured under the Rainfall Index or Vegetation Index policies because these commodities are not insured under the WFRP Policy.
- (4) The subsidy amount will be based on the commodity count with farms that have two or more commodities receiving a whole-farm subsidy and farms with one commodity receiving a basic subsidy. If a farmer or rancher qualifies as a Beginning Farmer or Rancher, the subsidy amount will be an additional ten percentage points and no administrative fee will be due.
- (5) The premium subsidy for acres on native sod will be calculated in accordance with the reduced amount of subsidy allowed for native sod acres.

53-70 (Reserved)

Section 2 Revenue and Expense Calculations

71 Revenue

A. Average Revenue

Average revenue is the simple average of the allowable revenue for the years in the whole-farm history period rounded to the nearest whole dollar. To calculate the average revenue, sum the allowable revenue for each of the years in the whole-farm history period, divide the total by five, and round the result to the nearest whole dollar.

Example: Insured A has the following allowable revenue: \$130,500 for 2009; \$149,500 for 2010; \$112,000 for 2011; \$139,600 for 2012; and \$160,360 for 2013. Insured A's average revenue is \$138,392 [(\$130,500 + \$149,500 + \$112,000 + \$139,600 + \$160,360) ÷ 5].

B. Indexed Average Revenue

Indexed average revenue is calculated for persons with increasing revenue to determine if increased coverage is applicable. Not all persons qualify to use indexed average revenue. To qualify for indexed average revenue, the allowable revenue for at least one of the two most recent tax years in the whole-farm history period must be greater than the average revenue calculated for the whole-farm history period.

The following table provides the steps for calculating indexed average revenue. The person's average expenses must also be indexed if the revenue trend factor calculated in step three is greater than 1.000. See paragraph 72B for calculating indexed average expenses.

Step	Action
1	<p>Divide the allowable revenue for each tax year in the whole-farm history period by the allowable revenue from the previous tax year. There is no calculation for the first year in the whole-farm history period because there is no previous tax year. Round the result to three decimal places. For WFRP purposes, the result is capped at 1.200 and cupped at 0.800.</p> <p>Example: Insured A has the following allowable revenue: \$130,500 for 2009; \$149,500 for 2010; \$112,000 for 2011; \$139,600 for 2012; and \$160,360 for 2013. The following is the result of the first step in the indexed average revenue calculation by year.</p> <p style="margin-left: 40px;">2010 = 1.146 (\$149,500 ÷ \$130,500) 2011 = 0.749 (\$112,000 ÷ \$149,500) (cupped at .800) 2012 = 1.246 (\$139,600 ÷ \$112,000) (capped at 1.200) 2013 = 1.149 (\$160,360 ÷ \$139,600)</p>
2	<p>Sum the results for each year obtained in step 1, then divide the total by four. Round result to three decimal places. For WFRP purposes, the result is floored at 1.000.</p> <p>Example: Continuing the example in step 1, including the cup and cap routines, the result of the second step in the indexed average revenue calculation is 1.074 [(1.146 + 0.800 + 1.200 + 1.149) ÷ 4].</p>

71 Revenue (Continued)

B. Indexed Average Revenue (continued)

Step	Action
3	<p>Multiply the result of step 2 by itself four times to obtain the revenue trend factor. Round result to three decimal places.</p> <p>Example: Continuing the example in step 1, the result of the third step in the indexed average revenue calculation is 1.331 (1.074 x 1.074 x 1.074 x 1.074).</p>
4	<p>Multiply the revenue trend factor calculated in step 3 by the average revenue. Round result to nearest whole dollar. The result is the indexed average revenue.</p> <p>Example: Continuing the example in step 1, Insured A's indexed average revenue is \$184,200 (1.331 x \$138,392). See subparagraph B for determining average revenue of \$138,392.</p>

C. Expanded Operation Average Revenue

Expanded operation average revenue must be calculated for all applicants/insureds when:

- (1) the insured provides documentation indicating their operation is physically expanding (i.e., added land, increase in animals produced, addition of a greenhouse);
- (2) the increase for the current year's total expected revenue will be at least ten percent more than the Simple Average on the Whole-Farm History Report year's allowable revenue; and
- (3) is approved by the AIP.

Expanded operation average revenue is calculated by multiplying the average revenue by 1.10 as specified in section 16(f) of the WFRP policy. Round the result to the nearest whole dollar. The person's average expenses must also be adjusted. See paragraph 72C for calculating the expanded operation average expenses.

D. Whole-Farm Historic Average Revenue

The average revenue is calculated on the Whole-Farm History Report. The applicant's/insured's whole-farm historic average revenue is the highest of their:

- (1) simple average;
- (2) indexed average revenue; or
- (3) expanded operation average revenue.

The whole-farm historic average revenue is then entered on the Farm Operation Report.

71 Revenue (Continued)

E. Total Expected Revenue

The Total Expected Revenue is determined by the commodities listed on the Farm Operation Report and valued using the Expected Value Guidelines in exhibit 18. The Total Expected Revenue is used in determining premium amount and approved revenue.

F. Approved Revenue

The approved revenue is determined by the AIP, and is used to calculate the WFRP coverage amount and premium.

The approved revenue is determined on the Farm Operation Report and is the lesser of the:

- (1) total expected revenue; or
- (2) whole-farm historic average revenue.

72 Expenses

A. Average Expenses

Average allowable expenses is the simple average of the allowable expenses for the years in the whole-farm history period rounded to the nearest whole dollar. To calculate the average allowable expenses, sum the allowable expenses for each of the years in the whole-farm history period, divide the total by five, and round result to the nearest whole dollar.

Example: Insured A has the following allowable expenses: \$83,500 for 2009; \$109,660 for 2010; \$83,500 for 2011; \$73,900 for 2012; and \$110,370 for 2013. Insured A's average expenses are \$92,186 $[(\$83,500 + \$109,660 + \$83,500 + \$73,900 + \$110,370) \div 5]$.

B. Indexed Average Expenses

Indexed average expenses must be calculated if the person qualified for indexed average revenue and the revenue trend factor is greater than 1.000. See paragraph 71C to determine if the person qualifies for indexed average revenue.

B. Indexed Average Expenses (continued)

The following table provides the steps for calculating indexed average expenses.

Step	Action
1	<p>Divide the allowable expenses for each tax year in the whole-farm history period by the allowable expenses from the previous tax year. There is no calculation for the first year in the whole-farm history period because there is no previous tax year. Round the result to three decimal places. For WFRP purposes, the result is capped at 1.200 and floored at 0.800.</p> <p>Example: Insured A has the following allowable expenses: \$83,500 for 2009; \$109,660 for 2010; \$83,500 for 2011; \$73,900 for 2012; and \$110,370 for 2013. The following is the result of the first step in the indexed average expenses calculation by year.</p> <p style="text-align: center;"> $2010 = 1.313 (\\$109,660 \div \\$83,500)$(capped at 1.200) $2011 = 0.761 (\\$83,500 \div \\$109,660)$(cupped at .800) $2012 = 0.885 (\\$73,900 \div \\$83,500)$ $2013 = 1.494 (\\$110,370 \div \\$73,900)$(capped at 1.200) </p>
2	<p>Sum the results for each year obtained in step 1, then divide the total by four. Round result to three decimal places. For WFRP purposes, the result is floored at 1.000.</p> <p>Example: Continuing the example in step 1, the result of the second step in the indexed average expenses calculation is 1.021 $[(1.200 + 0.800 + 0.885 + 1.200) \div 4]$.</p>
3	<p>Multiply the result of step 2 by itself four by to obtain the expense trend factor. Round result to three decimal places.</p> <p>Example: Continuing the example in step 1, the result of the third step in the indexed average expenses calculation is 1.087 $(1.021 \times 1.021 \times 1.021 \times 1.021)$.</p>
4	<p>Multiply the expense trend factor calculated in step 3 by the average expenses. Round result to nearest whole dollar. The result is the indexed average expenses.</p> <p>Example: Continuing the example in step 1, Insured A's indexed average expenses is \$100,206 $(1.087 \times \\$92,186)$. See subparagraph A for determining average expenses of \$92,186.</p>

C. Expanded Operation Average Expenses

Expanded operation average expenses must be calculated for all applicants/insureds when :

- (1) their operation is physically expanding (i.e., added land, increase in animals produced, addition of a greenhouse);
- (2) the increase for the current year’s total expected revenue will be at least ten percent over the previous year’s allowable revenue: and
- (3) is approved by the AIP. See paragraph 71D for determining expanded operation average revenue.

Expanded operation average expenses are calculated by multiplying the average expenses by 1.10. Round the result to the nearest whole dollar.

D. Whole-Farm Historic Average Expenses

The whole-farm historic average expenses are determined on the Whole-Farm History Report and are the expenses that correspond to the whole-farm historic average revenue. See paragraph 71E for determining whole-farm historic average revenue.

E. Approved Expenses

The approved expenses are the expenses the farm operation is expected to incur during the insurance year based on the whole-farm historic average expenses from the Whole-Farm History Report adjusted based on a comparison of the total expected revenue determined on the Farm Operation Report to the whole-farm historic average revenue.

The following table provides how to determine approved expenses.

IF the approved revenue is ...	THEN the approved expenses are
equal to the total expected revenue	calculated by dividing the total expected revenue by the average allowable revenue and rounded to three decimal places, and multiplying the result by the average allowable expenses. Round result to the nearest whole dollar. Example: Insured A has total expected revenue of \$161,750, average allowable revenue of \$138,392, and average allowable expenses of \$92,186. Insured A’s approved expenses are \$107,765: $\$161,750 \div \$138,392 = 1.169$ $1.169 \times \$92,186 = \107.765
equal to the whole-farm historic average revenue	the whole-farm historic average expenses determined on the Whole-Farm History Report.

A. Purpose and Reports

- (1) The inventory is used to adjust the approved revenue to only revenue produced during the insurance year.
 - (a) If the farm has Animals and Animal Products or Nursery and Greenhouse, those inventory items should be recorded on the Market Animal and Nursery Inventory Report because they are valued at both the beginning and ending periods.
 - (b) All other inventory items are recorded on the Inventory Report and valued at the end of the insurance period.
- (2) Accurate and complete inventory information will be used to:
 - (a) ensure that revenue produced in previous years is removed from the current year's approved revenue;
 - (b) maintain an accounting of commodities on hand at the beginning and at the end of the insurance year;
 - (c) determine the amount of revenue earned during the insurance year for commodities, including nursery, greenhouse, and animals, that are held for more than one insurance year to realize a gain in revenue because of an increase in size or maturity, such as trees, shrubs, and bushes in a nursery; and
 - (d) calculate revenue-to-count when there is loss claimed.

Important: See paragraph 106 for revenue-to-count calculation.

B. Deadlines

Beginning inventories must be provided to the AIP on or before:

- (1) the SCD for persons who are calendar and early fiscal year tax filers; or
- (2) the last day of the month in which the fiscal year begins for persons who are late fiscal year tax filers, but no later than October 31.

C. Inventory Report Requirements

The inventory report must provide a count or measurement of the person's quantity of the commodity in inventory using the unit of measure in which the commodity is marketed, such as bushels, tons, pounds, boxes, head, or carton. Units of measure can be found in exhibit 4. The inventory should list multiple lines for a commodity if the type or variety has local market expected values that vary substantially by type or variety.

C. Inventory Report Requirements (continued)

All insurable commodities that are stored, unharvested, held for sale, or held for on-farm use but are not used by the end of the insurance year must be included on the Inventory Report or Market Animal and Nursery Inventory Report regardless of whether the commodity was harvested, held to realize a gain in maturity or size, or was simply unsold.

D. Supporting Records

The information on the Inventory Report and the Market Animal and Nursery Inventory Report must be substantiated by the AIP using verifiable supporting records, including but not limited to:

- (1) storage records from elevators, packing houses, warehouses or other commercial storage facilities;
- (2) measurements of farm stored production if measured by an AIP, FSA, or other USDA authorized representative;
- (3) complete and accurate count of animals; and
- (4) complete and accurate count of nursery commodities.

E. Beginning Inventory

The beginning inventory will not include commodities planted solely for production during the insurance year (i.e. corn planted that will be harvested in the insurance year) but will include any commodity held for more than one insurance year, whether in storage, unharvested (i.e. corn from the previous year that is still in the field but ready for harvest), or to realize a gain in revenue because of an increase in size or maturity, such as animals, trees, shrubs, and bushes in a nursery. See paragraphs 143 and 144 for more information about inventory requirements for animals and nursery commodities.

However, some commodities, such as avocados and citrus, may mature to the point the commodity is regarded as produced and saleable at established markets but remain “stored on the tree” for several additional months. Such saleable production that was produced in the previous insurance year but is “stored on the tree” at the beginning of the current insurance year must be accounted for on the inventory report for the current insurance year.

For Market Animals and Nursery Inventory, the inventory will be valued at the beginning of the insurance period so that the gain in value of the commodity during the insurance year, can be measured at the end of the insurance period.

73 Inventory (Continued)

F. Ending Inventory

The ending inventory is completed at the end of the insurance year and the difference in value, or the ending inventory less the beginning inventory, is used as the adjustment amount. The Inventory adjustments will be used on the Claim for Indemnity Form in item 22 for the Inventory Report and item 24 for the Market Animal and Nursery Inventory Report.

74 Accounts Receivable and Accounts Payable Report

A. When to Submit

- (1) The Beginning Accounts Receivable and Accounts Payable Report will be completed and valued on:
 - (a) January 1 of the insurance year for insureds that are calendar tax filers; and
 - (b) the first day of the month in which the fiscal year begins for insureds that are early or late fiscal year tax filers but no later than October 31. Therefore, late fiscal filers who have fiscal years beginning in November or December will be required to complete their Accounts Receivable and Accounts Payable Report by October 31 along with their Revised Farm Operation Report.
- (2) The Ending Accounts Receivable and Accounts Payable Report will be completed and valued on:
 - (a) December 31 of the insurance year for insureds that are calendar year tax filers; and
 - (b) the last day of the month in which the fiscal year ends for insureds that are early or late fiscal year tax filers.

B. Accounts Receivable

Revenue from commodities produced during the insurance year that have been sold and are no longer on the farm but for which payment has not been received are reported in Part 2 of the Accounts Receivable and Accounts Payable Report. If the value is shown on the farm tax forms due to the accounting method, then the commodity would not be listed on the Accounts Receivable and Accounts Payable Report. The amount of accounts receivable will count as revenue for the insurance year and is entered in item 23 of the Claims for Indemnity Form.

Example: Insured A sold and delivered 100 boxes of cucumbers to a processor for a specified price, but has not received the payment from the processor. Insured A has another 200 boxes of cucumbers they have not sold and for which there is no specified price. Insured A includes the 100 boxes of cucumbers sold to the processor in the Accounts Receivable and Accounts Payable Report, and includes the other 200 boxes in the Inventory Report.

B. Accounts Receivable (continued)

The values in accounts receivable must be the amount due the insured for the commodity minus the cost, or other basis, of the commodity if the commodity was purchased for resale.

Example: Insured B purchased 200 units of kiwis for resale at a cost of \$400. Insured B sold the 200 units of kiwis for \$1,000, but has not received payment. The Accounts Receivable Report should show \$600 (\$1,000 - \$400) as accounts receivable for the 200 units of kiwis.

If any accounts receivable were previously written off as uncollectable and are not included in the beginning Accounts Receivable and Accounts Payable Report, but are then collected by the insured during the insurance year, these accounts receivable will not be included in cash receipts for the insurance year because they are revenue from the previous year. These amounts should be removed from the commodity income on the Allowable Revenue Worksheet in the adjustments to income.

The AIP must not accept any accounts receivable amount if the amount reported for WFRP purposes cannot be verified through the use of supporting records.

See paragraph 146 for instructions on how to handle co-operative cash payments and allocations.

C. Accounts Payable

Accounts payable for the insured farm are reported in Part 3 of the Accounts Receivable and Accounts Payable Report to count for expenses incurred but that are not yet showing up on the farm tax forms. The Accounts Receivable and Accounts Payable Report is used to add expenses incurred prior to the insurance year to the Approved Expenses in the history period. It will also be used to add expenses incurred during the year but not yet paid for and not showing up on the farm tax forms to the approved expenses for the insurance year. This is important because if substantial expenses are not yet paid for, which can happen for tax purposes, the insurance year expenses could be below 70 percent of the approved expenses, which would result in a reduction of insured revenue.

Example: Insured A has accounts payable for fertilizer each year. The fertilizer cost that was due should be added to the expenses on the Allowable Expense Worksheet for the current insurance year.

Insured A purchased 100 bags of fertilizer for production for the insurance year but had not paid for it. The Ending Accounts Receivable and Accounts Payable Report will show the amount to be paid for the fertilizer. This amount will be added to the Allowable Expense Worksheet for the insurance year before calculating the expense reduction factor.

The AIP must not accept any accounts payable amount if the amount reported for WFRP purposes cannot be verified through the use of supporting records.

PART 4 LOSS AND CLAIM INFORMATION

Section 1 Loss Information

91 Insurable Losses

WFRP provides protection against the loss of approved revenue due to unavoidable natural causes that occur during the insurance period.

A decline in local market price will be presumed to be from unavoidable natural causes unless the AIP or FCIC specifically identifies a man-made cause that resulted in a measurable change in the price. A decline in local market price due to man-made causes is not an insurable cause of loss.

For the initial year insured, loss of revenue from damage or decline in local market price that occurs earlier than 10 days after the AIP accepts the application is not covered.

For carryover insureds, natural causes that occurred during the preceding insurance year that result in a loss of revenue for the current insurance year are covered.

Exceptions: Insurance will not be provided for changes due to a reduction of irrigation water supply that are known, or should be known, at the time the Farm Operation Report is submitted.

92 Uninsurable Losses

The following are not covered losses under WFRP:

- (1) Negligence, mismanagement, or wrongdoing by the insured, any member of the insured's family or household, or the insured's tenants, employees, or contractors.
- (2) An act by any person that affects the revenue on the farm operation including, but not limited to, chemical drift or fire caused by anything other than a naturally occurring event.
- (3) Failure to follow recognized GFPs for each insured commodity.
- (4) Water contained by or within structures that are designed to contain a specific amount of water, such as dams, locks, or reservoir projects, when such water stays within the designed limits.

Example: A dam is designed to contain water to an elevation of 1,200 feet. Insured A plants a crop on acreage at an elevation of 1,100 feet. A storm causes the water behind the dam to rise to an elevation of 1,300 feet and floods the crop. The damage to the crop up to 1,200 feet of elevation is not an insurable cause of loss. However, damage to the crop above 1,200 feet of elevation is an insurable cause of loss.

- (5) Damage to machinery or equipment.
- (6) Failure to carry out good irrigation practices for an insured commodity, if applicable.

92 Uninsurable Losses (Continued)

- (7) Failure or breakdown of irrigation equipment or facilities, or the inability to prepare the land for irrigation using the established irrigation method unless the failure, breakdown, or inability is due to an unavoidable natural cause.
- Important:** Insured must make all reasonable efforts to restore the equipment or facilities to proper working order within a reasonable amount of time, unless the AIP determines it is not practical to do so. Cost will not be considered when determining whether it is practical to restore the equipment or facilities. Failure of the insured to make all reasonable efforts to restore the equipment and facilities will result in any loss from the failure or breakdown of the irrigation equipment or facilities being an uninsured loss.
- (8) Theft, mysterious disappearance, or vandalism of an insured commodity.
- (9) Inability to market the commodities due to quarantine, boycott, or refusal of any person to accept any insured commodities.
- (10) Lack of labor to properly care for, harvest, or perform any necessary production activities for any insured commodity.
- (11) Failure to receive payment for produced commodities.
- (12) Failure to follow the requirements contained in any processor contract.
- (13) Abandonment of an insured commodity.
- (14) Failure to obtain a price for any commodity that is reflective of the local market value.
- (15) Deterioration of commodities while in storage that reduces the quality or value, unless the deterioration was due to damage caused by an unavoidable natural disaster while the crop was in the field. Such deterioration by an unavoidable natural disaster must be documented by the insured and reported to the AIP. The quantity in storage will be valued at an amount not less than the local market value for the undamaged commodity if:
- (a) the insured fails to notify the AIP of deterioration and cause of damage;
 - (b) cause of damage was due to anything other than unavoidable natural disaster; or
 - (c) the insured fails to adequately document the damage.
- (16) Decline in local market prices due to man-made causes.

92 Uninsurable Losses (Continued)

Uninsurable losses will be valued and added to the revenue-to-count, which will decrease any loss payments. Revenue-to-count must be increased for commodities that are damaged by anything other than an unavoidable natural disaster. If a commodity deteriorates while in storage and is sold for less than the local market value for the undamaged commodity, the revenue-to-count must be increased by an amount equal to the difference between the dollar amount received for the damaged commodity and the dollar amount that would have been received for the commodity using the local market value if it was not damaged.

93 Quality Determinations

When the crop is damaged by an insurable cause of loss, the WFRP policy provides coverage for quality by using the actual price received or the local market value for unsold damaged commodities. (Exception; Quality coverage in the form of price differences is not covered when crops are in storage.)

94 Duties in the Event of Damage or Loss

A. Insured's Duties in the Event of Damage or Loss

The AIP must instruct the insured of the following duties.

- (1) The insured must provide a notice of loss to the AIP within 72 hours of their initial discovery that the allowable revenue on the farm operation may be less than the insured revenue. The notice must specify the damaged commodity and document the cause of loss.
- (2) If the insured is not able to market any insured commodity (including refusal of a buyer to accept a commodity), the insured must provide a notice of loss stating that he/she is unable to market the commodity and document the reason the commodity cannot be marketed (e.g., quarantine, failure to meet the requirements of a processor contract, etc.).
- (3) The insured is required to report market fluctuations that are specifically related to the condition or marketability of commodities on the farm operation.
- (4) In case of potential loss of revenue to any insured commodity, the insured must:
 - (a) Protect the commodity from further damage by providing sufficient care if the cost of the care will not exceed the value of the commodity; and
 - (b) Cooperate with the AIP in the settlement or investigation of the claim, and, as often as the AIP reasonably requires:
 - (i) Allow the AIP to inspect the damaged commodity;
 - (ii) Allow the AIP to remove samples and determine the extent of damage; and

A. Insured's Duties in the Event of Damage or Loss (continued)

- (iii) Provide the AIP with acceptable records and documents requested, and permit the AIP to make copies of those records or documents.
- (5) The insured must notify the AIP and obtain the AIP's consent before abandoning, disposing of, or destroying any damaged or undamaged insured commodities, or selling a commodity for any reason other than its intended purpose or to someone other than a disinterested third party.
 - (a) If the AIP does not inspect the insured commodity within 15 days after notification, the insured may abandon, dispose of, sell, or destroy the insured commodity without the AIP's consent. THIS PROVISION IS NOT APPLICABLE TO REPLANTS.
 - (b) If the AIP determines that expenses associated with the harvest or preparation of a commodity would be greater than the allowable revenue from the sale of the commodity, the AIP will not include the potential revenue of the commodity when determining revenue-to-count if the commodity is not harvested.
- (6) If the insured fails to comply with any of the notice requirements of the WFRP policy:
 - (a) the AIP will consider any loss on the portion of the commodity (damaged acres or other applicable unit of measure for the commodity) for which the insured failed to provide notice to be due solely to uninsured causes, unless the AIP determines that they have the ability to accurately determine the amount and cause of loss; and
 - (b) the insured will be required to pay all premiums owed for the policy, including premium for any portion of the commodity the AIP considers damaged due solely to uninsured causes.

B. AIP Duties in the Event of Damage or Loss.

- (1) The AIP will recognize and apply the claim adjustment and other procedures established or approved by FCIC.
- (2) The AIP will verify completeness and accuracy of the insured's Whole-Farm History Report, Farm Operation Report, Beginning and Ending Inventory, Allowable Revenue and Allowable Expense Worksheets, Beginning and Ending Accounts Receivable and Beginning and Ending Accounts Payable, and any other supporting information used to complete the Claim for Indemnity Form.
- (3) The AIP will use the insured's farm tax forms to calculate the allowable revenue and allowable expenses for the insurance year including any required adjustments, to determine if the insured has an insurable loss.

