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Department of  
Agriculture



Federal Crop  
Insurance  
Corporation



FCIC-18160  
(Sept 2015)  
FCIC-18160-1  
(March 2016)

# WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK

## 2016 and Succeeding Crop Years



**RISK MANAGEMENT AGENCY  
KANSAS CITY, MO 64133**

<b>TITLE: WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK</b>	<b>NUMBER: FCIC-18160 FCIC-18160-1</b>
<b>EFFECTIVE DATE: 2016 Succeeding Insurance Years</b>	<b>ISSUE DATE: March 10, 2016</b>
<b>SUBJECT:</b>  <b>Provides the procedures and instructions for the Whole-Farm Revenue Protection program.</b>	<b>OPI: Product Administration and Standards Division</b>  <b>APPROVED:</b>  /s/ <b>Tim B. Witt</b>  <b>Deputy Administrator for Product Management</b>

#### **REASONS FOR AMENDMENT**

Changes: See changes or additions in text which have been **highlighted**. Three stars (\*\*\*\*) identify where information has been removed.

1. Paragraph 143E – p. 74 – Corrected language regarding insurability of breeding animals.
2. Paragraph 143F – p. 75 – Corrected references to steps in Capping Animal and Animal Products Revenue calculation.
3. Paragraph 144D – p. 76-77 – Revised language regarding cost or basis adjustments on the Market Animal and Nursery Inventory Report for commodities purchased for resale during the insurance period and not sold by the end of the insurance period.
4. Paragraph 144F – p. 77-78 – Corrected references to steps in Capping Nursery and Greenhouse Revenue calculation.
5. Exhibit 5 – p. 100 – Revised language regarding cost or basis adjustments on the Market Animal and Nursery Inventory Report for commodities purchased for resale during the insurance period and not sold by the end of the insurance period.
6. Exhibit 7 – p. 112 – Revised procedures to item 10 of the Inventory Report to “Make No Entry.” Cost or Basis should only be adjusted from ending inventory on this report.
7. Exhibit 9 – p. 120-121& 123 – Revised language and procedures to item 10 and 16 of the market Animal and Nursery Inventory Report to “Make No Entry.” Cost or Basis is only adjusted from ending inventory on this report. Made correction to example form to correct applicable entries.
8. Exhibit 10 – p. 131 – Revised Farm Operation Report to correct entries applicable to the revised procedures for cost or basis.

9. Exhibit 16 – p. 153 – Revised Claim for Indemnity form to correct entries applicable to the revised procedures for cost or basis.
10. Exhibit 18 – p. 159 – Removed language regarding expected values that was in conflict with the policy.

# 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
Remove	1-4		73-78	5 7 9 10 10 11 16 17 18 19	99-100 111-112 119-123 124 131 132 153 154 159-161 162	09-2015 09-2015 09-2015 09-2015 09-2015 09-2015 09-2015 09-2015 09-2015 09-2015	FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160
Insert	1-4		73-78	5 7 9 9 10 10 11 16 17 18 19	99-100 111-112 119-120 123 124 131 132 153 154 159-161 162	02-2016 02-2016 02-2016 02-2016 02-2016 02-2016 02-2016 02-2016 02-2016 02-2016 02-2016	FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1 FCIC-18160-1
Current Index	1-4	1-4	1-72 73-78 79-82	1 2 3 4 5 5 5 6 7 7 7 7 8 9 10 10	83 84-92 93 94 95-98 99-100 101-105 106-109 110 111-112 113-114 115-118 119-123 124 125-130	02-2016 09-2015 09-2015 09-2015 09-2015 02-2016 09-2015 09-2015 09-2015 09-2015 02-2016 09-2015 09-2015 02-2016 09-2015 09-2015	FCIC-18160-1 FCIC-18160 FCIC-18160 FCIC-18160-1 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160-1 FCIC-18160 FCIC-18160 FCIC-18160 FCIC-18160-1 FCIC-18160 FCIC-18160

