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The information contained in this guide is subject to change; therefore you should consult websites, materials, resources and others to assure you are using the most up to date information for business and decision making. Authors are not responsible for errors or omissions.

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Introduction

This guide is designed primarily for the agricultural producer in Connecticut. It covers basic information dealing with developing a strategy for getting into business, setting up and conducting a business in Connecticut, and provides a primer on the various rules and regulations in Connecticut that every agricultural producer should know. It can also be used by advisors to agricultural producers as a reference tool.

Farming can be a very satisfying lifestyle. In order, however, to be financially successful, farmers must view their operation as a business and follow the steps outlined in this guide. You may not need all the information detailed in this guide, however, much of this will be useful to you and may be used by you at a later time.

One of our contributing farmers asked us to share with you that “you always need more money than is projected” to run your business. You may want to keep this in mind as you tap into the resources available to you to grow and develop your agricultural business.

The Definition of Agriculture

Connecticut General Statutes, Sec. 1-1 (q) Except as otherwise specifically defined, the words “agriculture” and “farming” shall include cultivation of the soil, dairying, forestry, raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training and management of livestock, including horses, bees, poultry, fur-bearing animals and wildlife, and the raising or harvesting of oysters, clams, mussels, other molluscan shellfish or fish; the operation, management, conservation, improvement or maintenance of a farm and its buildings, tools and equipment, or salvaging timber or cleared land of brush or other debris left by a storm, as an incident to such farming operations; the production or harvesting of maple syrup or maple sugar, or any agricultural commodity, including lumber, as an incident to ordinary farming operations or the harvesting of mushrooms, the hatching of poultry, or the construction, operation or maintenance of ditches, canals, reservoirs or waterways used exclusively for farming purposes; handling, planting, drying, packing, packaging, processing, freezing, grading, storing or delivering to storage or to market, or to a carrier for transportation to market, or for direct sale any agricultural or horticultural commodity as an incident to ordinary farming operations, or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market or for direct sale. The term “farm” includes farm buildings, and accessory buildings thereto, nurseries, orchards, ranges, greenhouses, hoop houses and other temporary structures or other structures used primarily for the raising and, as an incident to ordinary farming operations, the sale of agricultural or horticultural commodities. The term “aquaculture” means the farming of the waters of the state and tidal wetlands and the production of protein food, including fish, oysters, clams, mussels and other molluscan shellfish, on leased, franchised and public underwater farm lands. Nothing herein shall restrict the power of a local zoning authority under chapter 124.
Starting and Building an Agricultural Business

Introduction

There are many things to consider when starting an agricultural business. Deciding to build an agricultural business is a substantial step. This guide is designed to provide an overview of the process.
Do You Have What It Takes?

Before proceeding with your agricultural business plan, consider the following aspects of being a business owner.

1. Vision. This is the first thing you need and you cannot proceed without it. A vision is a realistic idea of what your business is going to be. This is not just the product or service, but a complete, integrated system for doing business. You must always have a goal and a plan to get there.

2. Time. Running your business will take much more of your time than working for someone else, especially at the beginning. If you have a list of activities that you are not willing to give up for your business, then you may not have the time.

3. Ability to Prioritize. No matter how much time and other resources you put into your business, it will never be enough to accomplish everything you want to. You will have to be able to set priorities for the best long-term outcome for the business. The choices will not be clear and you may not know if you made the right choices for months, if ever. There is little instant gratification in owning a business.

4. Ability to Multi-Task. The business owner has to handle operations, financials, sales, staff, purchasing, legal and more – all at the same time. Interruptions are more common than not and most days do not go as planned. If you cannot tolerate interruptions, if you are not willing to let your business schedule you as opposed to you trying to schedule your business, then you may not be flexible enough.

5. Ability to Partner. Running a business goes beyond just working with people. You will have highly important relationships with your customers, suppliers, employees, and the government agencies that regulate or tax you. If any of these relationships is adversarial, your business will suffer. In many ways you will not be your own boss, but have lots of bosses.

6. Discipline. Do you have the discipline to resist temptation and focus on your business? That means setting goals and sticking with them until they are accomplished or you make a sound business decision to change them.

7. Responsibility. You will also be responsible for anything the business does. You will be responsible for any reporting requirements. There will be no boss to handle problems; you are the boss.

8. Ability to be a good neighbor.

Furthermore, it is important to be aware of some common reasons that businesses tend to fail. Ask yourself what you will do to overcome the following problem areas:

- Lack of management experience or capability.
- Insufficient cash to start or working capital.
- Wrong location.
- Insufficient systems, policies and procedures.
- Too much debt at start-up.

- Poor supply chain/credit arrangements.
- Business cash flow insufficient to meet personal demand for cash.
- Unexpected customer behavior.
- Competition.
- Overestimated sales and/or underestimated expenses.
Starting a Business

Here are some basic steps to start a business. You may need other steps specific to your business:

1. Choose a new business or adopt a new enterprise that you are passionate about. This is the most important step, since what you are choosing will basically be a lifestyle for you and your family. Share your thoughts with your family to encourage them to ask you how you will include this business in your life goals.

2. Develop a personal needs assessment:
   - How much money do you need to live on each month? How much of this will be drawn from the business?
   - Who is your lawyer, accountant, lender, consultant, insurance agent? Do they understand your needs and your industry?

3. Develop a network. Join member organizations. You can learn a great deal by joining the appropriate commodity organizations or farm groups. Contact UConn Extension www.extension.uconn.edu to learn what association might be useful to you. Field meetings, twilight meetings and handbooks are also items that will aid you.

4. Develop a complete business plan. After the plan is done, go to your town hall and ask if there are any issues with your agriculture business plan. There are municipal laws that may prescribe what you may or may not do (for example acreage in order to be a farm, farm stand restrictions, retail sales, parking, land use restrictions).

5. Determine the legal form of your business; sole proprietor, limited liability company, etc.

6. Register with the Department of Revenue Services (DRS) www.ct.gov/drs/ if you want to take advantage of various farm beneficial regulations or to sell certain farm products:
   - Obtain a Farmers Tax Exemption Permit (Form REG -8) that enables you to purchase farm business related supplies sales tax free. The primary requirement is that you make yearly gross sales of at least $2,500.
   - Obtain a Sales and Use Tax Permit (Form REG - 1) if you make taxable sales and must collect sales tax.

7. To register businesses other than Sole Proprietorships and General Partnerships visit the Business Registration Tool. Sole Proprietorships and General Partnerships can be registered at your local/municipal clerk's office and not with the Secretary of State.

8. Become aware of financial requirements. Seek the guidance of an accountant to prepare tax and other documents for your business. Register for all federal IRS requirements including payroll tax deposits and other payments. www.irs.gov. Register for all state requirements as well.

9. Set up a business checking account and a business record keeping system. Establish a line of credit with a bank if one will be needed now or in the future.

10. Be sure all insurances are in place. Get workers compensation coverage for employees as required by Connecticut law.

11. If you can, consider starting your business part time to test the concept.

12. Obtain any operating licenses and permits including licenses to prepare food or process food or to apply pesticides. Go to the section Farm Business Regulation, Licensing, Registrations and Certifications on page 40 for a description of licenses and permits that may be required for you to operate in Connecticut.
Choosing a Legal Form to Operate

Introduction

Before you develop your business plan, you need to select a legal form for your business. You make that choice based on characteristics that differentiate the forms of business based on what is most advantageous for you and your business. Those characteristics include organizational and reporting requirements, ease of formation and transfer, treatment of earnings and taxes, and liability.

Seek legal help from a qualified attorney when considering your options. Pick the entity that meets your needs. Deciding the form of ownership that best suits your business venture should be given careful consideration. Use your key advisers to assist you in the process.

Chapter 620 Sec. 35-1 - Sole proprietors and general partners must register with each city or town in which the business is based. Corporations, Limited Liability Companies, Limited Liability Partnerships and Limited Partnerships must register their business name with:
The following are some important factors to consider:

- The complexity of your operation.
- Your vision regarding the size and nature of your business.
- The level of control you want.
- The level of structure you are willing to deal with.
- Business' vulnerability to lawsuits.
- Tax implications of the different ownership structures.
- Expected profit (or loss) of the business.
- Whether or not you need to reinvest earnings into the business.
- Your need for access to cash out of the business for yourself.

This chapter will discuss five different legal forms under which a business may operate including: sole proprietorship; partnerships; corporations; sub-chapter S corporations; and limited liability companies. Northeast SARE Publication “Farmer’s Guide to Business Structures” is a source of information that can be found at https://www.sare.org/Learning-Center/Books/Farmers-Guide-to-Business-Structures

**Sole Proprietorships**

The vast majority of small businesses start out as sole proprietorships. These businesses are owned by one person, usually the individual who has day-to-day responsibilities for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one and the same with the business. The sole proprietorship itself is not taxed by the state or federal government. All income and expense from a sole proprietorship is reported on the owner’s personal tax return, on Schedule F for a farm (schedule C for a nonfarm).

The net income on Schedule F is added to the business owner's income on his or her tax return, form 1040. The business owner then pays all federal and state income tax at his or her personal tax rates. In addition, Schedule F net income is subject to self-employment tax (social security). Losses from a sole proprietorship are generally deductible based on certain complex rules.

**Advantages**

- Easiest and least expensive form of ownership to organize and operate.
- Operator is in complete control.
• Operator receives all income generated by the business to keep or reinvest.
• Profits from the business flow directly to the operator’s personal tax return.
• The business is easy to dissolve, if desired.

Disadvantages
• Operator has unlimited liability and is legally responsible for all debts against the business. Their business and personal assets are at risk.
• Business terminates at death unless an estate plan is in place.
• Some employee benefits such as owner’s medical insurance premiums are not directly deductible from business income.

Partnerships
In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. While not required, the partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, and what steps will be taken to dissolve the partnership when needed. They also must decide up-front how much time and capital each will contribute, etc. The profits from the business flow directly through to the partners’ personal tax returns.

Advantages
• Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
• The business usually will benefit from partners who have complementary skills.

Disadvantages
• Partners are jointly and individually liable for the actions of the other partners. The liability is joint and several, meaning that any of the partners could be held responsible for the entire debt of the business if the other partners have insufficient assets to cover their share of the loss.
• Profits must be shared with others.
• Since decisions are shared, disagreements can occur.
• The partnership may have a limited life; it may end upon the withdrawal or death of a partner.
• Income tax consequences can occur upon formation and dissolution of the company. Care should be taken to avoid tax consequences to the extent possible.

Types of Partnerships
In a General Partnership partners divide responsibility for management and liability as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.
In a Limited Partnership, limited partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short-term projects or for investing in capital assets. This form of ownership is not often used for operating businesses. Forming a limited partnership is more complex than that of a general partnership.

**Corporations**

A corporation chartered by the state in which it is headquartered is considered by law to be a separate entity and apart from those who own it. A corporation can be taxed, it can be sued, and it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The Board appoints officers who handle the day-to-day aspects of operating the business. The corporation has a life of its own and does not dissolve when ownership changes.

A “C” corporation is taxed as a separate legal entity, paying tax on its income at the corporate federal and state tax rates. C-Corporations file federal taxes on Form 1120. The profits of a corporation are paid to the stockholders as dividends. Dividends paid by a Corporation are after tax income to the corporation and taxable income to the stockholders (frequently called ‘double taxation’).

**Advantages**

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met. This election enables the company to be taxed similar to a partnership.

**Disadvantages**

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income; thus it can be taxed twice.

**Sub-chapter S Corporations**

A tax election only; this election enables the shareholder to treat the earnings and profits as distributions and have them pass through directly to their personal tax return. The catch here is that the shareholder, if working for the company, and if there is a profit, must pay him/herself wages, and must meet standards of “reasonable compensation”. The basic rule is to pay yourself what you would
have to pay someone to do your job, as long as there is enough profit. If you do not do this, the IRS can reclassify all of the earnings and profit as wages, and you will be liable for all of the payroll taxes on the total amount. For federal tax purposes, S-Corporation income and deductions “flow through” from the Corporation to the individual shareholders. This has the advantage of avoiding the double taxation and still offers the legal status of a corporation.

**Limited Liability Companies (LLC)**

The LLC is a hybrid business structure combining elements from corporations and partnerships. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. For these reasons, the LLC structure is a popular choice for many small business owners across the country.

The biggest advantage of the LLC structure is the ability to have limited personal liability for business debts while also having the benefit of pass through taxation. In the LLC structure, business earnings are passed on to the partners as income. Therefore, pass through taxation means that the partnership is not directly taxed on earnings, but rather the partners are taxed based on their income received from the business earnings. These taxes are typically much lower than taxes on business earnings.

The owners or partners within a LLC are called members, and the duration of the LLC is usually determined when the organization papers are filed. However, unlike other business structures, a LLC can have perpetual existence even if a member dies. Although LLCs are typically comprised of one or more members, all states now allow for a single member LLC structure. This approach features the same limited liability and tax incentives found in a normal LLC. Unless a single member LLC elects to be treated as a corporation, single member LLCs are taxed as a sole proprietor for income taxes.

For more information on filing your business as an LLC in Connecticut, visit [www.concord-sots.ct.gov/CONCORD/index.jsp](http://www.concord-sots.ct.gov/CONCORD/index.jsp)

**Advantages:**

- Protection from personal liability for business debt
- Perpetual existence
- Pass through taxation

**Disadvantages:**

- Relatively new – courts have not decided many LLC cases involving liabilities
- Can’t take company public

* When choosing a legal form to operate we remind you to seek professional guidance from an attorney and an accountant on the optimum way to set up your business to assure you operate within the rules and regulations required.
The Business Plan

A critical element to starting or improving your small business is the formation of a business plan. A business plan is an essential element that helps set production and financial goals, plan strategically, and acquire loans. In addition, a business plan can help you judge the progress of your business and potential areas that could be improved. When deciding what to include in your business plan, remember that it should reflect an outline of your business. Therefore not all business plans are the same and the order of topics within your business plan may vary. However, there are some key elements that are necessary to achieve success. First, think about these general ideas when writing your business plan:
General Ideas

- A business plan will help you determine the profitability of your company. It will uncover potential strengths and potential weakness in your business. So be forthright with information!
- A business plan sets goals that help you measure results compared to your plan. Tracking the business against the plan is a highly effective management tool and this will help you make prudent adjustments along the way.
- A business plan keeps everyone working towards the same goals including management and employees. For most small business, fewer employees mean greater levels of responsibility. So make sure every position within your business is clear.
- Most importantly, a business plan is a tool used by lenders, investors, and banks to evaluate your business. Lenders, investors, and banks need to see that you and your business can provide a return worthy of the risk of providing you with start-up or expansion capital. Lenders and investors will expect reports on your progress and require your plan to be updated on a timely basis during their relationship with your business.
- Finally, businesses require different plans through the life cycle, from a feasibility study before startup, to the expansion plan at a rapid growth stage, to the reorganization plan for a business in decline. Keep in mind that for each stage, your business plan must be revised and updated.

Business Plan Outline

As described above the outline of your business plan can be unique to your business. However after making sure you have covered the general ideas expressed above, there are some specific ideas that you must include. These specifics could make or break your business plan. If you are specific about critical details you can improve your chances of success. A good business plan has six general areas. They are:

1. Executive Summary
2. Business Description
3. Operations
4. Marketing Plan
5. Management
6. Financials

You should also present a cover sheet and a table of contents within your business plan. The following descriptions will help guide you into greater detail on these areas.
consumer need. This will encourage readers to continue through your entire plan while also showing your passion for your business.

If you are starting a new business there are several points you should outline within the executive summary. First, you should summarize the goals for your potential business. These goals will become the objectives that the rest of your business plan is designed to meet. Second, you should mention your experience and knowledge within the industry you would be entering. Make sure you convince the reader that you understand the services or product your business will be supplying. This will be important when approaching creditors.

If you have already started your business, you should summarize your business and its history. Include any goals you have for the future. If you have been successful to this point within your business, highlight your accomplishments. If you have not been successful yet, provide reasons why and describe how you plan to turn your business venture around.

Remember, you must provide a clear outline and vision within your executive summary. But be concise; do not go into much detail. You have the rest of your business plan to cover the details of your business endeavor. There are some smaller elements that will be needed in your executive summary. These, along with other hints are summarized below:

Key Points

- Give a brief, focused description of your business and products
- Describe your history and experience
- Develop your vision and mission statement
- Develop goals (Goals must follow S.M.A.R.T Concept. S=specific, M=measurable, A=attainable, R=realistic, T=timely)
- Include information about your product and services
- Basic overview of key elements of your business plan such as finances, marketing, and management
- Clear overview of why your business will be successful

Business Description

This section focuses on how all the elements of your business fit together. You want to further expand upon some of the elements mentioned in your executive summary while also explaining the organization of your business and the structure it will take.

First, you want to establish the nature of your business. In most cases, the business you are starting would be deemed agricultural. Additionally, include information on the structure of your business (sole proprietorship, partnership, corporation, LLC, etc). Whatever the reason or need, you must be able to answer the question, why is this business a good idea and what need am I satisfying? You will also want to provide an overview of how your business will work. What kind of product will you be providing? Will you be delivering your product or will you require pickup? Understanding how your business will work allows you to review how your product or service will supply a need. This is important when providing a description of your business.
Key Points

• Provide detailed information on the parts of your business and how they fit together
• Describes assets needed to operate the business (land, building, equipment) including any manufacturing or production process
• Location of business
• Review of business history and management experience
• Legal form chosen for the business

Operations

The operations section of your business plan describes how your business will run smoothly. It focuses on what you will produce, how you will produce it and how much you will produce. Within this section, you should expand upon what products and services you will be offering, possible customer service opportunities, inventory management, licenses, permits and regulations needed, possible patents and trademarks and environmental issues that could be encountered. Review risk management tools that will be utilized to manage risk such as crop insurance, other forms of insurance and enforcement of food and work safety standards. Providing an implementation timeline will help keep your tasks on track and make your business efficient. Often an overview is only required for this section, as operations typically involve actually doing the work required for your business.

Marketing Plan

The marketing plan consists of two main sections: the Market Analysis section and the Marketing and Sales Management section.

Market Analysis

A key to establishing a successful business is acquiring information about the market in which you will be selling your product. Your market analysis should consist of information on the following: industry description for your product (for example, milk would be in the dairy industry), the consumers that make up your target market, and the evaluation of your competition through competitive analysis. Note that this section does not contain the marketing strategy for your new business. Instead, the market analysis section simply provides information on the market you are planning to enter. For your market analysis to be helpful, you must explore each of the areas listed above. Below is a description of each.

Industry Description

The industry description gives an overview and outlook of the industry you would be potentially entering. You would want to include its current size, historic growth rates, trends and characteristics and its interaction with the local community, namely businesses, governments and consumers. Researching information about your industry is important so that you can gain an understanding about the potential positives and negatives of your business.

Target Market

Another important part of your business is identifying the people who will buy your products or use your services. It is simply the market or group of people that you want to target as potential
customers. In the early stages of your business, it is important to make your target market a manageable size. Do not try to be everything to everybody, which could be the downfall of your business. Start out small and increase your target market as your business expands.

Part of the process of establishing a target market is gathering information from potential customers. Understanding some distinguishing characteristics of your customers can be helpful. You should discover the needs of your customers, the demographics of the target group, possible seasonal and cyclical trends in purchasing, and the size of your potential target market. Elaborating on how you will gain consumer trust and how you will reach your customers is also important. Advertising strategies might be needed for certain agricultural businesses.

