



Connecticut Farm Risk Management and Crop Insurance Program

Crop Insurance Example AGR/AGR-Lite with Christmas Trees

Farmer raises Christmas trees. He provides his 2008 through 2012 schedule F and the revenue he thinks he will receive for the crop in 2014.

Year	Gross Revenue
2008	\$57,000
2009	\$65,000
2010	\$62,000
2011	\$68,000
2012	\$70,000

Total Projected revenue for Christmas trees in 2014 is \$75,000

The average revenue from 2008 – 2012 is \$64,400. This data shows growth of his operation over the 5 years. Using an indexing factor, his Indexed Income is \$79,792. The Adjusted Gross Income that will be used is the lesser of the indexed income or the 2014 projected income. Since \$79,792 is more than the \$75,000 projected 2014 Income, the AGR for this policy is \$75,000.

Farmer can choose four different levels of coverage:

Coverage Level	Premium	Loss Inception Point	Maximum Payment
65/75	\$570	\$48,750	\$36,563
65/90	\$678	\$48,750	\$43,875
75/75	\$1,093	\$56,250	\$42,188
75/90	\$1,306	\$56,250	\$50,625

In this example, the farmer chooses the 75/90 coverage level for his AGR of \$75,000. He would notify his agent of any losses to his crops or market during the insurance period.

When he completes his Federal Income Tax return for 2014, he provides his crop insurance agent with his 2014 Schedule F form. Let us assume his eligible Adjusted Gross Income on his 2014 Schedule F is \$37,500 and he

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has 2014 allowable expenses that were at least 70% of his approved expenses. Since this amount is below his Loss Inception Point of \$56,250, a loss of \$18,750 results. This amount multiplied by the 90% payment rate selected would equal a Loss Claim payment of \$16,875.



United States Department of Agriculture
Risk Management Agency



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This summary is for general illustration purposes only. Consult with a crop insurance agent for specific policy guidelines and information. Calculations are as of 1/12/14 and are subject to change.

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