## **WHOLE-FARM REVENUE PROTECTION PILOT HANDBOOK**

### **CONTROL CHART (Continued)**

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page(s)	Date	Directive Number
Current Index (Cont.)				10	131	02-2016	FCIC-18160-1
				11	132	02-2016	FCIC-18160-1
				11	133-134	09-2015	FCIC-18160
				12	135-136	09-2015	FCIC-18160
				13	137-138	09-2015	FCIC-18160
				14	139-142	09-2015	FCIC-18160
				15	143-148	09-2015	FCIC-18160
				16	149-152	09-2015	FCIC-18160
				16	153	02-2016	FCIC-18160-1
				17	154	02-2016	FCIC-18160-1

## **142 Post-Production Operations and Market Readiness (Continued)**

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- (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 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**

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### **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 AD 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 48)

**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 **during the insurance period**.

- (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**

**Animals kept as breeding stock that will not be sold during the insurance period** are not insurable under the WFRP policy. Gains or losses in the value of breeding animals **that will not be sold during the insurance period** 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. However changes may occur during the insurance year that result in the farm being over the limit 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:

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

- (1) Total the expected revenue on the Revised Farm Operation Report for all animals and animal products.
- (2) If the result of (1) is greater than \$1 million then:
  - (a) subtract the \$1 million from the result of (1);
  - (b) divide the result of (2)(a) by the result of (1), rounded to six decimal places;
  - (c) subtract the result of (2)(b) from 1.000;
  - (d) multiply the result of (2)(c) by the expected revenue 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 \$1 million due to rounding.

**Example:** Revenue from animals and animal products 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)

$$\$40,000 \div \$1,040,000 = 0.038462$$

$$1.000 - 0.038462 = 0.961538$$

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.

## **143 Animals (Continued)**

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### **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 revenue from 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.

## **144 Nursery**

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### **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 Commodities**

\*\*\* Expected revenue must be adjusted by removing the cost or basis of the nursery and greenhouse commodities purchased 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 during the insurance period.

- (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

**D. Inventory Adjustments to Revenue (continued)**

- (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.

The value of commodities in inventory **at the end of the insurance period** that were purchased for resale **during the insurance period** 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. 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) Total the expected revenue on the Revised Farm Operation Report for all nursery and greenhouse commodities.
- (2) If the result of (1) is greater than **\$1 million** then:
  - (a) subtract the **\$1 million** from the result of (1);

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

- (b) divide the result of (2)(a) by the result of (1), rounded to six decimal places;
- (c) subtract the result of (2)(b) from 1.000;
- (d) multiply the result of (2)(c) by the expected revenue of each nursery and greenhouse commodity shown on the Revised Farm Operation Report.

The result will be the capped amount. The total may not necessarily equal \$1 million above due to rounding.

**Example:** Revenue from Nursery and Greenhouse commodities 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	<u>\$200,000</u>
Total	\$1,040,000 (\$40,000 over the \$1,000,000 limit)

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

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

Only the Total Expected Revenue on the Revised Farm Operation Report will be changed. However, all revenue produced from the Nursery and Greenhouse commodities 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.

**Form Standards (Continued)**

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**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 Accounts Receivable and Accounts Payable Report must include:

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

**Form Standards (Continued)**

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**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 or nursery commodities purchased for resale **during the insurance period and are not sold by the end of the insurance period** are transferred to the **Market Animal and Nursery Inventory Report** and must be removed from the **ending** 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.

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

<b>Item</b>	<b>Required Element</b>	<b>Description</b>
<b>PART 2: Beginning Inventory (First day of the tax year.)</b>		
7.	Location(s)	<p>Location of the commodity.</p> <p><b>Example:</b> 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><b>Important:</b> Verifiable records supporting the amount reported must be provided.</p>
<b>PART 3: Beginning Inventory (Value end of insurance period.)</b>		
9.	Value	<p>For beginning inventories of commodities:</p> <ul style="list-style-type: none"> <li>(1) sold on or before the end of the insurance year, enter the amount received;</li> <li>(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";</li> <li>(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;</li> <li>(4) not sold but will be otherwise disposed of, such as fed, on or before the end of the insurance period, enter "0"; and</li> <li>(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.</li> </ul> <p>For claims purposes, beginning and ending inventories will be valued at the:</p> <ul style="list-style-type: none"> <li>(1) actual price received if the commodity is sold prior to the time the claim is finalized; or</li> </ul>

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

<b>Item</b>	<b>Required Element</b>	<b>Description</b>
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  <b>Important:</b> Verifiable records supporting the amount reported must be provided.
10	Cost or Basis	<b>MAKE NO ENTRY</b>
11.	Value Received	<b>*** Result of multiplying item 8 x item 9.</b> Separate entries are required when the commodity is disposed of in more than one method.  <b>Example:</b> 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.