Competitive Analysis

Competitive analysis is when you identify your potential competition as well as determine their share of the market segment. You should also identify their strengths and weaknesses. When doing your research determine the competition’s target market and establish whether your business will be fighting for their customers. Two other areas that should be included in your competitive analysis are possible barriers to entry and potential regulatory restrictions. Barriers to entry include high investment costs, the time it takes you to set up your business, technology that may be needed, and lack of a trained workforce. Regulatory restrictions include the requirements you will need to meet and how they can affect your business plans. For example, if you are planning on starting an organic vegetable farm, you must research the regulations that determine if you can call your vegetables “organic”.

Key Points

- Explain your industry and its environment.
- Understand your potential customer through establishing a target market.
- Find the strengths and weaknesses of your competition.
- Remember this section is about research. Establishing your own marketing and sales strategy comes later!

Marketing and Sales Management

You want to expand upon the primary factors that will make your business successful. This entails providing a reason why the market place needs your business. For example, if you are starting an orchard business, a potential reason why this venture might be successful could be due to the poor quality of fruits at a local supermarket. Thus your business would provide for a need. Your business will not survive unless you have customers to purchase your good or service. You also must offer your goods and services at prices that are both fair to consumers and profitable for your business. This is why your marketing and sales strategies are so important. In this section you will want to define these two important strategies that will guide your business.

Marketing Strategy

First, your marketing strategy is essential to a strong business. Marketing is the process of creating customers, and as noted above, customers are the lifeblood of your business. Defining your marketing strategy focuses on several topics including your market penetration strategy, your strategy for
A market penetration strategy is basically how you will enter the market with your product. There are two likely scenarios. First, you can gain competitors’ customers, thus acquiring part of their market share. Or you can attract non-users of your product and convince them that they should start purchasing it. This is achieved through an advertising campaign.

A strategy for growing your business is simply how you expand your business once you have entered and adjusted to the market. Typically, you can introduce a new product or you can introduce your current product to a new market. Channels of distribution refer to how your customers will receive your product. Finally, your communication strategy revolves around how you are going to reach your customers. Your communication strategy is simply how you will advertise to your target market. Will there be product promotions, media advertising, or personal selling? These are all questions you will have to ask yourself.

Other factors to think about when composing your marketing strategy are where you will locate your business and how this affects your target market. Placement of your business can be a vital key to success in order to draw the potential customers you are seeking.

Sales Strategy

Your sales strategy includes how you will select your price. This means you must first determine your pricing strategy. If your market consists of several competitors, then you might want to use a competition based pricing strategy. You could also use a cost – plus pricing strategy, where you determine your price based on the cost of production, or a penetrating pricing strategy, where you set the price low in order to gain access into the market. Whatever strategy you choose, remember this can be an important part of advertising.

Key Ideas

- Sell benefits of a product rather than features of a product
- What makes your products or services attractive to the target market?
- What is the price structure?
- How does that pricing compare to the industry and why is it different or the same?
- Why will that price structure appeal to the target market?
- Where will you place your business or what is your means of distribution?
- Why will that appeal to the target market?
- How will you get your message to the target market?
- Understand the 4 P’s of Marketing: Price, Promotion, Place, and Product
- What differentiates your products or services; what is your niche if any?
- What are your advantages over the competition?
- Complete a SWOT Analysis – Determine your business’s strengths, weaknesses, opportunities and threats

Management

Your business management strategy is arguably just as important as the need you will be fulfilling by providing your product or service. Without efficient management, the ability to produce a product or provide a service becomes considerably harder. In this section, you will want to outline your business structure. Simply describe what jobs need to be performed and who will perform them. If
your business includes more than one owner, then you must include your partner’s background as well as how you plan on splitting the managing tasks. As your business grows or if your business is big enough, an organizational chart with a description of the production and management responsibilities should also be included in this section.

**Key Points**

- Provide business organization structure
- Develop organizational chart
- Provide job descriptions for all positions, including employee management systems regarding recruitment, salary structure, vacations, etc.
- Advisors hired or identified
- Develop accounting system
- Identify risk management strategies, i.e. crop insurance, etc
- Policies and procedures for such things as quality control and billing need to be addressed

**Financials**

The last section of your business plan is also one of the most important. When you present your business plan to investors or lenders, they will examine your financials very closely to determine whether you are a good candidate for possible loans. Therefore you must present precise and accurate financial statements. If you are just starting your business, your financial statements may be estimates of what your future plans may be. But you must be able to justify your figures.

Financials are the process of allocating your resources efficiently. There are some critical financial statements that should be included. First, historical data is important if you have been in business for several years. Most business creditors request 3 to 5 years of financial history. Creditors will also be interested in any collateral you have used for your business.

All businesses, both startup and established will need to supply prospective financial data. Most creditors care about what you can do in the first 5 years of business. Therefore your financial package should include forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets. For your first year of business you should provide monthly or quarterly projections, depending on your business. After the first year you can provide quarterly or yearly projections for years 2 through 5. In some cases, since agricultural practices can be seasonal, yearly projections will do. Graphs representing financial information are often preferred for business plans if they are accurate. So be sure to check your projected financial statements with your funding requests, because creditors will look for inconsistencies.

A business plan should also include plans for transitioning out of the business and retirement. Businesses can set up SIMPLE plans, SEP etc that allow them to put away more money for retirement than a traditional IRA does. The IRS has a publication [www.irs.gov/pub/irs-pdf/p3998.pdf](http://www.irs.gov/pub/irs-pdf/p3998.pdf) that covers options for small business owners. Again we encourage you to work with your accountant, financial advisor and insurance agent.

**Key Points**

- Determine start-up capital needed as well as any additional funding needed after initial start up
- Documents you will need:
• Profit and loss statement (actual by operating year and projected) 1-5 years
• Cash flow statement (actual and projected) 1-5 years
• Projected balance sheet (at beginning and end of projection period) 1-5 years
• Break even analysis
• Amortization schedule(s) of loan(s)
• Depreciation schedule (showing equipment purchased over the span of the projections)
• Tax returns (3 years) of owners and business (If business filed a separate tax return such as a partnership or corporation or LLC)
• Personal financial statement of all principals as well as of business.

Optional documents to support the business plan:
  • Supporting statistics from any independent, reliable source
  • Policy and procedure manuals
  • Licenses, permits, registrations
  • Listing of aging accounts receivables/payables
  • Just about anything that credibly supports the plan

There are many publications and computer programs that can assist you in developing and writing your business plan. Ag Plan, an agricultural business plan site, is offered by the University of Minnesota at www.agplan.umn.edu. This website provides templates to assist you in developing your business plan.
Record Keeping

Introduction

Records are important to the financial health of your farm. Good records do not ensure your business will be successful; however, success is unlikely without them. Records are a good management tool. They are essential for preparing income tax returns; submitting to lenders to make loan decisions; for establishing eligibility to participate in government loan and grant programs; and for determining the proper level of insurance coverage.

1. Every business must file tax and information returns with local, state and federal authorities. Organized, accurate records will make the process easier. You will be more likely to pay just what you owe while avoiding penalties and fines.
2. Well-maintained financial and production records help the owner control and manage the business. Good records are the foundation of a profitable business.
3. Records are necessary to secure loans, acquire insurance and apply for other financial incentive programs.
4. Records allow producers to conduct a production risk analysis.
Also, keep in mind that whether the owner operates the business as a sole proprietorship, a partnership, a limited liability company, or a corporation, the same rule applies. Keep personal finances separate from business finances. Never co-mingle personal and business funds in the same bank account. Mixing business and personal finances makes control and measurement of the business difficult.

**Accounting Methods**

**Cash Method**

If you operate on a cash basis, the general ledger is a nearly complete source of information for an income statement and the Federal income tax Schedule F and other related forms. Most small agricultural businesses can operate for tax purposes on a cash basis. Income is reported when received and expenses are deductible when paid.

**Accrual Method**

The accrual method of accounting is an alternative to the cash method of accounting. With the accrual method, you record income and expense activities when they occur, not when money is received or spent. The accrual method of accounting lends itself to more useful farm management analysis because revenue and expenses are recorded in the same time period. To employ the accrual method, resources must be inventoried regularly with adjustments made for changes in accounts payable, accounts receivable along with inventories and pre-paid expenses. If you prepare a balance sheet at the end of each year, then you can create an accrual income statement each year as well. A cash income statement becomes an accrual income statement after adjustments are made based on the beginning and ending balance sheets.

**Creating and Maintaining an Accounting System**

An accounting system is simply a term for farm records. But if users think of an accounting system, they are more apt to think about the total data needed to create the necessary reports and analyze them to determine what is happening in the business. While this could be quite complex, users should think about four types of data needed for the farm business accounting system:

1. Cash farm receipts and expenses, including loans and payments.
2. Capital purchases and sales.
3. Depreciation records.
4. Annual inventory at end of the business year.

The first three of these are generally needed for tax returns. The only additional information needed to create the financial statements is inventory data.
Framework for Financial Analysis

To report how the farm business is doing requires at least three financial statements: the Balance Sheet, the Income Statement, and Cash Flow Statement. All statements should relate to the same time period, the business year.

Balance Sheet

The balance sheet shows what you own and its value and what you owe as of a point in time. The difference is net worth at the end of the business year. The balance sheet is helpful in acquiring funds, measuring financial progress, considering risk and valuing ownership. The balance sheet must be based upon an inventory taken at the end of the business year. Counting assets is relatively easy. Valuing assets, however, is more difficult. Assets are generally valued at their fair market value (FMV) which is generally the net market price for which they could be sold. They could be valued at their original cost minus depreciation (book value). Generally, most assets on a business financial statement for lending purposes are valued at FMV. However you decide to value a resource, you should be consistent from year to year. Liabilities are easier than assets to value. A listing of debts to banks and other creditors usually is sufficient. The only difficulty is adjusting for accrued interest. For example, if your annual land payment is due in August and you take inventory of your resources on December 31, then an adjustment must be made concerning the amount of interest that has accrued since the last payment.

Types of Farm Assets

Current farm assets: These include cash, accounts receivable and other assets that are easily converted to cash without affecting the business operation. They include prepaid expenses, supplies, crops, livestock, and others that will be consumed in production or that will be sold during the year.

Intermediate farm assets: These include those that support farm production and have a useful life of more than 1 but less than 10 years. Breeding livestock, tools, vehicles, machinery and equipment fall into this category. Unlike current assets, intermediate assets are not easily converted to cash; doing so would disrupt production. For example, machinery and equipment are harder to sell than crops and market livestock and selling these assets may reduce farm productivity.

Long-term farm assets: These include farmland, buildings, improvements and items that have a useful life of more than 10 years. These assets are difficult to convert to cash, and doing so would seriously affect farm production.

Nonfarm assets: This is another section included on the asset side of the balance sheet. For many farmers, personal items such as a home, furnishings, or vehicles are considered part of the farm operation. If they are not included in the farm asset categories, they may be included in the nonfarm asset section. However, some individuals choose not to include personal items in the balance sheet. In this case, the nonfarm asset section would be left blank.

Types of Farm Liabilities

Current liabilities: These are debts due in the coming business year. They include your farm accounts payable and accrued expenses such as rent, interest and taxes. Short-term notes such as those you use to cover operating loans and the principal on longer-term liabilities due within the next year are also listed in this category. These liabilities correspond somewhat to current assets since funds needed to make payments on these liabilities may have to come from
liquidating current assets.

Intermediate liabilities: These include liabilities that will be repaid from 1 to 10 years from the date on the balance sheet. Loans for breeding livestock, machinery and equipment are typical of this category. Do not double-count liabilities by including the current principal portions of these liabilities that have already been included in the current liability section. Intermediate liabilities correspond to intermediate assets since the intermediate assets will generate the income needed to make the payments on these liabilities as they come due.

Long-term liabilities: These consist of mortgages and contracts owed on farmland and loans for buildings and improvements. These liabilities have payment due dates beyond 10 years. These liabilities correspond to long-term assets. The long-term assets will generate income needed to make payments on these liabilities when they are due. As with the intermediate liabilities, the current principal portion that is included in the current liability category should not be entered here.

Nonfarm liabilities: These should be listed if nonfarm assets were listed on the asset side of the balance sheet.

Contingent liabilities: Consider this type of liability in formulating your balance sheet. These liabilities are contingent upon the sale of your assets. Sales of crops and livestock listed in the current asset category may generate a profit on which you have to pay income taxes. An estimate of these taxes should be included in the current liabilities on the balance sheet.

Your intermediate and long-term assets such as machinery, equipment, land, buildings and improvements often have higher market values than the book values of these items used for taxes. If you were to sell them, you would have to pay a tax on capital gains. Estimate these contingent taxes and enter them on the balance sheet as liabilities. This is particularly true when you value your assets using the market value approach.

### Income Statement

The income statement shows what the business earned during the business year. This can be on a cash basis or on an accrual basis. An accrual income statement will reflect what the farm actually earned during the year taking into account accrual adjustments. To develop one you must have detailed balance sheets from the beginning and end of each year.

### Cash Flow Statement (historical and projected)

Many start-up businesses generally have expenses right away but income does not start for some time. A projected cash flow statement simply lists all sources of cash and all uses of cash over a period of time. Remember, an income statement lists only business income less business expenses. This period of time could be completed weekly, monthly or annually. The point is that the business cannot run out of money or it is out of business. Remember, a cash flow statement takes into account money borrowed, principle payments and any other sources and uses of cash. An historical cash flow statement lists cash flow over a period of time in the past.

The balance sheet, income statement, and cash flow statement are important financial documents. Some businesses may require other financial documents. For example, budgets, a tool that can used to analyze the business using historical and/or projected financial information, can be very helpful.
Depreciation

If you buy or make improvements to farm property such as machinery, equipment, livestock, or a structure with a useful life of more than a year, you generally cannot deduct its entire cost in one year. Instead you must spread the cost over the time you use the property and deduct part of it each year. For most types of property, this is call depreciation.

You can depreciate most types of tangible property (except land), such as buildings, machinery, equipment, vehicles, certain livestock, and furniture. You can also depreciate certain intangible property, such as copyrights, patents, and computer software. To be depreciable, the property must meet all the following requirements.

- It must be property you own.
- It must be used in your business or income-producing activity.
- It must have a determinable useful life greater than one year
- It is not purchased for resale

See IRS publication 946 for additional information.

Computerized Farm Records

There are computer software packages you can use for record-keeping. They are very helpful and relatively easy to use. If you use a computerized system, you must be able to produce sufficient records to support and verify entries on your tax return. Be sure to discuss your farm business accounting needs with your accountant to ensure that all information has been recorded properly.
Farm Related Tax Rules, Exemptions, and Incentives

Introduction

There are various rules and exemptions on items such as agricultural tools, equipment, vessels, nursery products, animals, and farm sales. This section illustrates a number of these tax rules and exemptions. For an overview of related tax exemptions and incentives for Connecticut farmers visit http://www.cfba.org/advocacy-toolkit
Connecticut General Statutes 12-91 – Exemption for farm machinery, horses or ponies. Additional optional exemption for farm buildings or buildings used for housing for seasonal employees

(a) All farm machinery, except motor vehicles, as defined in section 14-1, to the assessed value of one hundred thousand dollars, any horse or pony which is actually and exclusively used in farming, as defined in section 1-1, when owned and kept in this state by, or when held in trust for, any farmer or group of farmers operating as a unit, a partnership or a corporation, a majority of the stock of which corporation is held by members of a family actively engaged in farm operations, shall be exempt from local property taxation; provided each such farmer, whether operating individually or as one of a group, partnership or corporation, shall qualify for such exemption in accordance with the standards set forth in subsection (d) of this section for the assessment year for which such exemption is sought. Only one such exemption shall be allowed to each such farmer, group of farmers, partnership or corporation. Subdivision (38) of section 12-81 shall not apply to any person, group, partnership or corporation receiving the exemption provided for in this subsection.

(b) Any municipality, upon approval by its legislative body, may provide an additional exemption from property tax for such machinery to the extent of an additional assessed value of one hundred thousand dollars. Any such exemption shall be subject to the same limitations as the exemption provided under subsection (a) of this section and the application and qualification process provided in subsection (d) of this section.

(c) Any municipality, upon approval by its legislative body, may provide an exemption from property tax for any building used actually and exclusively in farming, as defined in section 1-1, or for any building used to provide housing for seasonal employees of such farmer. The municipality shall establish the amount of such exemption from the assessed value, provided such amount may not exceed one hundred thousand dollars with respect to each eligible building. Such exemption shall not apply to the residence of such farmer and shall be subject to the application and qualification process provided in subsection (d) of this section.

(d) Annually, on or before the first day of November or the extended filing date granted by the assessor pursuant to section 12-42, each such individual farmer, group of farmers, partnership or corporation shall make written application for the exemption provided for in subsection (a) of this section to the assessor or board of assessors in the town in which such farm is located, including therewith a notarized affidavit certifying that such farmer, individually or as part of a group, partnership or corporation, derived at least fifteen thousand dollars in gross sales from such farming operation, or incurred at least fifteen thousand dollars in expenses related to such farming operation, with respect to the most recently completed taxable year of such farmer prior to the commencement of the assessment year for which such application is made, on forms to be prescribed by the Commissioner of Agriculture. Failure to file such application in said manner and form on or before the first day of November shall be considered a waiver of the right to such exemption for the assessment year. Any person aggrieved by any action of the assessors shall have the same rights and remedies for appeal and relief as are provided in the general statutes for taxpayers claiming to be aggrieved by the doings of the assessors or board of assessment appeals.

Need to apply on Form M-28 Exemption Application to the Town Assessor by November 1
All Property Tax Exemptions

All farmers must file a personal Property Declaration Form with assessor (Form M-15 or town may have their own form) listing all taxable personal property they own in order to claim any farm exemptions. C.G.S. Sec. 12-81. Exemptions. The following-described property shall be exempt from taxation:

(10) Property belonging to agricultural or horticultural societies.

(36) Commercial fishing apparatus. Fishing apparatus belonging to any person or company to the value of five hundred dollars, providing such apparatus was purchased for use in the main business of such person or company at the time of purchase;

(38) Farming tools. Farming tools actually and exclusively used in the business of farming on any farm to the value of five hundred dollars;

(39) Farm produce. Produce of a farm, actually grown, growing or produced, including colts, calves and lambs, while owned and held by the producer or by a cooperative marketing corporation organized under the provisions of chapter 596, when delivered to it by such producer;

(40) Sheep, goats and swine. Sheep, goats and swine owned and kept in this state;

(41) Dairy and beef cattle, oxen, asses and mules. Dairy and beef cattle, oxen, asses and mules, owned and kept in this state;

(42) Poultry. Poultry owned and kept in this state;

(44) Nursery products. Produce or products growing in any nursery, and any shrub and any forest, ornamental or fruit trees while growing in a nursery;

(61) Vessels used primarily for commercial fishing. Any vessel as defined in section 15-127 used primarily for purposes of commercial fishing, provided in the tax year of the owner ending immediately prior to any assessment date with respect to which application is submitted for the exemption provided in this subdivision not less than fifty per cent of the adjusted gross income of such owner, as determined for purposes of the federal income tax, is derived from commercial fishing subject to proof satisfactory to the assessor in the town in which such application is submitted;

(68) Livestock totally exempt except that exemption for horses and ponies limited to one thousand dollars in value unless used in farming. Any livestock owned and kept in this state, except that any horse or pony shall be exempt from local property tax up to the assessed value of one thousand dollars, with such exempt value applicable in the case of each such horse or pony, provided any horse or pony used in farming, in the manner required in section 12-91, shall be totally exempt from local property tax as provided in said section 12-91;

(73) Temporary devices or structures for seasonal production, storage or protection of plants or plant material. Temporary devices or structures used in the seasonal production, storage or protection of plants or plant material, including, but not limited to, hoop houses, poly houses, high tunnels, overwintering structures and shade houses;

Property Tax Exemption for Farm Buildings, and Farm Machinery

Up to $100,000 in assessed value for farm equipment and machinery. An additional $100,000 for machinery if municipality votes to approve such an exemption. An exemption for each farm building used exclusively in farming to an assessed value of up to $100,000 also if municipality votes to approve.