94 Duties in the Event of Damage or Loss (Continued)

B. AIP Duties in the Event of Damage or Loss (Continued)

- (4) If the insured has complied with all the policy provisions, the AIP will pay the loss for a replant or for a claim for indemnity within 30 days after:
 - (a) Agreement is reached with the insured;
 - (b) Completion of arbitration or appeal proceedings;
 - (c) Completion of any investigation by USDA, if applicable, of the insured's current claim for indemnity if no evidence of wrongdoing is found. (If any evidence of wrongdoing is discovered, the amount of any indemnity, or replant overpayment as a result of such wrongdoing may be offset from any indemnity owed to the insured); or
 - (d) The entry of a final judgment by a court of competent jurisdiction.
- (5) In the event the AIP is unable to pay the insured's loss within 30 days, the AIP will give the insured notice of their intentions within the 30-day period.

95 Replant Payment

A. Qualifications for a Replant Payment

- (1) The damaged commodity must be an annual plant;
- (2) The insured commodity must be damaged by an insurable cause;
- (3) The AIP must determine that it is practical to replant, and give consent to replant;
- (4) The acreage replanted must be at least 20 acres or 20 percent of the insured planted acreage for the commodity;
- (5) The insured must submit verifiable records that show their actual cost of replanting; and
- (6) The AIP may inspect the acreage prior to making the replant payment.

No replant payment will be made on acreage on which one replant payment has already been allowed for the insurance year.

A Replant Payment Worksheet must be completed if the insured qualifies for a replant payment. In the Narrative Section of the worksheet or on a Special Report, document how the qualifications for a replant payment have been met.

B. Maximum Replant Payment

The maximum amount of the replant payment per acre will be the LESSER OF:

- (1) Exclusive of share, only the insured's actual replant cost; or
- (2) 20 percent of the expected revenue per acre for the commodity as reported in the Farm Operation Report multiplied by the coverage level.

Determine the amount of a replant payment shown in the following example. Show all calculations in the Narrative section of the Claim for Indemnity Form or on a Special Report.

EXAMPLE 1

50 acres of commodity replanted

Actual cost per acre to replant = \$75.00 (verified from actual records)

20% of the per acre guarantee multiplied by coverage level= \$127.50 (\$750 per acre guarantee x 20% x 85%)

The lesser of \$75.00 or \$127.50 is \$75.00.

Replanting Payment = \$3,750 (\$75.00 x 50 acres)

Enter the replant calculations in the "Narrative" of the Replant Payment Worksheet.

96-100 (Reserved)

Section 2 Claim Information

101 Adjustments to Revenue

A. General Information

Adjustments to revenue are required for claim purposes regardless of the accounting method, cash or accrual, used by the insured. For claims purposes, revenue will be considered earned regardless of whether the revenue is reported to the IRS during the tax period applicable to the insurance year. See paragraph 7 for information about cash and accrual accounting methods.

Adjustments to revenue for increases and decreases in inventory or accounts receivable for the insurance year are made by subtracting the beginning balance from the ending balance. Positive amounts are added to the allowable revenue and negative amounts are subtracted. See subparagraph B and the Claims for Indemnity Form for adjustments for inventory and accounts receivable.

B. Adjustments for Accounts Receivable

Determine the amount to add to or subtract from to the insured's allowable revenue for the insurance year by subtracting the beginning balance of accounts receivable from the ending balance of accounts receivable for the insurance year. Values shown on the Accounts Receivable Report will not include the cost of the commodity being valued if the commodity was purchased for resale.

Accounts receivable from previous years that were determined to be uncollectable and were not reported as Beginning Accounts Receivable, but that are collected by the insured during the insurance year will not be included in cash receipts for the insurance year. Any amounts reported on the farm tax form as revenue should be adjusted out of the revenue on the Allowable Revenue Worksheet. The beginning balance of all accounts receivable must not include the cost, or other basis, of the commodity if the commodity was purchased for resale.

Example: Insured B purchased 200 units of Mums for resale. The 200 units cost \$400. Insured B sold the 200 units of Mums for \$1,000, but has not received payment. Insured B should report \$600 ($\$1,000 - \400) as the beginning accounts receivable for the 200 units of Mums.

See paragraph 74 for information about accounts receivable.

Sum the balances (column 9 of Part 2) on the Accounts Receivable and Accounts Payable Report. Negative numbers will make the number smaller, positive numbers will make the number larger. The final result may be positive or negative. The final result is put in item 23 on the Claim for Indemnity Form.

101 Adjustments to Revenue (Continued)

Example: Insured A reports \$50,000 revenue for the insurance year. Insured A reports a loss under WFRP, and had \$6,000 beginning balance and \$12,000 ending balance on the Accounts Receivable Report for the insurance year. The AIP subtracts the beginning accounts receivable from the ending accounts receivable to get +\$6,000 (\$12,000-\$6,000). This number will be entered in box 23 of the on the Claims form and will be added to the allowable revenue for the insured year because it is a positive number.

See subparagraph D for another example.

C. Adjustments for Inventoried Commodities Not Held To Realize a Gain

The insured's revenue for the insurance year must also be adjusted based on the amount and value of commodities in the insured's beginning and ending inventory. The value of the beginning inventory is subtracted from the value of the ending inventory to calculate the adjustment. This amount is then entered on the Claim for Indemnity Form in item 22. If it is a positive number the amount will be added to the allowable revenue for the insurance year, if it is a negative number the amount will be subtracted from the allowable revenue for the insurance year.

Example: Insured A has \$50,000 allowable revenue for the insurance year. Insured A reports a loss under WFRP, and has the following: Beginning inventory of 6,000 units of commodity B that was produced in the prior year; Ending inventory of 500 units of commodity A valued at \$2.00 per unit, and 1,000 units of commodity B valued at \$1.00 per unit, all of which was produced during the insurance year. The 6,000 units of commodity B that were produced in prior year was sold for \$1.00 per unit during the insurance year. The table below shows the inventory adjustment (-\$4,000), which is transferred to Box 22 of the claims form to adjust the allowable revenue for the insurance year to \$46,000 (\$50,000-\$4,000).

COMMODITY NAME	Beginning Inventory	Value	Value Received	Ending Inventory	Value	Net Value
Commodity B	6000 units	\$1.00/unit.	\$6,000	1000 units	\$1.00/unit	\$1,000
Commodity A				500 units	\$2.00/unit	\$1,000
Total Beginning Value			\$6,000	Total Ending Value		\$2,000
Inventory Adjustment: Total Ending Value (\$2,000) - Total Beginning Value (\$6,000) = -\$4,000						

A. Accrual Adjustments to Expenses

An insured's allowable expenses for the insurance year will be determined from their IRS tax form(s) for the insurance year. However, an insured using a cash accounting method will have their allowable expenses adjusted using accrual accounting methods when:

- (1) the insured prepays expenses and supplies to a greater extent than they historically did in the whole-farm history period; or
- (2) losses in the insurance year prevent insured from prepaying for expenses and supplies to the extent they did historically in the whole-farm history period.

Beginning and ending balances of prepaid expenses and accounts payable are required to make accrual adjustments to expenses.

B. Adjustments for Changes in Prepaid Expenses

Prepaid allowable expenses are expenses for supplies purchased in the current year for use in the production of commodities in future years. Such expenses are reported to IRS as an expense in the year purchased. Because they are prepaid, the expense is valued at the cost paid. The supplies may be held on the insured's farm(s) or held with the seller.

Example: Insured A purchases fertilizer in the current year that will be used in the production of commodities in the subsequent year. The cost of the fertilizer is a prepaid expense. Insured A may have the fertilizer on his farm or it may be held by the seller.

Subtract the ending balance of prepaid expenses from the beginning balance to calculate the amount to add or subtract from the insured's cash basis expenses. If the result of subtracting the ending balance of prepaid expenses from the beginning balance is:

- (1) positive, insured's cash basis expenses will be decreased by the calculated amount;
- (2) negative, insured's cash basis expenses will be increased by the calculated amount.

See paragraph D for an example.

C. Adjustments for Changes in Accounts Payable

Subtract the beginning balance of the accounts payable from the ending balance to calculate the amount to add or subtract from the insured's expenses. If the result of subtracting the beginning balance of operating accounts payable from the ending balance is:

- (1) positive, insured's cash basis expenses will be increased by the calculated amount;
- (2) negative, insured's cash basis expenses will be decreased by the calculated amount.

Accounts payable for allowable expenses will be valued at actual amount owed.

See subparagraph D for an example.

102 Adjustments to Expenses (Continued)

D. Example of Accrual Adjustments to Expenses for Income Taxes Filed on a Cash Basis

The following is an example of the calculations and accrual adjustments to expenses when allowed according to subparagraph A.

Insured A reports a loss and the following information:

Total allowable expenses for the insurance year:	\$100,000
Beginning prepaid expenses:	\$9,000
Ending prepaid expenses:	\$8,000
Beginning Accounts Payable:	\$5,000
Ending Accounts Payable:	\$6,500

The AIP calculates the amount of adjustment to the insured's cash basis expense amount according to the following table.

	Beginning Value	Ending Value	Adjustment Amount
Prepaid Expenses	\$9,000	\$8,000	\$1,000 (\$9,000 - \$8,000)
Accounts Payable	\$5,000	\$6,500	\$1,500 (\$6,500 - \$5,000)
Total			\$2, 500

The AIP adjusts Insured A's allowable expenses for the insurance year to an accrual basis allowable expenses of \$102,500 (\$100,000 + \$2,500).

103 Changes Occurring Within Insurance Year

A. Effect of Changes

At the time a claim is filed, the AIP must evaluate the effect of any unreported changes that affects the approved revenue. The AIP must obtain, from the insured, documentation indicating the reasons for discrepancies identified between the information provided on the Revised Farm Operation Report and the Claim for Indemnity Form when a claim is filed.

Based on the documentation provided and the evaluation conducted, the AIP must determine whether the approved revenue should be reduced or liability denied according to the WFRP policy. Reducing the approved revenue will require revising the Farm Operation Report.

A reduction in approved revenue or a denial of liability is not required when a commodity is not planted due to an unavoidable natural cause, such as a flood, which prevents the crop from being planted. When a comparable alternative commodity is established to replace the prevented commodity after the natural disaster, then an adjustment in revenue is required.

Structural changes may affect the approved revenue for the insured. A structural change of the insured's farm operation is any change that alters the insured's revenue compared to the insured's whole-farm historic average revenue including, but not limited to, changes in:

A. Effect of Changes (continued)

- (1) ownership;
- (2) business structure;
- (3) size of operation;
- (4) management practices;
- (5) type of farm operation; and
- (6) accounting methods.

Other changes in the insured's farm operation can also affect the approved revenue. Such changes include, but are not limited to:

- (1) intended commodities not planted;
- (2) different commodities planted than were intended;
- (3) significantly more or fewer acres planted than intended;
- (4) change in the share of the commodity(s) by the insured; and
- (5) contracts for commodities renegotiated.

B. Farm Operation Report Revisions

The AIP must correct the approved revenue and indemnity, when applicable, if the Farm Operation Report requires revision and the total expected revenue is reduced. The expenses must also be recalculated, and the premium adjusted to reflect the revised approved revenue and expenses. The insured revenue should not be increased after the Revised Farm Operation Reporting date.

The AIP may deny liability if the information used to determine approved revenue and is determined to be incorrect or is not supported by written verifiable records from a disinterested third party.

C. Approved Revenue Reduced Due to Decreased Allowable Expenses for Insurance Year

Approved revenue must be reduced when the allowable expenses for the insurance year decreases by more than 30 percent compared to the approved expenses. See paragraph 72E for determining approved expenses. This reduction, if applicable, is made when a claim is filed.

The reduced approved revenue amount is for claims purposes and does not change the approved revenue amount used to determine premium. Reasons for decreases in allowable expenses for the insurance year include, but are not limited to:

- (1) intended commodities were prevented from planting by insurable causes, and replacement commodities requiring lower expenses were planted;
- (2) the insured elects not to harvest an insured commodity because the expense of harvest exceeded the value of the commodity; and

103 Changes Occurring Within Insurance Year (Continued)

C. Approved Revenue Reduced Due to Decreased Allowable Expenses for Insurance Year (continued)

- (3) commodities damaged early in the growing season may have required less management practices.

The following table provides steps to determine how much to reduce the approved revenue.

Step	Action
1	Divide the allowable expenses for the insurance year by the approved expenses. Round result to three decimal places. Example: Insured A's approved expenses are \$100,000 with approved revenue of \$130,000. Insured A reports allowable expenses of \$68,000 for the insurance year. The result of step one for Insured A is .680 ($\$68,000 \div \$100,000$).
2	If the result of step one is: (1) less than .700, go to step three; or (2) .700 or greater, stop - no reduction in approved revenue is required. Example: Continuing example from step one, the result is less than .700; therefore, continue to step three.
3	Determine the amount below .700 to use to reduce approved revenue by subtracting the result of step two from .700. Example: Continuing example from step one, percentage to reduce approved revenue is .020 (.700 - .680)
4	Determine the amount to subtract from the approved revenue amount by multiplying the result of step three by the approved revenue. Example: Continuing example from step one, the amount to reduce from Insured A's approved revenue is \$2,600 ($\$130,000 \times .020$).
5	Determine the reduced approved revenue amount by subtracting the result of step four from the approved revenue. Round to the nearest whole dollar. Example: Continuing example from step one, Insured A's approved revenue is \$127,400 ($\$130,000 - \$2,600$).

104 Changes That Occurred in Year Prior to Insurance Year

Structural changes that occurred prior to the current insurance year must be identified on the Farm Operation Report for the current insurance year, and reflected in the total expected revenue for the current insurance year. See paragraph 103 for description of possible structural changes.

105 Damage and Price Fluctuation That Occurred in the Year Prior to the Insurance Year

A. New Insureds

WFRP does not provide coverage for losses that occur earlier than 10 days after the AIP receives a completed application. The expected revenue reported for the insurance year must not include any amount that was lost because of such damage or price fluctuation.

105 Damage and Price Fluctuation That Occurred in the Year Prior to the Insurance Year Continued)

B. Carryover Insureds

There is no lapse in WFRP coverage between the previous insurance year and the current insurance year for carryover insureds, provided all requirements are met. Loss of revenue in the current insurance year resulting from damage to insured commodities or price fluctuations from unavoidable natural causes that occurred in the previous insurance year are covered if all other WFRP requirements are met, including GFPs.

However, any revenue lost because of damage or price fluctuations will only be covered the year immediately following the insurance year when the loss occurred and will not be covered for subsequent years.

Example: Producer A's perennial crop suffered ice damage during the winter of 2015 that will cause a loss of revenue from the crop in 2016. The damage did not affect 2015 revenue. Producer A was insured under WFRP for 2015, will continue coverage in 2016, and met all WFRP requirements, including GFPs. The total amount of revenue expected for the perennial crop before the ice damage may be reported as expected revenue on the 2016 Farm Operation Report. However, beginning with the 2017 insurance year, any loss of revenue from the ice damage that occurred in 2015 will not be covered. The expected revenue reported for the perennial crop in 2017 and subsequent insurance years must not include any amount that was lost because of the 2015 ice damage.

106 Revenue-to-Count

Revenue-to-count is the allowable revenue produced successfully in the insurance year. It also includes revenue amounts determined to be produced by the inventory adjustments, accounts receivable adjustments, revenue representing any uninsurable losses, value assigned for abandoned commodities, indemnities from other federal crop insurance policies, and gains from commodity hedging.

The following table provides the steps for calculating revenue-to-count.

Step	Action	Applicable Procedure Reference
1	Determine insured's allowable revenue for the insurance year.	Paragraph 44
2	Adjust the allowable revenue determined in step one, if applicable.	Paragraph 103
3	Adjust the allowable revenue determined in step two by adding or subtracting, as applicable, required adjustments for accounts receivable.	Paragraph 101B
4	Adjust the allowable revenue determined in step three by adding or subtracting, as applicable, required adjustments on Inventory Report for commodities not held to realize a gain.	Paragraph 101C

106 Revenue-to-Count (Continued)

Step	Action	Applicable Procedure Reference
5	Adjust the allowable revenue determined in step four by adding or subtracting, as applicable, required adjustments on the Market Animals and Nursery Inventory Report for commodities held to realize a gain.	Paragraphs 143 and 144 for animals and nursery commodities
6	Add all values assigned for uninsured causes of loss to the allowable revenue determined in step five.	Paragraph 44
7	Add the value assigned to abandoned acreage/commodities to the allowable revenue determined in step six.	Paragraph 44
8	Add any gain from commodity hedging to the allowable revenue determined in step seven.	Paragraph 44
9	<p>Add the total of all Federal crop insurance indemnity payments from all other Federally reinsured policies covering commodities insured under WFRP, except for NAP payments and indemnities paid by another policy for damage or loss to a commodity that is not covered by WFRP (timber, animals for show, or pasture or rangeland insured under the Rainfall Index or Vegetation Index policies), and any other Federal program payments to the allowable revenue determined in step eight.</p> <p>Do not include indemnity payments for commodities that are not insured under the insured's WFRP policy.</p> <p>Example 1: Insured A has apples insured under WFRP and under a FCIC yield based apple policy. Any indemnity under the apple policy is included in the revenue-to-count for WFRP.</p>	Paragraph 44

107 Indemnities

A. Claim for Indemnity

- (1) No indemnity will be paid if a claim for indemnity declaring the amount of loss is not submitted on or before the following dates:
 - (a) No later than 60 days after the original date the insured's farm tax forms for the insurance year must be provided to the IRS, as specified by the IRS.
 - (b) The first day of the 7th month after the end of the insurance year unless an extension for filing a Federal tax return was filed; and
 - (c) If an extension for filing a Federal tax return was filed the insured must provide claim information based on taxes filed no later than 60 days after the date shown in the extension and provide the AIP a copy of the:
 - (i) request for Federal tax filing extension;

A. Claim for Indemnity (continued)

- (ii) proof of mailing showing the date the return was filed.
- (iii) Federal tax return showing the date it was signed; and

The AIPs may require the insured to request IRS send the AIP verification of the date insured's return was filed.

B. Changes to Filed Federal Taxes

Any change to filed Federal tax returns within three years after a claim was settled may require an adjustment to the amount of indemnity paid.

The AIP must correct the insured's indemnity, approved revenue, and WFRP database when a change is made to the insured's filed Federal tax returns that results in a five percent or greater change to the insured's approved revenue or revenue-to-count for the applicable insurance year.

Changes made to filed Federal tax returns include changes made because of amended returns or IRS audits.

C. Claims on an Accrual Basis

All claims for indemnity must be calculated on an accrual basis. The result of the calculations under the policy through the adjustments, inventory, accounts receivable, and accounts payable will be to remove production and expenses from previous years and to count production and expenses for the insured year.

D. Settlement of Claim

A claim cannot be settled until:

- (1) the insured's Federal taxes for the insurance year are filed;
- (2) any indemnities are received, if applicable, from all other Federally reinsured policies covering commodities insured under WFRP.
- (3) the AIP determines if the insured has received a NAP payment from any crop insured under the WFRP policy. (See paragraph 124)

E. Calculating Indemnity

An indemnity is earned when the revenue-to-count for the insurance year is less than the insured revenue and losses are due to insurable causes of loss.

107 Indemnities (Continued)

E. Calculating Indemnity (continued)

Important: The approved revenue amount may require an expense reduction adjustment when a claim for indemnity is completed.

The following table provides the steps for calculating an indemnity. Refer to exhibit 16 for the Claim for Indemnity Form.

Step	Action	Applicable Procedure Reference
Calculate Insured Revenue for the Insurance Year:		
1	Determine the insured's allowable expenses for the insurance year on the Allowable Expense Worksheet using the farm tax forms from the insurance year. Enter this number on the Claim for Indemnity Form	Paragraphs 45 and 102
2	Transfer Approved Expenses from the Farm Operation report to the Claim for Indemnity Form	Paragraphs 72E
3	Calculate any expense reduction	Paragraph 103C
4	Multiply the insured's approved revenue, as adjusted in step 3 if applicable, by the insured's coverage level to calculate the Insured Revenue for the year.	See paragraph 42 for available coverage levels
Calculate Revenue Loss for the insurance year		
5	Determine the insured's Allowable Revenue for the insurance year on the Allowable Revenue Worksheet using the farm tax forms for the insurance year and enter this on the Claims Form.	Paragraph 44
6	Positive and negative numbers for the Inventory adjustment, Accounts Receivable adjustment, Market Animal and Nursery adjustment, and All other adjustments are entered on the Claims form and added or subtracted from the result of (5) depending upon the sign.	Exhibits 7-9
7	Subtract the insured's revenue-to-count from step 6 from the result of step 8 to determine the Revenue Loss which is the indemnity to be paid.	See paragraph 106 to determine revenue to count.

108-120 (Reserved)

PART 5 ADMINISTRATIVE PROVISIONS

121 Assignment of Indemnity

Insureds may assign the right to an indemnity for the insurance year only to creditors or other persons to whom they have a financial debt or other monetary obligation. The procedures in the CIH regarding the assignment of indemnities apply.

122 Transfer of Coverage

Because WFRP is based on the insured's income tax information, a transfer of coverage to any other person will not be allowed unless in the case of death, disappearance, judicially declared incompetence, or dissolution of an insured person.

123 Other Insurance

The insured may insure the same commodity under WFRP and under another FCIC plan of insurance, if available, at any buy-up level of coverage (and any price percentage), unless otherwise specified in the Special Provisions.

Exception: The farm operation is ineligible for WFRP if only one commodity will be produced, based on the commodity count calculation, on the farm operation during the insurance year, and revenue protection, such as Actual Revenue History, Revenue Protection, and Revenue Protection with Harvest Price Exclusion, is available for that commodity through another plan of insurance offered under the authority of the Act. See paragraph 21B.

The farm operation is ineligible for WFRP if CAT coverage is obtained through another plan of insurance offered under the authority of the Act for any commodity on the farm operation, unless otherwise specified in the SP.

Insureds may obtain other insurance not authorized under the Act.

124 Noninsured Crop Disaster Assistance Program

- (1) A person can purchase both WFRP coverage and coverage under NAP on the same commodity in the same year. The statute authorizing NAP states that if the producer is eligible to receive benefits under NAP and from any other USDA program for the same loss, the producer: (1) Cannot receive benefits from both programs; and (2) Must elect which benefit they wish to receive.
- (2) If the insured has received a NAP payment, the insured must choose whether to accept the NAP payment or the WFRP indemnity.
 - (a) If the insured chooses to accept the NAP payment, no WFRP indemnity can be paid. The insured and the AIP must complete a Withdrawal of Claim form.

124 Noninsured Crop Disaster Assistance Program (Continued)

- (b) If the insured chooses to accept the WFRP indemnity, the insured must repay the NAP payment. A form from FSA certifying the NAP payment has been repaid must be provided to the AIP before the claim can be settled.

125 Commodities as Payment

The AIPs must not accept any commodity as compensation for payment due them from insureds.

126 Mediation, Arbitration, and Judicial Reviews of AIP Determinations

The procedures in the CIH apply for:

- (1) mediation, arbitration, and judicial reviews of AIP determinations;
- (2) disputes regarding the AIP decisions of what constitutes a GFP; and
- (3) disputes regarding RMA determinations of what constitutes a GFP.

127 Controlled Substance Provisions

The WFRP policy will be void if the insured is convicted of a controlled substance provision of the Food Security Act of 1985. When a policy is voided due to a conviction of a controlled substance provision:

- (1) no indemnities or payments will be paid for the voided policy;
- (2) all indemnities or payments already made for the voided policy will be declared overpayments and must be repaid in full; and
- (3) any premium paid must be refunded, less an amount equal to 20 percent of the premium the insured would otherwise be required to pay, to offset costs in the servicing of the policy.

