



# Beginning Farmer and Rancher Benefits for Federal Crop Insurance

June 2014

## Beginning Farmer and Rancher Benefits

Beginning farmers and ranchers are eligible for certain benefits designed to help you as you start your operation. These benefits include:

- Exemption from paying the administrative fee for catastrophic and additional coverage policies;
- Additional 10 percentage points of premium subsidy for additional coverage policies that have premium subsidy;
- Use of the production history of farming operations that you were previously involved in the decision making or physical activities; and
- An increase in the substitute Yield Adjustment, which allows you to replace a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield).

## Benefit Availability

Beginning Farmer and Rancher benefits will be available beginning with crops having a June 30 contract change date or later. It is important that you fill out the application provided by your crop insurance agent to be eligible for benefits.

## Qualification to be a Beginning Farmer or Rancher

To qualify for beginning farmer or rancher status:

- You must be an individual. Business entities may receive benefits only if all of the substantial beneficial interest holders (10 percent or more) of the business entity qualify as beginning farmers or ranchers. For example, a son moves home to take over the family farm and incorporates with his spouse and neither have previous farming experience. Their corporation would qualify as a beginning farmer/rancher. However, if a son moves home and forms a corporation with his father, who has had an insurable interest in crops or livestock for more than 5 crop years, the corporation cannot receive Beginning Farmer and Rancher benefits. Although the son qualifies as a beginning farmer or rancher, the father does not so the corporation cannot receive benefits; and
- You must not have actively operated and managed a farm or ranch anywhere, with an insurable interest in any crop or livestock for more than 5 crop years. This includes an insurable interest as an individual or as a

substantial beneficial interest holder (10 percent or more) in another person who has an insurable interest in any crop or livestock. You may exclude a crop year's insurable interest if you were under the age of 18, enrolled in post-secondary studies (not to exceed 5 crop years) or on active duty in the U.S. military.

## How to Apply for Benefits

You must apply for Beginning Farmer and Rancher benefits by your Federal crop insurance policy's sales closing date. You are required to identify any previous farming or ranching experience and any exclusionary time periods you were under the age of 18, in post-secondary education, or active duty military. Talk to your crop insurance agent for more information.

## Frequently Asked Questions

**Question:** What if I had beef cow-calf pairs as my 4-H project while in high school? Is that considered an insurable interest in livestock and would it count towards the 5 crop years of insurable interest for Beginning Farmer and Rancher benefits?

**Answer:** Owning cow-calf pairs would be considered an insurable interest in a crop or livestock. However, you may exclude any crop years of insurable interest in a crop or livestock from consideration for Beginning Farmer and Rancher benefit eligibility if the insurable interest was while you were under the age of 18 (including the crop year you turn 18), while on full time active duty in the U.S. military, or while in a post-secondary education program (the post-secondary education exclusion cannot exceed 5 years).

**Question:** Why is the definition of beginning farmer or rancher for crop insurance different from other USDA agencies?

**Answer:** Section 11016 of the Agricultural Act of 2014 provided a definition, along with specific benefits, for beginning farmers and ranchers unique to the Federal crop insurance program; accordingly, other USDA agencies may have different qualifying criteria and benefits for their programs.

**Question:** How long can I be a beginning farmer or rancher and keep my benefits?

**Answer:** Once you have 5 crop years of insurable interest in a crop or livestock, including having a substantial beneficial interest (10 percent interest) in

another person who has an insurable interest in a crop or livestock, you are no longer entitled to Beginning Farmer and Rancher status. Once you choose and qualify for Beginning Farmer and Rancher status, it is continuous until the earlier of:

- You have had an insurable interest in a crop or livestock for more than 5 crop years;
- 5 crop years of Beginning Farmer and Rancher benefits are exhausted; or
- You cancel the Beginning Farmer and Rancher Application.

**Question:** If I change my agent or insurance provider can I keep my benefits? Do I have to complete a new application?

**Answer:** Yes, you can keep your benefits as long as you remain eligible. Changing an agent or insurance provider does not impact your eligibility. When you change agents or insurance providers you do not have to complete a new application. However, you must provide your new agent or insurance provider a copy of your previously completed Beginning Farmer and Rancher Application.

**Question:** I am attending classes at night at the local college yet I want Beginning Farmer and Rancher premium subsidy benefits now. Do I have to wait until I graduate or stop attending class?

**Answer:** No, you can receive benefits while attending college or university if you do not want to exclude those years from consideration of the Beginning Farmer and Rancher 5 crop years of insurable interest.

**Question:** Why did my yield substitution go to 60 percent of the T-Yield when it was 80 percent of the T-Yield before?

**Answer:** When you no longer qualify for Beginning Farmer and Rancher benefits, you will receive the same yield substitution as all other policyholders who are not beginning farmers or ranchers. You will also no longer be exempted from paying the administrative fees for your policies and you will no longer receive an additional 10 percentage points of premium subsidy.

## Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection policies, are available from crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at: [www3.rma.usda.gov/apps/agents/](http://www3.rma.usda.gov/apps/agents/).

## Contact Us

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