In order to receive any of above exemptions, you must derive at least $15,000 in gross sales or demonstrate $15,000 in expenses on farm. You also must declare to Town by November 1 (within 30 days after assessment date) these exemptions on Form M-28.
Real Estate Tax – Public Act 490

This Connecticut law allows your farm, forest, or open space land to be assessed at its use value rather than its fair market or highest and best use value (as determined by the property's most recent “fair market value” revaluation) for purposes of local property taxation.

The lower use value assessment helps many farmers more readily afford local property taxes. Special rules apply and you need to be sure you understand the rules for enrolling your land in PA-490.

The law was passed by the Connecticut legislature in 1963. Every state in the nation has a Use Value Assessment law for its farm, forest, or open space land. Each state has different rules in regards to its particular Use Value Assessment law. Even in the early 1960’s legislative intent identified PA 490 as an important land preservation tool. Visit https://www.cfba.org/pa-490 for an overview of PA-490.

Property Tax Savings

Public Act 490 offers the potential to save on property taxes. Each situation is different; however, the savings can be significant.

Land Qualification

Your local town assessor makes the determination if your land qualifies after you have submitted the appropriate application within the required filing period. Forms are available through your local assessor's office or visit the Connecticut Association of Assessing Officers www.caao.com for downloadable forms.

Appeals

As a taxpayer, you have the right to appeal your assessor’s decision to your town’s Board of Tax Review. It is suggested that you contact the CT Farm Bureau 860-768-1100; www.cfba.org or CT Department of Agriculture www.ct.gov/DOAG/ before you proceed with your appeal. These service agencies do not offer legal advice or possess the authority to overturn your town's decision. However, they are experienced and knowledgeable in Public Act 490. Their insight might help you determine if you have a valid case on which to proceed.

Maintaining PA 490 Status

Once you have been granted a farm, forest, or open space land classification under Public Act 490, the classification can only be removed if the use of the land changes or the land ownership changes. Once the ownership of the land changes (a change in legal entity, new owners, etc.), the farm, forest, or open space land classification is lost, and the new owner(s) must reapply.

Your town does have the right to periodically ask you for an update of the usage of your Public Act 490 land. It is important to follow up with the assessor when this information is requested and to respond with accurate and up to date information on your PA 490 land. A new application is not required but rather an update of information on the existing application. Completion of a new application may lead to some confusion that should be resolved before you proceed.

PA 490 Land Use Statutes

- Found in CT General Statutes (CGS) 12-63 &12-107, a-f in the Taxation Chapter of the statutes.
PA 490 Forestland Classification

- Must own 25 acres of forestland. Landowner must hire a Certified Forester to obtain a report certifying the land is forestland.

PA 490 Farm Land Classification

- There is no minimum acreage or income requirement for PA 490 Farm Land classification.
- Classification is based on the current agricultural usage of the land at the time of application. Refer to the current Recommended Land Use Values for PA 490 available from the CT Department of Agriculture (see chart).

PA 490 Open Space Classification

Unlike forest land and farm land, which is mandatory statewide, the Open Space classification must be adopted by the municipality. Verify with the local assessor as to whether a parcel of land would qualify for the Open Space classification.

PA 490 Conveyance Tax

There is a tax penalty phase on the removal of land from any PA 490 classification within the first ten years of ownership or classification, whichever comes first for forest and farm land. Conveyance is from the time of classification for Open Space. There are a number of exempted transfers provided for in the statute. Any transfers of title on land classified under PA 490 within the first ten years should be given careful consideration and planning to avoid the conveyance tax.

Relevant forms are listed below:

- M-29 Exemption App. to Town Assessor for Classification of land as Farmland
- M-30 Exemption App. to Town Assessor for Classification of land as Open Space
- M-30a Exemption App. to Town Assessor for Classification of land owned by Tax Exempt Organization as Open Space Land
- M-39 Exemption App. to Town Assessor for Classification of land as Forest land

Public Act 490 Land Values

2015 Recommended Land Use Values (Effective October 1, 2015)
From Connecticut Department of Agriculture

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<td>Tillable B</td>
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<td>$40</td>
</tr>
<tr>
<td>Forest/Woodland</td>
<td>$240</td>
<td>$240</td>
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</tbody>
</table>
Land Classifications

Connecticut Land Classifications are based on general soil characteristics determined by the USDA – Natural Resources Conservation Service’s “Land Capability Classification System.” State law requires revaluation of farm, forest and open space land be conducted every five years.

- **Tillable A** - Excellent. Light, well drained, sandy loams, typically flat or level, no stones. (Shade tobacco, nursery, some cropland.)
- **Tillable B** - Very Good. Light, well drained, sandy loams, typically level to slightly rolling, may have some stones. (Binder tobacco, vegetables, potatoes, some cropland.)
- **Tillable C** - Very Good to Good. Quite level. Moderate heavier soils, level to rolling, may have stones. (Corn silage, hay, vegetables, potatoes, cropland.)
- **Tillable D** - Good to Fair. Heavier soils, maybe sloped and hilly, stones and seasonal wetness may be limiting factors. Moderate to considerable slope. (Hay, corn silage, rotation pasture, cropland.)
- **Orchard** - Fruit orchard. May include grapes and berries.
- **Pasture** - Permanent Pasture, unmanaged pasture, not tilled, grazing. May be heavier soils too wet or stony to till for crops, may be wooded area, Xmas trees.
- **Swamp/Ledge/Scrub Lands** - Wetlands, ledge outcroppings. Non-farmable areas that also make up the farm unit.
- **Woodland, Forest** - Forestland associated with the farm unit. Non farmable areas that also make up the farm unit.

Optional Property Tax Abatement

In addition, a municipality may further reduce property taxes on farm business pursuant to CGS Section 12-81m. This provision allows towns to abate up to 50% of the property taxes for a number of businesses including dairy farms, fruit orchards, vineyards, nurseries, vegetable farms, farm employing nontraditional farming methods, tobacco, or commercial lobstering operated on maritime heritage land. Towns may also adopt a process to recapture abated taxes if the farm is sold.

State Business and Sales Taxes

Reference:

Obtain a Sales and Use Tax Permit (Form REG - 1) from the CT Department of Revenue Services, if you make taxable sales and must collect sales tax. Taxable goods commonly sold by farmers include plants, seeds, hay, feed, mulch, fertilizer (including manure), livestock, poultry, rabbits, Christmas trees (live or cut), wreaths, decorated or carved pumpkins, and flowers. (Note: Sales of candy and soda are subject to tax because they are not considered food products.)

You are not required to obtain sales and use tax permit if you raise and sell tobacco, fruit, vegetables, board horses or are involved in dairy farming. Food products including maple syrup, honey, eggs, cider, cakes and pies, vegetables and fruits are exempt from sales tax.

See Policy statement 2002 (2), Sales and Use Taxes on meals for more information.
To obtain a seller's permit, an applicant must complete and submit REG-1, Application for Tax Registration Number, and pay an application fee. The permit is valid for two years and may be renewed without an additional fee. Application can be made by mail or in person at the Department of Revenue Services offices in Hartford, Norwich, Bridgeport, Hamden, and Waterbury.

Filing Requirements: Generally, sales and use tax returns are filed on a quarterly basis. If a seller's sales and use taxes liability exceed $4,000.00 per year, he or she must file monthly. Monthly returns are due on or before the last day of the following month. A seller may request permission to file on an annual basis if his or her sales and use taxes liability is less than $1,000 per year.

**Connecticut Sales Tax Exemption Permit for Farmers**

If the farmer qualifies for and has been issued a Farmer Tax Exemption Permit by the CT Department of Revenue Services (DRS):

- Retail sales of tangible personal property used exclusively in agricultural production are exempt from sales and use taxes, if the purchaser qualifies for and has been issued a Farmer Tax Exemption Permit by the Department of Revenue Services (DRS). The purchases do not qualify for the exemption if equipment and supplies purchased are used other than in the production of agricultural products grown or raised by the farmer.
- Lumber, hardware, and other building materials sold directly to a farmer for the construction or renovation of a farm structure used exclusively in agricultural production, such as a barn for farm animals or a storage building for the harvest, can be purchased exempt from sales and use taxes.
- This tax exemption does not apply to services. Plowing, planting, harvesting, fertilizer application, excavating, and other services are taxable as services to income-producing real property. Repairs to a farm vehicle are taxable as motor vehicle repair services.
- You may purchase motor vehicle fuels exempt from tax, at other than a retail outlet, as long as the gasoline or diesel fuel is used either in a vehicle not licensed to be operated on state highways, or in a vehicle registered exclusively for farm use with the Department of Motor Vehicles. In addition, the fuel may not be delivered to a tank in which you keep fuel used for both farm and non-farm purposes.
- Purchase of electricity, gas, or heating fuel for farm buildings is tax-free, as long as 75% or more of the gas, electricity, or heating fuel is consumed in a metered building or location used for agricultural production.
- If sales tax is not paid on taxable goods or services, use tax is owed on those goods.

**CT Farmers Sales Tax Exemption Eligibility**

Any person engaged in agricultural production as a trade or business is eligible for an exemption permit. To be engaged in agricultural production as a trade or business, a person must both engage in the production with a profit motive and materially participate in the production. The applicant must also meet one of the following requirements:

1. The applicant had gross income of $2,500 or more from agricultural production, as reported for federal income tax purposes, in the preceding taxable year or, on average, in the two preceding taxable years;
2. An applicant whose gross income from agricultural production in the preceding taxable year
was less than $2,500 may still qualify for an exemption permit if, in the current or immediately preceding taxable year, the applicant bought an agricultural trade or business from a seller who had an exemption permit at the time of the sale. However, if the applicant does not carry on the agricultural trade or business for at least two years from the date of purchase, the applicant will be liable for the sales or use tax that would have been due without the exemption; or

3. The applicant is starting a new farming business (start-up farmer) and intends to carry on agricultural production as a trade or business for at least two years.

**Qualification as a Start-up Farmer**

For exemption permit purposes, a start-up farmer is a person who:

1. Was not engaged in agricultural production as a trade or business in the preceding taxable year, or;
2. Did not have gross income of $2,500 or more from agricultural production, as reported for federal income tax purposes, in the preceding taxable year, or on average in the two preceding taxable years.

**Exemption Permit Eligibility as a Start-up Farmer**

To qualify for an exemption permit, a start-up farmer must satisfy the following requirements:

1. The farmer intends to carry on agricultural production as a trade or business for at least two years after the exemption permit is issued;
2. The farmer's gross income from agricultural production, as reported for federal income tax purposes, will be at least $2,500 in the second year or an average of at least $2,500 per year for two years after the exemption permit is issued; and
3. The farmer's gross expenses from agricultural production, as reported for federal income tax purposes, will be at least $2,500 in the second year or an average of at least $2,500 per year for two years after the exemption permit is issued.

Example: In the first year of farming, a start-up farmer had $1,500 of gross income and $3,000 of expenses from agricultural production. In the second year, the start-up farmer had $3,500 of gross income and $2,000 of expenses from agricultural production. The average gross income is $2,500 (($1,500 + $3,500)/2) and the average expenses are also $2,500 (($3,000 + $2,000)/2). This start-up farmer satisfies the income and expense tests.

If the start-up farmer does not meet all of these requirements, the farmer is liable for the sales or use tax that would have been due without the exemption. The tax on the purchases made under the exemption during the two year start-up period is due and must be paid with the first sales and use tax return due following the end of the start-up period.

If the start-up farmer does not meet the renewal requirements, the farmer may not reapply for an exemption permit as a start-up farmer.

**Definitions of Agricultural Production Farming Activities**

Farming activities that are considered agricultural production include: raising and harvesting any agricultural or horticultural commodity; dairy farming; forestry; raising, boarding or training livestock and poultry; or raising and harvesting fish, oysters, clams, mussels, or other molluscan shellfish are considered agricultural production.
Individuals engaged solely in buying agricultural products for resale are not engaged in agricultural production. For example, cut flowers or plants sold by a farmer at a roadside stand are not agricultural products if the farmer purchased the flowers or plants for resale.

Likewise, individuals whose only agricultural income is from farm rental or from the sale of livestock or crops received by them in payment for farm rental or other services; are not engaged in agricultural production and may not include the income as income from agricultural production. Income from the sale of farm assets reported on federal Form 4797 is not income from agricultural production.

Income from petting zoos, pony rides, carriage rides, or riding lessons is not considered income from agricultural production.

Eligibility for Exemption: Special Cases

1. Timber Sales
   Sales of timber by a person who is not engaged in farming or forestry management do not qualify as sales of agricultural products raised in agricultural production. Those engaged in forestry management must provide proof that a forest management plan is on file with the Department of Environmental Protection.

2. Boarding Horses
   Agricultural production includes the raising, feeding, caring for, shearing, training, or management of livestock, including horses. A farmer, who boards or trains horses and meets the eligibility requirements may qualify for an exemption permit. However, the income from giving riding lessons or providing rough board, which does not include the feeding and care of horses, does not constitute income from agricultural production. See ruling No. 96-5.

3. Livestock Breeders
   A breeder who meets the eligibility requirements may qualify for an exemption permit. A breeder who is required, for federal income tax purposes, to treat his or her income from the sales of livestock as capital gains does not qualify.

4. Operation of Fish Farm or Hatchery
   The operation of a fish farm or hatchery is considered agricultural production; therefore, the operator is eligible for an exemption permit. However, if you are not raising fish but are engaged in commercial fishing, you should apply for a Commercial Fisherman Tax Exemption Permit by completing REG-14, Application for Commercial Fisherman Tax Exemption Permit obtained from Connecticut Department of Revenue Service.

Exemption Permit Application Procedure

Form REG-8, Application for Farmer Tax Exemption.

- Allow at least four weeks for DRS to process your application and mail your exemption permit.
- The name (or names) that appear on the Form REG-8 must be the same as the name (or names) on the federal return.
- Attach copies of any federal income tax return schedules (for example, Schedule C or Schedule F) used to report the gross income and expenses from agricultural production, and copies of the federal return pages, as explained in the instructions for Form REG-8. If you submit a copy of Schedule C you must include a list of the agricultural products you raise and
the total sales from each product. If you filed federal Form 4835 to report farm rental income based on crops or livestock produced by the tenant, you must attach a copy to Form REG-8. Income from farm rental is not income from agricultural production even if you sold the crops or livestock you received from the tenant.

Connecticut Farm Plate Registration

Conditions for Farm Exemption by the CT Motor Vehicle Department (DMV)

To qualify for a Farm Registration, the applicant must operate a commercial farm or agricultural business located in Connecticut. Per Section 14-49(q) of the Connecticut General Statutes, a vehicle is eligible for a farm registration if it is used exclusively in connection with the commercial operation of a farm or agricultural business in Connecticut with GROSS ANNUAL SALES OF $2,500 OR MORE. No vehicle with a farm registration may be used for the purpose of transporting goods for hire, personal use, non-farm business, pleasure, recreation, or commuting to school or to non-farming employment.

To obtain a NEW Farm Registration, an Application for Registration and Title (Form H-13B) must be completed along with a Farm Registration Certificate (E-110) , and a Connecticut insurance card on the vehicle is required. A current copy of a FARMER’S TAX EXEMPTION PERMIT (OR 248) must also be submitted.

Expected fees for a Farm Registration are as follows:

$33 – Registration Fee

$5 – Plate Fee

$25 – Title Fee

$10 – Administrative Fee

$10 – Lien Fee if Applicable

The vehicle is exempt from the 6.35% Connecticut sales/use tax if it is used directly in the agricultural production process. For tax exemption you must present a FARMER’S TAX EXEMPTION PERMIT (OR 248) obtained from the Department of Revenue Services.

Note: The FARMER’S TAX EXEMPTION PERMIT (OR 248) must be in the same name as the farm registration in order to qualify for the tax exemption.
Federal IRS Hobby Loss Rules

This section is designed to provide general information regarding hobby loss and does not offer tax advice. Always consult a qualified tax accountant when dealing with tax issues.

Losses derived from a for-profit business are allowed against other taxable income. Losses from an activity not engaged in for profit are ruled by IRS code section 183. The hobby loss rules state that you lose the ability to deduct the business losses when your business does not produce a net profit in at least three of the five last years including the current year (two of seven including the current year for activities that consist primarily of breeding, training, showing, or racing horses). If a business profit is generated in at least three of five years the IRS presumes that you are engaged in a for profit business and provides a safe harbor allowing losses to be deducted in loss years.

The following factors are important in establishing intent for a for-profit business. Even if your business fails the (3 of 5 or 2 of 7) years of profit test, you still may be considered to operate your farm for profit by considering the following factors. All factors are taken into account. No one factor is decisive.

- You and/or advisors have the skills needed
- You have a history of profitability in similar businesses
- You make a profit from farming in some years
- You can expect to make a future profit from the appreciation of the assets used in the farming activity
Introduction

When starting up a new business it is important to find out what licenses and registrations apply to you. This can be complex as local, state, and federal governments all handle registration and licensing for various aspects of your business. This chapter will serve as a guide for obtaining appropriate certifications, understanding licensing and registration specific to farm businesses, and accessing important information and services from various state departments. The knowledge and adherence to local, state and federal regulations is the responsibility of the farmer, not knowing is not a valid excuse.

There are many permits and licenses that many businesses are required to get. Visit Smart Start and the Agency help box at www.ct-clic.com for details.
Connecticut State Regulatory Agencies and Departments

Several state departments provide useful services and assistance for those starting businesses. Depending on your needs, it is important to understand the function and capabilities of each department as well as how you can benefit from its services.

Connecticut Agricultural Experiment Station (CAES)  www.ct.gov/caes

The mission of The Connecticut Agricultural Experiment Station is to develop, advance, and disseminate scientific knowledge, improve agricultural productivity and environmental quality, protect plants, and enhance human health and well-being through research for the benefit of Connecticut residents and the nation.

Department of Agriculture (DOAG)  www.ct.gov/doag

According to its mission statement, the DOAG is designed to foster a healthy economic, environmental and social climate for agriculture by developing, promoting and regulating agricultural businesses; protecting agricultural and aquacultural resources; enforcing laws pertaining to domestic animals; and promoting an understanding among the state's citizens of the diversity of Connecticut agriculture, its cultural heritage and its contribution to the state's economy.

Some functions include: domestic animals, milk safety, animal health, animal control, dairy licensing for milk and cheese production, inspection of small on-farm poultry processing operations, administering farmers markets, providing agricultural grants, supports Farm Link Program, supports Farmland Preservation Program, and supports aquaculture programs (Aquaculture licensing and permitting in coordination with DEEP, US Army Corps and municipalities.) The DOAG is responsible for state on-farm produce safety programs including the inspection program for the Food Safety Modernization Act Produce Safety Rule and CGAP (Connecticut Good Agricultural Practices).

Department of Consumer Protection (DCP)  www.ct.gov/dcp

The DCP is responsible for protecting citizens from marketplace fraud, unfair business practices, and physical injury from unsafe items. This protection is achieved through licensure, inspection, investigation, enforcement and public education activities in five major areas including: food and standards; drugs, cosmetics and medical devices; alcoholic liquor; occupational and professional licensing; and trade practices.