128-140 (Reserved)

PART 6 SPECIAL CIRCUMSTANCES

141 Organically Grown Commodities

A. Insurability

WFRP insured revenue includes revenue from commodities produced on certified organic acreage under an organic plan.

B. Expected Values

Organic prices can be used as expected values for certified organic acreage only (not including transitional or buffer zone acreage), and for certified organic animals or animal products. Use organic prices only for commodities that are certified organic with a current organic plan or certification.

Organic prices can be used if:

- (1) the applicant/insured has a current organic plan, indicated by either the National Organic Program website (<http://apps.ams.usda.gov/nop/>) or a written organic certificate, or written documentation from a certifying agent indicating an organic plan is in effect at the Revised Farm Operation Reporting date. If the farm was certified organic previously and the producer has not received the updated certification yet, the previous certification may be used. However, if a claim is filed they must have the current certification;
- (2) the operator or tenant has an organic certificate. A certificate issued to a previous owner may also be used.

Exception: The National Organic Program standards require the certifying agent to issue a certificate for the organic operation. However, an organic certificate may not be issued every year; therefore, it is possible an applicant's/insured's organic certificate may not list every crop they intend to plant in the insurance year.

Example: Insured A was issued an organic certificate in 2014 that lists corn, oats, and wheat. Insured A reports he intends to plant canola and flax on the organically certified acreage in 2015. The organic plan has not been updated for 2015 to include canola or flax, and they are not listed on the 2014 organic certificate. The category on Insured A's organic plan is "crops." Therefore, as long as the canola and flax are grown on acreage identified in the organic plan as certified organic (not transitional or buffer zone), organic prices can be used to determine their expected value.

The Farm Operation Report will be marked to show which commodities are certified organic. If the AIP questions the organic acreage and requests it, the insured must be willing to show the AIP the Organic Farm Plan to verify locations of their certified organic land.

141 Organically Grown Commodities (Continued)

C. Organic Requirements

The current organic plan and organic certificate in effect must be from a certifying agent, and must provide the:

- (1) name, address, and telephone number of the person(s) or operation certified;
- (2) effective date of certification, or certificate;
- (3) certificate number;
- (4) types or categories of commodities;
- (4) name and address of the certifying agent; and
- (6) location and number of the certified organic acres (organic plan only).

An organic certificate issued to an operator/tenant may be used to qualify the same acreage for a landlord or other similar arrangement.

D. National Organic Program Exception

The National Organic Program standards allow a grower whose annual gross agricultural revenue from organic sales is \$5,000 or less to be exempt from certification. If a farm can show that they have the organic farm plan in place to grow organic crops and their revenue from organic sales is less than \$5,000, then they may use organic prices and the farm will be considered to be certified under WFRP.

E. Change in Farm's Organic Certification

If any acreage qualifies as certified organic on the date the Revised Farm Operation Report is completed, and the certification is subsequently surrendered by the farm, or suspended, revoked, or denied by the certifying agent, the acreage or animals or animal products will remain insured for the year but the expected values should be revised from organic expected values to non-organic expected values.

F. Contamination by Prohibited Substances

Contamination by application or drift of prohibited substances onto land on which commodities are grown using organic farming practices is consider an uninsured cause of loss on any certified organic acreage.

G. Documentation Required

The AIPs may request copies of the producer's written organic certificate, or written documentation from a certifying agent indicating an organic plan is in effect when the Farm Operation Report is submitted if expected values will be based on organic prices. The AIP may also request visual examination or copies of the organic plan as necessary. The organic plan may be a large document and copies should not be requested unless there are specific concerns.

141 Organically Grown Commodities (Continued)

G. Documentation Required (continued)

Copies of the producer's written organic certificate, or written documentation from a certifying agent indicating an organic plan is in effect must be provided if a loss claim is submitted, and organic prices were used. If the insured does not have the appropriate certificate at claim time, the insured revenue will be recalculated without the organic expected values.

142 Post-Production Operations and Market Readiness

The cost of post-production operations, excluding those post-production expenses considered to be market readiness operations under the WFRP policy, must be removed from allowable revenue and allowable expenses. Added value from post-production operations is also not insurable under the WFRP policy and must be removed from allowable revenue and allowable expenses.

- (1) Post-production operations consist of costs from activities that occur after harvest of the crop to get the crop ready for the targeted market. These activities either:
 - (a) have expenses associated with them such as:
 - (i) sorting, grading, washing, waxing, labelling, trimming;
 - (ii) packaging materials, such as boxes, cartons and bags;
 - (iii) packing of commodities after they are harvested, including in-field operations;
 - (iv) cold and controlled atmosphere storage; or
 - (b) add value to the crop due to the activities performed such as:
 - (i) the value of wine compared to the grapes;
 - (ii) the value of gift baskets of commodities compared to the individual raw commodity prices;
 - (iii) The value of juicing or processing into jams or relish compared to the harvested fruit; or
 - (iv) The value of bonsai or braided ornamental trees compared to the containerized tree with no added value.
- (2) Post-production operations that meet the following requirements as market readiness costs do not have to be deducted from the allowable or expected revenue. Costs that can be considered market readiness costs must:
 - (a) be the minimum required to remove the commodity from the field and make it market ready (Refer to example in paragraph 45C);

142 Post-Production Operations and Market Readiness (Continued)

- (b) be performed:
 - (i) in the field or
 - (ii) on land within a reasonable proximity to the field; and
- (c) not add value to the commodity.

The added value of products made from insurable commodities, such as wine made from grapes, is not insurable under WFRP and must be excluded from the expected or approved revenue. The value of the insurable commodity prior to making it into other products may be insured and reported as expected revenue if adequate records are available to determine the production and value of the insurable commodity.

Example: Insured A reported \$1,200,000 gross revenue for the 2012 tax year. Insured A's records indicated the following revenue: \$100,000 from grapes made into wine, \$750,000 from the sale of wine, \$50,000 from the sale of grapes not used for wine, and \$300,000 from the sale of other insurable fruits and vegetables. The fruits and vegetables and grapes not used for wine had incidental post-production costs of \$42,000. The allowable revenue for the tax year is \$408,000 (\$100,000 + \$50,000 + \$300,000 – \$42,000).

Premium rates have been established for raisins, prunes, and cured/dried tobacco. Prunes and raisins are separate insurable commodities from plums and grapes and are eligible commodities under WFRP. Expenses associated with the curing or drying of tobacco to prepare the tobacco for market and drying of prunes and raisins are not subtracted from the market price to determine the local market value.

143 Animals

A. Eligibility

See paragraph 21 for eligibility of farm operations that produce animals and animal products. Animals and Animal Product commodity codes are listed in the actuarial documents as animals and animal products.

B. Expected Value

Local market prices for the same breed and type of animals being valued should be used as expected values, following the expected value guidelines. A commodity code may be used more than once to indicate animals that have varying prices due to different sex, weight, breed, market etc., such as feeder heifers, feeder steers, and fat heifers.

Commodity codes will be summed and averaged, as appropriate, prior to the commodity count calculation being applied. (See paragraph 47)

C. Expected Revenue from Animals and Animal Products

Expected revenue must be adjusted by removing the cost or basis of the animals purchased for resale from the amount of expected revenue on the Farm Operation Report. The Market Animal and Nursery Inventory Report is used to document these numbers for the Intended Farm Operation Report.

D. Inventory Adjustments to Revenue

The Market Animal and Nursery Inventory calculates the change in values over the insurance year for claims, using increases and decreases in inventory values during the tax year, less the cost or basis for animals purchased.

- (1) Animals must be grouped according to the type/category of intended market. Local market value is determined for each type/category at the:
 - (a) beginning of the tax year for beginning inventory; and
 - (b) end of the insurance year for ending inventory.

A beginning inventory must be completed for each type/category of animal on hand at the beginning of the insurance period. An ending inventory must be completed for each type/category of animal on hand at the end of the insurance period.

- (2) To determine inventory values:
 - (a) for animals sold by weight, multiply the number of animals in the specific type/category by the average pounds per animal in the specific type/category; and multiply this by the price per weight unit for the specific type/category; and
 - (b) for animals sold by the head, multiply the number of animals in the specific type/category by the average price per head for the specific type/category.

E. Gain or Loss from Sale of Breeding Animals or Culled Animals

Breeding animals and culled breeding stock are not insurable under the WFRP policy. Gains or losses in the value of breeding animals or culled animals should not be included in the totals on the inventory sheets. These values can be used to support the farm plan each year but should not be included in insured revenue or revenue to count.

F. Capping Animal and Animal Product Revenue at Revised Farm Operation Report Time

Eligibility requirements at SCD limit expected revenue from animals and animal products to \$1 million, and not more than 35 percent of the insured revenue from all commodities on the farm operation. However changes may occur during the insurance year that result in the farm being over the limits when the Revised Farm Operation Report is completed. To determine if an insured has more than the allowed amount of animal and animal product revenue:

- (1) Multiply the Total Expected Revenue from the Revised Farm Operation Report by 0.35. Use the lower of this amount or \$1 million as the result of this step.
- (2) Total the expected revenue on the Revised Farm Operation Report for all animals and animal products.
- (3) If the result of (2) is greater than the result of (1) then:
 - (a) subtract the result of (1) from the result of (2);
 - (b) divide the result of (3)(a) by the result of (2);
 - (c) subtract the result of (3)(b) from 1.000;
 - (d) multiply the result of (3)(c) by the expected value of each animal commodity and/or animal product shown on the Revised Farm Operation Report.

The result will be the capped amount. The total may not necessarily equal the result in step (1) above due to rounding.

Example 1: Revenue from animals and animal products exceeds 35%, but is less than \$1,000,000:

Total Expected Revenue is \$2,000,000 X 35% = \$700,000 limit on animals & animal products.

Cattle	\$250,000	
Hogs	\$275,000	
Sheep	\$115,000	
Poultry	\$100,000	
Total	\$740,000	(\$40,000 over the 35% limit)

$$\begin{aligned}
 \$40,000 \div \$740,000 &= 0.054054 \\
 1.000 - 0.054054 &= 0.945946
 \end{aligned}$$

F. Capping Animal and Animal Product Revenue at Revised Farm Operation Report Time (continued)

Cattle	\$250,000 X 0.945946 = \$236,487
Hogs	\$275,000 X 0.945946 = \$260,135
Sheep	\$115,000 X 0.945946 = \$108,784
Poultry	\$100,000 X 0.945946 = \$94,595
Total	\$700,001

Example 2: Revenue from animals and animal products is less than 35% but exceeds the \$1,000,000 maximum:

Total Expected Revenue is \$3,000,000. Maximum \$1,000,000 limit on animals & animal products.

Cattle	\$350,000
Hogs	\$375,000
Sheep	\$115,000
Poultry	\$200,000
Total	\$1,040,000 (\$40,000 over the \$1,000,000 limit)

$$\begin{aligned} \$40,000 \div \$1,040,000 &= 0.038462 \\ 1.000 - 0.038462 &= 0.961538 \end{aligned}$$

Cattle	\$350,000 X 0.961538 = \$336,538
Hogs	\$375,000 X 0.961538 = \$360,577
Sheep	\$115,000 X 0.961538 = \$110,577
Poultry	\$200,000 X 0.961538 = \$192,307
Total	\$999,999

Only the Total Expected Revenue on the Revised Farm Operation Report will be changed. However, all revenue produced from the animals and animal products will count as revenue to count.

G. Sales Suspended

WFRP is subject to underwriting capacity limits for animals and animal products. This is a legislated limit, and once it is exceeded, WFRP applications that include animals or animal products must be rejected, and farm operations with animals and animal products will not be eligible for WFRP. Underwriting capacity is provided each fiscal year.

If the RMA underwriting capacity manager website or the RMA website is not operational, then coverage under WFRP is not available and no coverage can be purchased.

A. Eligibility

See paragraph 21 for eligibility of farm operations with nursery and greenhouse operations. This limit only applies to the commodity codes specifically labeled:

- (1) Nursery (0073)
- (2) Greenhouse (0600)

Items placed under these commodity codes should be similar to those insured under the FCIC nursery plan of insurance. There are other commodity codes for other specific types of plants but these are not considered in the nursery and greenhouse limit.

B. Expected Value

Local market prices for nursery and greenhouse commodities being valued should be used as expected values, following the expected value guidelines. The Market Animal and Nursery Inventory Report can be used to list each type of plant and sum to a total for greenhouse and a total for nursery for the Farm Operation Report.

C. Expected Revenue from Nursery and Greenhouse Products

Expected revenue must be adjusted by removing the cost or basis of the nursery and greenhouse commodities purchased for resale from the amount of expected revenue on the Farm Operation Report. The Market Animal and Nursery Inventory Report is used to document these numbers for the Intended Farm Operation Report.

D. Inventory Adjustments to Revenue

The Market Animal and Nursery Inventory calculates the change in values over the insurance year for claims, using increases and decreases in inventory values during the tax year, less the cost or basis for plants purchased.

- (1) Plants must be grouped according to the type/category of how they will be marketed. Local market value is determined for each type/category at the:
 - (a) beginning of the tax year for beginning inventory; and
 - (b) end of the insurance year for ending inventory.

A beginning inventory must be completed for each type/category of plant on hand at the beginning of the insurance period. An ending inventory must be completed for each type/category of plant on hand at the end of the insurance period.

- (2) Inventory values will be determined by multiplying the number of plants in the specific type/category by the average price per plant for the specific type/category.

D. Inventory Adjustments to Revenue (continued)

The value of commodities in inventory, both beginning and ending, that were purchased for resale must not include the cost, or other basis, paid for the commodity.

Example: A plant in ending inventory was purchased for resale. The plant cost \$5.00. The local market value of the plant at the end of the insurance year is \$12.00. The \$5.00 cost of the plant must be deducted from the value of the plant. Therefore, the value of the plant for the ending inventory is \$7.00 (\$12.00 - \$5.00).

E. Revenue from Plants held In Inventory to Realize Gain

Some commodities may be held in inventory for more than one year to realize a gain in revenue from the increase in maturity or size of the plant. The increase in the value of such plants must be counted as revenue for the year even though the plants were not sold.

Example: Insured A has 200 plants he is going to hold in inventory for two years. He is holding these plants to obtain a higher price for the plants when they have matured to larger size. The first year they are in inventory the plants increased in value by \$2.00 per plant. The increase in value of \$400 (200 plants x \$2.00) must be reported as revenue for WFRP purposes for that insurance year.

F. Capping Nursery and Greenhouse Revenue at Revised Farm Operation Report Time

Eligibility requirements at SCD limit expected revenue from nursery and greenhouse commodities to \$1 million, and not more than 35 percent of the insured revenue from all commodities on the farm operation. However changes may occur during the insurance year that result in the farm being over the limits when the Revised Farm Operation Report is completed. To determine if an insured has more than the allowed amount of nursery and greenhouse revenue:

- (1) Multiply the Total Expected Revenue from the Revised Farm Operation Report by 0.35. Use the lower of this amount or \$1 million as the result of this step.
- (2) Total the expected revenue on the Revised Farm Operation Report for all nursery and greenhouse commodities.
- (3) If the result of (2) is greater than the result of (1) then:
 - (a) subtract the result of (1) from the result of (2);
 - (b) divide the result of (3)(a) by the result of (2).;
 - (c) subtract the result of (3)(b) from 1.000;

F. Capping Nursery and Greenhouse Revenue at Revised Farm Operation Report Time (continued)

- (d) multiply the result of (3)(c) by the expected value of each nursery and greenhouse commodity and/or nursery and greenhouse commodity shown on the Revised Farm Operation Report.

The result will be the capped amount. The total may not necessarily equal the result in step (1) above due to rounding.

Example 1: Revenue from Nursery and Greenhouse commodities exceeds 35% but is less than \$1,000,000:

Total Expected Revenue is \$2,000,000 X 35% = \$700,000 limit on Nursery and Greenhouse commodities.

Plant 1	\$250,000	
Plant 2	\$275,000	
Plant 3	\$115,000	
Plant 4	\$100,000	
<u>Total</u>	\$740,000	(\$40,000 over the 35% limit)

$$\begin{aligned} \$40,000 \div \$740,000 &= 0.054054 \\ 1.000 - 0.054054 &= 0.945946 \end{aligned}$$

Plant 1	\$250,000 X 0.945946 =	\$236,487
Plant 2	\$275,000 X 0.945946 =	\$260,135
Plant 3	\$115,000 X 0.945946 =	\$108,784
Plant 4	\$100,000 X 0.945946 =	\$94,595
<u>Total</u>		\$700,001

Example 2: Revenue from Nursery and Greenhouse commodities is less than 35% but exceeds the \$1,000,000 maximum:

Total Expected Revenue is \$3,000,000. Maximum \$1,000,000 limit on Nursery and Greenhouse commodities.

Plant 1	\$350,000	
Plant 2	\$375,000	
Plant 3	\$115,000	
Plant 4	\$200,000	
<u>Total</u>	\$1,040,000	(\$40,000 over the \$1,000,000 limit)

$$\begin{aligned} \$40,000 \div \$1,040,000 &= 0.038462 \\ 1.000 - 0.038462 &= 0.961538 \end{aligned}$$

144 Nursery (Continued)

F. Capping Nursery and Greenhouse Revenue at Revised Farm Operation Report Time (continued)

Plant 1	\$350,000 X 0.961538 = \$336,538
Plant 2	\$375,000 X 0.961538 = \$360,577
Plant 3	\$115,000 X 0.961538 = \$110,577
Plant 4	<u>\$200,000 X 0.961538 = \$192,307</u>
	Total \$999,999

Only the Total Expected Revenue on the Revised Farm Operation Report will be changed. However, all revenue produced from the animals and animal products will count as revenue to count.

G. Adjustments to Revenue

Increases and decreases in inventory values of nursery commodities will be used to adjust the insured's revenue for the insurance year for claims purposes. See exhibit 9.

145 Commodities with Market Order Reserves

The applicant/insured must provide information for commodities on the Farm Operation Report that are sold with market order reserves. The applicant/insured must provide a detailed listing that shows the separate amounts of production from commodities expected to be sold:

- (1) to the reserve with the reserve price; and
- (2) on the free market with the expected free market price.

The supplemental information provided must support the total production and expected revenue reported on the Farm Operation Report for the commodity.

146 Commodities Sold with Co-op Retainages

A. Supplemental Information

The applicant/insured must provide information for commodities on the Farm Operation Report that are sold with co-op retainages. The applicant/insured must provide a detailed listing that shows the separate amounts of production from such commodities expected to be:

- (1) retained, and the expected value; and
- (2) sold through normal markets.

Special handling is required to determine revenue-to-count and calculating indemnities for producers who market commodities through co-operatives that distribute proceeds from the same commodity in cash and allocations.

Such co-operatives make cash payments on a crop year basis; however, the payments may be distributed over several years.

A. Supplemental Information (continued)

Allocations are considered non-cash distributions by such co-operatives and are made annually on a crop year basis. Allocations include Allocation Credits and Permanent Equity Capitol Credits, which comprise the producer's equity in the co-operative. Such allocations are classified as cooperative distribution revenue directly related to the sale of the commodity.

B. Co-Operative Cash Payments

“Cash advance” payments are distributed to the producer in the crop year of harvest following delivery of the commodity. Such “cash advance” payments may be made weekly in the year harvested. Subsequent cash payments are distributed to the producer in subsequent crop years according to the co-operatives payment schedule for the commodity.

Example: Commodity A production is delivered to the co-operative in the 2016 crop year. The co-operative makes cash payments to the producer weekly for the remainder of the 2016 crop year then, following the payment schedule for commodity A, makes four cash payments in 2017 crop year, four payments in 2018 crop year, and a final cash payment in 2019 crop year.

C. Allocations

Allocations are distributed annually on the co-operative's tax-year basis, according to the co-operative's schedule.

Example: Each year the ABC Co-operative retains 10-30 percent of a producer's net grape proceeds. It documents the amount retained by issuing Allocation Credits for 80 percent of the amount retained and issuing Permanent Equity Capitol Credits for 20 percent of the amount retained.

Allocation Credits reach full face value at the maturity date specified by the co-operative. However, the producer may have the option of redeeming a crop year's Allocation Credits prior to the maturity date. Producers may sell allocation credits at a reduced value to a broker prior to reaching full face value. Producers must pay Federal Income Taxes on the full stated value of qualified written notices of Allocation Credits in the year they are issued.

Permanent Equity Capitol Credits are a source of the co-operative's working capital. The co-operative's policy governs repayment, partial repayments, payback options, and whether excess Permanent Equity Capital Credits will be distributed in the form of Allocation Credits or refunded as cash. Producers are subject to Federal income tax on the full stated value in the tax year received. Cash refunds are not generally subject to Federal income tax since they were taxable to the cooperative member when allocated.

Non-Cash allocations are subject to Federal Income Tax when received; therefore, it is not necessary to maintain a year-to-year balance for WFRP purposes.

D. Total Projected Earnings for Calculating Indemnities

Total projected earnings are the sum of:

- (1) “cash advance” payments made in the year of harvest;
- (2) projected cash payments in subsequent years;
- (3) Allocation Credits; and
- (4) Permanent Equity Capital Credits.

Commodities marketed in this manner will be considered to have been sold at a specified price, and the total projected earnings for such commodities will be used to determine the dollar amount of accounts receivable when calculating indemnities.

E. Required Information on Accounts Receivable

The beginning amount of accounts receivable must include the cash payments, both advance and any subsequent, and any Allocation Credits and Permanent Equity Capital Credits for a previous insurance year that the applicant/insured reported to IRS in the current insurance year. The cash payments amount must be reported on a separate line from the Allocation Credits and Permanent Equity Capital Credits amount. Enter “(Cash)” immediately after the cash dollar amount in the “Beginning Amount” column of the accounts receivable worksheet. Enter “(Allocations)” immediately after the allocations dollar amount in the “Beginning Amount” column of the accounts receivable worksheet.

The ending amount of accounts receivable must be the amount equal to the total projected earnings for the insurance year minus the cash payments received by the producer and reported to IRS for the insurance year.

Example: Insured A has filed a loss claim for the 2015 insurance year, and markets grapes through ABC Co-operative, which distributes proceeds from the grapes in cash and allocations. In 2015, Insured A received \$12,115 cash payments and \$10,200 in Allocation Credits and Permanent Equity Capital Credits for the 2014 insurance year. Insured A reported the total \$22,315 to IRS in 2015.

Insured A’s total projected earnings for grapes were \$48,271 in 2015. Insured A received \$21,773 in “cash advance” payments in 2015, and reported the \$21,773 to IRS in 2015. Insured A will receive the remaining \$26,498 (\$48,271 - \$21,773) in future cash payments, and future Allocation Credits and Permanent Equity Capital Credits from ABS Co-operative. The following is how Insured A’s accounts receivable worksheet would be completed.

146 Commodities Sold with Co-op Retainages (Continued)

E. Required Information on Accounts Receivable (continued)

Commodity Name	Name of Buyer	Beginning Amount	Ending Amount	Balance
Grapes	ABC Co-operative	\$12,115 (Cash)	0	-\$12,115
Grapes	ABC Co-operative	\$10,200 (Allocations)	0	-\$10,200
Grapes	ABC Co-operative	0	\$26,498	\$26,498
		Total Accounts Receivable Adjustments to Claim		\$4,183

147 Vertically Integrated Operations

Vertically integrated operations are operations where all stages of production of a crop, from acquisition of materials to the retailing or use of the final product are controlled by the same operation or by different operations that are related. Vertically integrated operations have transactions, including financial transactions, between different divisions of the operation or between the different related operations.

The integrated relationship between the divisions or related operations can affect the value, cost, and price of commodities, goods, and services used/determined by an integrated operation.

The expected value that represents the local market value/price, determined according to WFRP policy expected value guidelines, must be used for purposes of allowable revenue, expected revenue, allowable expenses, and post-production operation costs, regardless of the actual value and price used by a vertically integrated operation.