**PART 4: Ending Inventory (Last Day of Tax Year.)**

12.	Location	Location of the commodity.  <b>Example:</b> 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 <b>period</b> that was not sold or otherwise disposed of prior to the end of the current insurance <b>period</b> . 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.  <b>Important:</b> Verifiable records supporting the amount reported must be provided.
14.	Average Value	For ending inventories, enter the local market value of the commodity on the last day of the insured's tax period. For commodities produced but not intended to be sold, such as livestock feed, enter "0".
15.	Cost or Basis	The cost of inventoried commodities purchased for resale during the insurance <b>period</b> , but was not sold or otherwise disposed of prior to the end of the insurance <b>period</b> .

**Market Animal and Nursery Inventory Report****A. Required Elements Description**

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

<b>Part 1 - Producer Information</b>		
<b>Item</b>	<b>Required Element</b>	<b>Description</b>
1.	Name	<p>The name of the applicant/insured.</p> <p>The applicant/insured must be the same person and person type as the person designated on the IRS Income Tax form(s).</p>
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 AD for additional information concerning type/category.
<b>Part 2 - Beginning Inventory The First Day Of The Tax Year</b>		
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.	<p><b>Animals or Animal Products:</b> 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 (-).</p> <p><b>Nursery or Greenhouse:</b> The average container size (or other applicable unit) at the beginning of the tax year.</p>
8.	Average Value	<p><b>Animals or Animal Products:</b> 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.</p> <p><b>Nursery or Greenhouse:</b> For plants raised or for plants purchased for resale, enter the average value per plant at the beginning of the tax year</p>

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

Item	Required Element	Description
9.	Total \$ Value	<p><b>Animals or Animal Products:</b> The total value of all the animals entered on the line.</p> <p>(1) For animals marketed in pounds, multiply the number of animals (column 6) x the average weight (column 7) x the average value (column 8).</p> <p>(2) 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> <p><b>Nursery or Greenhouse:</b> For plants sold individually, multiply the number of plants (column 6) x the average value (column 8).</p>
10.	Cost or Basis	<b>MAKE NO ENTRY</b>
11.	Net \$ Value	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.
<b>Part 3 - Ending Inventory On The Last Day Of The Tax Year</b>		
12.	Number	<p><b>Animals or Animal Products:</b> 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><b>Nursery or Greenhouse:</b> 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 (Continued)****A. Required Elements Description (continued)**

Item	Required Element	Description
13.	Average Weight	<p><b>Animals or Animal Products:</b> 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><b>Nursery or Greenhouse:</b> For plants sold individually enter a dash (-).</p>
14.	Average Value	<p><b>Animals or Animal Products:</b> 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><b>Nursery or Greenhouse:</b> For plants sold individually, enter the average value per plant at the end of the tax year.</p>
15.	Total \$ Value	<p><b>Animals or Animal Products:</b> The total value of all animals entered on the line.</p> <p>(1) 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).</p> <p>(2) For animals sold individually or animals being depreciated, multiply the Number animals (column 12) x the average value (column 14).</p> <p><b>Nursery or Greenhouse:</b> For plants sold individually multiply the number of plants (column 12) x the average value (column 14).</p>
16.	Cost or Basis	<p><b>Animals or Animal Products:</b> The average cost or basis of the animals purchased for resale <b>or growth</b> during the <b>insurance period</b>. 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 <b>or carried over from the beginning inventory</b>, enter "0."</p> <p><b>Nursery or Greenhouse:</b> The average cost or basis of the plants purchased for resale <b>or growth</b> during the <b>insurance period</b>. For plants produced in the nursery or greenhouse <b>or carried over from the beginning inventory</b>, enter "0."</p>
17.	Net Value	<p><b>Animals or Animal Products:</b> 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><b>Nursery or Greenhouse:</b> 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>

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

<b>Item</b>	<b>Required Element</b>	<b>Description</b>
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.
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.
<b>Part 4 - Inventory Adjustment (To Be Completed ONLY If A Claim Filed)</b>		
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).
<b>The following required entries are not illustrated on the Market Animal and Nursery Inventory Report example below.</b>		
21.	Applicant/Insured Signature and Date	Applicant/Insured Signature and Date @ SCD
22.	AIP Representative Signature and Date	AIP Representative Signature and Date @ end of tax year

See exhibit 5 for required certification and other statements.