Some functions include: inspecting facilities that manufacture processed foods for sale; issuing specific licenses for bakery, cider, non-alcoholic beverages and frozen dessert manufacturers; labeling requirements for packaged food and drink, sanitary requirements in food establishments, farmer's markets; administering liquor licensing of farm wineries; and scale accuracy for weighing products, and labeling and packaging of meat. DCP administers programs for farm kitchen food processing and cottage food processing. In addition, the DCP now issues Food Manufacturing Establishment Licenses (FME) for all retail and wholesale food manufacturing operations.
Department of Economic & Community Development (DECD)  www.ct.gov/ecd

The DECD develops and implements policies, strategies and programs which are designed to enhance Connecticut's communities and business and housing environments. A significant function of the ECD is to provide loans for farm businesses.

Department of Energy and Environmental Protection (DEEP)  www.ct.gov/deep/

DEEP achieves its mission through regulation, monitoring, inspection and enforcement, and licensing procedures that help control air, land and water pollution in order to protect health, safety, welfare and natural resources. The DEEP also improves and coordinates the state's environmental plans, functions and educational programs in cooperation with federal, regional and local governments, other public and private organizations and concerned individuals, while managing and protecting the flora and fauna for compatible uses by the citizens.

Some functions include: waste and manure management, water diversion for irrigation, water discharge permits, energy efficiency programs, pesticide certification and applicators licensing, commercial arborist licensing, game breeders licensing, aquaculture licensing and permitting in coordination with DEEP, US Army Corps and municipalities.

Department of Public Health (DPH)  www.ct.gov/dph

The DPH's mission is to protect and improve the health and safety of the people of Connecticut. As such, the DPH Food Protection Program is tasked with reducing the risk of foodborne disease by ensuring reasonable protection from contaminated food. This is accomplished by the enforcement of regulations by local health departments, training, and other specialized responsibilities. Farm stands and farmers' markets may be subject to public health regulations. The DPH is in the process of adopting the FDA Model Food Code as the regulation for all retail food establishments. If a local health department has inspected your operation, check with them to see what changes may be in store. Farmers should contact their local health department to determine whether or not the scope of their operation falls within the DPH regulations. Farm stands, farmers' markets and on-farm foodservice operations - See the Farmer's Market Reference Guide - http://www.ct.gov/doag/cwp/view.asp?a=3260&q=448674

Department of Revenue Services (DRS)  www.ct.gov/drs/

The DRS is designed to administer tax laws and collect tax revenues. The agency is responsible for ensuring voluntary compliance with the tax laws by educating the public about their tax responsibilities and by assisting taxpayers in filing appropriate tax returns and paying taxes. The department also collects unpaid taxes and applies enforcement measures when necessary.

The following permits and forms are available through the DRS: Farmers Tax Exemption Permit, Sales and Use Tax Permit, Motor Vehicle Fuel Tax, and Exempt Farm Product Sales among many others.

Certificate Renewal

The private applicator certificate must be renewed prior to the expiration date that appears on the
Farm Business Licensing and Inspection

visit www.ct-clic.com/TradeLicenses/agencyLicense.asp?agID=16&view=&pageNum=1


CT Department of Agriculture is designated as the lead agency for shellfish licensing, commercial fish hatcheries, and land-based aquaculture production.

Bureau of Aquaculture, P.O. Box 97, Rogers Ave., Milford, CT 06460 (203)874-0696

PA 12-176—sHB 5447

Environment Committee

AN ACT CONCERNING AQUATIC ANIMALS AS FOOD AND THE TAKING OF SCALLOPS FROM THE NIANTIC RIVER

SUMMARY: This act requires the agriculture commissioner to license and inspect aquaculture producers. It allows him to (1) prescribe the license term, fee, and application and (2) adopt implementing regulations in consultation with the consumer protection commissioner. It specifies license criteria for aquaculture producers. (By law, the commissioner must already license commercial harvesters, producers, and shippers of shellfish, including mussels, oysters, clams, and scallops (CGS § 26-192c)).

The act increases, from two to two-and-a-half inches, the minimum size of scallops that a person can take from the Niantic River. It allows the Waterford-East Lyme shellfish commission to increase or decrease the daily limit of scallops a person can take, rather than just increase it.

The act also makes technical changes.

EFFECTIVE DATE: July 1, 2012, except for the provisions regarding aquaculture producers, which are effective October 1, 2012.

AQUACULTURE PRODUCERS

The act defines “aquaculture producer” as anyone who engages in the controlled rearing, cultivation, and harvesting of aquatic animals in land- or marine-based culture systems, tanks, containers, impoundments, floating or submerged nets, or pens and ponds. “Aquatic animals” are fresh or saltwater finfish, crustaceans, and other aquatic life forms, including jellyfish, sea cucumbers, sea urchins, their roe, and mollusks, that are intended for human consumption.

Bee Keeping (Apiary)

The apiary inspection and registration program is designed to prevent the introduction or establishment of honey bee diseases, parasites or undesirable races of honey bees. Apiary inspection is the only way to accurately assess the health of the bee colony. The owners of beehives containing live honey bees that are located within Connecticut must register the location of the beehives with the Office of the State Entomologist each year on or before October first. To comply with the requirements, write to the Office of the State Entomologist, The Connecticut Agricultural Experiment Station, P. O. Box 1106, New Haven, CT 06504-1106 or phone (203) 974-8479 during any weekday between the hours of 8:30 a.m.4:30 p.m. There is no fee for registration or inspection.
Arborists
For information on arborist licensing and tests, contact the Department of Forestry and Horticulture; The Connecticut Agricultural Experiment Station; P.O. Box 1106; New Haven, CT 06504-1106. (203) 974-8605.

Nursery
All sellers of nursery stock* in Connecticut must be registered with Connecticut Agricultural Experiment Station (CAES). If you want to grow nursery stock* for commercial purposes, you must register as a nursery. The nursery license covers growing and selling nursery stock. The dealers license only covers selling nursery stock. If you have any questions, please call (203) 974-8474 or write to CAES at 123 Huntington Street, P.O. Box 1106, New Haven, CT 06504-1106.

Dairy
Those involved in dairy farming, processing, transportation, and retailing of dairy products will need to obtain a license. The CT Department of Agriculture inspects all phases of both pasteurized and raw milk and products, including milk, cheese and yogurt. (However the CT Department of Consumer Protection oversees processing of frozen dairy desserts.) These inspections include verification of compliance with the FDA’s Pasteurized Milk Ordinance, and can involve collection of water and milk samples, as well as checking for properly maintained equipment, facility cleanliness and ensuring the milking animals are healthy and well-cared for.

Livestock and Poultry
Health requirements regarding the importation of animals into the State of Connecticut - Livestock and poultry are inspected and tested to detect infectious and contagious diseases. Intensive poultry farms must be registered with the Bureau and are regulated and inspected to maintain accepted environmental management practices.

Livestock and Meat Product Sales
See the Farmer’s Guide to the Rules of Processing and Selling Meat or Poultry in Connecticut

Poultry (Dressed) and Poultry Products
See the Farmers’ Market Reference Guide, Chapter 16. or the Farmers’ Guide to the Rules of Processing and Selling Meat or Poultry in Connecticut. For those interested in developing an on-farm slaughter facility for USDA exempted small poultry flocks, see the Small Poultry Processor Inspection Program.

Eggs
Connecticut exempts sales of eggs directly to consumers from regulatory oversight except for labeling and refrigeration requirements. In order to sell eggs through retail stores and distributors or to food service establishments, a minimum of 3000 laying birds is required to participate in the USDA inspection program OR producers with flocks of 200 to 3000 birds may participate in the state CT Department of Agriculture’s Voluntary Small Egg Processing Plant Inspection Program. Oversight
involves inspection of the egg room sanitation and egg grading similar to the USDA program. A voluntary Salmonella enteritis (SE) reduction program is offered as well. See the Farmer’s Market Reference Guide, Chapter 21.

Farmers’ Markets


See the Farmer’s Market Reference Guide - This is a complete guide to organizing and creating a farmers’ market. For more information on establishing a marketing, please contact the Agricultural Development Unit at 860-713-2503.

Farm Wineries


Farm Honey and Maple Syrup Processors

In the 2019 legislative session, a bill was passed regarding the preparation, packaging and sale of honey and maple syrup: Substitute Senate Bill No. 233 Public Act No. 19-18

It states that “the preparation, packaging, labeling and sale of honey and maple syrup produced in this state … shall be under the licensing, inspection and enforcement authority of the Commissioner of Agriculture and the commissioner’s authorized agents.” In addition, it states, “the Commissioner of Agriculture shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, for the oversight of the production of honey and maple syrup by any person. Such regulations may include, but shall not be limited to, the establishment of a license for such honey and maple syrup producers and the establishment of required best practices for the limiting of pathogenic microorganism growth or toxin formation.”

For more information regarding these programs, contact the Connecticut Department of Agriculture at 860-713-2500.

Food Service Establishment: restaurant, food stand, catering, preparing food for sale

Public Health Code section 19-13-B42A

The DPH is in the process of adopting the FDA Model Food Code as the regulation for all retail food establishments. Any place where food or beverages are served to the public shall contact the local director of health for required permits, licenses, or inspections. This includes farm stands and Farmers Markets.

Find your local/town/district health department

Food Establishments: retail stores, including farm stands, farmers markets, distributors, transportation

Public Health Code Section 19-12-B40

Any person, firm, or corporation that sells, offers for sale or keeps for sale any groceries, bakery products, confectioneries, meats, fish, vegetables, or fruits in a retail food setting shall contact the CT Department of Consumer Protection for required permits, licenses, or inspections.

Connecticut Department of Consumer Protection food.standards@po.state.ct.us

The CT DCP follows FDA Model Food Code (retail) and the FDA Current Good Manufacturing Practices for food processing/sanitary procedures. See the - FDA Current Good Manufacturing Practices - 21 CFR, Part 117, Subpart B


Food Establishments: processors (not including meat, poultry, milk)

Connecticut Department of Consumer Protection Food Licenses

Food processors, with the exception of meat, poultry and milk, are regulated and directly licensed by the Department of Consumer Protection. Licenses include the Food Manufacturing Establishment License; Apple Juice and Cider Manufacturer License; Bakery License; and Frozen Dessert Licenses. In addition, all food processors must comply with Current Good Manufacturing Practices (GMPs) as adopted by Connecticut from the FDA. Manufacturing licenses are required for a processors. See licensing page: http://www.ct.gov/dcp/cwp/view.asp?a=1622&q=446448

Food Facility Registration

All processors of food must also register with the Food and Drug Administration (FDA) under the Bioterrorism Act of 2002. Food facility registration helps the FDA to determine the location and source of a potential bioterrorism incident or an outbreak of foodborne illness; and to quickly notify facilities that may be affected. If you are the owner, operator, or agent in charge of a facility that is engaged in manufacturing/processing, packing, or holding of food for human or animal consumption in the United States, you must register with FDA, unless you are exempt under 21CFR 1.226 from the requirement to register. Both those who process foods in their homes and on-farm processors of low-risk foods (i.e. maple syrup) AND sell directly to consumers are exempt. Restaurant, foodservice, and retail operations (farm stands) are also exempt.

Go here: https://www.fda.gov/Food/GuidanceRegulation/FoodFacilityRegistration/default.htm to see who must register and the procedure for registering on line. Registration is free.

In addition, processors of acidified foods must (unless they are participating in the on-farm home kitchen acidified food processing program of the CT DCP) and low-acid canned food must also register with the FDA. This registration is in addition to registration required under the Bioterrorism Act, above. Go here for information: https://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/AcidifiedLACF/default.htm
Bakeries/baked goods
All bakeries and producers of baked goods are food processors and must get a bakery license, whether selling retail or wholesale. See Connecticut Department of Consumer Protection Food Licenses section on previous page.

Exemptions from Inspection:
Acidified foods, jams, jellies, preserves, maple syrup need to be labeled with the following in ten-pt type:

“Not prepared in a government inspected kitchen”

- Common or usual name
- Ingredients in descending order by predominance by weight
- Declaration of responsibility (name and address of manufacturer or distributor)
- Net weight or volume expressed in metric and English units
- A content statement if any additional ingredient has been added.

Acidified food products, jams, jellies or preserves
CT Statute Sec. 21a-24a  

Notwithstanding the provisions of sections 21a-91 to 21a-120, inclusive, and section 19-13-B40 of the regulations of Connecticut state agencies, the preparation and sale of acidified food products, jams, jellies or preserves on a residential farm shall be allowed in a room used as living quarters and exempt from inspection by any state or local agency, provided such acidified food products, jams, jellies or preserves are prepared with fruit or vegetables grown on such farm and in the case of acidified foods, provided (1) the water supply of such residential farm comes from a public water supply system or, if from a private well, is tested and tests negative for coliform bacteria, (2) a pH test of such foods is performed by a laboratory after completion of the recipe for such product, (3) use of the kitchen where such foods are prepared is restricted from non-processing individuals, pets, children or any other potential contaminants during such preparation.

If the local health department or the Department of Public Health has reason to believe that a private well used pursuant to subdivision (1) of this subsection may be contaminated with coliform bacteria, such department may require such private well to be retested for the presence of coliform bacteria.

The food preparer has documentation showing successful completion of (a) an examination on safe food handling techniques administered by an organization approved by DPH for qualified food operators or (b) an approved course on safe food processing techniques administered by a Department of Consumer Protection (DCP) such as an approved Better Process Control School (BPCS). Such documentation must be made available to the local health department or DCP upon request.

- Qualified Food Operator class information: CT Department of Public Health (860)509-7297
- Alternative: Better Process Control Schools (BPCS): look online for courses

“Acidified food product” means a food item, with a pH value of 4.6 or less upon completion of the recipe for such product, including, but not limited to pickles, salsa and hot sauce produced on the premises of a residential farm. “Acidified food products” does not include food consisting in whole or in part of milk or milk products, eggs, meat, poultry, fish, shellfish, edible crustacean ingredients or other ingredients, including synthetic ingredients, in a form capable of supporting rapid and progressive growth of infectious or toxigenic microorganisms.
“Jam” means a food, with a pH value of 4.6 or less, made by cooking fruit or vegetables with sugar to a thick mixture. 
“Jelly” means a food, with a pH value of 4.6 or less, made by cooking fruit or vegetable juice that has been boiled with sugar.  
“Preserves” means a food, with a pH value of 4.6 or less, consisting of fruit or vegetables preserved whole by cooking with sugar.  
“Residential farm” means property (A) being utilized as a farm, as defined in subsection (q) of section 1-1, and (B) serving as the primary residence of the owner of such property.

Food Safety Modernization Act Preventive Controls Rule
The PC rule applies to food manufacturers other than those who produce meat, poultry, seafood, fresh juice or cider. Those who must comply must be trained or demonstrate knowledge equal to the training program accepted by the FDA (Preventive Controls Alliance training). In addition, they must develop and implement a food safety plan that meets the requirements of the rule.

Are farms subject to the rule?
Some mixed type farm businesses that also process food may be subject to the rule, particularly those selling $1,000,000 or more of human food annually. Small and very small on-farm businesses conducting the specified low-risk activities are exempt from the requirements for hazard analysis and risk-based preventive controls, though they must adhere to some other requirements of the rule and must comply with the Current Good Manufacturing Practices. To find out if you must comply and/or which provisions you need to adhere to, visit https://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm334115.htm or contact: Diane Wright Hirsch, MPH at diane.hirsch@uconn.edu or 203-407-3163 or Indu Upadhyaya indu.upadhyaya@uconn.edu 860-871-0776 for information.

Fresh Fruits and Vegetables
Fruit Storage, Controlled Atmospheric Storage Registration
CT Statute Sec. 22-39b: (a) Any person owning or operating a controlled atmosphere room or storage building or packers or re-packers of fruit subject to section 22-39a shall register with the Commissioner of Agriculture on a form prescribed by said commissioner. The registration period shall commence on the first of August and end on July thirty-first of each year. Owners or operators of such a room or storage building shall be required to register during a period commencing on August first and ending no later than October first of each year, beginning with the year 1963.

For more information contact the CT Department of Agriculture at 860-713-2513.
Connecticut Department of Agriculture CGAP Program

Audit: Voluntary USDA Third Party Audit

The Connecticut Department of Agriculture (DoAg) is developing a program for Connecticut farmers. CGAP (Connecticut GAP) will include the requirements for farms that must comply with the full Produce Safety Rule as well as other food safety standards. However, the program will be available to all farms, whether covered, exempted or fully compliant, in order to provide them a way to sell their products to buyers who want a food safety review, to farms of all sizes. Contact the Connecticut Department of Agriculture produce safety team at ProduceSafety@ct.gov or call 860.713.2522.

The USDA/AMS audit program

If your customer wants you to participate in the USDA/AMS audit program, USDA, Agricultural Marketing Service, Fruit and Vegetable Program, Specialty Crops Inspection (SCI) Division Audit Programs offers voluntary independent Good Agricultural Practices audits of produce suppliers throughout the production and supply chain.

On this site you will be able to link to the Harmonized Audit Standard:

The Harmonized Food Safety Audit Standard includes pre-harvest, harvest, and post-harvest activities.

The Produce GAPs Harmonized Food Safety Standard Audit

The USDA/AMS GAP/GHP audit standard information is still available on the site as well.

USDA GAP and GHP Audit

There are other companies that provide audits as well, including:

Primus and SGS North America, Inc.

FSMA Produce Safety Rule

The Produce Safety rule establishes science-based minimum standards for the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. Those who are subject to the rule must attend an FDA approved training course (Produce Safety Alliance Course or equivalent) or show that they are knowledgeable of the rule and its elements.

Which farms are subject to the rule?

Farms selling less than or equal to $25,000 of produce annually are not covered under the Rule. Farms meeting the Qualified Exemption criteria must comply with several provisions relating to labeling and attesting that they sell less than $500,000 of food annually, and that they sell at least 50% of that food to qualified end users, which include consumers, restaurants, schools, and retail operations—not wholesale operations, and those qualified end users are within the state or within 275 miles of the farm. Produce that is identified as exempt (most often cooked before use) and produce that is destined to be processed in a way that destroys foodborne microorganisms are exempt. All farms selling $500,000 or more of food and any that do not meet the qualified exemption must comply. Farms that are exempt are still expected to produce fruits and vegetables in a way that does not lead to adulteration or production of food that is unsafe for human consumption.

To find out if you must comply and/or which provisions you need to adhere to, visit https://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm334114.htm or contact: Diane Wright Hirsch, MPH at diane.hirsch@uconn.edu or 203-407-3163 for information.
Organic Farming Options and Standards for Marketing

In order to make an organic marketing claim of any kind a farm must be certified to the USDA National Organic Program Standards by an accredited certifying agent that has inspected the farm. To make an organic claim, produce and products must have been grown or raised on fields that have completed a three year transition to organic product during which no prohibited substances were applied to the field. In general organic certification requires that product be grown without the use of synthetic fertilizers, pesticides, growth hormones, sewage sludge, irradiation, or genetic engineering. Soil management is a key component of organic agriculture and organic products must be produced under a management plan that maintains or improves the organic matter in the soil. Organic livestock must be provided outdoor access, ruminants must have access to pasture during the grazing season and get 30% of their daily dry matter intake from pasture. All feed for organic animals must be organic.

The organic certification process requires record keeping, payment of an annual fee, and an annual inspection. The USDA National Organic Program administers the organic program, maintains the organic standards, and accredits organic certifying agents that certify farms. Check out the National Organic Program website for information on the organic certification program, to view the organic standards, or to get a list of organic certifying agents who operate in Connecticut. https://www.ams.usda.gov/about-ams/programs-offices/national-organic-program

Note: A USDA organic standard is not yet in place for seafood or fish.