Example: Insured A is a vertically integrated operation that controls all stages of production of a commodity including, but not limited to, purchasing of seed, planting, fertilizing, harvesting, removal from the field, purchasing packaging materials, washing, grading, packaging, processing and selling. Different divisions and related operations handle different stages of the production of the commodity, but all are part of the same vertically integrated operation. The local market value/price determined by the expected value guidelines must be used for determining allowable revenue, expected revenue, allowable expenses, and post-production operation costs for insured A.

Acronyms and Abbreviations

The following table provides the acronyms and abbreviations used in this handbook.

Approved Acronym/Abbreviation	Term
Act	Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et. seq.)
AIP	Approved Insurance Provider
AMS	Agricultural Marketing Service
CFR	Code of Federal Regulations
CIH	Crop Insurance Handbook
ERS	Economic Research Service
FCIC	Federal Crop Insurance Corporation
FSA	Farm Service Agency
GFP	Good Farming Practice
IRS	Internal Revenue Service
NAP	Non-insured Assistance Program
NASS	National Agricultural Statistics Service
PAIR	Pre-Acceptance Inspection Report
PASD	Product Administration and Standards Division
PAW	Pre-Acceptance Worksheet
PHTS	Policy Holder Tracking System
RMA	Risk Management Agency
RRD	Revised Reporting Date
SBI	Substantial Beneficial Interest
SCD	Sales Closing Date
SP	Special Provisions of Insurance
SSN	Social Security Number
U.S.C.	United States Code
USDA	United States Department of Agriculture
WFHR	Whole-Farm History report
WFRP	Whole-Farm Revenue Protection

Definitions

Abandon means failure to continue activities necessary to produce an amount of allowable revenue equal to or greater than the expected value of a commodity, performing activities so insignificant as to provide no benefit to a commodity, or failure to harvest or market a commodity in a timely manner, unless an insured cause of loss prevents you from properly caring for, harvesting, or marketing the commodities or causes damage to them to the extent that most producers of the commodities on acreage in the area with similar characteristics would not normally further care for or harvest them. If abandoned, the value of the production will be included as revenue to count. Not harvesting a commodity due to low local market prices will not be considered abandonment.

Accrual accounting method means a system of record keeping in which revenue earned and expenses incurred for a specified time period are recorded regardless of whether or not the revenue was received or the expenses were paid during the specified time period.

Actuarial Documents means the information for the insurance year that is available for public inspection in your agent's office and published on RMA's web site and includes available crop insurance policies, coverage levels, information needed to determine amounts of insurance, premium rates, premium adjustment percentages, program dates, and other related information regarding the insurance coverage.

Agricultural experts mean persons who are employed by the Cooperative Extension System or the agricultural departments of universities, or other persons approved by FCIC, whose research or occupation is related to the specific commodity for which such expertise is sought.

Allowable expenses means farm expenses, specified by the WFRP policy and adjusted as applicable, that are incurred in the production of commodities on the applicant's/insured's farm and reported to the IRS on farm tax records.

Allowable revenue means farm revenue, specified by the WFRP policy and including applicable adjustments, from the production of commodities produced by the applicant's/insured's farm operation, or purchased for further growth and development by the applicant's/insured's farm operation, that the IRS requires the applicant/insured to report on farm tax records.

Animals mean living organisms other than plants or fungi that are produced or raised in farm operations, including, but not limited to, cattle, horses, swine, sheep, goats, poultry, aquaculture species, bees, and fur bearing animals. For the purposes of WFRP, animals must be propagated or reared in a controlled environment.

Application means the form required to be completed by the applicant/insured and accepted by the AIP before insurance coverage will begin. This form must be completed and filed in the agent's office not later than the sales closing date of the initial insurance year for which insurance coverage is requested. If cancellation or termination of insurance coverage occurs for any reason, including but not limited to indebtedness, suspension, debarment, disqualification, cancellation by the insured or the AIP or violation of the controlled substance provisions of the Food Security Act of 1985, a new application must be filed. The insured must be the same person and person type as the person designated on the United States income tax form(s).

Definitions (Continued)

Approved expenses means amount of allowable expenses the applicant's/insured's farm operation is expected to incur during the insurance year, as approved by the AIP.

Approved revenue means the amount of allowable revenue that the applicant's/insured's farm operation is expected to earn or will obtain from the sale of commodities the applicant/insured produces, or purchases for resale, in the insurance period.

Assignment of indemnity means a transfer of policy rights, whereby the applicant/insured assigns their right to an indemnity payment, for the insurance year only, to creditors or other persons to whom they have a financial debt or other monetary obligation.

Average allowable expenses means the simple average of the allowable expenses for all years in the applicant's/insured's whole-farm history period.

Average allowable revenue means the simple average of the allowable revenue for all years in the applicant's/insured's whole-farm history period.

Beginning accounts payable means allowable expenses incurred prior to the insurance year and supported by verifiable records, but that have not been paid at the beginning of the insurance year.

Beginning accounts receivable means allowable revenue earned prior to the insurance year, but that has not been received at the beginning of the insurance year and supported by verifiable records. This amount includes the value of beginning inventory that is under a marketing contract with a buyer to be purchased at a specified price.

Beginning inventory means the commodities the applicant/insured produced or owned prior to the insurance year, but that have not been sold or otherwise disposed of at the beginning of the insurance year and supported by verifiable records. Any commodity that is under a marketing contract with a buyer to be purchased during the previous insurance year at a price that will not be determined until the current insurance year or subsequent years will be considered as beginning inventory.

Bypassed acreage means land on which a commodity, grown under a processor contract, is ready for harvest but the buyer elects not to accept the commodity so it is not harvested.

Calendar year filer means an insured that files taxes based on the calendar year of January 1 through December 31.

Cancellation date means the date specified in the actuarial documents on which coverage will automatically renew unless canceled in writing by either the insured or the AIP or terminated in accordance with WFRP policy.

Cash accounting method means a system of record keeping where farm business revenue and expenses are recorded during the time period they are actually received or paid.

Catastrophic Risk Protection (CAT) means the minimum level of coverage offered by FCIC.

Definitions (Continued)

Certificate means with respect to organic crops, a written document that identifies the name of the person certified, effective date of certification, certificate number, types of products certified, and name and address of the certifying agency.

Certification means with respect to organic crops, a determination made by the certifying agency that the production or handling operation is in compliance with the certifying agency's certification standards.

Certified organic acreage means acreage in the certified organic farming operation that has been certified by a certifying agent as conforming to organic standards in accordance with 7 CFR part 205.

Certifying agent means a private or governmental entity accredited by the USDA Secretary of Agriculture for the purpose of certifying a production, processing or handling operation as organic.

Claim for indemnity means a claim for a loss made on the AIP's form that contains the information necessary to pay the indemnity, as specified in the WFRP policy.

Commodities purchased for resale mean commodities not produced by the farm operation but which are purchased to be added by the farm operation. This does not include commodities purchased for further growth, development or maturity for later sale, or commodities purchased to replace production of the farm operation lost due to insurable causes.

Commodity means any agricultural product established or produced by the farm operation, except timber, forest, and forest products, animals for sport, show, or pets.

Commodity count means a calculation that measures farm diversification, under section 9(b) of WFRP policy that determines the number of commodities used: (1) For coverage level qualification, (2) To determine the amount of premium rate discount the insured will receive based on farm diversification, (3) To determine eligibility if the insured raises potatoes or have commodities with other available revenue coverage, and (4) To determine the insured's subsidy amount.

Consent means approval in writing by the AIP allowing the insured to take a specific action.

Contract change date means the date by which changes to the policy, if any, will be made available.

Contract grower means a person retained under contract to manage the growth of a commodity owned by another person.

Cooperative Extension System means a nationwide network consisting of a state office located at each state's land-grant university, and local or regional offices. These offices are staffed by one or more agricultural experts, who work in cooperation with the National Institute of Food and Agriculture, and who provide information to agricultural producers and others.

County mean any county, parish, political subdivision of a state, or other area specified in the actuarial documents.

Definitions (Continued)

Damage means injury, deterioration, or loss of production of an insured commodity due to insured or uninsured causes.

Days mean calendar days, unless otherwise specified.

Delinquent debt has the same meaning as the term defined in 7 CFR part 400, subpart U.

Disregarded entity means a single-member tax entity that does not elect to be treated as a corporation for income tax purposes and files taxes under another entity name.

Early fiscal year filer means an insured that files taxes with a fiscal year that begins prior to August 1 of the insurance year.

End of insurance period, date of means the date upon which insurance coverage ceases for the insurance year.

Ending accounts payable means allowable expenses incurred during the insurance year and supported by verifiable records, but that have not been paid at the end of the insurance year.

Ending accounts receivable means allowable revenue earned during the insurance year, but that has not been received at the end of the insurance year and supported by verifiable records. This amount includes the value of ending inventory that is under a marketing contract with a buyer to be purchased at a specified price.

Ending inventory means the commodities the insured produced during the insurance year, but that have not been sold or otherwise disposed of at the end of the insurance year and supported by verifiable records and reported on the Inventory Report as ending inventory. Any commodity that is under a marketing contract with a buyer to be purchased during the insurance year at a price that will not be determined until the subsequent insurance years will be considered as ending inventory.

Expected revenue means the amount of revenue the applicant/insured expects to receive from a commodity as stated on the Farm Operation Report.

Expected value means the local market price the insured can reasonably expect to receive for a commodity in accordance with the expected value guidelines in the WFRP policy, less the cost of all post-production expenses.

Expense reduction factor means a factor that is used to reduce the approved revenue for claim purposes, when allowable expenses are less than 70 percent of approved expenses and the reduction is due to an insurable loss.

Farm operation means all of the farming activities for which revenue and expenses are reported to the IRS under a single taxpayer identification number will be considered a single a farm operation for WFRP purposes.

Definitions (Continued)

Farm Operation Report means the form on which the applicant/insured provides all required information regarding the commodities they expect to earn or obtain revenue from during the insurance period.

Farm tax forms means IRS income tax forms used to report farm revenue and expenses for a signed and filed Federal tax return, specifically including Schedule F (from 1040) but also other forms used to report farm revenue and used under this policy to develop a Substitute Schedule F, if needed.

Fiscal year means a period of 12 consecutive months used for accounting and tax purposes, and ending on the last day of the twelfth month as long as the twelfth month is not December. The period will begin after January 31 of the insurance year and ends on the last day of the twelfth month after the fiscal year begins.

Generally recognized means when agricultural experts or organic agricultural experts, as applicable, are aware of the production method or practice and there is no genuine dispute regarding whether the production method or practice allows the commodity to make normal progress toward maturity

Good farming practices means the production methods utilized to produce the insured commodities and allow them to make normal progress toward maturity resulting in at least the approved revenue, which are: (1) For conventional or sustainable farming practices, those generally recognized by agricultural experts for the area; or (2) for organic farming practices, those generally recognized by organic agricultural experts for the area or contained in the organic plan. The AIP or the insured may request the AIP to contact FCIC to determine whether or not production methods will be considered to be “good farming practices”.

Household means a domestic establishment including individuals with a familial relationship and others who live on the same property

Insurable interest means the percentage of the commodity that is at financial risk.

Insurance period means the tax year that is the insurance year. For the first year the insured the insured obtains coverage under this policy, coverage will begin the later of;

- (1) The beginning of the insurance year; or
- (2) 10 days after our acceptance of the application.

Insurance year means a calendar year if taxes are filed on a calendar year basis, or a fiscal year if taxes are filed on a fiscal year basis. The insurance year is designated by the calendar year in which the sales closing date occurs.

Insured means the named person as shown on the accepted application. This term does not extend to any other person having a share or interest in the crop, such as a partnership, landlord, or any other person, unless specifically indicated on the accepted application. The named insured and the name on the filed farm tax forms must be the same person.

Insured revenue means the total amount of insurance provided to the insured.

Definitions (Continued)

Lag year means the tax year immediately preceding the insurance year.

Late fiscal year filer means an insured with a fiscal year that begins August 1 or later in the insurance year.

Local market price means the average price offered by buyers of the commodity in the area where the applicant/insured normally sells that commodity.

Market readiness operations means the on-farm activities that are the minimum required to remove the commodity from the field and make the commodity market ready, such as washing, packing etc.,. Market readiness activities are not considered to be post-production operations and do not have to be excluded from allowable revenue and allowable expenses in accordance with section 45. Since it is the minimum required to remove the commodity from the field, the activity must occur on or in close proximity to the field where the commodity is produced. Market readiness operations do not include any activities that occur off-farm or on-farm in in-field that increases the value of the crop, such as canning, freezing, and processing activities that alter the physical nature of insurable commodities including, but not limited to, slicing apples, putting commodities into gift baskets, jams, jellies, wine, or cider, etc. .

Marketing contract means a written agreement between the applicant/insured and a buyer for the purchase of a commodity at a specified price.

Native sod means acreage that has no record of being tilled (determined in accordance with information collected and maintained by an agency of the USDA or other verifiable records that applicant/insured provides and are acceptable to the AIP) for the production of an annual crop on or before February 7, 2014, and on which the plant cover is composed principally of native grasses, grass-like plants, forbs, or shrubs suitable for grazing and browsing.

Negligence means the failure to use such care as a reasonably prudent and careful person experienced in the production of commodities would use under similar circumstances.

Net value – Value of a commodity at the beginning of the year minus the cost of the commodity.

Notice of loss means a written notice the insured is required to file in the agent's office whenever they initially discover that allowable revenue for the insurance year may be less than insured revenue.

Offset means the act of deducting one amount from another amount.

Organic agricultural experts mean persons who are employed by the following organizations: Appropriate Technology Transfer for Rural Areas, Sustainable Agriculture Research and Education or the Cooperative Extension System, the agricultural departments of universities, or other persons approved by FCIC, whose research or occupation is related to the specific organic crop or practice for which such expertise is sought.

Organic farming practice means a system of plant or animal production practices used to produce the commodity that is approved by a certifying agent in accordance with 7 CFR part 205.

Definitions (Continued)

Organic system plan means a written plan, in accordance with the National Organic Program published in 7 CFR part 205 that describes the organic farming practices to be carried out on the farm operation.

Organic standards means standards in accordance with the Organic Foods Production Act of 1990 (7 U.S.C. 6501 et seq.) and 7 CFR part 205.

Originating entity means an entity that actually physically produces the commodity.

Pass-through entity means an entity that reports to the IRS but does not pay taxes on portions of the revenue, instead passing it to each individual owner who then pays income tax on their portion of the revenue from the business.

Person means an individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

Post-production operations means any operations not included in the definition of market readiness operations, performed after producing and harvesting an insured commodity to prepare it for sale. These include, but are not limited to, any activity occurring on-farm or off-farm to prepare the commodity for sale or any activity that increases the value of the crop, such as canning, freezing, and processing activities that alter the physical nature of insurable commodities such as slicing apples, putting commodities into gift baskets, jams, jellies, wine, or cider, or costs for cold and controlled atmosphere storage.

Produced means an insured commodity will be considered produced when it has matured to the extent that it is generally saleable at established markets, regardless of whether or not it is actually harvested by the end of the insurance period.

Prohibited substance means any biological, chemical, or other agent that is prohibited by Federal statute from use or is not included in the organic standards for use on any certified organic, transitional or buffer zone acreage. Lists of such substances are contained at 7 CFR part 205.

Replanted commodity means the same annual commodity replanted on the same acreage as the first insured commodity for harvest in the same insurance year.

Replanting means performing the cultural practices necessary to prepare the land and then replacing the seed or plants of the damaged or destroyed commodity on the same acreage.

Sales closing date means the date contained in the actuarial documents by which an application must be filed and the last date by which the insured may change coverage for an insurance year.

Schedule F means a tax form commonly used to file Federal taxes for a farm.

Short tax year means a period of less than twelve consecutive months for which a tax entity may be required to file a tax return due to changing from a calendar year to fiscal year or vice versa or from changing the dates of a fiscal year.

Definitions (Continued)

Special Provisions means the part of the policy that contains specific provisions of insurance that may vary by geographic area.

Substantial beneficial interest means an interest held by any person of at least 10 percent in you (e.g., there are two partnerships that each have a 50 percent interest in you and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in you, and both the partnerships and the individuals would have a substantial beneficial interest in you. The spouses of the individuals would not be considered to have a substantial beneficial interest unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in you and although the partnership would still have a substantial beneficial interest in you, the individuals would not). The spouse of any individual applicant or individual insured will be presumed to have a substantial beneficial interest in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable state dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a substantial beneficial interest in the applicant or insured unless the child has a separate legal interest in such person.

Substitute Schedule F means if an insured files farm tax forms for the farm, other than the Schedule F form, and allowable revenue and expenses can be determined on the Allowable Revenue Worksheet and the Allowable Expense Worksheet from the farm tax forms filed and verifiable records, a Substitute Schedule F may be used to insure the farm operation under WFRP. The farm tax forms filed with the IRS must be attached to the Substitute Schedule F and the Substitute Schedule F will be handled as if it were a Schedule F tax form for WFRP purposes.

Summary of coverage means the AIP's statement to the insured, based upon the Farm Operation Report that provides specific information about the insured's policy including the amount of insurance coverage.

Tax entity means any person that has a tax reporting requirement.

Tax year means the annual accounting period for the farm operation defined by the period used for tax purposes. The tax years are (1) a calendar year or (2) a fiscal year.

Total expected revenue means the total amount of expected revenue the applicant/insured expects to receive from all commodities on their farm operation in the insurance year, as stated on the Farm Operation Report, including those lost to a covered cause of loss.

Transitional acreage means acreage on which organic farming practices are being followed but the acreage does not yet qualify to be designated as organic acreage.

Definitions (Continued)

Verifiable records mean written records developed contemporaneously with the event recorded (such as harvested production, sale of a commodity, etc.), provided from a disinterested third party (such as records from a warehouse, processor, packer, broker, etc.), or by measurement of farm stored commodities. If you sell directly to consumers (direct market), written records developed contemporaneously with the sale and used to determine taxes paid on the Schedule F farm tax form must be provided. If you process or pack your insured commodities, you must provide final settlement sheets showing disposition of the insured commodities and marketing records reconcilable with revenue reported for tax purposes for your farm operation.

Void means the policy is considered not to have existed for an insurance year.

Whole-farm historic average revenue and expenses means the historic, average allowable revenue and allowable expenses generated from the farm operation, adjusted according to the policy, and stated on the Whole-Farm History Report.

Whole-farm history period means the five consecutive tax years prior to the tax year immediately before the insurance year.

Whole-Farm History Report means the report that documents the applicant's/insured's farm operation's allowable revenue and allowable expenses for each tax year in the whole-farm history period, and other information necessary to determine the farm operation's whole-farm historic average revenue and expenses.

Method of Establishment

The following table provides methods of establishment, abbreviations, and the numeric code for RMA processing.

Method of Establishment	Abbreviation	Numeric Code
Acre	AC	20
Acre – Native Sod	AC	19
Acre – Organic	AC	21
Head	HEAD	17
Head – Organic	HEAD	18
Linear Feet	LN/FT	96
Linear Feet – Organic	LN/FT	97
Number	NUM	95
Number – Organic	NUM	93
Other	OTHER	99
Other – Organic	OTHER	98
Plant	PLANT	22
Plant – Organic	PLANT	25
Square Feet	SQ/FT	23
Square Feet – Organic	SQ/FT	26
Summarized	SUM	1
Summarized and Includes Organics	SUM	2
Weight	WT	94
Weight – Organic	WT	92

Unit of Measure

The following table provides units of measure, abbreviations, and the numeric code for RMA processing.

Unit of Measure	Abbreviation	Numeric Code
Bag/Sack	BG/SK	11
Bale	BALE	12
Barrel	BBL	10
Bin	BIN	24
Box	BOX	13
Bushel	BU	01
Carton	CTN	14
Dozen	DOZ	15
Each	EACH	97
Flat	FLAT	16
Gallon	GAL	07
Head	HEAD	17
Hive	HIVE	18
Hundredweight	CWT	03
Lug	LUG	19
Other	OTHER	99
Ounce	OZ	05
Package	PKG	21
Peck	PECK	09
Pint	PINT	06
Plant	PLANT	22
Pound	LB	02
Purchased for Resale	PFR	98**
Quart	QT	08
Square Foot	SQ/FT	23
Ton	TON	04

** Use code 98 when the commodity is nursery and greenhouse.

Form Standards

This exhibit provides form standards:

- (1) that are in addition to or in lieu of the standards and elements provided in the DSSH; and
- (2) for forms that are unique to WFRP, including completion procedures.

Subparagraphs A through F refer to forms provided in DSSH. All other subparagraphs refer to forms unique to WFRP.

A. Conditions of Acceptance Statement

The following sentences in the Conditions of Acceptance Statement must be removed.

“Unless rejected or the sales closing date has passed at the time you signed this application, insurance will be in effect for the crop(s) and crop years specified and will continue for each succeeding crop 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.”

The following sentence must be added to the Conditions of Acceptance Statement.

“Unless rejected or the sales closing date has passed at the time you signed this application, insurance will be in effect for the insurance year specified and will continue for each succeeding insurance year, unless otherwise specified in the policy, until canceled, terminated or voided.”

B. Anti-Rebating Certification

Substitute “Insurance Year” as a substantive element in place of “Crop Year”.

Substitute “I certify, for the insurance year indicated,” in place of “I certify, for the crop year indicated,” at the beginning of the applicant/insured and agent substantive anti-rebating statements.

C. Application, Policy Transfer/Application, and Policy Change

Substitute “Effective Insurance Year” as a substantive element in place of “Effective Crop Year”.

- (1) The following substantive elements, as provided by DSSH, are not required. If they are included, complete each by entering “N/A”.
 - (a) “Name of Crop”
 - (b) “Options, Elections, or Endorsements”
 - (c) “Percentage of Price Election, Projected Price or Amount of Insurance”
 - (d) “Added County Election”
 - (e) “Designated County”
 - (f) “Landlord/Tenant insuring other’s share”

Form Standards (Continued)**C. Application, Policy Transfer/Application, and Policy Change (continued)**

(2) The following statement must be within a box above the insured's signature line and date.

"I understand that:

- (a) my approved revenue and approved expenses for the five years in the whole-farm history period and my expected revenue for the current year may be adjusted as required under the terms of the WFRP policy, and that such adjustments may affect the amount of insured revenue and any indemnity;
- (b) no insurance will be provided unless this application and all required forms are completed and filed on or before the sales closing date for the insurance year in which I am requesting WFRP coverage; and
- (c) although insurance under this application is continuous from year to year, policy terms, premium rates, and the amount of revenue insured may change from year to year."

The following table provides the information to enter for substantive elements that are not self-explanatory. The information to enter for substantive elements not provided in the following table are self-explanatory or provided in this handbook or the DSSH.

Element	Information to be Entered
Applicant's/Insured's Name	Enter the name of the applicant/insured. The applicant/insured must be the same person and person type as the person designated on the United States Income Tax form(s).
Insurance Year	Enter the insurance year for which WFRP insurance will be in effect if the application is approved. Enter the month and year the insurance year begins and ends if the applicant files Federal taxes on a fiscal year basis.
State/Code and County/Code	Enter the pilot state/code and county/code where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.

Substitute the required language for request of policy transfer with the following.

"Part I

I hereby request cancellation of my WFRP insurance policy with (*Ceding Approved Insurance Provider Name*) for the (*Insurance year of policy cancelled and transferred*) because I have applied for insurance with another Approved Insurance Provider. I understand that if this form is not executed on or before the established cancellation date, the cancellation of my WFRP insurance will not become effective until the following crop year."

Substitute the required language to provide insurance for policy transfer with the following.

Form Standards (Continued)

C. Application, Policy Transfer/Application, and Policy Change (continued)

"Part II

By submission of this form, we agree to provide WFRP insurance to this applicant for the insurance year specified above unless this form is not executed on or before the established cancellation date, in which case WFRP insurance will be provided for the following insurance year."

D. Policy Cancellation

Substitute "Effective Insurance Year" as a substantive element in place of "Effective Crop Year".

Substitute the cancellation request statement in DSSH with the following statement.

