Whole-Farm Revenue Protection Improvement Act of 2018
Section-by-Section Outline

SECTION 1: NONINSURED CROP DISASTER ASSISTANCE PROGRAM

Beginning Farmer Onramp to Whole-Farm: This section allows beginning farmers (defined by the Risk Management Agency (RMA) as a farmer with less than 10 years experience) to cover all their crops and livestock under the Farm Service Agency's Non-Insured Crop Disaster Assistance Program (NAP) program at a higher coverage level than currently allowed. The provision restricts use of this higher coverage level to four years, or the number of years needed to qualify for Whole-Farm. This will allow beginning farmers to develop the revenue history needed to qualify to purchase a Whole-Farm policy. Currently, a beginning farmer needs three years of revenue history to qualify; other farmers need five years.

This section also allows qualified beginning farmers to buy up coverage to 75 percent for any crop covered by Whole-Farm. Currently, NAP is only available for crops that do not have coverage available in the county where the crop is being grown; it also limits farms to 65 percent buy-up coverage.

SECTION 2: WHOLE-FARM DIVERSIFIED MANAGEMENT INSURANCE PLAN

Appropriate Compensation Structure: This section allows for the creation of alternative compensation structures for crop insurance agents when selling Whole-Farm policies. Currently, agents are compensated based on the value of the policy, not the amount of time or effort spent writing the policy. This structure can discourage agents from actively offering or being willing to write Whole-Farm policies, which are typically more labor-intensive (particularly in the case of diversified farms, which need documentation for each crop grown), but also lower in value than some other policy types. For example, a $500,000 Whole-Farm policy may take several hours or even days to write, while the same revenue generated from single crop policy would require much less time and effort.

Paperwork Reduction: This section encourages RMA to reduce the paperwork burden of the Whole-Farm Policy. Both farmers and agents commonly complain of the multiple worksheets required and burdensome record keeping required for Whole-Farm policies. This provision encourages RMA to reduce the administrative burden of Whole-Farm to the maximum extent possible, without impacting the policies' actuarial soundness.

Rapidly Expanding Operations: This section directs RMA to address the issue of rapidly expanding farm operations that are under-insured. Whole-Farm currently restricts farms to increases of no more than 35 percent for their approved revenue – and even then, only when there is a physical expansion. Many small and mid-scale farms can grow their revenue at a very fast pace, especially in their early years, simply by maximizing their existing acreage or renting new acres. The current structure of Whole-Farm can leave rapidly expanding operations without adequate coverage, and acts as a deterrent to farmers who might otherwise be interested in a Whole-Farm policy.

Community Support Agriculture (CSA): This section directs RMA to produce a report on the practicality of including CSA agriculture in Whole-Farm policies. Currently, this income would need to be excluded from a farm's revenue.

Underinsured Revenue Substitution: Currently, Whole-Farm coverage is based on a farmer's projected revenue or historic revenue (the average of the past five years of revenue); whichever is lower. This has resulted in past revenue history not adequately reflecting the current risk management needs for many farmers who utilize Whole-Farm. Because it is not considered as revenue, past crop insurance indemnities cannot be included in the historic revenue calculation so for any year where the farmer received an indemnity. Therefore, the revenue for a farmer in this scenario would not reflect the payment. This structure can significantly reduce a farm's average revenue as calculated by Whole-Farm, which can limit their ability to obtain adequate coverage since the policy always uses the lower of their projected or historic revenue.

This section requires a report from RMA on the feasibility of allowing farmers to use an average of the other four years' of revenue history, or use a 60 percent of county average revenue as a substitute for that claim year. This adjustment would be in line with other types of adjustments to yields for regular single crop insurance policies that RMA already makes.