USDA National Organic Standards Board (NOSB) Definition of Organic Agriculture

- Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.

- ‘Organic’ is a labeling term that denotes products produced under the authority of the Organic Foods Production Act. The principal guidelines for organic production are to use materials Farm Business Licensing and Registrations and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.

- Organic agriculture practices cannot ensure that products are completely free of residues; however methods are used to minimize pollution from air, soil, and water.

- Organic food handlers, processors and retailers adhere to standards that maintain the integrity of organic agricultural products.
**Becoming Certified Organic**


Organic certification involves submission of an organic system plan to an accredited certifying agent for review, on farm inspection, and approval. The application forms, fees charged, and internal policies vary between organic certification agents.

No matter what agency you choose, there may be federal cost share money available to offset the fees charged for organic certification. The Connecticut Department of Agriculture is in charge of the organic cost share reimbursement program in Connecticut. [https://www.ct.gov/doag/cwp/view.asp?a=3243&amp;Q=465932](https://www.ct.gov/doag/cwp/view.asp?a=3243&Q=465932)

**Exempt Operations**

The National Organic Program exempts very small farms from the requirements of certifying their farms. Small farms that are in compliance with the organic standards and have sales of less than $5000 a year of organic products may market their products as organic. These small farms are exempt from the requirements of getting their farms certified by an accredited certifying agency. This exemption is very helpful for small farms that are retailing their product themselves. The exemption is less useful for wholesale sales as many wholesale customers require certification in order to purchase products as organic. Please note that products produced on an exempt farm may not be used as ingredients in a processed product labeled as organic. Farms that have less than $5000 may voluntarily choose to get certified.

**Organic Labels**

Organic labels have their own requirements that are spelled out in the National Organic Standards. Visit [https://www.ams.usda.gov/rules-regulations/organic/labeling](https://www.ams.usda.gov/rules-regulations/organic/labeling) for more details

**Northeast Organic Farming Association (NOFA) Farmers Pledge**  
[www.ctnofa.org](http://www.ctnofa.org)

The CT NOFA Farmer's Pledge program is a way for its members to show their commitment to ecologically-sustainable farming, strong local economies, the humane treatment of animals, and the wise stewardship of land. The Pledge is open to CT NOFA members who attest that they adhere to the pledge and sign it annually. Once part of the program, farmers may display the Farmer’s Pledge logo to promote their farm stand, farmers markets, online, and elsewhere to attract folks who care how their food is raised.

Farms enrolled in the Farmer’s Pledge program are featured on the CT NOFA website all year long and in CT NOFAs annual publication, the Connecticut Farm & Food Guide. Printed copies are distributed all over the state at farmers markets, agricultural and environmental events, and wherever people were looking for healthy and sustainably-grown food.

Although the CT NOFA Farmer’s Pledge and the USDA Certified Organic program's principles have much in common, the Farmer’s Pledge is not meant to be a substitute for Organic Certification. The Pledge can be signed by growers who follow the Farmer's Pledge guidelines or by Certified Organic growers.

To enroll in the program, farm owners or managers simply sign the Pledge and return it to the CT
NOFA office. Farmers will then receive a laminated copy in the mail and a digital Farmer’s Pledge logo for use on their website or brochures. NOTE: Farmers can get started at any time of year and the Farmer’s Pledge is renewed annually by the end of December. For more information, contact CT NOFA at (203) 408-6819 or ctnofa@ctnofa.org.

**Pesticide Applicator Licensing**  
[www.ct.gov/deep/pesticides](http://www.ct.gov/deep/pesticides)

In Connecticut, a farmer must be certified as a private applicator in order to purchase and use restricted use pesticides on agricultural crops (No certification is needed if a farmer does not use restricted use pesticides). Only one certificate per farm is needed.

**General Information**

The pesticide private applicator certification program is open to persons who intend to use or supervise the use of restricted use pesticides on property owned or rented by them or their employer for the purpose of producing an agricultural commodity. Federal regulations (40 CFR 171) prevent the State of Connecticut from certifying homeowners or home gardeners as private applicators.

**Requirements for Certification**

An examination is required before a private applicator certificate can be issued. As a minimum requirement for certification, a private applicator must show that they possess a practical knowledge of laws pertaining to pesticide applications and the pest problems associated with their farming operation. This practical knowledge includes ability to recognize common pests and damage caused by them. Recognition is critical because it is the first step in control. The private applicator must be able to recognize the pest problem before they select among the available pesticides.

**License Requirements**

Any person who uses restricted use pesticides must be licensed in order to be able to purchase such products. With the exception of commercial applications, licensing is not required if only general use pesticides are used.

Any person who sprays another’s property in exchange for money must possess a commercial applicator’s license. However, individuals that are licensed as a private applicator can spray another’s property in exchange for services (i.e. applicator might trade a spray job in the spring for help with harvest in the fall).

A farmer wishing to use restricted use pesticides must obtain a “private applicator’s license.” The private applicator may then buy and apply restricted use pesticides on their own farm, property they rent or on the farms of others, provided that they do not get paid to do so.

It is not necessary for the licensed private applicator to actually perform all pesticide applications. An employee or family member can apply pesticides, however, the license holder is responsible for training the person who actually does the work, and must be available if needed.

Private applicators are required to maintain records with respect to each use of restricted use pesticide and must file a report of their usage with the DEEP on or before January 31st each year for the previous year’s applications.

In accordance with state regulation 22a-66-5(e), if your address changes, you must notify the Pesticide Management Program within 30 days.
Procedures for Taking the Pesticide Private Applicator’s Examination

1. You must be 18 years of age or older to take the pesticide private applicator’s exam.

2. Complete the Application for Pesticide Private Applicator’s Examination and submit it, along with the required fees (check or money order for $200.00 payable to the Department of Energy and Environmental Protection) to the address on the application form. Be sure to sign and date the form.

3. The pesticide applicator license examination is given by appointment only. To schedule an appointment, contact the Pesticides Management Program at 860-424-3369 or linda.schmidt@ct.gov

4. You must present a photo ID at the time of exam.

Study Materials

The commodity booklets are prepared as a study guide for those individuals seeking certification as private applicators in Connecticut. Each one contains brief descriptions of the major pests of each crop, their life cycles and the damage they cause to the host plants. The commodity booklets are not to be considered a complete source of information. Information on integrated pest management (IPM) and suggested spray schedules may be obtained from UConn Extension or Connecticut Agricultural Experiment Station at (203) 974-8500.

Commodity booklets available on-line:

Greenhouse Pesticide Management, Private Pesticide Applicator Training Manual (PDF)
Christmas Tree Study Manual (PDF)
Dairy/ Livestock Study Manual (PDF)
Nursery Study Manual (PDF)
Orchardist Study Manual (PDF)
Small Fruit Growers Study Manual (PDF)
Tobacco Study Manual (PDF)
Vegetable Study Manual (PDF)

The following commodity booklets are available by contacting the DEEP, Pesticide Management Program:
Mushroom Study Manual
Poultry Study Manual
Turf Study Manual

The following commodity booklets are available from the University of Connecticut:
You can order it online from UConn: www.store.uconn.edu/
Pointsettia Manual
Protecting Honey Bees From Pesticide Poisoning Study Manual (PDF)
Pertinent Pesticide Statutes and Regulations for Certified Private Applicators (PDF)
certificate. Renewal information will be mailed to private applicators prior to the expiration of the certificate.

Private Applicator Recertification
Private applicators must obtain 12 continuing education credit hours per licensing period (5 years) for renewal of their license. Credit can be obtained by attending specific meetings/seminars provided by sponsors at various locations throughout the state.

Annual Pesticide Use Summary Reports
Private pesticide applicators are required to maintain records with respect to each use of restricted use pesticides. This requirement includes submitting an annual Private Applicator Restricted Use Pesticide Summary Report. The record keeping summary form is available from the CT DEEP Website at: http://www.ct.gov/deep/cwp/view.asp?a=2710&q=324266&deepNav_GID=1712&deepNavPage=%7C or by searching CT DEEP Pesticide Management. DEEP may refuse to renew certification of an applicator for failure to submit this report. This report is due to DEEP by January 31 of each year for the previous year’s pesticide use.

Additional Information
For more information call the Pesticide Management Program at 1-860-424-3369, e-mail Pesticide Coordinator at linda.schmidt@ct.gov or write to:

Department of Environmental Protection
Bureau of Materials Management and Compliance Assurance
Pesticide Management Program
79 Elm Street
Hartford, CT 06106-5127

UConn Extension http://psep.extension.uconn.edu
Payroll and Employment Issues

Payroll - Employer Requirements

Generally, employees are defined either under common law or under statutes for certain situations. Generally a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. See Pub. 15-A for more information on how to determine whether an individual providing services is an independent contractor or employee.

You are responsible for withholding and paying employment taxes for your employees. You are also required to file employment tax returns. These requirements don’t apply to amounts that you pay to independent contractors.

The term “farm” includes stock, dairy, poultry, fruit, fur-bearing animals, and truck farms, as well as plantations, ranches nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.
Farmwork doesn’t include reselling activities that don’t involve any substantial activity of raising of agricultural or horticultural commodities, such as a retail store or a greenhouse used primarily for display or storage.

It may be easier for a small business to have contractors instead of employees but calling someone a contractor does not make them one. If a labor or tax authority determines that your contractor is really an employee, you can be responsible for paying back payroll taxes, unemployment taxes, backwages and other related expenses.

You must look at the totality of the situation. Some of the factors deemed to be significant are:

- Permanency of relationship
- Amount of alleged contractor’s investment in equipment and facilities
- Nature and degree of control by principle
- Alleged contractor’s opportunities for profit and loss
- Amount of judgment on part of alleged contractor
- Contract for job to be performed
- Other factors to consider

**IRS 20 Factor Test – Independent Contractor or Employee?**

The IRS test often is termed the “right-to-control test” because each factor is designed to evaluate who controls how work is performed. Under IRS rules and common-law doctrine, independent contractors control the manner and means by which contracted services, products, or results are achieved. The more control a company exercises over how, when, where, and by whom work is performed, the more likely the workers are employees, not independent contractors.

A worker does not have to meet all 20 criteria to qualify as an employee or independent contractor, and no single factor is decisive in determining a worker’s status. The individual circumstances of each case determine the weight IRS assigns different factors.

Note: Employers uncertain about how to classify a worker can request an IRS determination by filing Form SS-8, “Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding.” However, some tax specialists caution that IRS usually classifies workers as employees whenever their status is not clear-cut. In addition, employers that request an IRS determination lose certain protections against liability for misclassification.

The 20 factors used to evaluate right to control and the validity of independent contractor classifications include:

- Level of instruction. If the company directs when, where, and how work is done, this control indicates a possible employment relationship.
- Amount of training. Requesting workers to undergo company-provided training suggests an employment relationship since the company is directing the methods by which work is accomplished.
- Degree of business integration. Workers whose services are integrated into business operations or significantly affect business success are likely to be considered employees.
- Extent of personal services. Companies that insist on a particular person performing the work assert a degree of control that suggests an employment relationship. In contrast, independent contractors typically are free to assign work to anyone.
• Control of assistants. If a company hires, supervises, and pays a worker's assistants, this control indicates a possible employment relationship. If the worker retains control over hiring, supervising, and paying helpers, this arrangement suggests an independent contractor relationship.

• Continuity of relationship. A continuous relationship between a company and a worker indicates a possible employment relationship. However, an independent contractor arrangement can involve an ongoing relationship for multiple, sequential projects.

• Flexibility of schedule. People whose hours or days of work are dictated by a company are apt to qualify as its employees.

• Demands for full-time work. Full-time work gives a company control over most of a person's time, which supports a finding of an employment relationship.

• Need for on-site services. Requiring someone to work on company premises—particularly if the work can be performed elsewhere—indicates a possible employment relationship.

• Sequence of work. If a company requires work to be performed in specific order or sequence, this control suggests an employment relationship.

• Requirements for reports. If a worker regularly must provide written or oral reports on the status of a project, this arrangement indicates a possible employment relationship.

• Method of payment. Hourly, weekly, or monthly pay schedules are characteristic of employment relationships, unless the payments simply are a convenient way of distributing a lump-sum fee. Payment on commission or project completion is more characteristic of independent contractor relationships.

• Payment of business or travel expenses. Independent contractors typically bear the cost of travel or business expenses, and most contractors set their fees high enough to cover these costs. Direct reimbursement of travel and other business costs by a company suggests an employment relationship.

• Provision of tools and materials. Workers who perform most of their work using company-provided equipment, tools, and materials are more likely to be considered employees. Work largely done using independently obtained supplies or tools supports an independent contractor finding.

• Investment in facilities. Independent contractors typically invest in and maintain their own work facilities. In contrast, most employees rely on their employer to provide work facilities.

• Realization of profit or loss. Workers who receive predetermined earnings and have little chance to realize significant profit or loss through their work generally are employees.

• Work for multiple companies. People who simultaneously provide services for several unrelated companies are likely to qualify as independent contractors.

• Availability to public. If a worker regularly makes services available to the general public, this supports an independent contractor determination.

• Control over discharge. A company's unilateral right to discharge a worker suggests an employment relationship. In contrast, a company's ability to terminate independent contractor relationships generally depends on contract terms.

• Right of termination. Most employees unilaterally can terminate their work for a company without liability. Independent contractors cannot terminate services without liability, except as allowed under their contracts.
Note: You are required to provide IRS Form 1099-MISC for payments of $600 or more for services rendered for your business to people not treated as your employee such as subcontractors.

Once you have determined that you have one or more employees, there are many federal and state rules and regulations that you must follow in order to properly handle payroll. While there are a few special agricultural employer rules, agricultural employers must comply with an array of rules and regulations. Keep in mind also that it is possible for a farmer to have both agricultural employees and non-agricultural employees. Make sure to review your payroll filing requirements with your tax accountant.

Useful Publications
- IRS Publication 225 – Farmers Tax Guide
- IRS Publication 51 – Circular A – Agricultural Employer’s Tax Guide
- IRS Publication – Circular E – Employers Tax Guide
- IRS Publication 17 – Your Federal Income Tax
- IRS Publication 583 – Starting a Business and Keeping Records
- Circular CT - Connecticut Employer’s Tax Guide
- Handy Reference Guide to the Fair Labor Standards Act
- Agricultural Employers Under the Fair Labor Standards Act (FLSA)

Note: Virtually all employees engaged in agriculture are covered by the Act in that they produce goods for interstate commerce. There are, however, some exemptions which exempt certain employees from the minimum wage provisions, the overtime pay provisions, or both.

Employees who are employed in agriculture as that term is defined in the Act are exempt from the overtime pay provisions. They do not have to be paid time and one half their regular rates of pay for hours worked in excess of forty per week.

Agriculture does not include work performed on a farm which is not incidental to or in conjunction with such farmer’s farming operation. It also does not include operations performed off a farm if performed by employees employed by someone other than the farmer whose agricultural products are being worked on.

Any employer in agriculture who did not utilize more than 500 “man days” of agricultural labor in any calendar quarter of the preceding calendar year is exempt from the minimum wage and overtime pay provisions of the FLSA for the current calendar year. A “man day” is defined as any day during which an employee performs agricultural work for at least one hour.

Basic Steps to Become an Employer
(may be others given certain situations)

1. Apply for a Federal Employer Identification Number (EIN) with the Internal Revenue Service. You may already have an EIN number if a partnership, LLC or corporation. Check with your accountant.

2. Register with the Connecticut Department of Revenue Services using REG -1 for the withholding of taxes from employees. If already registered with DRS for other taxes, file again using REG -1 for withholding as an additional tax.
3. You must verify that each new employee is legally eligible to work in the United States. Give them the most current I-9 to complete. These forms must be maintained in your files.

4. Give each employee Form W-4 and CT-W-4 to fill out. These forms tell you as the employer how much to withhold for federal and state income tax. Other forms may be needed to document such items as other deductions from wages, etc.

5. Determine if you are subject to unemployment tax. Special rules apply for agricultural employers. Unemployment tax is not withheld from the employee but paid in full by the employer. The Connecticut Department of Labor requires all businesses employing workers to obtain a state unemployment tax number and to register with the Department's Employment Security Division. Employers should also get a copy of the Employer's Guide to Unemployment Compensation. Employers must pay Connecticut Unemployment Tax in accordance with that guide.

6. Set up a payroll system to calculate paychecks and withhold proper amounts for social security tax, federal income tax and state income tax as well as other deductions as allowed.

7. Get worker's compensation insurance when necessary. Talk to your insurance agent about the requirements given your situation.

8. Adopt workplace safety measures when necessary and post required notices.

9. Record Keeping
   - personal information, including employee's name, home address, occupations, gender, and birth date if under 19 years of age
   - hour and day when workweek begins
   - total hours worked each workday and each workweek
   - total daily or weekly straight-time earnings
   - regular hourly pay rate for any week when overtime is worked
   - total overtime pay for the workweek
   - deductions from or additions to wages
   - total wages paid each pay period
   - date of payment and pay period covered

   Records required for exempt employees differ from those for nonexempt workers. Special information is required for homeworkers, for employees working under uncommon pay arrangements, for employees to whom lodging or other facilities are furnished, and for employees receiving remedial education.

10. If you have any employee benefits such as health insurance or a retirement plan, establish sign up procedures.

11. Consider compiling an employee handbook.

12. File all required forms with the IRS and DRS and pay all taxes when due. You are required to give each employee a W-2 annually. Post all materials as required by the Department of Labor.
Social Security and Medicare Tax (FICA)

For 2019 the social security tax rate is 6.2% each for the employee and employer. The social security wage base limit for 2019 is $132,900.

The Medicare tax rate is 1.45% each for the employee and employer. There is no wage base limit for Medicare tax.

All cash wages that you pay to an employee during the year for farmwork are subject to social security and Medicare taxes if either of the two tests below is met.

- You pay cash wages to an employee of $150 or more in a year for farmwork (count all cash wages paid on a time, piecework or other basis). The $150 test applies separately to each farmworker that you employ. If you employ a family of workers, each member is treated separately. Do not count wages paid by other employers.
- The total that you pay for farmwork (cash and non-cash) to all your employees is $2,500 or more during the year.

Exceptions. Annual cash wages of less than $150 you pay to a seasonal farmworker are not subject to social security and Medicare taxes, even if you pay $2,500 or more to all your farmworkers. However these wages count toward the $2,500 test for determining whether other farmworkers’ wages are subject to social security and Medicare taxes.

A seasonal farmworker is a worker who:

- Is employed in agriculture as a hand-harvest laborer,
- Is paid piece rates in an operation that is usually paid on a piece-rate basis in the region of employment,
- Commutes daily from his or her permanent home to the farm, and
- Had been employed in agriculture less than 13 weeks in the preceding calendar year.

Note: There are also family employee exemptions.

Federal Unemployment Tax Act (FUTA)

Employers who hire farm workers are subject to paying unemployment tax if either of the following occurs:

- Paid cash wages of $20,000 or more to farm workers in any calendar quarter this year or last year, or
- Employed 10 or more farm workers during at least some part of a day during any 20 or more different calendar weeks this year or last year.

Regarding non farm workers, other rules regarding FUTA requirements apply.