"I hereby request cancellation of my WFRP insurance policy shown on this cancellation. I understand that if this form is not executed on or before the cancellation date listed, the cancellation of my WFRP insurance will not become effective until the following insurance year."

The following substantive elements, as provided by DSSH, are not required on a policy cancellation for WFRP policies. If they are included, complete each by entering "N/A".

- (1) "Name of Crop"
- (2) "Options, Elections, or Endorsements"

The information to enter in all substantive elements are self-explanatory, provided in this handbook or the DSSH, or taken from the insured's application.

E. Summary of Coverage and Policy Confirmation

Substitute "Effective Insurance Year" as a substantive element in lieu of "Effective Crop Year".

- (1) The following substantive elements, as provided by DSSH, are not required. If they are included, complete each by entering "N/A".
 - (a) "Options, Elections, or Endorsements"
 - (b) "Percentage of Price Election, Projected Price or Amount of Insurance"
 - (c) "Crop(s) Insured"
 - (d) "Crop/Practice/Type"

The information to enter in all substantive elements are self-explanatory, provided in this handbook or the DSSH, or taken from the insured's application.

Form Standards (Continued)

F. Withdrawal of Claim for Indemnity

- (2) The following substantive elements, as provided by DSSH, are not required. If they are included, complete each by entering “N/A”.
- (a) “Name of Crop(s)”
 - (b) “Unit Number(s)”

Substitute the following sentence in lieu of the first sentence in the “Withdrawal Statement.”

“As of this date, I withdraw this claim for indemnity against the Approved Insurance Provider for the policy listed above.”

G. Whole-Farm History Report

The AIPs are responsible for developing the Whole-Farm History Report form. The Whole-Farm History Report must be titled “WHOLE-FARM HISTORY REPORT”. The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 6 for the Whole-Farm History Report required elements and example.

In place of the certification statement in the DSSH, the Whole-Farm History Report must include the following certification statement immediately above the applicant/insured signature.

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of the insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

The Whole-Farm History Report must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

H. Inventory Report

The AIPs are responsible for developing the Inventory Report form. The Inventory Report must be titled “INVENTORY REPORT”. The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 7 for the Inventory Report required elements and example.

In place of the certification statement in DSSH, the Inventory Report must include the following certification statement immediately above the applicant/insured signature.

Form Standards (Continued)

H. Inventory report (Continued)

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

The Inventory Report form must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

I. Accounts Receivable and Accounts Payable Report

The AIPs are responsible for developing the Accounts Receivable and Accounts Payable Report form. The Accounts Receivable and Accounts Payable Report must be titled “ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE REPORT.” The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 8 for the Accounts Receivable and Accounts Payable Report required elements and example.

In place of the certification statement in DSSH, the Inventory and Accounts Receivable Report must include the following certification statement immediately above the applicant/insured signature.

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

The Inventory Report form must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

Form Standards (Continued)

J. Market Animal and Nursery Inventory Report

AIPs are responsible for developing the “Market Animal and Nursery Inventory Report” form. If a farm has animals or nursery, this form will be used in addition to the Inventory and Accounts Receivable form to handle the inventory for the animals and nursery. The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 9 for the Market Animal and Nursery Inventory Report required elements and example.

If applicable, beginning and ending inventories are necessary to determine the revenue to count for animals and nursery plants marketed during the insurance year on an accrual basis. A complete inventory of breeding and market animals and nursery stock must be maintained; however, it is recommended that separate inventories be maintained for breeding and for market animals. The breeding inventory is used to support the number of (inventory) market animals and to document culled breeding animals transferred from the breeding category to the market category and sold during the insurance year. Breeding animals produced on the farm or purchased as assets are accounted for using breeding animal inventories. Changes in the value of inventoried breeding animals that are not intended for market should not affect revenue to count for the insurance year. When applicable, a complete beginning inventory for animals that will be marketed, including breeding animals transferred to the market category, (Part 2 of the Market Animal and Nursery Inventory Report) must be provided to the AIP at SCD for calendar and early fiscal filers, or no later than the last day of the month in which the tax year begins for late fiscal year filers.

An ending inventory (Part 3 of the report) must also be completed if an indemnity is to be claimed. Part 4, calculates the revenue to count for claim purposes using increases or decreases in inventory values during the insurance year. The cost or basis for animals purchased for resale that are sold during the tax year are transferred to the Schedule F (line 2 cash or line 47 accrual accounting) and must be removed from the beginning inventory prior to making inventory adjustments on the claim. Animals must be grouped according to the type/category corresponding to how they will be marketed to accurately value them. Local market value is determined at the beginning of the insurance year for beginning inventories, and for ending inventories at the end of the insurance year for each applicable type/category.

If animals are marketed in pounds, gross inventory values will be determined by multiplying the number of animals X the average lbs. per animal for the type/category X applicable value/price per lb.

For animals sold individually (by the head/animal), inventory values will be measured by multiplying the number of animals/livestock X the average value/price per animal for the type/category.

Complete the beginning inventory (breeding animal inventory and market animal inventory for each applicable type/category of animals on hand at the beginning of the insurance year. Complete the ending inventory for animals that are on hand at the end of the insurance year. Include on the breeding animal inventory animals/livestock from which income is accounted for as gains or losses on Schedule D (Form 1040), Form 4797 (animals held for breeding, dairy purposes, or not held primarily for sale), or is depreciated on Form 4799.

Form Standards (Continued)

K. Farm Operation Report

The AIPs are responsible for developing the Farm Operation Report form. The Farm Operation Report must be titled “FARM OPERATION REPORT”. The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 10 for the Farm Operation Report required elements and example.

In place of the certification statement in the DSSH, the Farm Operation Report must include the following certification statement immediately above the applicant/insured signature.

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand that changes to intended commodities grown will result in changes to the insured revenue, premium rate, and indemnity. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of approved revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

The Farm Operation Report must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

L. Replant Payment Worksheet

The AIPs are responsible for developing the Replant Payment Worksheet form. The Replant Payment Worksheet must be titled “REPLANT PAYMENT WORKSHEET.” The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 11 for the Replant Payment Worksheet required elements and example.

In place of the certification statement in DSSH, the Replant Payment Worksheet must include the following certification statement immediately above the applicant/insured signature.

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

Form Standards (Continued)

L. Replant Payment Worksheet (Continued)

The Replant Payment Worksheet form must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

M. Substitute Schedule F

The Substitute Schedule F is a required document used to document an applicant's/insured's farm income and expenses for each year the applicant/insured did not file a Schedule F with the IRS. This form is used in the same manner as the Schedule F. The Substitute Schedule F is the current year Schedule F used by the IRS and must be titled "SUBSTITUTE SCHEDULE F FOR WFRP PURPOSES." See exhibit 13 for the Substitute Schedule F required elements and example.

In place of the certification statement in DSSH, the Substitute Schedule F must include the following certification statement immediately above the applicant/insured signature.

"I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes)."

N. Allowable Expenses Worksheet

The Allowable Expenses Worksheet is a required worksheet the AIPs must use to determine an applicant's/insured's allowable expenses for each year in the whole-farm history period, and for the insurance year when determining an indemnity amount. The worksheet assists in identifying and documenting required adjustments to applicant's/insured's tax reported expenses. The Allowable Expenses Worksheet must be titled "ALLOWABLE EXPENSES WORKSHEET." See exhibit 14 for the Allowable Expenses Worksheet required elements and example.

In place of the certification statement in DSSH, the Allowable Expenses worksheet must include the following certification statement immediately above the applicant/insured signature.

Form Standards (Continued)

N. Allowable Expenses Worksheet (continued)

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

O. Allowable Revenue Worksheet

The Allowable Revenue Worksheet is a required worksheet that the AIPs must use to determine an applicant’s/insured’s allowable revenue for each year in the whole-farm history period. The worksheet assists in identifying and documenting required adjustments to the applicant’s/insured’s tax reported revenue. The worksheet does not determine allowable revenue for claims purposes. The Allowable Revenue Worksheet must be titled “ALLOWABLE REVENUE WORKSHEET.” See exhibit 15 for the Allowable Revenue Worksheet required elements and example.

In place of the certification statement in DSSH, the Allowable Revenue Worksheet must include the following certification statement immediately above the applicant/insured signature.

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

P. Claim for Indemnity Report

The AIPs are responsible for developing the Claim for Indemnity Report. The Claim for Indemnity Report must be titled “CLAIM FOR INDEMNITY Report”. The AIPs are NOT authorized to modify or delete any of the required elements. See exhibit 16 for the Claim for Indemnity Report required elements and example.

In place of the certification statement in DSSH, the Claim for Indemnity Report must include the following certification statement immediately above the applicant/insured signature.

Form Standards (Continued)

P. Claim for Indemnity Report (Continued)

“I certify that to the best of my knowledge and belief all of the information on this form is correct. I understand the information on this form may be reviewed and audited, and used to determine my loss, if any, for the policy listed above. I understand that inaccurate information or my failure to retain or provide, upon request, records supporting the information on this form may result in denial of coverage, cancellation of my policy, ineligibility for indemnity, or recalculation of insured revenue. I also understand that failure to report completely and accurately may result in sanctions under my policy, including but not limited to voidance of the policy, and in criminal or civil penalties (18 U.S.C. §1006 and §1014; 7 U.S.C. §1506; 31 U.S.C. §3729, §3730 and any other applicable federal statutes).”

The Claim for Indemnity Report must include:

- (1) Collection of Information and Data (Privacy Act) Statement;
- (2) Nondiscrimination Statement; and
- (3) AIP Name and Address.

Whole-Farm History Report Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Whole-Farm History Report form required elements.

Item	Required Element	Description
1.	Producer Information:	Name, address, telephone number, and tax ID, such as social security number or employer identification number for the applicant/insured. Also includes the person type the applicant/insured used to file their Federal income taxes. The applicant/insured must be the same person and person type as the person designated on the United States Federal Income Tax form(s).
2.	Agency Information:	Name, address, telephone number and code number of the agent. Include policy number for carryover insureds.
3.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal taxes on fiscal year basis.
4.	IRS Accounting Method:	IRS accounting method, cash or accrual, used by applicant/insured.
5.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.
6.	Tax Year	Tax year for the each year in the whole-farm history period.
7.	Allowable Revenue	Allowable revenue (item 12 of Allowable Revenue Worksheet) for each tax year entered in item 6.
8.	Allowable Expenses	Allowable expenses (item 14 of Allowable Expenses Worksheet) for each tax year entered in item 6.
9.	Total	Total allowable revenue and expenses, respectively, for all tax years entered in item 6. Sum the allowable revenue and allowable expenses, respectively, for all tax years entered in item 6 and enter the result.
10.	Average	Simple average of the allowable revenue and expenses, respectively, for all tax years entered in item 6. Divide the result of item 9 for allowable revenue by 5 and divide the result of item 9 for allowable expenses by 5.
11.	Indexed Average	Indexed average allowable revenue and expenses, if applicable. If the applicant/insured qualifies for indexed average revenue, enter the indexed average revenue and expenses. See paragraphs 71 and 72 for qualification criteria and instructions on calculating indexed averages.

Whole-Farm History Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
12.	Expanded Operation Average (10 Percent)	Expanded operation average allowable revenue and expenses. See paragraphs 71 and 72 for instructions on calculating expanded operation averages.
13.	Whole-Farm Historic Average (greater of items 10, 11, or 12)	Whole-farm historic average allowable revenue and expenses. The whole-farm historic average allowable revenue and expenses is the greater of item 10, 11, or item 12. The whole-farm historic allowable expenses is equal to the expenses that correspond to the whole-farm historic average revenue.
The following required entries are not illustrated on the Whole-Farm History Report example below.		
14.	Applicant/Insured Signature and Date	Applicant/insured signature and date.
15.	AIP Representative Signature and Date	AIP Representative signature and date.

See exhibit 5 for required certification and other statements.

Whole-Farm History Report Elements Description and Example (Continued)**B. Example Whole-Farm History Report**

The following is an example only. It is an example Whole-Farm History Report. AIPs must develop a Whole-Farm History Report using the required elements and statements.

Whole-Farm History Report		
1. Producer Information: I.M. Insured Person Type: Individual Anytown, USA, 11111 Phone: 999.999.9999 SSN: xxx.xx.xxxx		2. Agency Information: Agent Code: XX I.M. Agent Policy: xxxx Anytown, USA 11111 Phone: 111.111.1111
3. Insurance Year: 2015	4. IRS Accounting Method: Cash	5. State/County: Michigan/Vanburen
6. Tax Year	7. Allowable Revenue	8. Allowable Expenses
2009	\$130,500	\$83,500
2010	\$149,500	\$109,660
2011	\$112,000	\$83,500
2012	\$139,600	\$73,900
2013	\$160,360	\$110,370
9. Total	\$691,960	\$460,930
10. Simple Average	\$138,392	\$92,186
11. Indexed	\$184,200 (\$138,392 x 1.331)	\$100,206 (\$92,186 x 1.087)
12. Expanded Operation (10 Percent)	\$152,231 (\$138,392 x 1.10)	\$101,405 (\$92,186 x 1.10)
13. Whole-Farm Historic Average (greater of items 10, 11, or 12)	\$184,200	\$100,206

Inventory Report Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Inventory Report required elements.

Item	Required Element	Description
PART 1: Producer Information		
1.	IRS Accounting Method:	The accounting method, cash or accrual, the applicant/insured used to file Federal income tax with IRS for the insurance year.
2.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal tax on fiscal year basis.
3.	Producer Information:	Name, address, telephone number, and tax ID, such as social security number or employer identification number for the applicant/insured. Also includes the person type the applicant/insured used to file their Federal taxes. The applicant/insured must be the same person and person type as the person designated on the United States Income Tax form(s).
4.	Agency Information:	Name, address, telephone number and code number of the agent. Include policy number.
5.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.
6.	Commodity Name	Name of each commodity required to be inventoried. For beginning inventory commodities, include all commodities on hand at the beginning of the insurance year that were not sold, or were not under contract with a buyer for a specified price, including but not limited to, commodities stored on the farm, in commercial storage, and delivered to a processor/warehouse but not sold. For ending inventory commodities, include all commodities produced or purchased for resale during the insurance year on hand at the end of the insurance year that were not sold, or were not under contract with a buyer for a specified price, including but not limited to, commodities stored on the farm, in commercial storage, and delivered to a processor/warehouse but not sold. Each different commodity must be on a separate line. In addition, list the same commodity on separate line items when the same commodity has substantially different value. Example: Part of the production of a commodity is sold to a processor and part is sold direct in the fresh market. The value of the production sold to a processor is substantially different than the value of production sold direct in the fresh market.

Inventory Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
PART 2: Beginning Inventory (First day of the tax year.)		
7.	Location(s)	<p>Location of the commodity.</p> <p>Example: Insured has corn stored on his farm and potatoes stored at CA Storage Inc., a commercial storage facility. The location of the corn is the insured's farm address and the location of the potatoes is the address for the CA Storage Inc. warehouse where the potatoes are stored.</p>
8.	Beginning Inventory	<p>Total amount of the commodity produced or purchased for resale in a year previous to the current insurance year that was not sold, fed, lost during storage, bartered, or otherwise disposed of prior to the beginning of the current insurance year, and will be sold, fed, bartered, or otherwise disposed of during the current insurance year. Amounts must be in the unit of measure in which the commodity is marketed, such as bushels, pounds, tons, boxes, cartons, etc. Enter the applicable unit of measure immediately after the amount.</p> <p>Important: Verifiable records supporting the amount reported must be provided.</p>
PART 3: Beginning Inventory (Value end of insurance period.)		
9.	Value	<p>For beginning inventories of commodities:</p> <ol style="list-style-type: none"> (1) sold on or before the end of the insurance year, enter the amount received; (2) bartered on or before the end of the insurance year and the fair market price of the barter was reported to IRS, enter "0"; (3) bartered on or before the end of the insurance year but the price of the barter was not reported to IRS, enter the fair market value of the barter; (4) not sold but otherwise disposed of, such as fed or lost during storage, on or before the end of the insurance year, enter "0"; and (5) carried over to the subsequent insurance year, enter the local market value of the commodity on the last day of the insured's tax year. <p>For claims purposes, beginning and ending inventories will be valued at the:</p> <ol style="list-style-type: none"> (1) actual price received if the commodity is sold prior to the time the claim is finalized; or

Inventory Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
9.	Value (continued)	(2) local market value on the first day of the month in which the claim is finalized, if the commodity is not sold prior to the time the claim is finalized Important: Verifiable records supporting the amount reported must be provided.
10	Cost or Basis	The cost of inventoried commodities purchased for resale as of the first day of the tax year.
11.	Value Received	The value received must not include the cost, or other basis, of the commodity purchased. All post-production costs must be removed from the actual price received. Separate entries are required when the commodity is disposed of in more than one method. Example: Insured had 1,000 bushels of farm stored corn in beginning inventory. During the insurance year, he sold 900 bushels, fed 70 bushels to his pet donkey, and 30 bushels were lost during storage. Each amount (900, 70 and 30) is a separate entry.
12.	Location	Location of the commodity. Example: Insured has corn stored on his farm and potatoes stored at CA Storage Inc., a commercial storage facility. The location of the corn is the insured's farm address and the location of the potatoes is the address for the CA Storage Inc. warehouse where the potatoes are stored.
13.	Ending Inventory	Total amount of the commodity produced or purchased for resale in the current insurance year that was not sold or otherwise disposed of prior to the end of the current insurance year. Amount must be in the unit of measure in which the commodity is marketed, such as bushels, pounds, tons, boxes, cartons, etc. Enter the applicable unit of measure immediately after the amount. Important: Verifiable records supporting the amount reported must be provided.
PART 4: Ending Inventory (Last Day of Tax Year.)		
14.	Average Value	For ending inventories, enter the local market value of the commodity on the last day of the insured's tax year.
15.	Cost or Basis	The cost of inventoried commodities purchased for resale during the insurance year, but was not sold or otherwise disposed of prior to the end of the insurance year.

Inventory Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
16.	Net Value	Result of multiplying item 13 x item 14, then subtracting the amount in item 15 if applicable.
17.	Total Beginning Value	Total of column 11.
18.	Total Ending Value	Total of column 16.
PART 5: Inventory Adjustment (To be completed only if a claim is filed)		
19.	Adjustments	Subtract the amount in item 17 from the amount in item 18. The result, either a positive or negative number, will be entered in item 22 on the Claim for Indemnity Form.
The following required entries are not illustrated on the Inventory Report example below.		
20.	Applicant/Insured Signature and Date	Applicant/Insured signature and date.
21.	AIP Representative Signature and Date	AIP representative signature and date.

See exhibit 5 for required certification and other statements.

Inventory Report Elements Description and Example (Continued)

B. Example Inventory Report Form

The following is provided as an example only. AIPs must develop an Inventory and Accounts Receivable Report using the required elements and statements.

INVENTORY REPORT										
PART 1 - PRODUCER INFORMATION										
1. IRS Accounting Method: Accrual	2. Insurance Year: 2015	3. Producer Information: I.M. Insured Person Type: Box 1 Individual Anytown, USA, 11111 Phone: 999.999.9999 SSN: xxx.xx.xxxx				4. Agency Information: Agent Code: XX I.M. Agent Policy: xxxx Box 2 Anytown, USA 11111 Phone: 111.111.1111			5. State/County: Michigan/Vanburen	
INVENTORIED COMMODITIES										
6. COMMODITY NAME	PART 3: BEGINNING INVENTORY First day of the tax year		PART 3: BEGINNING INVENTORY Value end of insurance period			PART 4: ENDING INVENTORY Last day of the tax year				
	7. Location(S)	8. Beginning Inventory	9. Value	10. Cost or Basis	11. Value Received	12. Location(S)	13. Ending Inventory	14. Average Value	15. Cost or Basis	16. Net Value
Corn (2014)	Storage	100 bu.	\$5.00/bu.	--	\$500					0
17. TOTAL BEGINNING VALUE					\$500	18. TOTAL ENDING VALUE				0
PART 5 - INVENTORY ADJUSTMENT (To be completed ONLY if a claim is filed)										
19. Adjustment: ITEM 18 AMOUNT: (\$0) - ITEM 17 AMOUNT: (\$500) = (-\$500) Inventory Adjustment. Enter this amount, (+) or (-) in item 22 on the Claim for Indemnity Form.										

Accounts Receivable and Accounts Payable Report Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Accounts Receivable and Accounts Payable Report required elements

Part 1 – Producer Information		
Item	Required Element	Description
1.	Name	The name of the applicant/insured. The applicant/insured must be the same person and person type as the person designated on the United States Income Tax form(s).
2.	Policy Number	The insured's assigned policy number.
3.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal tax on fiscal year basis.
4.	Agency Information:	The name, address, telephone number, and code number of the agent that provides insurance service to the insured.
ACCOUNTS RECEIVABLE		
5.	Commodity Name	Name of insured commodity sold at a specified price but which full payment has not been received at the beginning or ending of the insurance year, regardless of the location of the commodity. Example: Insured had sold and delivered 100 pounds of cucumbers to CA Processor Inc. for \$0.10 per pound. However, at the beginning of the insurance year, insured has not received full payment for the commodity. The cucumbers are included in item 5 even though they were delivered because full payment has not been received.
6.	Name and Address of Buyer	Name of buyer for each commodity in item 5.
7.	Beginning Amount (Dollars)	Total dollar amount receivable for each insured commodity in item 5 that have been sold at a specified price but which full payment has not been received at the beginning of the insurance year, regardless of the location of the commodity. Important: Verifiable records supporting the amount must be provided. Verifiable records must be provided for each commodity for which full payment has not been received, and must include the location of each commodity, the name and address of the buyer, and the specific price per unit of measure, such as bushels, pounds, tons, and boxes.....

Accounts Receivable and Accounts Payable Report Elements Description and Example
(Continued)

A. Required Elements Description (Continued)

Item	Required Element	Description
7.	Beginning Amount (Dollars) (continued)	<p>Example: Insured had sold and delivered 100 pounds of cucumbers to CA Processor Inc. for \$0.10 per pound and 100 pounds of apples to WA Processor Inc. for \$0.12 per pound. However, at the beginning of the insurance year, insured has not received full payment for either commodity. Insured would report \$10.00 in item 7 as the amount receivable for cucumbers and \$12.00 in item 7 as the amount receivable for apple. Insured would have to provide verifiable records indicating the amount of cucumbers and apples sold, the specific price per pound for each and the name and address of each processor.</p>
8.	Ending Amount (Dollars)	<p>Total dollar amount receivable for each insured commodity in item 5 that have been sold at a specified price but which full payment has not been received at the end of the insurance year, regardless of the location of the commodity.</p> <p>Important: Verifiable records supporting the amount must be provided. Verifiable records must be provided for each commodity for which full payment has not been received, and must include the location of each commodity, the name and address of the buyer, and the specific price per unit of measure, such as bushels, pounds, tons, and boxes.</p> <p>Example: Insured produced and sold 1,000 bushels of corn during the insurance year. The corn was sold to the ABC Elevator for \$4.00 per bushel. However, at the end of the insurance year, insured has not received full payment for the corn. Insured would report \$4000.00 in item 8 as the amount receivable for corn. Insured would have to provide verifiable records indicating the amount of corn sold, the specific price per bushel and the name and address of the elevator.</p> <p>The ending amount for the current insurance year becomes the beginning amount for the subsequent insurance year.</p>
9.	Balance (7 - 8)	The change in accounts receivable for each commodity in item 5. For each commodity, subtract the beginning amount (item 7) from the ending amount (item 8). The result can be positive or negative.
10.	Total Accounts Receivable Adjustments to Claim (Dollars)	Total change in accounts receivable from all insured commodities. Sum the result of item 9 for each commodity. The result can be positive or negative. Round to the nearest whole dollar.