## **Market Animal and Nursery Inventory Report (Continued)**

**B. Example Market Animal and Nursery Inventory Report Form (continued)**

The following is provided as an example only. AIPs must develop a Market Animal and Nursery Inventory Report using the required elements and statements.

**Farm Operation Report****A. Required Elements Description**

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

<b>Item</b>	<b>Required Element</b>	<b>Description</b>
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:	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).
3.	Agency Information:	Name, address, telephone number, code number of the agent and policy number.
4.	State/County:	State and county where the majority of the total expected revenue for the insurance year will be derived. ***
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.
<b>Intended</b>		
6.	Commodity Name/Code	<p><b>Intended:</b> Name and code of each commodity that is or will be purchased for resale or produced for revenue during the insurance year. Place “PFR” immediately behind the commodity name for commodities purchased for resale; e.g. Mums/0683 PFR.</p> <p><b>Revised:</b> List any additional commodities purchased for resale or produced for revenue.</p> <p>Each different commodity must be on a separate line:</p> <ul style="list-style-type: none"> <li>(1) When a commodity has significantly different values (refer to paragraph 48); multiple amounts or values, list them on an attached paper and sum the total in one amount.</li> <li>(2) When a commodity is produced on Native Sod.</li> </ul>
7.	Method of Establishment	Method of how the commodity is produced, such as acres, head, or square feet.

**Farm Operation Report (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 Anytown, USA, 11111 Phone: 999.999.9999				3. Agency Information: Agent Code: XX I.M. Agent Anytown, USA 11111 Phone: 111.111.1111				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/0041	Acres	150 bu.	\$5.00/bu.	\$750.00/ac.	125 ac.		\$93,750	125 ac.		\$88,750	11,250 bu.	\$56,250
Mums/0073	Plants	1 Plant	\$10.00/plant	\$10.00/plant	1000 plants	\$2,000	\$8,000	1000 plants	\$2,000	\$8,000	200 plants	\$1,800
Geraniums/0073	Plants	1 Plant	\$10.00/plant	\$10.00/plant	1000 plants	\$1,000	\$9,000	1000 plants	\$1,000	\$9,000	1000 plants	\$9000
Hogs/0804	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/0081	Acres	50 bu.	\$10.00/bu.					10 ac.		\$5,000	500 bu.	\$5,000
14. Total At SCD							\$160,750					
15. Total								\$160,750			\$97,050	
16. Total Expected Revenue @ SCD (Total of Item 14 and 15 @ SCD)							\$160,750					
17. Whole-Farm Historic Average Revenue (Item 13 of WFHR)							\$184,200					
18. Total Expected Revenue @ Revised Reporting Date (Item 15)								\$160,750				
19. Approved Revenue (Lesser of item 16 and 17 @ SCD or item 17 and 18 @ RRD)							19a \$160,750	19b \$160,750				
20. Approved Expenses							20a \$107,120	20b \$107,120				
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). Hogs - 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: <input type="checkbox"/> YES or <input checked="" type="checkbox"/> NO See Special Circumstances in Section 6.												

**Replant Payment Worksheet****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:	State and county where the majority of the total expected revenue for the insurance year will be derived. ***
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.

**Claim for Indemnity Form (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.

<b>CLAIM FOR INDEMNITY FORM</b>								
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			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: July 2016		9. Cause of Damage: Drought			10. Primary Cause (%): 100		11. Date(s) of Notice: 8/1/2016	
<b>CALCULATION OF CLAIM</b>								
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	\$107,120	.891	0	\$160,750	0	\$160,750	85%	\$136,638
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	-\$8,250	\$39,075	\$129,385	\$7,253		
28. Narrative: Item 25 is the sum of MPCI 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**

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### **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. AIPs 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 purchased for resale **during the insurance period** 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:

**Expected Value Guidelines (Continued)**

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**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.

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**Note:** The policy does NOT allow the use of alternative insurance prices that may be offered by privately administered non-reinsured supplemental products that are available.

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## **Direct Marketing Sales Records**

The following forms are examples only.