Employer is exempt from paying unemployment tax on services performed by the employer’s spouse or by the employer’s children under age 21. See Publication IRS Publication 51 – Circular A – Agricultural Employer’s Tax Guide for important details.
Salary vs. Hourly Wages (Non-agricultural employees)

There are several important tests that a job must pass to be overtime exempt:

- The employee must be able to use his or her independent judgment in performing the work. Work requiring advanced knowledge, defined as work which is predominantly intellectual in character, such as engineering or computer networking generally satisfies this requirement.
- Duties must be truly supervisory, for example, hiring and firing, setting policy, scheduling workers, making company investment decisions or reviewing performance of other employees.
- Salary must be fixed and not reduced by such things as lack of work or partial days off (employee not held to fixed hours)
- Professional qualifications, such as advanced degrees or licenses are additional factors leading to classifying an employee overtime exempt, so long as the above criteria are met. In summary, every case is judged individually and, if there is a doubt, the employee is entitled to overtime.

Note: There may be other tests to determine Salary vs Hourly Wages.

Federal Child Labor Laws in Farm Jobs

The U.S. Department of Labor, Wage and Hour Division, enforces the federal child labor laws under the Fair Labor Standards Act.

The Fair Labor Standards Act of 1938 (FLSA) as amended, sets standards for child labor in agriculture. These standards differ from those for nonfarm jobs. The FLSA covers employees whose work involves production of agricultural goods, which will leave the state directly or indirectly and become a part of interstate commerce.

What if state child labor standards differ from federal standards?

Many states have laws setting standards for child labor in agriculture. When both state and federal child labor laws apply, the law setting the most stringent standard must be observed. Connecticut requires minors to be sixteen years old with exemptions and restrictions described in the following checklist:

CT Department of Labor’s “Checklist for the Employment of Minors in CT”
https://www.ctdol.state.ct.us/wgwkstnd/minors/wgchklst.htm

- Employers’ Checklist for Employment of Minors
- Questions and Answers Regarding Minimum Wage for Minors
- Checklist for Minors Applying for Statement of Age/Working Papers
- Records to be Retained by Employers
- Supervisor’s Checklist for Orienting New Employees
- Exemptions from Child Labor Laws
- Prohibited Occupations and Places of Employment for all minors under the age of 18 years
- Prohibited Places of Employment for 14 & 15 Year-olds
- Permitted Occupations for 14 & 15 Year-olds
- Time & Hour Restrictions for 16 & 17 Year-old Minors (by industry)
Migrant Labor

There are many acts that the Wage and Hour Division administers and enforces to help protect different types of agricultural workers.

The Migrant and Seasonal Agricultural Worker Protection Act (MSPA) –
Protects migrant and seasonal agricultural workers by establishing employment standards related to wages, housing, transportation, disclosures, and record-keeping. MSPA also requires farm labor contractors to register with the U.S. Department of Labor, Wage and Hour Division (DOL), and obtain a certificate of registration. A farm labor contractor must be specifically authorized to provide housing or transportation to migrant or seasonal workers prior to providing the housing and transportation. Persons employed by farm labor contractors to perform farm labor contracting activities also must register with the DOL.

The Field Sanitation Provisions of the Occupational Safety and Health Act (OSHA) –
Was enacted to assure safe and healthful working conditions for working men and women. The Occupational Safety and Health Administration issued regulations establishing minimum standards for field sanitation in covered agricultural settings. These standards required covered employers to provide toilets, potable water, hand-washing facilities, and information regarding good hygiene practices.

The H-2A Visa Program –
Establishes standards related to hiring employees, wages, housing, transportation, and record-keeping for employers of temporary, non-immigrant agricultural workers. The employer must file an application with the U.S. Department of Labor’s Employment and Training Administration, stating, among other things, that there are not sufficient workers who are able, willing, qualified, and available, and that the employment of aliens will not adversely affect the wages and working conditions of similarly employed U.S. workers. Any employer using H-2A workers must have initially attempted to find U.S. workers to fill these jobs. H-2A workers and U.S. workers in corresponding employment must be paid special rates of pay that vary by locality, provided housing and transportation from housing to the job site if their employment requires them to be away from their residence overnight, and guaranteed employment for at least ¾ of the work period specified in the contract.
Insurance

Introduction

Farms encounter and create risks every day simply by operating their businesses. If you are currently in business or deciding to start an agricultural business, insurance should be part of your risk management strategy. Farm businesses can take action to avoid, lower, accept or transfer the risk to a third party such as an insurance company. All businesses generally elect to transfer some of the risk to an insurance company but keep in mind the greater the risk, the higher the cost of the insurance. At some levels, the cost of insurance may be considered a higher risk than the protection provided by the coverage, in which case the producer accepts the risk. That is when a business may seek to avoid the risk by not conducting some activities at all on the farm or maybe reducing the risk by incorporating appropriate management strategies.

When looking at insurance options, ask the following questions:

- Could the farm continue if a disaster hit the farm such as a fire?
- Could the farm withstand a liability claim?
- Could the farm continue if a crop failed?
- Could the farm continue if a key person in the business died or became disabled?
- If an employee is hurt on the farm, do I have proper worker’s compensation insurance?
Always be sure to talk with your insurance agent about your needs. Also make sure that your agent always knows what you are doing and if you are making any changes in your operation. The last thing you want to hear your agent say is “That is not covered” when you have a claim. Keep in mind that not all insurance agents sell all the kinds of insurance you may need. Your agent can advise you on the types and proper levels of insurance you need to insure your particular business as long as they have all of the facts. Buying business insurance is among the best ways to prepare for the unexpected.

Types of Insurance

There are a variety of insurance options available to agricultural business owners. Some of the more popular types will be discussed in this chapter, including: 1) crop insurance; 2) business liability insurance; 3) property insurance; 4) business life insurance; 5) health insurance; 6) worker’s compensation insurance; and 7) disability insurance.

1. Crop Insurance

Agriculture is an inherently risky business. Farmers and ranchers need to regularly manage for adverse weather and financial, marketing, production, human resource, and legal risks.

Federal crop insurance is the pre-eminent risk management solution for farmers and ranchers, providing effective coverage that helps them recover after severe weather and bad years of production. For some farming and ranching operations, crop insurance is the difference between staying in business or going out of business after a disaster. For the next generation, crop insurance provides the stability that will allow to begin farming.

See the Appendix for RMA fact sheets and visit the Farm Risk Management and Crop Insurance Program website.

2. Business Liability Insurance

Farmers face the risk of liability from several angles. A farmer is liable if their inaction or action results in personal injury to another person or another’s property. Someone who owns real estate and personal property and/or who conducts business activities assumes responsibility for any liabilities that occur as a result of any use of this property or activity.

Many business owners buy general liability or umbrella liability insurance to cover claims of negligence. These help protect against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, and settlement bonds or judgments required during an appeal procedure.

Liability is usually the highest potential monetary risk for business dealing directly with the public. Consider proper coverage. The assets of the business and its officers are at risk for any judgment or settlement that exceeds the policy limit.

In any small business, the owner/officer(s) should be listed on the policy as additional insured(s). Most lawsuits will name the owner/officer(s) as additional defendants. Insurance carriers usually do this at no additional cost.

Regarding product liability, if you are selling food products or raw food from the farm, at a farmer’s
market, or retail store, you will need to have product liability coverage. Make sure your agent knows and understands what you are selling to insure that you have adequate coverage and are following all state and federal laws.

3. Property Insurance

Property insurance covers losses due to fire and other perils such as windstorms, theft, and water damage. Perils covered or exclusions may differ between carriers and policies. It is wise to compare and shop based on price, service, and coverage provided by policy. The cheapest may not be the best when you need to file a claim. It is important that you decide what to insure and for how much. Ask yourself what would you have to replace if your farm or business was destroyed?

4. Business Life Insurance

Life insurance, which is only available for living individuals, can be a useful tool to provide necessary money for transferring the farm, covering tax or debt obligations or paying off heirs, both farm and nonfarm.

Family businesses often use life insurance as part of their continuation, estate and/or succession plan. It is in addition to a written business continuation plan that outlines how the business will maintain operations if a key person dies, has a disability, or retires from the business. Be aware that lenders or investors may require you to reduce the loss of investment in the event of the death of a manager or employee whose contribution to the success of the business is essential.

In order to understand your need for this type of insurance and to select an adequate plan, you need to consider term vs. permanent life insurance in addition to why you need the insurance, for how long and what you can afford. There are other questions you need to ask yourself such as the following; What are you trying to accomplish with life insurance? Could the same thing be accomplished by other means? Will my family be burdened financially by my death?

5. Health Insurance

For farmers who buy individual coverage without the advantage of a large group, health insurance is one of the biggest costs for farm operators. Health insurance coverage is needed for accidents or injuries that occur on the farm as well as illness. In some situations, the spouse of the owner may work off the farm to not only supplement income but also to also get health insurance paid or partially paid by the employed spouse’s company. Membership in organizations can provide access to group insurance rates.

6. Worker’s Compensation Insurance

Worker’s compensation insurance relates to labor and employer responsibilities and is, by law, required in Connecticut. This type of insurance pays for employees’ medical expenses and missed wages if injured or become ill while working. The amount of insurance employers must carry, rate of payment, and the employees that must be covered should be discussed with your insurance agent.
7. Disability Insurance

Disability insurance is designed to cover you and/or your employees. It provides income to you or your employee if you or they cannot work due to a covered event, including illness or injury. This insurance, if purchased, would be in addition to workers compensation and is not mandatory.

If a key person is injured it can impact the farm in two ways – the farm loses the management skills and work of the injured person; and the financial burden of caring for the injured person along with the cost of having to replace for a period of time the injured person. To be eligible, workers must earn credits based on their earnings. The wages necessary to earn credits vary year to year and the number of work credits required is a function of the workers age.

Business owners should always make sure that they keep disability coverage with their social security tax. Social security provides disability for workers who have worked and earned self-employment income and paid self employment taxes. Furthermore, make sure that you qualify for retirement benefits as well as disability benefits through social security. Remember, all self employed taxpayers have the option of paying the minimum social security tax even if low income eliminates the obligation to pay social security tax. Paying the minimum does increase the individual's ability to collect social security at retirement and more importantly also qualifies the individual and dependants as eligible for social security benefits in case of disability.
Applying for a Loan

Introduction

Loans can help farmers with a variety of needed support areas and to keep a farm or agricultural business running. The cost of borrowed capital is a significant part of most growers’ budgets. Producers should shop for loans just as they look for the best price for fertilizer, seed, and all other production inputs. It is especially important to compare loans carefully.

Nothing is more important when working with a lender than being prepared. One of the worst things that you can do is walk into a banker’s office and ask, “How much can I borrow?” This shows the banker that you do not have a budget or any clear understanding of your cash needs. Your overall business plan along with several other documents can serve as explanation of your borrowing needs and repayment ability.
General Tips for Obtaining a Business Loan

- Provide your lender with the proper information needed to evaluate your request.
- Clearly show what the loan will be used for, that it is necessary and that it is the right amount.
- Information must be presented in a cohesive business plan. The lender must be convinced that your plan will be successful and that you have the ability and the financial strength necessary to pay the loan back.
- Banks have different underwriting requirements and knowledge of types of business. Find out what the bank requires to document a loan and if they have any experience with agricultural businesses.
- Be patient: You want the lender to view you as someone with a vision and the ability to achieve it.

Capital Sources

Not having enough capital is the cause of many small agricultural business failures. Adequate capital is needed to start up the business, operate through hard times, and provide a good chance to become a profitable enterprise. There are several places to look for available capital.

- Personal assets including your savings, stocks, bonds, cash value of life insurance and equity in real property.
- Partner’s assets
- Loans and/or gifts from family and friends
- Bank loans
- Grants
- Investors generally get either a part ownership of the business or a part of the profits.

The Five C’s of Credit

Lenders evaluate a loan application based on several factors. As the borrower, you provide part of the information, but the potential lenders will also use their own credit files and outside sources. By understanding each of the five C’s of credit from the lender’s viewpoint, you can anticipate your strong and weak points as they may appear to a potential lender.

- Character – Your credit history and business reputation. They are lending the money to you and depending on you to make the payments. There is no way you can hide any payment problems in your past. If you have corrected any credit problems and paid the debts as agreed, you should make sure that your credit report reflects that. You may want to check your credit report before you apply for a loan.
- Capacity – Your sources and ability to repay the loan out of business cash flow. The lender wants to make sure that you have or will have the cash flow to make the loan payments as scheduled.
• Capital – You must invest in your own proposal before you can expect anyone else to back it. Your financial commitment is the business’ starting net worth. Generally, you may need to provide between 10-25% of the start-up capital depending on the proposal.

• Collateral – Most lenders will require collateral to cover the loan in the event you do not or cannot repay the loan in full. The lender in lieu of payment can take your collateral such as a home or piece of equipment. There must be a significant part of net worth that has market value if the business fails. Sometimes a cosigner with sufficient assets can fulfill part or the entire collateral requirement.

• Covenants – These include loan terms such as payment schedule and interest rate. Common loan covenants and conditions include minimum cash balances, coverage and current ratios. In almost all cases, a personal guarantee from the business owner is required as a condition for a business loan. That means the owner’s personal assets are at risk.

Documents and Information You May Need to Provide

There are several documents that you should be prepared to provide when applying for a loan. Your ability to deliver a well organized and well planned presentation of your financial needs will play a big part in how much capital you will be able to raise.

1. Resume
   Compile a resume describing your background; include experience working on other farms and your education.

2. Income Tax Returns
   Provide copies of your income tax returns for at least the last three years.

3. Financial Statements
   Prepare basic financial statements for each of the last three years. These include a:
   
   • Balance sheet - lists all of your assets and liabilities (money you already owe). Be sure to include cooperative retains and money that is owed to you in your list of assets.
   • Profit and Loss Statement – a document that lists your business income and expenses over a period of time, usually for your tax year.
   • Cash Flow – a budget that shows your sources and use of funds on a monthly basis for the past year at least. Also prepare a cash flow budget for the coming year to clearly illustrate your expected cash needs.

4. Titles to Real Estate and Personal Property
   Titles are especially important if these assets are securities for the loan.

5. Serial Numbers and Identification of New Equipment Purchases

6. Terms and Conditions of Outstanding Loans
   Provide a list of terms and conditions of any outstanding loans including whom the loan is with and any account numbers.

7. Collectible Notes and Accounts Receivable
   List all collectible notes and accounts receivable including dates, entities involved, and terms of the agreements.
8. Third Party Option on Yields
   You may also be asked to provide a third party opinion on the yield and value of growing crops if they are listed as assets.

9. Map of Fields and Cropping Plans & Lease Agreements
   Any crop loan application must include a map of the fields and cropping plans for the farm operation. Lease agreements show the ownership status of the land and what the cash rent or crop-share agreement is.

10. Insurance Policies
    Insurance policies for equipment, liabilities, and crops may be a requirement for the loan. Be prepared to provide complete insurance information including carrier, policy number and amount of coverage.

11. Sales Contracts
    Include any sales contracts you might have and co-op membership if applicable.

12. Business Plan
    A business plan is critical for the bank to evaluate your proposal. Be sure to include your marketing plan, long-range changes, pattern of ownership, planned purchases and sales of assets.

Additional Issues to Discuss with Lenders

- Appraisal fees – if real estate is a security.
- Application fee or commitment fee – ask if fee is returned if loan is made, or not returned if loan is not made.
- Closing costs, inspection fees, or charge for documents that may be recorded – most out of pocket costs for loan are paid by borrower.
- Can fees be paid as part of the loan or must they be paid in cash up front?
- Compensating balances – ask if maintaining a bank account can reduce the cost of the loan.

Questions Lenders May Ask

- Are you a cosigner, endorser or guarantor for debts incurred by others?
- Do you owe income tax on income received or assets already sold? This should appear on balance sheets and income statements.
- Are you involved in any pending lawsuits?
- Are you involved in any contracts? What are the liabilities if you fall short of your contract? Are you guaranteed a home for all products? Do you have an established market?
- Is there potential liability in connection with violation of local state or federal regulations? Have there been any pollution problems on the property?
Local Farm Lender to Contact

USDA Farm Service Agency  www.fsa.usda.gov

The Farm Service Agency (FSA) administers and manages farm commodity, credit, conservation, disaster, and loan programs as laid out by Congress through a network of federal, state and county offices.

Contact the Connecticut State FSA for the county office nearest to your farm and to learn about new and available programs:

Connecticut State FSA Office
344 Merrow Road
Tolland, CT, 06084-3917
(860) 871-2944

See the FSA Farm Loan Information Chart on the next page. Visit www.fsa.usda.gov or contact the CT State FSA for the county office nearest your farm.
## Farm Loan Information Chart

<table>
<thead>
<tr>
<th>Program</th>
<th>Maximum Loan Amount</th>
<th>Rates and Terms</th>
<th>Use of Proceeds</th>
</tr>
</thead>
</table>
| Direct Farm Ownership (FO)                   | $300,000            | • Rate based on agency borrowing costs  
• Term up to 40 years               | • Purchase farm  
• Construct buildings or other capital improvements  
• Soil and water conservation  
• Pay closing costs |
| Direct Farm Ownership (FO) Participation     | $300,000            | • Rate is direct FO rate less 2% with a floor of 2.5% if at least 50% of loan amount provided by other lender  
• Term up to 40 years               | Same as direct FO |
| Direct Farm Ownership Microloan (FO ML)      | $50,000             | • Rate based on agency borrowing costs  
• Term up to 25 years               | • Purchase farm  
• Construct buildings or other capital improvements  
• Soil and water conservation  
• Pay closing costs |
| Direct Down Payment Farm Ownership Program   | The lesser of 45% of:  
• the purchase price;  
• the appraised value; or  
• $667,000 (not to exceed $300,000) | • Rate is direct FO rate less 4% with a floor of 1.5%  
• Term of 20 years  
• Down payment of at least 5% | Purchase of farm by a beginning or underserved farmer |
| Direct Operating (OL)                        | $300,000            | • Rate based on agency borrowing cost  
• Term from 1 to 7 years               | • Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies  
• Soil and water conservation  
• Refinance debts with certain limitations |
# Farm Loan Information Chart

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Maximum Loan Amount</th>
<th>Description</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Operating Microloan (ML)</td>
<td>$50,000</td>
<td>$50,000 same as direct OL</td>
<td>Same as direct OL</td>
</tr>
<tr>
<td>Direct Emergency</td>
<td>100% actual or physical losses $500,000 maximum program indebtedness</td>
<td>Rate is based on the OL rate plus 1%; with a cap of 3.75%</td>
<td>Restore or replace essential property</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Term from 1 to 7 years for non-real estate purposes</td>
<td>Pay all or part of production costs associated with the disaster year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Term up to 40 years for physical losses on real estate</td>
<td>Pay essential family living expenses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Restore or replace essential property</td>
<td>Reorganize the farming operation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Pay all or part of production costs associated with the disaster year</td>
<td>Refinance debts with certain limitations</td>
</tr>
<tr>
<td>EZ Guarantee</td>
<td>$100,000</td>
<td>Same as Guaranteed Operating or Guaranteed Farm Ownership</td>
<td>Same as Guaranteed Operating or Guaranteed Farm Ownership</td>
</tr>
<tr>
<td>Guaranteed Operating</td>
<td>$1,429,000 (Amount adjusted annually for inflation)</td>
<td>Rate determined by the lender</td>
<td>Same as direct OL</td>
</tr>
<tr>
<td>Guaranteed Farm Ownership</td>
<td>$1,429,000 (Amount adjusted annually for inflation)</td>
<td>Rate determined by the lender</td>
<td>Same as direct FO except loan may be used to refinance debts</td>
</tr>
<tr>
<td>Guaranteed Conservation Loan (CL)</td>
<td>$1,429,000 (Amount adjusted annually for inflation)</td>
<td>Rate determined by the lender</td>
<td>Implement any conservation practice in an NRCS-approved conservation plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Term not to exceed 30 years, or shorter period, based on the life of the security</td>
<td>May be used to refinance debts related to implementing an NRCS-approved conservation plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Loan guarantee fee is 1.5%</td>
<td></td>
</tr>
<tr>
<td>Land Contract (LC) Guarantee</td>
<td>The purchase price of the farm cannot exceed the lesser of: $500,000; or The current market value of property</td>
<td>Rate cannot exceed the direct FO interest rate plus 3%</td>
<td>Sell real estate through a land contract to a beginning or underserved farmer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Amortized over a minimum of 20 years with no balloon payments during the first 10 years of loan</td>
<td>Guarantee is with the seller of the real estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Down payment of at least 5%</td>
<td></td>
</tr>
</tbody>
</table>

This fact sheet is provided for informational purposes; other restrictions may apply. For more information about Farm Loan Programs, visit [www.fsa.usda.gov/farmloans](http://www.fsa.usda.gov/farmloans) or find a local FSA office at [www.farmers.gov](http://www.farmers.gov).