Accounts Receivable and Accounts Payable Report Elements Description and Example
(Continued)

A. Required Elements Description (Continued)

ACCOUNTS PAYABLE		
Item	Required Element	Description
11.	Commodity Name	Name of insured commodity for which expenses have not been paid at the beginning of the insurance year, regardless of the location of the commodity.
12.	Name and Address of Creditor	Name of Creditor for each commodity in item 11.
13.	Beginning Amount (Dollars)	Total dollar amount payable for each insured commodity in item 11 that have unpaid expenses at the beginning of the insurance year, regardless of the location of the commodity. Important: Verifiable records supporting the amount must be provided. Verifiable records must be provided for each commodity for which there are unpaid expenses, and must include the location of each commodity, the name and address of the creditor.
14.	Ending Amount (Dollars)	Total dollar amount payable for each insured commodity in item 11 that have unpaid expenses at the end of the insurance year, regardless of the location of the commodity. Important: Verifiable records supporting the amount must be provided. Verifiable records must be provided for each commodity for which there are unpaid expenses, and must include the location of each commodity, the name and address of the creditor. Example: The ending amount for the current insurance year becomes the beginning amount for the subsequent insurance year.
15.	Balance (9 -10)	The change in accounts payable for each commodity in item 11. For each commodity, subtract the beginning amount (item 9) from the ending amount (item 10). The result can be positive or negative.
16.	Total Accounts Payable Adjustments to Claim (Dollars)	Total change in accounts payable from all insured commodities. Sum the result of item 11 for each commodity. The result can be positive or negative. Round to the nearest whole dollar. This entry will be transferred to item 13 on the Allowable Expense Report.
The following required entries are not illustrated on the Accounts Receivable and Accounts Payable Report example below.		
17.	Applicant/Insured Signature and Date	Applicant/Insured signature and date.
18.	AIP Representative Signature and Date	AIP representative signature and date.

See exhibit 5 for required certification and other statements.

Accounts Receivable and Accounts Payable Report Elements Description and Example (Continued)

B. Example Accounts Receivable and Accounts Payable Report Form

The following is provided as an example only. AIPs must develop an Accounts Receivable and Accounts Payable Report using the required elements and statements.

<i>ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE REPORT</i>				
PART 1 - PRODUCER INFORMATION				
<i>1. NAME</i>		<i>2. POLICY NUMBER</i>	<i>3. INSURANCE YEAR</i>	<i>4. AGENCY INFORMATION</i>
<i>I.M. INSURED</i>		<i>XXXXXXXXXX</i>	<i>YYYY</i>	<i>I.R. AGENT XXXXX</i>
PART 2. ACCOUNTS RECEIVABLE				
<i>5. Commodity Name</i>	<i>6. Name and Address of Buyer</i>	<i>7. Beginning Amount</i>	<i>8. Ending Amount</i>	<i>9. Balance (7 - 8)</i>
			<i>10. Total Accounts Receivable Adjustments to Claim</i>	
PART 3. ACCOUNTS PAYABLE				
<i>11. Commodity Name</i>	<i>12. Name and Address of Creditor</i>	<i>13. Beginning Amount</i>	<i>14. Ending Amount</i>	<i>15. Balance (13 - 14)</i>
			<i>16. Total Accounts Receivable Adjustments to Claim</i>	

Market Animal and Nursery Inventory Report Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Market Animal and Nursery Inventory Report form required elements.

Part 1 - Producer Information		
Item	Required Element	Description
1.	Name	The name of the applicant/insured. The applicant/insured must be the same person and person type as the person designated on the IRS Income Tax form(s).
2.	Policy Number	The insured's assigned policy number.
3.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal tax on fiscal year basis.
4.	Agency Information:	The name, address, telephone number, and code number of the agent that provides insurance service to the insured.
5.	Type of Animals or Commodities:	The type/category of animals or commodities (cattle/feeder calves, hogs/feeder pigs, turkeys/broilers, chickens/broilers, catfish/stockers, etc.). A separate line entry must be made for: each type of animal and the intended market categories of animals, produced/born, and animals purchased. See actuarial documents for additional information concerning type/category.
Part 2 - Beginning Inventory The First Day Of The Tax Year		
6.	Number	For each type/category (by line) of animals or nursery stock, enter the number on hand at the beginning of the tax year.
7.	Average Weight, Container Size, etc.	Animals or Animal Products: The average weight at the beginning of the tax year for animals marketed in pounds. For animals sold individually (e.g., baby calves or weaning pigs sold by the head) and animals being depreciated, enter a dash (-) Nursery or Greenhouse: The average container size (or other applicable unit) at the beginning of the tax year.
8.	Average Value	Animals or Animal Products: For animals raised (market and breeding animals) or for animals purchased for resale, enter the average value per pound at the beginning of the tax year if marketed in pounds or, if the animals are sold individually, enter the average value per animal at the beginning of the tax year. For breeding animals purchased as assets enter the amount paid, less prior years depreciation allowed by IRS. Nursery or Greenhouse: For plants raised or for plants purchased for resale, enter the average value per plant at the beginning of the tax year

Market Animal and Nursery Inventory Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
9.	Total \$ Value	<p>Animals or Animal Products: The total value of all the animals entered on the line.</p> <ul style="list-style-type: none"> • For animals marketed in pounds, multiply the number of animals (column 6) x the average weight (column 7) x the average value (column 8). • For animals sold individually and for breeding animals purchased as assets, multiply the number of animals (Column 6) x the average value (Column 8). <p>Nursery or Greenhouse: For plants sold individually, multiply the number of plants (column 6) x the average value (column 8).</p>
10.	Cost or Basis	<p>Animals or Animal Products: For animals purchased for resale, enter the total cost of animals that were purchased. When animals purchased for resale are sold, IRS requires the cost or other basis to be entered on Schedule F. For claims purposes, when the cost or other basis is entered on Schedule F, the cost must be removed from the beginning inventory and the total beginning inventory value recalculated prior to making inventory adjustments on claims.</p> <p>For breeding animals purchased as assets, enter the amount paid less the depreciation allowed by IRS on form 4799 for previous tax years multiplied times the number of animals. For animals that were not purchased (produced on the farm) enter "0."</p> <p>Nursery or Greenhouse: For plants purchased for resale, enter the total cost of plants that were purchased.</p>
11.	Net \$ Value	<p>The net value of animals or animal products, and or nursery or greenhouse plants on inventory at the beginning of the year. Subtract the amount in column 10 from column 9 and enter the result. The result is then deducted from expected revenue for this commodity on the Farm Operation Report.</p>
Part 3 - Ending Inventory On The Last Day Of The Tax Year		
12.	Number	<p>Animals or Animal Products: The number of animals on hand at the end of the tax year. If animals in beginning inventory will be carried over to the subsequent insurance year, enter the number to be carried over. If all animals in the beginning inventory on the line were disposed of, enter "0." For animals purchased or produced during the tax year that will be carried over, enter number purchased and the number produced on separate lines. Enter the applicable type/category in Column 5.</p> <p>Nursery or Greenhouse: The number of plants on hand at the end of the tax year. If plants in beginning inventory will be carried over to the subsequent insurance year, enter the number to be carried over. If all plants in the beginning inventory on the line were disposed of, enter "0." For plants purchased or produced during the tax year that will be carried over, enter number purchased and the number produced on separate lines. Enter the applicable type/category in Column 5.</p>

Market Animal and Nursery Inventory Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
13.	Average Weight	<p>Animals or Animal Products: For animals marketed in pounds, enter the average weight at the end of the tax year for the type/category reported. For animals sold individually or being depreciated, enter a dash (-).</p> <p>Nursery or Greenhouse: For plants sold individually enter a dash (-).</p>
14.	Average Value	<p>Animals or Animal Products: The average value per pound for animals marketed in pounds at the end of the tax year.</p> <p>For animals sold individually, enter the average value per animal at the end of the tax year. For breeding animals purchased as assets, enter the amount paid, less the depreciation allowed for previous tax years, and the current tax year.</p> <p>Nursery or Greenhouse: For plants sold individually, enter the average value per plant at the end of the tax year.</p>
15.	Total \$ Value	<p>Animals or Animal Products: The total value of all animals entered on the line.</p> <ul style="list-style-type: none"> • For animals marketed in pounds, multiply the number of animals (column 12) x the average weight (column 13) x the average value (per pound) (column 14). • For animals sold individually or animals being depreciated, multiply the Number animals (column 12) x the average value (column 14). <p>Nursery or Greenhouse: For plants sold individually multiply the number of plants (column 12) x the average value (column 14).</p>
16.	Cost or Basis	<p>Animals or Animal Products: The average cost or basis of the animals purchased for resale during the tax year. For breeding animals purchased as assets, enter the amount paid less the depreciation allowed in previous tax years and the current tax year, multiplied times the number of animals being depreciated. For animals produced on the farm, enter "0."</p> <p>Nursery or Greenhouse: The average cost or basis of the plants purchased for resale during the tax year. For plants produced in the nursery or greenhouse, enter "0."</p>
17.	Net Value	<p>Animals or Animal Products: The net value of animals on inventory at the end of the tax year. Subtract the amount in column 16 from column 15, and enter the remainder.</p> <p>Nursery or Greenhouse: The net value of plants on inventory at the end of the tax year. Subtract the amount in column 16 from column 15, and enter the remainder.</p>
18.	Total Beginning Value Less Cost or Other Basis:	The total net value of all animals or animal products or nursery or greenhouse plants on inventory at the beginning of the tax year. Sum the amounts entered in column 11.

Market Animal and Nursery Inventory Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
19.	Total Ending Value Less Cost or Other Basis:	The total net value of all animals or animal products or nursery or greenhouse plants on inventory at the end of the tax year. Sum the amounts entered in column 17.
Part 4 - Inventory Adjustment (To Be Completed ONLY If A Claim Filed)		
20.	Adjustment:	Subtract the amount in item 18 from the amount in item 19. The amount can be either a positive number or a negative number. Transfer the amount to the Claim for Indemnity for (item 24).
The following required entries are not illustrated on the Market Animal and Nursery Inventory Report example below.		
21.	Applicant/Insured Signature and Date	Applicant/Insured Signature and Date @ sales closing date
22.	AIP Representative Signature and Date	AIP Representative Signature and Date @ end of tax year

See exhibit 5 for required certification and other statements.

Farm Operation Report Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Farm Operation Report form required elements.

Item	Required Element	Description
1.	Insurance Year:	The current insurance year. Indicate whether the applicant is a fiscal year filer and, if they are, include the beginning month and year of the fiscal year and the ending month and year of the fiscal year.
2.	Producer Information:	<p>Name, address, telephone number, and tax ID, such as social security number or employer identification number for the applicant/insured. Also includes the person type the applicant/insured used to file their Federal income taxes.</p> <p>The applicant/insured must be the same person and person type as the person designated on the United States Federal Income Tax form(s).</p>
3.	Agency Information:	Name, address, telephone number, code number of the agent and policy number.
4.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.
5.	Other Insurance:	Commodities and corresponding policy numbers by state and county on which other Federally reinsured insurance is in force for commodities to be insured under WFRP.
Intended		
6.	Commodity Name/Code	<p>Intended: Name and code of each commodity that is or will be purchased for resale or produced for revenue during the insurance year. Place "PR" immediately behind the commodity name for commodities purchased for resale.</p> <p>Revised: List any additional commodities purchased for resale or produced for revenue.</p> <p>Each different commodity must be on a separate line:</p> <p>(1) When a commodity has significantly different values (refer to paragraph 47E); multiple amounts or values, list them on an attached paper and sum the total in one amount.</p> <p>(2) When a commodity is produced on Native Sod.</p>

Farm Operation Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
7.	Method of Establishment	Method of how the commodity is produced, such as acres, head, or square feet.
8.	Yield	<p>Expected yield for the commodity per unit of measure. The unit of measure must be consistent with how the commodity is marketed, such as bushels, tons, pounds, hundredweight, boxes, cartons, head, etc. Include the unit of measure immediately after the yield amount. See exhibit 4 for units of measure.</p> <p>For commodities insured under other Federally reinsured crop insurance policies that utilize actual production history yields, the yield reported on the Farm Operation Report should be consistent with the actual production history yields unless damage occurred prior to coverage beginning or production practices to be carried out or other uninsured causes will reduce the production below actual production history levels.</p> <p>For animals that will be sold by the head enter 1.0. For animals that are sold by the pound, enter the expected average weight at which the insured expects to sell the animal in the insurance year.</p>
9.	Expected Value	<p>Intended: The expected value in dollars and cents per unit of measure. The expected value must be consistent with how the commodity is marketed, such as bushels, tons, pounds, hundredweight, boxes, cartons, head, etc. Include the unit of measure immediately after the dollar amount.</p> <p>Revised: If additional commodities were added, enter the expected value in dollars and cents. The expected value should be as of the date the commodity was planted, purchased, or otherwise added to the farm operation and must be consistent with how the commodity is marketed, such as bushels, tons, pounds, hundredweight, boxes, cartons, head, etc. Include the unit of measure immediately after the dollar amount.</p> <p>See exhibit 18 for determining expected values. See exhibit 4 for units of measure</p>
10.	Expected Revenue (8x9)	<p>Intended: Enter the result of multiplying item 8 times item 9. Enter method of establishment immediately after the dollar amount.</p> <p>Make no entry for commodities added to Farm Operation Report after SCD.</p>

Farm Operation Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
11A.	Intended Quantity	<p>The amount of the commodity the applicant/insured intends to produce or purchase and obtain revenue from in the insurance year. Enter the method of establishment immediately following the quantity.</p> <p>Enter the:</p> <ul style="list-style-type: none"> (1) total number of acres, rounded to tenths, for field grown commodities; <p>Important: Include only bearing acres for perennial field grown commodities.</p> <ul style="list-style-type: none"> (2) total number/amount that will be produced and/or purchased for resale, (3) total number of animals to be sold by the head; and (4) total tons, hundredweight, or pounds, as applicable, for animals or animal products. <p>When the same commodity is planted and harvested more than once in the insurance year, enter the total number of acres planted. See paragraph 47C for more information.</p> <p>Example: Insured A intends to plant and harvest carrots on the same five acres two separate times during the insurance year. This is a normal practice for the insured and is considered a GFP for the area. Enter 10 acres of carrots for the year.</p> <p>Make no entry for commodities added to Farm Operation Report after SCD.</p>
11B.	Cost/Basis and/or Value	<p>The cost/basis and/or value of the commodity the insured intends to produce or purchase and obtain revenue from in the insurance year.</p> <p>Enter only:</p> <ul style="list-style-type: none"> (1) The “Net Value” (item 11 of the Market Animal and Nursery Inventory Report) for the commodity listed. (2) The cost/basis of the commodity that will be purchased for resale during the insurance year.

Farm Operation Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
11B.	Cost/Basis and/or Value (continued)	<p>(3) The sum of (1) and (2) if both (1) and (2) apply to the commodity listed.</p> <p>Example: The insured has 500 mums on the Market Animal and Nursery Inventory Report with a “Net Value” of \$400. The insured intends to purchase 500 mums during the insurance year for \$1.00 each. The insured enters \$900 in item 11B calculated as \$400 + (\$500 x \$1.00).</p> <p>Make no entry for commodities added to Farm Operation Report after SCD.</p>
11C.	Total Expected Revenue (10x11A) – 11B	Enter the result of multiplying item 10 x item 11A, minus item 11B. Round to the nearest whole dollar.
Revised		
12A.	Actual Quantity	<p>Enter the amount of each commodity the insured has already or still intends to produce or purchase to obtain revenue from during the insurance year.</p> <p>(1) If the quantity of commodities the insured has already or still intends to produce or purchase for revenue during the insurance year are the same as intended, transfer the entry from item 11A.</p> <p>(2) If changes were made on the farm so that during the insurance year the actual commodities to be produced, purchased, or otherwise added to the farm operation for revenue during the year are NOT the same as shown on the intended report:</p> <p>(a) Carry over the quantity of any commodity that was planted or purchased but lost due to an insured or uninsured cause from item 11A.</p> <p>(b) If a commodity was planted or purchased to replace a commodity that failed enter the actual quantity of the replacement commodity planted or purchased.</p> <p>Important: Include only bearing acres for perennial field grown commodities.</p> <p>(c) Enter the quantity of additional commodities listed in item 6.</p>

Farm Operation Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
12B.	Actual Cost/Basis and/or Value	<p>Enter the actual cost/basis and/or value of each commodity the insured has already or still intends to produce or purchase to obtain revenue from during the insurance year.</p> <p>(1) If the cost/basis and/or value of commodities the insured has already or still intends to produce or purchase for revenue during the insurance year are the same as intended, transfer the entry from item 11B.</p> <p>(2) If the cost/basis of commodities the insured has already or still intends to produce or purchase for revenue during the insurance year is different than as intended, enter the actual cost/basis of the commodity.</p> <p>(3) If changes were made on the farm so that during the insurance year the actual commodities to be produced, purchased, or otherwise added to the farm operation for revenue during the year are NOT the same as shown on the intended report:</p> <p>(a) Carry over the cost/basis and/or value of any commodities that were planted or purchased, but lost due to an insured or uninsured cause from item 11B.</p> <p>(b) Enter the cost/basis of any additional commodities purchased for resale listed in item 6.</p>
12C.	Total Expected Revenue	<p>(1) For additional commodities, enter the result of multiplying (item 8 x item 9 x item 12A) minus item 12B. Round to the nearest whole dollar.</p> <p>(2) Carry over the total expected revenue from item 11C of any commodity not changed during the insurance year.</p> <p>(3) If changes were made on the farm so that during the insurance year any actual commodity to be produced, purchased, or otherwise added to the farm operation for revenue during the insurance year is NOT the same as shown on the intended report:</p> <p>(a) Carry over the total expected revenue from item 11C of any intended commodity that was lost due to an insured or uninsured cause and NOT replaced with another commodity;</p>

Farm Operation Report Elements Description and Example (Continued)**A. Required Elements Description (continued)**

Item	Required Element	Description
12C.	Total Expected Revenue (continued)	<p>(b) Carry over the total expected revenue from item 11C of any intended commodity that was lost due to an uninsured cause and replaced with another commodity; or</p> <p>(c) If a commodity was planted or purchased to replace an intended commodity that was lost due to an insured cause; subtract the total expected revenue of the replacement commodity from the total expected revenue of the intended commodity as shown in item 11C.</p> <p>(i) Enter the result of (b) if the result is a positive number</p> <p>(ii) Enter zero if the result of (b) is a negative number</p>
13A.	Final Production	Enter the total amount of production of each commodity produced for the insurance year.
13B.	Final Revenue	Enter the total amount of revenue actually received for the production of the commodity entered in item 13A less the cost or basis, if applicable.
14.	Total Expected Revenue at SCD	Enter the sum all amounts in column 11C.
15.	Total Expected Revenue	Enter the sum all amounts in column 12C and column 13B as applicable.
16.	Total Expected Revenue @ SCD (Total of item 14 and 15 @ SCD),	Enter the sum of item 14 and 15 at SCD.
17.	Whole-Farm Historic Average Revenue (item 13 of WFHR)	Enter the amount from item 13 of the applicant's/insured's current Whole-Farm History Report.
18.	Total Expected Revenue @ Revised Reporting Date (item 15)	Total expected revenue for the farm operation for the insurance year. Enter the result of item 15.
19.	Approved Revenue (Lesser of item 16 and 17 @ SCD or item 17 and 18 @ RRD)	Approved revenue for the farm operation for the insurance year.
19a.	Approved Revenue @ SCD	Enter the lesser of item 16 or item 17 as of the SCD.

Farm Operation Report Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Element	Description
19b.	Approved Revenue @ Revised Reporting Date	Enter the lesser of item 17 or item 18 as of the Revised Reporting Date. Approved Revenue cannot increase after the Revised Farm Operation Report date. See paragraph 48A.
20.	Approved Expenses	Approved expenses for the farm operation for the insurance year.
20a.	Approved Expenses @ SCD	Approved expenses at SCD. (see paragraph 72E for approved expenses determination)
20b.	Approved Expenses @ RRD	Approved expenses at RRD. (see paragraph 72E for approved expenses determination)
21.	Narrative, Expected Values and Report of Changes:	A detailed narrative of all changes to the farm operation from the prior year. List the source used to calculate the expected value for each commodity, and any adjustments made to each commodity to remove revenue that is not allowable (section 18 of WFRP policy), and any additional information needed to explain or clarify the information provided on the Farm Operation Report.
22.	Integrated/Post-Production Operations:	Check “YES” or “NO” as applicable. Refer to paragraphs 142 and 147 for further instructions.
The following required entries are not illustrated on the Farm Operation Report example below.		
23.	Applicant/Insured Signature @ SCD and Date	Applicant/insured signature @ SCD and date. Applicant/insured must sign and date Farm Operation report each time it is updated.
24.	AIP Representative Signature @ SCD and Date	AIP representative signature @ SCD and date. AIP representative must sign and date Farm Operation report each time it is updated.
25.	Insured Signature @ Revised Reporting Date and Date	Insured signature @ Revised Reporting Date and date. Applicant/insured must sign and date Farm Operation report each time it is updated.
26.	AIP Representative Signature @ Revised Reporting Date and Date	AIP representative signature @ Revised Reporting Date and date. AIP representative must sign and date Farm Operation report each time it is updated.
27.	Insured Signature @ Final Reporting and Date	Insured signature @ Final Reporting and Date and date.
28.	AIP Representative Signature @ Final Reporting and Date	AIP representative signature @ Final Reporting and Date and date.

See exhibit 5 for required certification and other statement.

Farm Operation Report Elements Description and Example (Continued)

B. Farm Operation report Form Example

The following is provided as an example only. AIPs must develop a Farm Operations Report using the required elements and statements.

FARM OPERATION REPORT													
1. Insurance Year: 2015		2. Producer Information: I.M. Insured Person Type: Individual Anytown, USA, 11111 Phone: 999.999.9999 SSN: xxx.xx.xxxx				3. Agency Information: I.M. Agent Policy: xxxx Anytown, USA 11111 Phone: 111.111.1111			Agent Code: XX		4. State/County: Michigan/Vanburen		5. Other Insurance: Corn Policy xxxx
Intended								Revised			Final		
6. Commodity Name/Code	7. Method of Establishment	8. Yield	9. Expected Value	10. Expected Revenue (8x9)	11A. Intended Quantity	11B. Cost/Basis and/or Value	11C. Total Expected Revenue (10x11A) – 11B)	12A. Actual Quantity	12B. Actual Cost/Basis and/or Value	12C. Total Expected Revenue	13A. Final Total Production	13B. Final Revenue	
Corn	Acres	150 bu.	\$5.00/bu.	\$750.00/ac.	125 ac.		\$93,750	125 ac.		\$88,750	75 ac.	\$56,250	
Mums	Plants	1 Plant	\$10.00/plant	\$10.00/plant	1000 plants	\$1,000	\$9,000	1000 plants	\$1,000	\$9,000	200 plants	\$1,800	
Geraniums	Plants	1 Plant	\$10.00/plant	\$10.00/plant	1000 plants	\$1,000	\$9,000	1000 plants	\$1,000	\$9,000	1000 plants	\$9000	
Swine	Head	225 lbs.	\$1.00/lbs.	\$225.00/head	250 head	\$6,250	\$50,000	250 head	\$6,250	\$50,000	125 head	\$25,000	
Soybeans	Acres	50 bu.	\$10.00/bu.					10 ac.		\$5,000	10 ac.	\$5,000	
14. Total At SCD							\$161,750						
15. Total										\$161,750		\$97,050	
16. Total Expected Revenue @ SCD (Total of Item 14 and 15 @ SCD)							\$161,750						
17. Whole-Farm Historic Average Revenue (Item 13 of WFHR)							\$184,200						
18. Total Expected Revenue @ Revised Reporting Date (Item 15)										\$161,750			
19. Approved Revenue (Lesser of item 16 and 17 @ SCD or item 17 and 18 @ RRD)						19a	\$161,750		19b	\$161,750			
20. Approved Expenses						20a	\$107,765		20b	\$107,765			
21. Narrative, Expected Values, and Report of Changes: Mums - Item 11B and 12B entry is the net value from item 11 on the Market Animal and Nursery Inventory Report. Item 13A and 13B 800 plants lost due to uninsured cause of loss. \$7200 adjustment must be made to Claim for Indemnity Form if completed. Geraniums - Item 11B and 12B entry is the total cost (\$1.00/plant x 1000 plants). Swine - Item 11B and 12B entry is the net value from item 11 on the Market Animal and Nursery Inventory Report. Item 13A and 13B 125 head lost to insured cause of loss (facilities destroyed by adverse weather). Corn - 125 acres intended. 75 ac. planted, and 50 ac PP. 10 ac of the PP acres were planted to soybeans. Calculated: \$93,750 (corn) - \$5,000 (soybeans) = \$88,750 (corn) Soybeans – 10 ac planted to replace corn that was prevented from planting.													
22. Integrated/Post-production Operations: () YES or (x) NO See Special Circumstances in Section 6.													

Replant Payment Worksheet Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Replant Payment Worksheet required elements.

Item	Required Element	Description
1.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal tax on fiscal year basis.
2.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.
3.	Policy Number:	Policy number for which payment is being calculated.
4.	Claim Number:	Claim Number assigned by AIP.
5.	Insured Information:	Name, address, telephone number, and tax ID, such as social security number or employer identification number for the insured. Also includes the person type the insured used to file their Federal taxes. The insured must be the same person and person type as the person designated on the United States Income Tax form(s).
6.	Agency Information	Name, address, telephone number and code number of the agent. Include policy number.
7.	Companion Policy(s)	List of producers, other than the insured, that have WFRP coverage on any of the commodities covered under the insured's policy. Enter "NONE" when the insured has 100 percent share in all commodities insured under their WFRP policy, or when all other producers with an interest in the commodities do not have a WFRP policy.
8.	Date of Damage:	Month and year in which most of the damage causing a loss in revenue occurred. Enter the specific date of damage when known, such as damage from hail, fire or flood.
9.	Cause of Damage:	Event(s) that caused the damage resulting in loss of revenue. Cause must be an insurable cause of loss. List all insurable causes that created damage. Describe cause of loss in narrative, item 20, if additional space is required.
10.	Primary Cause (%):	Percentage of the primary cause of the damage, when more than one insurable cause created the damage. Must be whole percent and exceed 50 percent.
11.	Dates of Notice:	Date(s) insured provided notice of loss.
12.	Commodity Name/Code	Name and code number of the commodity replanted
13.	Determined Acres Replanted	Number of acres of the commodity the AIP determines were actually replanted, and that the AIP agreed were practical to replant and gave consent to replant.

Replant Payment Worksheet Elements Description and Example (Continued)**A. Required Elements Description (Continued)**

Item	Required Element	Description
14.	Actual Replant Cost	The actual per acre cost to replant the commodity the AIP determines from records provided by the insured.
15.	Maximum Replant Payment	The maximum dollar amount per acre from the actuarial documents.
16.	Replant payment per Acre (Lesser of Column 14 or 15)	Enter the lesser of the actual replant cost (column 14) or the maximum replant payment shown in the actuarial documents (column 15).
17.	Replant Cost Allowed (Column 13 X Column 16)	Enter the result of the determined acres replanted (column 13) multiplied by the replant payment per acre (column 16).
18.	Share	Enter the insured's share of the replanting payment of the commodity replanted.
19.	Replant Payment	Enter the result of column 17 multiplied by column 18.
20.	Total	Total is the sum of all monetary entries in column 19
21.	Narrative	<p>Document:</p> <p>(1) reason no replant payment due, if applicable;</p> <p>(2) calculation of item 15 (maximum replant payment)</p> <p>(3) any additional information required to explain entries for all items of form</p> <p>If more space is needed, include applicable information on a separate document. Include the insured's name, policy number, and claim number on the separate document. Title the document "Narrative to Replant Payment Continued" and attach it to the Replant Payment Worksheet.</p>
22.	Similar Damage on Other Farms in the Area?	Indication of whether other farms in the area had similar damage as the insured reported. Enter "Yes" if other farms in the area had similar damage, otherwise enter "No."
23.	Assignment of Indemnity?	Indication of whether insured has an assignment of indemnity in effect for insurance year. Enter "Yes" if insured has assignment of indemnity in effect for insurance year, otherwise enter "No."
The following required entries are not illustrated on the Replant Payment Worksheet example below.		
24.	Insured's Signature and Date:	Insured signature and date.
25.	AIP Representative Signature and Date	AIP representative's signature and date.

See exhibit 5 for required certification and other statements.

Replant Payment Worksheet Elements Description and Example (Continued)

B. Replant Payment Worksheet Form Example

The following is provided as an example only. AIPs must develop a Replant Payment Worksheet using the required elements and statements.

REPLANT PAYMENT WORKSHEET							
1. Insurance Year: 2015	2. State/County: MI / Bay	5. Insured Information: I.M. Insured Box 1 Anytown, USA, 11111 Phone: 999.999.9999		Person Type: Individual SSN: xxx.xx.xxxx	6. Agency Information: Agent Code: XX I.M. Agent Box 2 Anytown, USA 11111 Phone: 111.111.1111	7. Companion Policy(s) NONE	
3. Policy Number: xxxxxxxxxx	4. Claim Number: xxxxxxx	8. Date of Damage: MAY 25, 2015		9. Cause of Damage: HAIL	10. Primary Cause (%): 100%	11. Date(s) of Notice: 8/1/2015	
12. Commodity Name/Code	13. Determined Acres Replanted	14. Actual Replant Cost	15. Maximum Replant Amount	16. Replant Payment per Acre (Lesser of Column 14 or 15)	17. Replant Cost Allowed (Column 13 x Column 16)	18. Share	19. Replant Payment
Corn	50.0	\$75.00	\$127.50	\$75.00	\$3,750	1.000	\$3,750
20. TOTAL							\$3,750
21. Narrative: Consent given to replant 50 acres of Corn. Actual replant cost verified with insured's receipts. Maximum replant payment allowed calculation .20 x (150bu/acre x \$5.00/bu.) x .85(coverage level).							
22. Similar Damage on Other Farms in the Area? YES				23. Assignment of Indemnity? NO			

Schedule F Example

Example of Completed Schedule F Form

SCHEDULE F (Form 1040)		Profit or Loss From Farming		OMB No. 1545-0074			
Department of the Treasury Internal Revenue Service (99)		<p>▶ Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B.</p> <p>▶ Information about Schedule F and its separate instructions is at www.irs.gov/schedulef.</p>		<p>2013</p> <p>Attachment Sequence No. 14</p>			
Name of proprietor I.M. INSURED				Social security number (SSN) 000-00-0000			
A Principal crop or activity GRAIN FARMING		B Enter code from Part IV 1 1 1 1 0 0		C Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual			
D Employer ID number (EIN), (see instr)							
E Did you "materially participate" in the operation of this business during 2013? If "No," see instructions for limit on passive losses				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
F Did you make any payments in 2013 that would require you to file Form(s) 1099 (see instructions)?				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
G If "Yes," did you or will you file required Forms 1099?				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9).							
1a	Sales of livestock and other resale items (see instructions)	1a	1000	00			
b	Cost or other basis of livestock or other items reported on line 1a	1b	200	00			
c	Subtract line 1b from line 1a	1c	800	00			
2	Sales of livestock, produce, grains, and other products you raised	2	96,400	00			
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	4,800	00	3b Taxable amount		
3b		3b			4,800 00		
4a	Agricultural program payments (see instructions)	4a	18,200	00	4b Taxable amount		
4b		4b			18,200 00		
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	0	00	5b Taxable amount		
5b	CCC loans forfeited	5b	0	00	0 00		
5c		5c			0 00		
6	Crop insurance proceeds and federal crop disaster payments (see instructions)						
a	Amount received in 2013	6a	10,860	00	6b Taxable amount		
b	If election to defer to 2014 is attached, check here <input type="checkbox"/>	6b			31,875 00		
6c	Amount deferred from 2012	6c			0 00		
7	Custom hire (machine work) income	7	5,000	00			
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8	4,600	00			
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50 (see instructions)	9	160,675	00			
Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses (see instructions).							
10	Car and truck expenses (see instructions). Also attach Form 4562	10	3,250	00	23 Pension and profit-sharing plans		
11	Chemicals	11	6,520	00	24 Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12	2,640	00	a Vehicles, machinery, equipment		
13	Custom hire (machine work)	13	3,900	00	24a	1,000 00	
14	Depreciation and section 179 expense (see instructions)	14	3,500	00	b Other (land, animals, etc.)	24b	5,750 00
15	Employee benefit programs other than on line 23	15	0	00	25 Repairs and maintenance	25	5,500 00
16	Feed	16	15,000	00	26 Seeds and plants	26	10,410 00
17	Fertilizers and lime	17	9,200	00	27 Storage and warehousing	27	0 00
18	Freight and trucking	18	3,550	00	28 Supplies	28	4,780 00
19	Gasoline, fuel, and oil	19	9,350	00	29 Taxes	29	5,450 00
20	Insurance (other than health)	20	3,650	00	30 Utilities	30	5,550 00
21	Interest:				31 Veterinary, breeding, and medicine	31	4,000 00
a	Mortgage (paid to banks, etc.)	21a	10,000	00	32 Other expenses (specify):		
b	Other	21b	4,500	00	a Association Membership	32a	350 00
22	Labor hired (less employment credits)	22	10,300	00	b Computer Software	32b	750 00
					c Legal Fess	32c	950 00
					d	32d	
					e	32e	
					f	32f	
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33	129,850	00			
34	Net farm profit or (loss). Subtract line 33 from line 9	34	30,825	00			
If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.							
35 Did you receive an applicable subsidy in 2013? (see instructions)				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
36 Check the box that describes your investment in this activity and see instructions for where to report your loss.							
a <input checked="" type="checkbox"/> All investment is at risk.		b <input type="checkbox"/> Some investment is not at risk.					

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11346H

Schedule F (Form 1040) 2013

Substitute Schedule F Elements Description and Example

A. Use of the Substitute Schedule F

The Substitute Schedule F is a required worksheet used by entities in the business of farming that do not complete and a Schedule F. This form is used to document income and expenses for the purpose of WFRP in the same manner as those who file a Schedule F.

B. Required Elements Description

The Substitute Schedule F will be completed using the instructions provided by the IRS for the Schedule F.

The following table provides descriptions of the Substitute Schedule F required elements not provided for by the IRS instruction.

Required Element	Description
The following required entries are not illustrated on the Replant Payment Worksheet example below.	
Insured's Signature and Date:	Insured signature and date.
AIP Representative Signature and Date	AIP representative's signature and date.

Substitute Schedule F Elements Description and Example (Continued)

C. Substitute Schedule F Form Example

The following is provided as an example only:

Substitute Schedule F

SCHEDULE F (Form 1040) Department of the Treasury Internal Revenue Service (99)		Profit or Loss From Farming Attach to Form 1040, Form 1040NR, Form 1041, Form 1065, or Form 1065-B. Information about Schedule F and its separate instructions is at www.irs.gov/schedulef .		OMB No. 1545-0074 2013 Attachment Sequence No. 14	
Name of proprietor I.M. INSURED				Social security number (SSN) 000-00-0000	
A Principal crop or activity GRAIN FARMING		B Enter code from Part IV 1 1 1 1 0 0		C Accounting method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	
D Employer ID number (EIN), (see instr)				Social security number (SSN)	
E Did you "materially participate" in the operation of this business during 2013? If "No," see instructions for limit on passive losses				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
F Did you make any payments in 2013 that would require you to file Form(s) 1099 (see instructions)?				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
G If "Yes," did you or will you file required Forms 1099?				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Part I Farm Income—Cash Method. Complete Parts I and II (Accrual method. Complete Parts II and III, and Part I, line 9.)					
1a		1a		1000 00	
b		1b		200 00	
c		1c		800 00	
2		2		96,400 00	
3a		3a		4,800 00	
3b		3b		4,800 00	
4a		4a		18,200 00	
4b		4b		18,200 00	
5a		5a		0 00	
5b		5b		0 00	
5c		5c		0 00	
6		6		6	
6a		6a		10,860 00	
6b		6b		31,875 00	
6c		6c		0 00	
7		7		5,000 00	
8		8		4,600 00	
9		9		160,675 00	
Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses (see instructions).					
10		10		3,250 00	
11		11		6,520 00	
12		12		2,640 00	
13		13		3,900 00	
14		14		3,500 00	
15		15		0 00	
16		16		15,000 00	
17		17		9,200 00	
18		18		3,550 00	
19		19		9,350 00	
20		20		3,650 00	
21		21		21	
21a		21a		10,000 00	
21b		21b		4,500 00	
22		22		10,300 00	
23		23		0 00	
24		24		24	
24a		24a		1,000 00	
24b		24b		5,750 00	
25		25		5,500 00	
26		26		10,410 00	
27		27		0 00	
28		28		4,780 00	
29		29		5,450 00	
30		30		5,550 00	
31		31		4,000 00	
32		32		32	
32a		32a		350 00	
32b		32b		750 00	
32c		32c		950 00	
32d		32d			
32e		32e			
32f		32f			
33		33		129,850 00	
34		34		30,825 00	
35 Did you receive an applicable subsidy in 2013? (see instructions) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
36 Check the box that describes your investment in this activity and see instructions for where to report your loss.					
a <input checked="" type="checkbox"/> All investment is at risk. b <input type="checkbox"/> Some investment is not at risk.					

Allowable Expenses Worksheet Elements Description and Example

A. Use of Allowable Expenses Worksheet

The Allowable Expenses Worksheet is a required worksheet AIPs must use in determining an applicant’s/insured’s allowable expenses for each year in the whole-farm history period, and for the insurance year when determining an indemnity amount. The worksheet assists in identifying and documenting required adjustments to the applicant’s/insured’s tax reported expenses.

B. Information Directly From Schedule F

Completion of the Allowable Expenses Worksheet requires information taken directly from the applicant’s/insured’s Schedule F tax form. The items to be listed in the required element titled “Schedule F Part II Expenses” on the Allowable Expenses Worksheet are taken directly from the list of farm expenses listed in Part II of the Schedule F tax form. The farm expenses listed on the Schedule F have changed over time and may change in future years. Therefore the items to be listed in the required element titled “Schedule F Part II Expenses” may vary from year to year.

C. Required Elements Description

The following table provides descriptions of the required elements for the Allowable Expenses Worksheet.

Note: The descriptions provided in the table are based on the 2013 Schedule F form.

Item	Required Elements	Description
1.	Producer Information:	Name, address, and telephone number for the applicant/insured. Also includes the person type the insured used to file their Federal taxes. The applicant/insured must be the same person and person type as the person designated on the United States Income Tax form(s).
2.	Policy Number:	Policy number. Enter “N/A” if no policy number has been assigned to applicant.
3.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant’s/insured’s WFRP reports that require a state/county.
4.	Tax Year:	Tax year of the corresponding Schedule F from which the information is being taken.
5.	Adjustment Codes:	Codes to identify specific types of adjustments made to expense amounts listed on applicant’s/insured’s Schedule F. Enter: (1) “A = Schedule F expenses specifically excluded”; (2) “B = Cost of post-production operations”; (3) “H = Not directly related to production”; and (4) “I = Other”.

Allowable Expenses Worksheet Elements Description and Example (Continued)

C. Required Elements Description (continued)

Item	Required Elements	Description
6.	Schedule F Part II Expenses	List of farm expense items taken directly from Part II of the applicant's/insured's Schedule F. Enter the farm expenses listed in Part II of the applicant's/insured's Schedule F for the tax year entered in item 4.
7.	Schedule F Line Number	Line number on the Schedule F for the required entry.
8.	Amount on Schedule F	<p>Dollar amount entered on Schedule F for each farm expense listed in item 6.</p> <p>For each farm expense item listed in item 6, enter the exact dollar amount the applicant/insured entered on their Schedule F for that farm expense. Enter "0" if no dollar amount was entered for the farm expense on the Schedule F.</p>
9.	Expense Adjustment Amount and Code	<p>Dollar amount to be subtracted from the dollar amount in item 8, and the applicable adjustment code from item 5.</p> <p>The following farm expenses reported on the Schedule F must be excluded from allowable expenses for WFRP purposes. Therefore, enter the exact dollar amount the applicant/insured entered on their Schedule F for the following farm expenses. Immediately after the dollar amount, enter adjustment code "(A)".</p> <ul style="list-style-type: none"> (1) Employee benefits program, other than on line 23. (2) Interest: Mortgage and Other. (3) Pension and Profit-sharing plans. (4) Rent or lease: Vehicles, machinery, equipment, and Other (land, animals, etc.). (5) Taxes. <p>For the farm expense item titled "depreciation and section 179 expense", enter the amount of depreciation for everything other than animals, immediately followed by adjustment code "(I)".</p> <p>For each farm expense item not listed above, enter:</p> <ul style="list-style-type: none"> (1) the amount equal to the post-production costs, immediately followed by adjustment code "(B)", if the amount entered in item 8 includes post-production costs; (2) the amount equal to all indirect expenses, immediately followed by adjustment code "(H)", if the amount entered in item 8 includes any indirect expenses;

Allowable Expenses Worksheet Elements Description and Example (Continued)

C. Required Elements Description (continued)

Item	Required Elements	Description
9.	Expense Adjustment Amount and Code (continued)	(3) the amount equal to all other expenses not allowed to be included in allowable expenses for WFRP purposes according to the WFRP policy, immediately followed by adjustment code “(I)”, if the amount entered in item 8 includes any such expenses; and (4) “0” if the amount entered in item 8 does not include post-production costs, indirect expenses, or any other expenses not allowed to be included in allowable expenses for WFRP purposes. Verifiable payroll, processor, or other records must be provided to determine the amount of post-production costs, indirect expense, and other expense to be enter in item 9.
10.	Allowable Expense Per Item	Amount of allowable expense for each farm expense listed in item 6. Determine the amount of allowable expense for each farm expense listed in item 6 by subtracting the amount(s) entered in item 9 from the amount entered in item 8.
11.	Total Schedule F Part II Expenses	Enter the total for: (1) farm expenses on Schedule F, by summing all amounts in item 8; (2) expense adjustment amount, by summing all amounts in item 9; and (3) allowable expenses per item, by summing all amounts in item 10.
12.	Cost or other basis of livestock or other items reported on line 1a, from Schedule F Part I	Cost, or other basis, of animals or other items purchased for resale. Enter the exact dollar amount the applicant/insured entered in item 1b of Part I, Farm Income, of their Schedule F.
13.	Accounts Payable Adjustment	Enter the amount from item 16 on the Accounts Receivable and Accounts Payable Worksheet
14.	Allowable Expenses for Tax Year	Enter the sum of adding the total for allowable expenses per item (item 11 entry for column 10) plus items 12 and 13.
The following required entries are not illustrated on the Allowable Expenses Worksheet example below.		
15.	Applicant/Insured Signature and Date	Applicant/Insured signature and date:
16.	AIP Representative Signature and Date	Signature of AIP representative that completed the worksheet, and date completed.

See exhibit 5 for required certification and other statements.

Allowable Expenses Worksheet Elements Description and Example (Continued)

D. Allowable Expenses Worksheet Form Example

The following is an example Allowable Expenses Worksheet using farm expenses from 2013 Schedule F or Substitute Schedule F.

Allowable Expenses Worksheet				
1. Producer Information: I.M. Insured Person Type: Individual Box 1 Anytown, USA, 11111 Phone: 999.999.9999		2. Policy Number: XXXXXX 3. State/County: Michigan/Vanburen 4. Tax Year: 2013		5. Adjustment Codes: A = Schedule F expenses specifically excluded B = Cost of post-production operations H = Not directly related to production I = Other
6. Schedule F Part II Expenses	7. Schedule F Line Number	8. Amount on Schedule F	9. Expense Adjustment Amount and Code	10. Allowable Expense Per Item
Car and truck Expenses	10	\$3,250	0	\$3,250
Chemicals	11	\$6,520	0	\$6,520
Conservation expenses	12	\$2,640	0	\$2,640
Custom hire	13	\$3,900	0	\$3,900
Depreciation and section 179 expense	14	\$3,500	\$3,500 (I) all depreciation was for other than animals	0
Employee benefit programs other than on line 23	15	0	0	0
Feed	16	\$15,000	0	\$15,000
Fertilizers and lime	17	\$9,200	0	\$9,200
Freight and trucking	18	\$3,550	0	\$3,550
Gasoline, fuel, and oil	19	\$9,350	0	\$9,350
Insurance (other than health)	20	\$3,650	0	\$3,650
Interest: Mortgage and Other	21a + 21b	\$14,500	\$14,500 (A)	0
Labor hired	22	\$10,300	0	\$10,300
Pension and profit-sharing plans	23	0	0	0
Rent or lease: Vehicles, machinery, equipment, and Other (land, animals, etc.)	24a + 24b	\$6,750	\$6,750 (A)	0
Repairs and maintenance	25	\$5,500	0	\$5,500
Seeds and plants	26	\$10,410	0	\$10,410
Storage and warehousing	27	0	0	0
Supplies	28	\$4,780	\$2,500 (B)	\$2,280
Taxes	29	\$5,450	\$5,450 (A)	0
Utilities	30	\$5,550	0	\$5,550
Veterinary, breeding, and medicine	31	\$4,000	0	\$4,000
Other expenses (specify):	32			
Association membership		\$350	0	\$350
Computer/software		\$750	\$750 (H)	0
Legal fees		\$950	\$950 (H)	0
Commodity Grading		0	0	0
11. Total Schedule F Part II Expenses		\$129,850	\$34,400	\$95,450
	12. Cost or other basis of livestock or other items reported on line 1a, from Schedule F Part I (input Line 1b of Schedule F Part I)			0
	13. Accounts Payable Adjustment			0
	14. Allowable Expenses for Tax Year			\$95,450

Allowable Revenue Worksheet Elements Description and Example

A. Use of Allowable Revenue Worksheet

The Allowable Revenue Worksheet is a required worksheet that AIPs must use in determining an applicant’s/insured’s allowable revenue for each year in the whole-farm history period, and for the insurance year when determining an indemnity amount. The worksheet assists in identifying and documenting required adjustments to the applicant’s/insured’s tax reported income.

B. Information Directly From Schedule F

Completion of the Allowable Revenue Worksheet requires information taken directly from the applicant’s/insured’s Schedule F tax form. The items to be listed in the required element titled “Schedule F Part I Income” on the Allowable Revenue Worksheet are taken directly from the list of farm revenue listed in Part II of the Schedule F tax form. The farm revenue items listed on the Schedule F has changed over time and may change in future years. Therefore the items to be listed in the required element titled “Schedule F Part I Income” may vary from year to year.

C. Required Elements Description

The following table provides descriptions of the required elements for the Allowable Revenue Worksheet.

Note: The descriptions provided in the table are based on the 2013 Schedule F form.