USDA is an equal opportunity provider, employer, and lender.
Grants and Other Opportunities for Assistance

Introduction

Several resources have been established to help farmers improve their financial success. Grant programs are especially important sources of monetary aid for many farm businesses. There are a variety of federal, state, local, and private agency grant opportunities available to Connecticut farmers. This chapter will discuss some popular grant and funding programs available to farmers.

Applying for a grant can be an intricate and time consuming process so it is important to develop a plan before getting started. A few guidelines and points to consider are as follows:

- Ensure a good fit – apply to the right funding agency.
- Be aware of the type of grant you are applying for - some are an outright payment to the recipient with no participant match while others require some portion to be matched by the participant.
- Follow all given instructions - make sure your application is complete with no grammatical or spelling errors.
- Do not assume the funder knows as much about the project as you.
- Develop clear and concise goals and objectives and state them clearly.
- Emphasize the results, work towards a measurable result.
- All grants have conditions and rules to follow.
Farm Reinvestment Grant

The Farm Reinvestment Grant Program (FRG), which is part of the Agriculture Viability Grants Program, insures the viability of agriculture in Connecticut. By providing money for capital enhancement to farms, it is the department’s hope to help preserve Connecticut’s agricultural base and improve farm production.

Competitive matching grants up to $40,000 will be awarded on the basis of the quality of the applicant’s business plan that is a part of their application. The farmer applicant must match or exceed the amount of the grant being requested. These funds must be used for projects that are defined as capital fixed assets and have a life expectancy of 10 years or more.

For more information: http://www.ct.gov/doag/cwp/view.asp?a=3260&Q=398988&PM=1

Farm Transition Grant

The Farm Transition Grant (FTG), which is part of the Agriculture Viability Grants Program, is a competitive matching grant program. The purpose of the program is to strengthen the economic viability of Connecticut farmers and agricultural cooperatives. Producers and agriculture cooperatives may apply for this grant and may receive up to $49,999 matching.

For more information: http://www.ct.gov/doag/cwp/view.asp?a=3260&q=419410

Farm Viability Grant

The Farm Viability Grants Program is a competitive matching grant program for municipalities, regional planning agencies, association of municipalities, and 501(c)3 agricultural non profits. The maximum FVG grant award is $49,999. A 40% match is required and the match can be in “in-kind” services or funding from other sources.

These grants may be used for capital projects, agriculture friendly land use regulations, planning projects or for initiatives to support agriculture. Municipalities and 501(c)3 agricultural non profits may request a 50% “up front” payment prior to initiation of the project.

For more information: http://www.ct.gov/doag/cwp/view.asp?a=3260&q=419408

For information on these grants contact Jaime Smith at 860-713-2559 or jaime.smith@ct.gov
Farmland Restoration Program

The Farmland Restoration Program (FLRP), made possible by Public Act 11-1, is a voluntary program with a main objective of increasing food and fiber production agriculture in Connecticut. FLRP focuses on prime and important farmland soils, in accordance with a Farmland Restoration Program Plan (FLRP Plan). Farmers will submit applications to the Department of Agriculture (DoAg). The DoAg will receive, evaluate and notify applicants of application status, either acceptance or rejection.

If an application is accepted by the DoAg, the applicant will be asked to contact either the Natural Resource Conservation Service (NRCS) for assistance preparing a Conservation Plan, or the North Central Conservation District (NCCD) to request assistance preparing a FLRP Plan.

A Conservation Plan or FLRP Plan is required for participation. (Note: A Conservation Plan needs to be prepared by the USDA- NRCS and must include a determination of highly erodible land and wetlands within the restoration area.) A Commissioner approved application and plan are required prior to funding approval. Once a project is approved for funding, a letter stating such will be provided the applicant from the Commissioner.

Priority of applications to the program will be as follows:

1. Human food production agriculture will be considered the highest priority, including fruit production.
2. Livestock, livestock feed and livestock support production will be considered second.
3. Other agricultural uses may be considered based on land use, food production and acreage to be restored.

Types of restoration activities funded by the Farmland Restoration Program:

- Reclamation of grown over pastures, meadows and cropland including the removal of invasive plants and hedge row management;
- Clearing and removal of trees, stumps, stones and brush to create or restore agricultural use;
- Installation of fencing to keep livestock in reclaimed pasture areas and/or out of riparian areas;
- Installation of wildlife management fencing to protect crop fields on FLRP area(s);
- Restoration of water runoff and drainage of crop fields to improve cropland areas and restore water runoff patterns and water conservation;
- Renovation of farm ponds including farm pond management/irrigation and irrigation wells incidental to the restored areas;
- Replanting of vegetation on erosion prone land and along stream banks related to agricultural lands;
- Restoration of shellfish beds or aquaculture ponds;
- Enhancement of farm roads which service restoration areas.

For more information please call Cam Weimar at 860-713-2552 or cameron.weimar@ct.gov.
Purchase of Development Rights Program
The Connecticut Department of Agriculture also works with farmers and others for Farmland Preservation through the Purchase of Development Rights Program, often in conjunction with private and federal funding. Contact Cam Weimar 860-713-2552.

United States Department of Agriculture (USDA) Grant Programs

Sustainable Agriculture Research and Education (SARE) Farmer Grants
These grants are for commercial producers who have an innovative idea that will likely contribute to sustainable farm practices. Funds can be used for field trials, prototypes, market development, demonstrations, and outreach. Projects must have a technical advisor with expertise on the topic. The application deadline is in early winter for awards the following March. Award maximum: $15,000.

The eligible Northeast region is made up of Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia, and Washington, D.C.

SARE also offers other grants such as Partnership, Sustainable Community, Professional Development and Agro ecosystems Research Grants. Visit http://sare.org for contact information, materials and information on all grants available through SARE.

USDA Rural Development Program www.rurdev.usda.gov

This program provides a number of grants, loans and loan guarantees to businesses and communities on a variety of programs, including energy conservation.

A Value-added Producer Grant Program provides funding for planning activities, feasibility studies, and then working capital expenses for processing and marketing value-added agricultural products.

USDA Rural Development Renewable Energy and Energy Efficiency Program
Program grants up to 25% and loan guarantees up to 50% of the costs to purchase eligible renewable energy systems or to make energy efficiency improvements.


NRCS administers financial and technical assistance programs to help private landowners conserve and sustain their natural resources. Program benefits include sustaining and improving agricultural productivity, cleaner, safer, and more dependable water supplies, reduced damages caused by floods and other natural disasters, and enhanced natural resource bases that support continuing economic development, recreation, and other purposes.
Environmental Quality Incentives Program (EQIP) in Connecticut provides cost share and incentive payments to implement conservation practices on eligible agricultural land. It is a voluntary program that promotes environmental quality and agricultural production as compatible goals. EQIP sign-ups are conducted at USDA Service Centers in Connecticut. Farmers can apply for cost-sharing for many types of conservation practices to receive financial and technical help with structural and management practices on agricultural land.

Agricultural Management Assistance (AMA) provides cost share assistance to agricultural producers to voluntarily address issues such as water management, water quality, and erosion control by incorporating conservation into their farming operations. Producers may construct or improve water management structures or irrigation structures; plant trees for windbreaks or to improve water quality; and mitigate risk through production diversification or resource conservation practices, including soil erosion control, integrated pest management, or transition to organic farming.

Conservation Stewardship Program helps agricultural producers maintain and improve their existing conservation systems and adopt additional conservation activities to address priority resource concerns. Participants earn CSP payments for conservation performance - the higher the performance, the higher the payment.

For these and other NRCS Programs call Thomas Morgart, State Resource Conservationist, at 860-871-4011.

Grants.gov
There are many other grant opportunities available. To find and apply for federal government grants visit www.grants.gov.

USDA Rural Development

USDA Rural Development: Rural Energy for America Program (REAP)

See Website for more information: https://www.rd.usda.gov/programs-services/rural-energy-america-program-renewable-energy-systems-energy-efficiency

Contact: State Energy Coordinator, 508-295-5151 ext. 7242

1) Energy Efficiency:
Funds available: Grants $1,500 to $250,000 – cannot exceed 25% of total project cost
Guaranteed loans up to $10 million with rates and terms negotiated
Uses: Energy efficient improvements

2) Renewable Energy:
Funds available: Grants $2,500 to $500,000 maximum – cannot exceed 25% of total project cost
Guaranteed loans up to $10 million
Uses: The purchase and installation of renewable energy generation systems, including: Biomass, geothermal, solar, wind and hydropower.
CT Farm Energy Program
Contact: 860-345-3977

The Connecticut Farm Energy Program (CFEP) is a program of Connecticut Resource Conservation & Development Area, Inc., with support from USDA Rural Development and the Connecticut Department of Energy and Environmental Protection. The Connecticut Farm Energy Program serves as a resource for energy and agriculture as it relates to agricultural producers and agricultural-based small business in Connecticut while also providing REAP grant writing assistance to eligible agricultural producers and agriculturally based small businesses located in Connecticut. To date CFEP has helped farms and rural small businesses secure over $4 million in USDA Rural Development REAP grants and loans which equates to over $16 million dollars in energy efficient and renewable energy projects installed in Connecticut since 2010. CFEP also hosts a number of pilot programs, currently includes compost heat recovery, an energy audit program for greenhouse growers and a geothermal site assessment pilot program for CT farms.

NRCS, USDA – Agricultural Energy Management Plan (AGEMP)

This program through the USDA Natural Resources Conservation Service (NRCS) provides financial assistance for agricultural energy management plans (AgEMPs). The main component of these plans is a farm energy audit. AgEMPs can be used as audits to support REAP applications, and the financial assistance offered by the state means producers pay less than market rate for these plans. AgEMPs are provided by certified technical service providers, private contractors who are specialists in the field. To learn more about the AgEMPs, visit www.nrcs.usda.gov/wps/portal/nrcs/detail/national/programs/financial/eqip/?&cid=stelprdb1046252 or contact the USDA service center near you.

Municipalities

Property Tax Exemption for Renewable Energy Systems

Contact: Local town hall.

Purpose: local property tax exemption for “Class I” renewable energy systems including biomass, wind geothermal and hydroelectric. Local community authorization needed.

State of Connecticut: Department of Agriculture

Contact: 860-713-2503

This matching grant offers up to $49,999 for projects. The intent of the grant is to enable the farm to expand, diversify or transition the farm into a new market. The purchase of plants or animals, among other expenses are unallowable. Energy efficiency upgrades are an eligible category so long as the project also meets the intent of the grant. A 50% cash match is required. Applications are due annually in February. More information can be found at www.CTGrown.gov
State of Connecticut: Department of Revenue Services

Sales and Use Tax Exemption for Energy-Efficient Products  
Contact: 860-297-5962  
Incentive: Sales Tax Exemption – 100%  
Eligible Technologies: Furnaces, boilers, heat pumps, programmable thermostats, etc.

Sales and Use Tax Exemption for Solar and Geothermal Systems  
Contact: 860-297-5962  
Incentive: Sales Tax Exemption – 100%  
Eligible technologies: Solar water and space heaters, photovoltaic, geothermal heat pumps

CT Green Bank  
www.ctgreenbank.com

The CT Green Bank is committed to making green energy accessible and affordable to everyone in the state. By creating a flourishing green energy marketplace, they contribute to a better quality of life, a better environment and a better future for all. They create jobs. They grow businesses. They help people thrive. CT Green Bank innovates, educates and activates to accelerate the growth of green energy.

Connecticut Green Bank’s innovative model is one of the driving forces behind their ability to reduce the energy burden on residents and businesses across the state. For a list of some of their most innovative projects and financing solutions to date visit www.CTGreenBank.com.

C-Pace  
www.cpace.com  
860-257-2176

Connecticut Property Assessed Clean Energy (C-PACE) is an innovative program that is helping commercial, industrial and multi-family property owners access affordable, long-term financing for smart energy upgrades to their buildings. C-PACE allows building owners to finance qualifying energy efficiency and clean energy improvements through placing a voluntary assessment on their property.

Property owners pay for the improvements over time through this additional charge on their property tax bill and the repayment obligation transfers automatically to the next owner if the property is sold. Similar to a sewer tax assessment, capital provided under the C-PACE program is secured by a lien on the property, so low-interest capital can be raised from the private sector with no government financing required. For more information, visit www.cpace.com

CT Energy Efficiency Fund (CEEF)  
http://www.EnergizeCT.com/about

The Connecticut Energy Efficiency Fund (CEEF) works to advance the efficient use of energy; reduce air pollution and negative environmental impacts; and promote economic development and energy security.

CEEF supports a variety of programs that provide financial incentives to help Connecticut consumers reduce the amount of energy used in their homes and businesses. CEEF programs are reviewed by the Energy Efficiency Board, a group of advisors who utilize their experience and expertise with energy issues to evaluate and consult with Connecticut’s electric and natural gas utility companies on how programs should best be structured for and delivered to Connecticut consumers.
The Connecticut Energy Efficiency Fund is supported by all Eversource and United Illuminating customers on their electricity bills through the Combined Public Benefits Charge; and by Connecticut Natural Gas, and Southern Connecticut Gas Company and Eversource customers through a conservation charge included in their rates.

Energize Connecticut   www.EnergizeCT.com/agriculture

Contact: 877-WISE-USE (877-947-3873)

Small Business Energy Advantage: Turnkey energy efficiency installation services to business with electric demand of less than 200 kilowatts. Free energy audit, incentives up to 50% and no-interest financing for qualified customers.

Additional Solutions for Electric and Natural Gas Savings

New buildings/additions
Major renovations
New process equipment
Incentives, rebates and instant discounts for lighting, HVAC, insulation, refrigeration, water heating and more.

Utility Companies

Eversource: 800-286-2000 or visit https://www.eversource.com/
United Illuminating (UI): 203-499-5973 or visit www.uinet.com

Net Metering   www.ct.gov/deep

Connecticut’s Electric Distribution Companies (EDCs) currently offer Net Metering (NM) for electricity generated by a customer from a Class I renewable energy source (i.e., solar, wind, etc.), through a billing credit, that has a nameplate capacity rating of two megawatts or less. For additional information on NM, please contact the EDC that services your area, United Illuminating (UI) or Eversource.

Virtual Net Metering   https://www.ct.gov/deep/

Production from the generator is first used to reduce the electric consumption of the Customer Host. Surplus production can then be assigned (virtually) to reduce the electric bill of one or more Beneficial Accounts. Section 121 of Public Act 11-80 originally authorized virtual net metering for Connecticut’s municipal customers. Section 35 of Public Act 13-298 expanded virtual net metering to include state and agricultural customers.

Surplus production from the Customer Host, referred to as Virtual Net Metering Credits, is assigned to the electric bill of the Beneficial Accounts. Virtual Net Metering Credits equal the generation charge and a portion of the Transmission and Distribution charges of the Customer Host. Virtual Net Metering Credits, which are applied monthly, will appear as a credit on the electric bill of each Beneficial Account.
If the Customer Host produces more kWhs than the Host and the Beneficial Accounts together use in a billing period the excess kWhs, referred to as Unassigned Virtual Net Metering Credits, are ‘banked’ and can be applied to a future electric bill within the calendar year. Any Unassigned Virtual Net Metering Credits that remain ‘banked’ at the end of the calendar year are credited to the Customer Host’s electric bill.

Low and Zero Emission Renewable Energy Credits (LREC and ZREC)

Contact: lrec.zrec@eversource.com or lrec.zrec@uinet.com

Eversource and UI will accept bids from renewable energy project developers/owners on the energy their system will produce. This LREC/ZREC program creates a market-driven bidding process for projects to compete to obtain a 15-year revenue stream from the sale of RECs to the electric utilities. More information can be found at Eversource and UI’s websites. Low Emission Renewable Energy Credits (LREC) and Zero Emission REC (ZREC) – Most farms fall under the ‘small projects’ category launched by the utility companies in 2013. Farms will get a set amount of credits based on the energy produced over a period of fifteen years.

Connecticut Department of Energy and Environmental Protection

Comprehensive Energy Strategy


Connecticut Department of Agriculture

The Connecticut Department of Agriculture has compiled a list of programs to assist projects addressing agricultural energy efficiency.

Useful Websites and Publications

There are a variety of organizations that can assist you in connecting with people and activities to enhance your ability to run a farm business.

Websites

- American Farmland Trust: www.farmland.org
- City Seed: www.cityseed.org
- Connecticut Christmas Tree Growers’ Association: www.ctchristmastree.org
- Connecticut Farm Bureau: www.cfba.org
- Connecticut Farm Energy Program: www.CTFarmEnergy.org
- Connecticut Farmland Trust: www.CTfarmland.org
- Connecticut Farm Risk Management and Crop Insurance: www.ctfarmrisk.uconn.edu
- Connecticut Horse Council: www.Ctrhorsecouncil.org
- Connecticut NOFA: www.ctnofa.org
- Connecticut Sea Grant: www.seagrant.uconn.edu
- Connecticut Sheep Breeders Association: www.ctsheep.org
- Connecticut Wine Trail Association: www.ctwine.com
- Government Loan Programs: www.govloans.gov
- Internal Revenue Service: www.irs.gov
- New England Alpaca Owner and Breeder Association: www.neaoba.org
- New England Small Farms Institute: www.smallfarm.org
- New Farms and Farmers Program, UConn Extension: www.newfarms.uconn.edu
- Research on all grants available: www.grants.gov
- State of Connecticut Department of Agriculture: www.ct.gov/DOAG
- State of Connecticut Agricultural Experiment Station: www.ct.gov/caes
- State of Connecticut Department of Revenue Services: www.ct.gov/drs
- State of Connecticut Department of Labor: www.ctdol.state.ct.us
- State of Connecticut Department of Public Health: www.ct.gov/dph
- State of Connecticut Department of Energy & Environmental Protection: www.ct.gov/deep
- UConn Extension: www.extension.uconn.edu
- USDA, Farm Service Agency: www.fsa.usda.gov
- USDA, Rural Development: www.rurdev.usda.gov
- United States Small Business Administration: www.sba.gov
Publications

- IRS Publication 17 – Your Federal Income Tax
- IRS Publication 225 – Farmers Tax Guide
- IRS Publication 583 – Starting a Business and Keeping Records
- IRS Publication – Circular A – Agricultural Employer’s Tax Guide
- Farmland ConneCTions: A Guide for Using or Leasing Farmland [http://www.extension.uconn.edu/documents/CT_Farmland_Connections_FINAL.pdf](http://www.extension.uconn.edu/documents/CT_Farmland_Connections_FINAL.pdf)
- New Farmer Bucket List - [http://ctfarmrisk.uconn.edu](http://ctfarmrisk.uconn.edu)
Appendix: RMA, USDA
Crop Insurance fact sheets
Cover Crops and Federal Crop Insurance

Overview

Cover Crops and Federal Crop Insurance

Cover crops and crop insurance have successfully coexisted, as evidenced by the rapid growth in the use of this agronomic practice. As you continue exploring the use of this conservation practice by planting the cover crop it is important that you review your crop insurance policy for more information regarding cover crops, insurability, and good farming practices.