Item	Required Elements	Description
1.	Producer Information:	Name, address, and telephone number for the applicant/insured. Also includes the person type the insured used to file their Federal taxes. The applicant/insured must be the same person and person type as the person designated on the United States Income Tax form(s).
2.	Policy Number:	Policy number. Enter “N/A” if no policy number has been assigned to applicant.
3.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. Any pilot county in which the applicant/insured has established or intends to establish any commodity is allowable. However, the same state and county must appear on all the applicant’s/insured’s WFRP reports that require a state/county.
4.	Tax Year:	Tax year of the corresponding Schedule F from which the information is being taken.
5.	Adjustment Codes:	Codes to identify specific types of adjustments made to revenue amounts listed on applicant’s/insured’s Schedule F. Enter: (1) “A = Schedule F income specifically excluded”; (2) “B = Cost of post-production operations”; (3) “C = Co-op distributions not directly related”; (4) “G = Net gain from commodity hedges”; (5) “H = Not directly related to production”; and

Allowable Revenue Worksheet Elements Description and Example

C. Required Elements Description (Continued)

Item	Required Elements	Description
5.	Adjustment Codes (Continued)	(6) "I = Other".
6.	Schedule F Part I Revenue	<p>List of farm revenue items taken directly from Part I of the applicant's/insured's Schedule F, except for farm revenue items 1a, 1b, and 1c.</p> <p>Items 1a, 1b, and 1c in part I of the Schedule F represent the total amount received from the sale of animals and other items purchased for resale; the total cost, or other basis, of the animals and other items sold; and the difference between the total amount received and total cost of other basis, respectively. For WFRP purposes, the amount entered in item 1b is accounted for on the Allowable Expenses Worksheet. Therefore, instead of listing revenue items 1a, 1b, and 1c, enter "Sales of animals and other resale items, less the cost, or other basis, of such items". See item 8 below to determine the dollar amount to enter for this revenue item.</p>
7.	Schedule F Line Number	Line number on the Schedule F for the required entry.
8.	Amount on Schedule F	<p>Dollar amount entered on Schedule F for each farm revenue item listed in item 6.</p> <p>For farm revenue item "Sales of animals and other resale items, less the cost, or other basis, of such items," enter the dollar amount the applicant/insured entered in item 1c on their Schedule F.</p> <p>For farm revenue item "Sale of livestock, produce, grains, and other products you raised," enter the dollar amount the applicant/insured entered in item 2 on their Schedule F.</p> <p>For farm revenue item "cooperative distributions," enter the taxable amount the applicant/insured entered in item 3b on their Schedule F. (Include only those amounts directly related to the sale of commodities).</p> <p>For farm revenue item "agricultural program payments," enter the taxable amount the applicant/insured entered in item 4b on their Schedule F.</p> <p>For farm revenue item "Commodity Credit Corporation (CCC) loans reported under election," enter the dollar amount the applicant/insured entered in item 5a of their Schedule F.</p>

Allowable Revenue Worksheet Elements Description and Example

C. Required Elements Description (Continued)

Item	Required Elements	Description
8.	Amount on Schedule F (Continued)	<p>For farm revenue item “CCC loans forfeited,” enter the taxable amount the applicant/insured entered in item 5c on their Schedule F.</p> <p>For farm revenue item “crop insurance proceeds and federal crop disaster payments”, enter the total of the amounts the applicant/insured entered in items 6b and 6d on their Schedule F.</p> <p>For farm revenue item “Custom hire (machine work) income,” enter the dollar amount the applicant/insured entered in item 7 of their Schedule F.</p> <p>For farm revenue item “Other income, including federal and state gasoline or fuel tax credit or refund,” enter the dollar amount separately for each of the following farm revenue entered in item 8 of their Schedule F.</p> <ul style="list-style-type: none"> (1) Federal and state gasoline or fuel tax credit or refund. (2) Income from bartering. (3) Payments from buyers of commodities for bypassed acreage. (4) Payments from marketing orders. <p>Enter “0” if no dollar amount was entered for the farm revenue item on the Schedule F.</p>
9.	Revenue Adjustment Amount and Code	<p>Dollar amount to be subtracted from the dollar amount in item 8, and the applicable adjustment code from item 5.</p> <p>The following farm revenue reported on the Schedule F must be excluded from allowable revenue for WFRP non-claim purposes. Therefore, enter the exact dollar amount the applicant/insured entered on their Schedule F for the following farm revenue items. Immediately after the dollar amount, enter adjustment code “(A)”.</p> <ul style="list-style-type: none"> (1) Agricultural Program Payments. (2) Crop insurance proceeds and federal crop disaster payments. (3) Custom hire (machine work) income. (4) Commodity Credit Corporation (CCC) loans reported under election. (5) CCC loans forfeited. <p>For farm revenue item “sales of animals and other resale items, less the cost, or other basis, of such items”, enter “0” because the Allowable Expenses Worksheet accounts for appropriate adjustments.</p>

Allowable Revenue Worksheet Elements Description and Example (Continued)

C. Required Elements Description (continued)

Item	Required Elements	Description
9.	Revenue Adjustment Amount and Code (continued)	<p>For farm revenue item “cooperative distributions”, enter the amount of such distributions that are not directly related to the production of commodities insured under the WFRP policy immediately followed by adjustment code “(C)”.</p> <p>For farm revenue item “other income, including federal and state gasoline or fuel tax credit or refund”, enter the amount equal to the revenue received from federal and state gasoline or fuel tax credits or refunds, immediately followed by an adjustment code “(A)”. Also enter any amount that meets any of the conditions listed below for any other revenue identified in this farm revenue item.</p> <p>For each farm revenue item not listed above, enter the amount equal to:</p> <ol style="list-style-type: none"> (1) the post-production costs, immediately followed by adjustment code “(B)”; (2) all revenue earned from commodities not insurable under WFRP, immediately followed by adjustment code “(I)”; (3) all revenue not directly related to production of commodities, immediately followed by adjustment code “(H)”; (4) the net gain from commodity hedges, immediately followed by adjustment code “G”; (5) all other revenue not allowed to be included in allowable revenue for WFRP purposes according to the WFRP policy, such a revenue from a contract grower, immediately followed by adjustment code “(I)”; (6) “0” if the amount entered in item 8 does not include any revenue that must be excluded. <p>Verifiable records must be provided to determine the amount of post-production costs, indirect revenue, revenue from commodities not insurable under WFRP, and other revenue enter in item 9.</p>
10.	Allowable Revenue Per Item	Amount of allowable revenue for each farm revenue item listed in item 6. Determine the amount of allowable revenue for each farm revenue item listed in item 6 by subtracting the amount(s) entered in item 9 from the amount entered in item 8.

Allowable Revenue Worksheet Elements Description and Example (Continued)**C. Required Elements Description (continued)**

Item	Required Elements	Description
11.	Total Schedule F Part I Revenue	Enter the total for: (1) farm revenue on Schedule F, by summing all amounts in item 8; (2) revenue adjustment amount, by summing all amounts in item 9; and (3) allowable revenue per item, by summing all amounts in item 10.
12.	Allowable Revenue for Tax Year	WFRP allowable revenue for the tax year in item 4. Enter the total for the allowable revenue per item from item 10.
The following required entries are not illustrated on the Allowable Revenue Worksheet example below.		
13.	Applicant/Insured Signature and Date	Applicant/Insured signature and date:
14.	AIP Representative Signature and Date	Signature of AIP representative that completed the worksheet, and date completed.

See exhibit 5 for required certification and other statements.

Allowable Revenue Worksheet Elements Description and Example (Continued)**D. Example Allowable Revenue Worksheet**

The farm expenses listed on the Schedule F has changed over time and may change in future years. Therefore the items to be listed in the required element titled “Schedule F Part I Income” may vary from year to year. The following example Allowable Revenue Worksheet provides the farm revenue items listed on the 2013 Schedule F.

Allowable Revenue Worksheet				
1. Producer Information: I.M. Insured Person Type: Individual Box 1 Anytown, USA, 11111 Phone: 999.999.9999		2. Policy Number: XXXXXX		3. State/County: Michigan/Vanburen
		4. Tax Year: 2013		
5. Adjustment Codes: A = Schedule F income specifically excluded B = Cost of post-production operations C = Co-op distributions not directly related		G = Net gain from commodity hedges H = Not directly related to production I = Other		
6. Schedule F Part I Revenue	7. Schedule F Line Number	8. Amount on Schedule F	9. Revenue Adjustment Amount and Code	10. Allowable Revenue Per Item
a. Sales of animals and other resale items, less the cost or other basis of such items	1c	0	0	
b. Sales of livestock, produce, grains, and other products you raised	2	\$97,400	\$1,100 (B) (for packing supplies)	\$96,300
c. Cooperative distributions	3b	\$3,800	\$3,240 (C)	\$560
d. Agricultural program payments	4b	\$18,200	\$18,200 (A)	\$0
e. Commodity Credit Corporation (CCC) loans reported under election	5a	0	0	0
f. CCC loans forfeited	5c	0	0	0
g. Crop insurance proceeds and federal crop disaster payments	6b	\$31,875	\$31,875 (A)	0
h. Custom hire (machine work) income	7	\$5,000	\$5,000 (A)	0
i. Other income, including federal and state gasoline or fuel tax credit or refund:				
Federal and state gasoline or fuel tax credit or refund	8	\$2,400	\$2,400 (A)	0
Income from bartering		\$200	0	\$200
Payments from buyers of commodities for bypassed acreage		\$1,000	0	\$1,000
Payments from marketing orders		\$1,000	0	\$1,000
11. Total Schedule F Part I Revenue		\$160,875	\$61,815	\$99,060
	12. Allowable Revenue for Tax Year			\$99,060

Claim for Indemnity Form Elements Description and Example

A. Required Elements Description

The following table provides descriptions of the Claim for Indemnity Report required elements.

Item	Required Elements	Description
1.	Insurance Year:	The current insurance year. Includes beginning and ending month of fiscal year if applicant/insured filed Federal tax on fiscal year basis.
2.	State/County:	Pilot state and county where the majority of the total expected revenue for the insurance year will be derived. It can be any pilot county in which the applicant/insured has established or intends to establish any commodity. However, the same state and county must appear on all the applicant's/insured's WFRP reports that require a state/county.
3.	Policy Number:	Policy number for which indemnity is being calculated.
4.	Claim Number:	Claim Number assigned by the AIP.
5.	Insured Information:	Name, address, telephone number, and tax ID, such as social security number or employer identification number for the insured. Also includes the person type the insured used to file their Federal taxes. The insured must be the same person and person type as the person designated on the United States Income Tax form(s).
6.	Agency Information	Name, address, telephone number and code number of the agent. Include policy number.
7.	Companion Policy(s)	List of producers, other than the insured, that have WFRP coverage on any of the commodities covered under the insured's policy. Enter "NONE" when the insured has 100 percent share in all commodities insured under their WFRP policy, or when all other producers with an interest in the commodities do not have a WFRP policy.
8.	Date of Damage:	Month and year in which most of the damage causing a loss in revenue occurred. Enter the specific date of damage when known, such as damage from hail, fire or flood.
9.	Cause of Damage:	Event(s) that caused the damage resulting in loss of revenue. Cause must be an insurable cause of loss. List all insurable causes that created damage. Describe cause of loss in narrative, item 28, if additional space is required.
10.	Primary Cause (%):	Percentage of the primary cause of the damage, when more than one insurable cause created the damage. Must be whole percent and exceed 50 percent.
11.	Dates of Notice:	Date(s) insured provided notice of loss.
12.	Allowable Expenses for Insurance Year	Whole dollar amount of allowable expenses for the insurance year. Enter amount from item 14 of the Allowable Expenses Worksheet for the insurance year.

Claim for Indemnity Form Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Elements	Description
13.	Approved Expenses	Approved expenses for the insurance year, as calculated after making all required adjustments. Enter the amount from item 20b on the Farm Operation Report.
14.	Expense Percentage (12/13)	Percentage amount used to determine the percentage amount of reduction in approved revenue, if applicable. Divide the allowable expenses for the insurance year (item 12) by the approved expenses for the insurance year (item 13). Enter as a three decimal place number. See paragraph 103.
15.	Expense Reduction Percentage	Percentage amount used to determine the percentage amount of reduction in approved revenue, if applicable. Subtract the result of step 14 from .700. If the result is zero or less, enter "0". See paragraph 103.
16.	Approved Revenue	Approved revenue for the insurance year. Enter amount from item 19b on the Farm Operation Report.
17.	Expense Reduction Dollar Amount	Amount to reduce from insured's approved revenue. Multiply the result of step 15 by the result of step 16. Round the result to nearest whole dollar amount.
18.	Approved Revenue Adjusted for Expenses	Approved Revenue adjusted for expenses. Subtract result of item 17 from item 16. Round to the nearest whole dollar.
19.	Coverage Level	Coverage level elected by insured.
20.	Insured Revenue	The amount of revenue insured under WFRP. Enter result of item 18 by item 19. Round to nearest whole dollar.
21.	Allowable Revenue for Insurance Year	Allowable revenue for the insurance year. Enter the amount from item 12 on Allowable Revenue Worksheet for the insurance year. See paragraphs 44 and 45.
22.	Inventory Adjustment	Total dollar amount of adjustments made for insurance year for inventoried commodities from Inventory Report. Enter the amount from item 19 on the Inventory Report. This amount may be positive or negative.
23.	Accounts Receivable Adjustment	Total dollar amount of adjustments made for insurance year for accounts receivable on Accounts Receivable and Accounts Payable Report. Enter the amount from item 10 on the accounts Receivable and Accounts Payable Report. This amount may be positive or negative.
24.	Market Animal and Nursery Adjustment	Total dollar amount of adjustments made for the insurance year for animals and nursery commodities on the Market Animal and Nursery Inventory Report. Enter the amount from item 20 on the Market Animal and Nursery Inventory Report. This amount may be positive or negative.
25.	All other Adjustments	Total dollar amount of adjustments made for insurance year for all adjustments other than inventoried commodities and accounts receivable, including but not limited to:

Claim for Indemnity Form Elements Description and Example (Continued)

A. Required Elements Description (continued)

Item	Required Elements	Description
25.	All Other Adjustments (Continued)	<p>(1) value assigned for uninsured cause of loss;</p> <p>(2) value assigned for abandoned acreage/commodities;</p> <p>(3) indemnities from other Federal crop insurance policies; except for NAP payments and indemnities paid by another policy for damage or loss to a commodity that is not covered by WFRP (timber, animals for show, or pasture or rangeland insured under the Rainfall Index or Vegetation Index policies)</p> <p>(4) gains from commodity hedging; and.</p> <p>All other adjustments must be documented in the Narrative or on a Special Report and attached to the Claim for Indemnity Form.</p>
26.	Revenue-to-Count	Revenue-to-count for determining indemnity. Sum the result of item 21 + item 22 + item 23 + item 24 + item 25. Enter "0" if sum of all items is negative.
27.	Revenue Loss	Dollar amount of revenue loss for the insurance year. Enter the result item 20 minus item 26.
28.	Narrative	<p>Document:</p> <p>(1) reason no indemnity due, if applicable;</p> <p>(2) all adjustments made to insured's revenue on tax form(s) used to determine item 21;</p> <p>(3) individual values used to determine item 25; and</p> <p>(4) document any other pertinent information used in calculation of indemnity.</p> <p>If more space is needed, include applicable information on a Special Report. Include the insured's name, policy number, and claim number on the separate document. Title the document "Narrative to Claim for Indemnity Continued" and attach it to the Claim for Indemnity Report.</p>
29.	Date Insurance Year IRS Federal Taxes Filed:	Month, day, and year the insured's farm tax forms were sent to the IRS for the insurance year.
30.	Similar Damage on Other Farms in the Area?	Indication of whether other farms in the area had similar damage as the insured reported. Enter "Yes" if other farms in the area had similar damage, otherwise enter "No."
31.	Assignment of Indemnity?	Indication of whether insured has an assignment of indemnity in effect for insurance year. Enter "Yes" if insured has assignment of indemnity in effect for insurance year, otherwise enter "No."
32.	Has the insured received a NAP payment from FSA?	Enter "Yes" if the insured received a NAP payment from FSA, otherwise enter "No." If the answer is "Yes," refer to paragraph 124.

Claim for Indemnity Form Elements Description and Example (Continued)**A. Required Elements Description (continued)**

The following required entries are not illustrated on the Claim for Indemnity Report example below.		
33.	Applicant/Insured's Signature and Date:	Insured signature and date.
34.	AIP Representative Signature and Date	AIP representative's signature and date.

See exhibit 5 for required certification and other statements

Claim for Indemnity Form Elements Description and Example (Continued)

B. Example Claim for Indemnity Form

The following is provided as an example only. AIPs must develop a Claim for Indemnity Form using the required elements and statements.

CLAIM FOR INDEMNITY FORM								
1. Insurance Year: 2015	2. State/County: MI / Bay	5. Insured Information: I.M. Insured Box 1 Anytown, USA, 11111 Phone: 999.999.9999 xxx.xx.xxxx		Person Type: Individual SSN:	6. Agency Information: Agent Code: XX I.M. Agent Box 2 Anytown, USA 11111 Phone: 111.111.1111		7. Companion Policy(s) NONE	
3. Policy Number: xxxxxxxxxx	4. Claim Number: xxxxxxx	9. Cause of Damage: Drought		10. Primary Cause (%): 100		11. Date(s) of Notice: 8/1/2015		
8. Date of Damage: July 2015								
CALCULATION OF CLAIM								
12. Allowable Expenses for Insurance Year	13. Approved Expenses	14. Expense Percentage (12/13)	15. Expense Reduction Factor	16. Approved Revenue	17. Expense Reduction Dollar Amount (15 x 16)	18. Approved Revenue Adjusted for Expenses (16 – 17)	19. Coverage Level	20. Insured Revenue (18 x 19)
\$95,450	\$107,765	.886	0	\$161,750	0	\$161,750	85%	\$137,488
21. Allowable Revenue for Insurance Year	22. Inventory Adjustment	23. Accounts Receivable Adjustment	24. Market Animal and Nursery Adjustment	25. All Other Adjustments		26. Revenue-to-Count (21+22+23+24+25)	27. Revenue Loss (20 – 26)	
\$99,060	-\$500	0	-\$7250	\$39,075		\$130,385	\$7,103	
28. Narrative: Item 25 is the sum of MPCCI indemnity and uninsured cause of loss revenue adjustment.								
29. Date Insurance Year IRS Federal Income Taxes Filed: 4/15/16			30. Similar Damage on Other Farms in the Area? YES			31. Assignment of Indemnity? NO		
32. Has the insured received a NAP payment from FSA? No								

Inventory Valuation Guidelines

A. Unit of Measure

Commodities listed in inventory must be listed in the unit of measure, such as bushels, pounds, tons, boxes, etc., in which the commodity will be marketed.

B. Local Market Value

Values listed for inventoried commodities, regardless of which inventory report applies, should be local market values from sources in the expected values section of the policy. AIP's must ensure that values are reasonable actual local market values.

The local market value must not include any amounts for post-production operations. See exhibit 2 for the definition of post-production operations.

C. Animals, Animal Products and Nursery Commodities Held to Realize Gain

Inventories for animals, animal products and nursery and greenhouse will be recorded on the Market Animal and Nursery Inventory Report.

(1) Beginning inventories will be valued at the local market value on:

- (a) January 1 of the insurance year for insured's who file taxes on a calendar year basis; and
- (b) the first day of the month in which the fiscal year begins for insured's who file taxes on a fiscal year basis.

(2) Ending inventories will be valued at the local market value on:

- (a) December 31 of the insurance year for insured's who file taxes on a calendar year basis; and
- (b) the last day of the month in which the fiscal year ends for insured's who file taxes on a fiscal year basis.

D. Commodities Purchased for Resale

The value of inventoried commodities, both beginning and ending values, purchased for resale must not include the cost, or other basis, of the commodity purchased.

E. Commodities Other Than Commodities Held to Realize Gain, Purchased for Resale, Animals, Animal Products, Nursery, and Greenhouse

Beginning and ending inventories will be valued at the end of the insurance period on the Inventory Report at the:

Inventory Valuation Guidelines (Continued)

E. Commodities Other Than Commodities Held to Realize Gain, Purchased for Resale, Animals, Animal Products, Nursery, and Greenhouse (continued)

- (1) actual price received if the commodity is sold prior to the end of the insurance period; or
- (2) local market value on:
 - (a) December 31 of the insurance year for insured's who file taxes on a calendar year basis; or
 - (b) the last day of the month in which the fiscal year ends for insured's who file taxes on a fiscal year basis.

Expected Value Guidelines

This exhibit provides instructions and guidelines for determining the expected value of commodities the applicant/insured intends to produce or purchase for resale in the insurance year, as provided on the Farm Operation Report. See exhibit 2 for the definition of expected value.

A. Expected Value by Commodity

Each commodity the applicant/insured intends to produce or purchase for resale in the insurance year must be listed on a separate line on the Farm Operation Report. An expected value per unit of measure, such as bushels, pounds, tons, boxes, etc., must be determined for each commodity listed.

If the same commodity has significantly different expected values, it must be listed on multiple lines of the Farm Operation Report with a line for each expected value to accurately determine the expected revenue. The same commodity may have different expected values due to some of the following (but not limited to these):

- (1) different type or variety of the same commodity;
- (2) different markets used, such as fresh, processed, retail, or wholesale;
- (3) some production may be contracted for a specified price with remaining production that will be sold on the open market;
- (4) multiple planting/harvest of the commodity at different times of the year;
- (5) some production may be from organically grown commodity and the remaining production may be conventionally grown; and
- (6) free tonnage raisins versus reserve tonnage raisins.

The RMA processing system will not accept multiple line items for the same commodity. Therefore, separate line items of the same commodity on the Farm Operation Report must be combined, using sums (production amounts, acreages) and weighted averages (prices) where appropriate, for data reporting and premium calculator purposes. See paragraph 47F for an example. Note that the commodity count that is used for: (1) coverage level qualification, (2) the diversification discount for the farm premium rate, (3) qualification of farms growing potatoes for eligibility of WFRP, and (4) for the determination of what type of unit and therefore subsidy percentage applies, will be determined based on the summed commodity information.

B. Required Adjustments in Expected Value

The following items must be subtracted from the expected value:

- (1) cost of post-production operations, including those that add value; or
- (2) cost, or other basis, of commodities purchased for resale.

Expected Value Guidelines (Continued)

C. Required Adjustments to Expected Values for Vertically Integrated Operations and Related Taxpayers

The integrated relationship between the divisions or related operations of an integrated operation and the interaction between related taxpayers can affect the value, cost, and price of commodities, goods, and services used by such persons. It can also affect the expected value an insured may report. The expected value reported for these farm operations must be reasonable and comparable with expected values for the commodity from objective third party market information.

Adjustments made for the cost of post-production operations from such persons must also be customary and comparable to the costs of disinterested third parties.

D. Methods for Determining Expected Values

The expected value must be realistic and consistent with available market information supported by verifiable records, and take into account price cycles and trends. Post-production operations and the cost of commodities purchased for resale, if applicable, must be removed from the expected values. Market readiness expenses may be left in the expected values.

The following table provides the methods and sources for determining and reviewing expected values for commodities:

IF the commodity ...	THEN use ...
is under contract to be sold at a specified price	the contracted price. See subparagraph E for more information.
sold during the insurance period prior to the time the Intended Commodity Report is completed	The sales price.
is not under contract to be sold at a specified price and has not been sold during the insurance period prior to the Intended Farm Operation Report being completed	The local average market price that best reflects the price the insured can expect to receive when the commodity is harvested, based on the most applicable sources below: Season average prices reported by AMS, including Market News Reports, NASS, or ERS for the commodity in the area where the applicant/insured normally sells the commodity. The FCIC published price for the commodity for the area. The season average price received for the three most recent years if the commodity was sold directly to consumers.

Expected Value Guidelines (Continued)**D. Methods for Determining Expected Values (continued)**

IF the commodity ...	THEN use ...
is not under contract to be sold at a specified price and has not been sold during the insurance period prior to the Intended Farm Operation Report being completed. (continued)	<p>The current local cash bid price for the commodity in the local area where the commodity is normally sold.</p> <p>The average price offered by at least two commercial buyers, one selected by the insured and one by the AIP</p> <p>Prices from a reliable third party source, such as a commodity broker, crush district, packer/processor, or marketing cooperative, and the AIP approves.</p>

E. Contracted Price

Use the contracted price if the commodity is under a marketing contract to be sold at a specified price at the time the Farm Operation Report is filed or updated, as applicable. The contracted price must be adjusted to remove the cost of any post-production operations. Marketing contracts include, but are not limited to, contracts with processors, packers, marketing cooperatives, commodity brokers, and cash forward contracts. The Farm Operation Report must be revised if the contracted price is renegotiated and changed. It may not be revised upwards if the contract is changed following the Revised Farm Operation Reporting date.

F. Reliable Third Party Sources

Reliable third party sources of pricing information may include:

- (1) Futures Market Prices for the month of harvest with basis removed to adjust to the local market basis
- (2) Commodity Broker Reports;
- (3) District Crush Reports;
- (4) Packer/Processor Reports; and
- (5) Marketing Cooperative Reports.