Defining a Cover Crop

For crop insurance purposes, a cover crop is a crop generally recognized by agricultural experts as agronomically sound in the area for erosion control or other purposes for conservation or soil improvement. If you plant cover crops you may improve:

- Water use efficiency and quality improvements
- Erosion Control
- Soil health improvement and nutrient cycling
- Weed and pest control
- Allelopathy
- Habitat for beneficial organisms

Terminating a Cover Crop

Cover Crop Termination means a practice that historically and under reasonable circumstances results in the termination of the growth of a cover crop.

Additional Guidelines and Flexibility

The purpose of the Guidelines is to provide an additional level of comfort for producers that may be unfamiliar with cover crops or are implementing innovative cover cropping systems and want up front assurance that the crop is insured and cover cropping management decisions will be considered a GFP. These Guidelines serve as a recognized nationally applicable agricultural expert resource for cover crop termination in cover cropping management systems. To help maximize additional flexibility and up-front assurance, you can choose to pursue any one of the following options to assure that your cover cropping management system is a GFP.

1. Follow the generalized zonal guidance provided in the Guidelines,
2. Utilize already available published materials from agricultural experts (e.g., from a university) that are applicable for the crop and the area that support the cover crop management practice as a GFP determination (per the GFP Handbook), or
3. In rare instance where 1 and 2 do not cover a specific cover cropping management system, request an exception to these Guidelines by receiving agricultural expert support in writing in accordance with the GFP Handbook.

The Guidelines provide resources and options for you if you prefer up front assurance, but it is not required to obtain insurance. If you choose not to follow the Guidelines or do not obtain other agricultural expert material, insurance still attaches as per the changes in the 2018 Farm Bill.

In the event of a claim that is questioned by an Approved Insurance Provider (AIP) on the grounds of cover crop management, the AIP will complete research to adhere to procedure in order to make an initial GFP decision. For additional details regarding good farming practice determinations please see the RMA Good Farming Practice Handbook.
Planting a Cover Crop Into an Insured Crop

Once the cash crop is planted, insurance attaches. You must continue to follow all other crop provisions for that crop to remain insurable. If the acreage has been interplanted, which is two or more crops planted in a manner that does not permit separate agronomic maintenance or harvest of the insured crop, the cash crop is not insurable.

On the other hand, if two or more crops are planted in a manner that does permit separate agronomic maintenance or harvest of the insured crop, then the crop is insurable. An example of this may be aerial seeding cover crop seeds into a corn crop. In this case, any damage to the insured corn crop caused by the cover crop would not be covered and uninsured cause of loss appraisals would be applied to the insured crop when determining any indemnity payment.

Planting a Cover Crop After an Insured Crop is Harvested

You must also be aware of crop insurance provisions concerning cover crops planted after an insured crop. A cover crop, planted after a first insured crop and planted for the purpose harvest for grain or seed is considered to be a second crop. A cover crop that is covered by FSA’s Noninsured Crop Disaster Assistance Program (NAP) or receives other USDA benefits associated with forage crops will also be considered as planted for the purpose of haying, grazing or otherwise harvesting. A cover crop meeting these conditions will be considered a second crop, and all first insured crop / second crop rules and procedures will apply.

Types of Cover Crops

RMA does not have an approved list of cover crops. You should consult agricultural experts for which cover crops are agronomically sound for the area for erosion control or other purposes related to conservation or soil improvement. The Guidelines to provide a link to NRCS State Field Office Technical Guide for list of approved cover crop species:
eftog.sc.egov.usda.gov/#/details.

More Information

You can find more information about cover crops and cash crop insurability in county special provisions on the Actuarial Information Browser. All relevant information for cover crops and crop insurance, including answers to frequently asked questions, go to the RMA Cover Crops page.

To download copies of this fact sheet and others, visit our online publications/fact sheets page.

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's...
income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA’s TARGET Center at 202-720-2600 (voice and TDD). To file a complaint of discrimination, complete, sign and mail a program discrimination complaint form, (available at any USDA office location or online at www.ascr.usda.gov), to: United States Department of Agriculture, Office of the Assistant Secretary for Civil Rights; 1400 Independence Ave., SW, Washington, DC 20250-9410. Or call toll free at (866) 632-9992 (voice) to obtain additional information, the appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Prevented Planting Insurance Provisions

Flood

Prevented Planting Insurance Provisions

Flood and Prevented Planting

Prevented planting is the failure to plant an insured crop with the proper equipment by the final planting date or during the late planting period. You must be prevented from planting by an insured cause of loss that is general to the surrounding area and that prevents other producers from planting acreage with similar characteristics. Final planting dates and late planting periods vary by crop and by area. See your policy or contact your insurance agent for dates and more information about your insurance coverage.

The provisions for each crop specify whether prevented planting is available, unless otherwise shown in the Special Provisions. Crop insurance policies with prevented planting provisions provide you with valuable coverage when flooding prevents planting. Because farming is complex, eligibility for a prevented planting payment must be determined on a case-by-case basis. In general, an insured cause of loss must have occurred within the insurance period on eligible acreage. To be eligible, your acreage must meet all applicable policy provisions.

Prevented planting coverage is available for most crops and covers floods, hurricanes, or excess precipitation that occurs during the insurance period and prevents other producers from planting acreage with similar characteristics. Because conditions vary significantly between geographic areas, loss determinations are based on each producer’s circumstances.

Prevented planting coverage is also available if you are unable to plant because of residual salt in the soil or in the irrigation water supply due to an insured cause of loss (such as hurricane or flood), as long as the event occurred during the prevented planting insurance period.

You must provide a timely notice of loss to your crop insurance agent. Your crop insurance provider must determine whether the cause of loss is insurable and may ask you for additional documentation from agricultural experts to support your prevented planting claim.

Your prevented planting coverage will be a percentage specified in the actuarial documents of your guarantee for timely planted acreage. If you have additional coverage and pay an additional premium, you may increase your prevented planting coverage by the sales closing date (unless a cause of loss that could or would prevent planting is evident at the time your application for increased coverage is completed). For both yield and revenue protection, prevented planting payments are based on the projected price. For crops that do not have revenue protection, prevented planting payments are based on the price election. There is no prevented planting coverage available for Area Risk Protection Insurance.

Notice of Prevented Planting

If you are prevented from planting your acreage, you are required to provide a notice of loss to your insurance agent within 72 hours after:

- The final planting date, if you do not intend to plant the insured crop during the late planting period or if a late planting period is not available; or
- You determine you will not be able to plant the insured crop within an available late planting period.

Existing Policies

If you had a policy the year before (carryover policyholder), you are eligible for prevented planting payments if the insured cause of loss occurred on or after the sales closing date for the previous crop year, provided insurance was in force continuously since that date, and all other prevented planting requirements are met.

New Policies

If you are buying a policy for the first time, you are eligible for prevented planting payments if the insured cause of loss occurred on or after the sales closing date for the current crop year and all other requirements for prevented planting have been met.

For example, the corn sales closing date for the crop year is March 15. An insured cause of loss occurs on or after March 15. For the current crop year, both types of policies (yield and revenue protection) cover prevented planting for the current crop year. However, if a cause of loss that prevents planting in the current crop year occurred between March 15 of the previous crop year and March 14 of the current crop year, only an existing policy would cover prevented planting.
Prevented Planting Options

You may:

- Plant the insured crop during the late planting period. The late planting period is generally 25 days after the final planting date and varies by crop. See your policy or talk to your crop insurance agent for more information. For most crops, the timely planted production guarantee is reduced one percent per day for each day planting is delayed after the final planting date. You will not receive a prevented planting payment;
- Plant the insured crop after the late planting period (or after the final planting date if a late planting period is not available). You will not receive a prevented planting payment. You will have the option to not insure the late planted crop or to insure with the production guarantee reduced to the prevented planting coverage level;
- Leave the acreage idle and receive a full prevented planting payment;
- Plant a cover crop during the late planting period and receive a full prevented planting payment, but for the 2019 crop year do not hay, graze or cut for silage (haylage or baleage) this cover crop before September 1, or otherwise harvest it at any time. If you hay, graze or cut for silage (haylage or baleage) it before September 1, you will not receive a prevented planting payment for your first crop. If the cover crop is harvested at any time, you will not receive a prevented planting payment (Note: Cutting a cover crop for silage, haylage, and baleage will be treated the same as haying or grazing);
- Plant a cover crop after the late planting period and for the 2019 crop year hay, graze or cut for silage (haylage or baleage) it before September 1 and receive 35 percent of a prevented planting payment for your first crop or wait to hay, graze or cut for silage (haylage or baleage) it on or after September 1 and receive a full prevented planting payment for your first crop; or
- Plant a second crop after the late planting period (if you are also prevented from planting through the late planting period). You can also plant after the final planting date if no late planting period is available. You may receive a prevented planting payment equal to 35 percent of the prevented planting guarantee.

Keep Detailed Records

Good documentation is the key to receiving prevented planting payments. Work with your crop insurance agent to determine the documentation you need to have for your prevented planting claim.

Payment Reductions May Not Apply

If you meet the double cropping requirements specified in the policy, the 65-percent payment reduction does not apply to a prevented planting payment for the first insured crop when a second crop is planted after the final planting date or, after the end of the late planting period for the first insured crop.

The double cropping requirements specified in the policy are:

- The practice of planting two or more crops for harvest in the same crop year on the same acreage is generally recognized by agricultural experts (including organic agricultural experts) for the area;
- The second or additional crops are customarily planted after the first insured crop for harvest on the same acreage in the same crop year in the area;
- Additional insurance coverage is offered under the authority of the Federal Crop Insurance Act and is available in the county on the two or more crops that are double cropped; and
- You provide records showing the number of acres double-cropped in 2 of the last 4 crop years the first insured crop was planted or show the applicable acre-age was double-cropped in at least 2 of the last 4 crop years in which the first insured crop was grown on it.

For More Information

For more information, please see RMA’s prevented planting website at: www.rma.usda.gov/topics/prevented-planting or talk to your crop insurance agent.

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/tools/agent.html.

Questions

You should contact your crop insurance agent, AIP, or applicable RMA Regional Office if you have questions about your crop insurance coverage or responsibilities www.rma.usda.gov/RMALocal/Field-Offices/Regional-Offices.

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income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA’s TARGET Center at 202-720-2600 (voice and TDD). To file a complaint of discrimination, complete, sign and mail a program discrimination complaint form, (available at any USDA office location or online at www.ascr.usda.gov), to: United States Department of Agriculture, Office of the Assistant Secretary for Civil Rights; 1400 Independence Ave., SW, Washington, DC 20250-9410. Or call toll free at (866) 632-9992 (voice) to obtain additional information, the appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Organic Farming Practices

Crop Insurance for Organic Farming Practices

Organic farming has become one of the fastest growing segments of U.S. agriculture. USDA’s Risk Management Agency (RMA) recognizes organic farming practices as good farming practices and continues to improve crop insurance by making more viable and effective risk management coverage options available for organic producers and producers transitioning to organic. Regulations governing the insurability of organic and transitional practices are similar to conventional practices.

Coverage Availability

RMA provides coverage for the following:
- Certified organic acreage; and
- Transitional acreage being converted to certified organic acreage in accordance with an organic plan.

Insurance can only be provided for any crop grown using organic farming practices when a premium rate for an organic practice is specified in the actuarial documents or through an approved written agreement.

Causes of Loss

All production loss or insurance amount loss due to an insured cause of loss listed in the crop provisions apply to the organic and transitional practices, unless otherwise specified in the Special Provisions. The following losses are not covered:
- Failure to follow good organic farming practices;
- Failure to comply with the USDA organic standards; or
- Crop contamination by drift of prohibited substances.

Acreage Reporting Requirements

You must file a report of planted acreage with your crop insurance agent and have the following available by the Acreage Reporting Date:

For Certified Organic Acreage:
A written certification in effect from a certifying agent indicating the name of the entity certified, effective date of certification, certificate number, types of commodities certified, and name and address of the certifying agent.

For Transitional Acreage:
An organic plan is required or written documentation from a certifying agent that indicates an organic plan is in effect. The organic plan must:
- Identify the acreage that is in transition for organic certification;
- List crops grown on the acreage during the 36-month transitioning period; and
- Include all other acreage (conventional acreage in the farming operation).

If you do not have an organic certificate by the Acreage Reporting Date for the current year, the acreage does not qualify for the certified organic practice, or for certified organic prices, and will be insured under the transitional practice.

Insurance Guarantees, Coverage Levels, and Prices

Insurance Plans, Coverage levels, Types, Price Elections, T-Yields, Dates, and Rates can be found in the actuarial documents on the Actuarial Information Browser.

Crops grown in the buffer zone are insured using the applicable price elections, projected prices, harvest prices, insurance plan, and coverage level shown in the actuarial documents for the acreage it buffers.

Organic Price Elections

Most crops insured by RMA have premium organic price elections. A list of those crops can be found at the Organic Premium Price Elections Available by Commodity webpage.

Premium organic price elections may only be available in certain locations and for certain types.

For crops without the premium organic price election, the price elections, coverage levels, projected prices, and harvest prices for both certified organic and transitional organic crops will be those published for non-organic practices for the current crop year.

Price Discovery Tool

To see estimated prices based on current market information for revenue policies, see the Price Discovery Reporting Application.
**Contract Price Addendum**

The Contract Price Addendum allows a producer to use their contract price instead of the price election established by RMA, up to a Maximum Contract Price. This allows organic and transitional producers with a contract to buy a crop insurance guarantee which is more reflective of the actual value of their crop. A copy of your contract must be submitted to your agent by the Acreage Reporting Date.

For a listing of crops, see the Contract Price Addendum - Eligibility by Commodity.

For more information, see the Contract Price Addendum Fact Sheet.

**Whole-Farm Revenue Protection Pilot Program**

The Whole-Farm Revenue Protection pilot program provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. This product also allows certified organic producers to use organic prices. For more information see the Whole-Farm Revenue Pilot Program Fact Sheet.

**Important Dates**

You must work with a crop insurance agent to get your application in by the Sales Closing Date. Your acreage report and other requirements for insuring organics (such as having an organic plan in effect) are due by the Acreage Reporting Date. These dates vary by crop, state and county. RMA's Actuarial Information Browser provides applicable program dates by crop year.

**For More Information**

You can find crop insurance policies, crop provisions, and handbooks on the Organic Crops RMA webpage.

**Contact a Crop Insurance Agent**

All multi-peril crop insurance policies are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA Agent Locator webpage.

**Useful Links**

USDA/Risk Management Agency Homepage
www.rma.usda.gov/

Actuarial Information Browser
webapp.rma.usda.gov/apps/ActuarialInformationBrowser/

RMA Map Viewer
prodwebnlb.rma.usda.gov/apps/mapviewer/index.html

Price Discovery
prodwebnlb.rma.usda.gov/apps/PriceDiscovery/

Regional Office State Directory
www.rma.usda.gov/en/RMALocal/Field-Offices/Regional-Offices

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

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the Assistant Secretary for Civil Rights; 1400 Independence Ave., SW; Washington, DC 20250-9410. Or call toll free at (866) 632-9992 (voice) to obtain additional information, the appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Livestock Gross Margin Insurance Dairy Cattle

Livestock Gross Margin

The Livestock Gross Margin Insurance Plan for Dairy Cattle (LGM-Dairy) provides protection when feed costs rise or milk prices drop and can be tailored to any size farm. Gross margin is the market value of milk minus feed costs. LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. LGM-Dairy is similar to buying both a call option to limit higher feed costs and a put option to set a floor on milk prices.

Only milk sold for commercial or private sale and primarily intended for final human consumption from dairy cattle fed in the states listed below is eligible for coverage. There is no minimum or maximum number of hundredweights you can insure.

Prices for LGM-Dairy are based on simple averages of Chicago Mercantile Exchange Group futures contract daily settlement prices, and are not based on the prices you receive at the market.

A premium subsidy is available for those policies that insure multiple months during the insurance period. The subsidy amount is determined by a dollar deductible the you choose (ranges from $0—$2 in $0.10 increments). If you choose a $0 deductible you receive a lower premium subsidy (18 percent) and if you choose the highest deductible of $2 you receive a higher premium subsidy (50 percent). The premium is due at the end of the insurance period. LGM premiums depend on your marketing plan, coverage you choose, deductible level, and futures and price volatility.

Availability

LGM-Dairy is available to any producer who owns dairy cattle in the 48 contiguous states.

2018 Farm Bill provisions allow for dairy operation to participate in both LGM-Dairy and Farm Service Agency’s Dairy Margin Coverage (DMC) program.

Buying a Policy

You can sign up for LGM-Dairy 12 times each year and insure all of the milk production that you expect to market over a rolling 11-month insurance period. LGM-Dairy is sold on the last business Friday of each month. The sales period begins as soon as the Risk Management Agency (RMA) reviews the data submitted by the developer after the Chicago Mercantile Exchange Group markets close on the last day of the price discovery period. The sales period ends at 8:00 p.m. Central Standard Time the following day. Your premium payment is due at the end of the insurance period. If expected milk and feed prices are not available on the RMA website, LGM-Dairy will not be offered for sale for the insurance period.

The insurance period contains the 11 months following the sales closing date. For example, the insurance period for the January 29 sales closing date contains the months of February through December. Coverage begins the second month of the insurance period, so the coverage period for this example is March through December.

To enroll, you must sign up on the last business Friday of the month. You must also submit an application with a target marketings report for the milk and corn and soybean meal equivalents. You may also choose to use the default values for corn and soybean meal equivalents.

Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at: rma.usda.gov/Information-Tools/Agent-Locator-Page.

Indemnity Payments

The indemnity at the end of the 11-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. If the actual gross margin is less than the expected gross margin (minus the deductible) for the insurance period, an indemnity may be payable.

Causes of Loss

LGM-Dairy covers the difference between the gross margin guarantee and the actual gross margin. LGM-Dairy does not insure against:

- Dairy cattle death;
- Unexpected decreases in milk production;
- Unexpected increases in feed use;
- Anticipated or multiple-year declines in milk prices; or
- Anticipated or multiple-year increases in feed costs.
Definitions

Actual Marketings - The total amount of milk you sell each month of the insurance period for which there is a proof of sale. Actual marketings are used to verify ownership of milk and determine approved target marketings.

Deductible - The portion of the expected gross margin that you choose not to insure. Allowable deductible amounts range from $0 to $2 per hundredweight, in $0.10 increments. The deductible equals the selected hundredweight deductible multiplied by the sum of target marketings across all months of the insurance period.

Gross Margin Guarantee - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible.

Loss of Gross Margin - Market value of milk minus feed costs.

Marketing Report - A report you submit on the insurance company’s form showing actual, monthly marketings of milk insured under this policy. The marketing report must be accompanied by copies of sales receipts that provide records of the actual marketings shown on the marketing report.

Target Marketings - Your determination of the number of hundredweight of milk insured each month during the insurance period. Only the hundredweight of milk in which you have a share can be reported.

Target Marketings Report - A report that you submit on the insurance company’s form showing the target marketings for each month.

Useful Links

Daily LRP Coverage Prices, Rates, and Actual Ending Values:  
[rma.usda.gov/Information-Tools/Livestock-Reports](rma.usda.gov/Information-Tools/Livestock-Reports)

Premium Calculator:  
[ewebapp.rma.usda.gov/apps/costestimator/](ewebapp.rma.usda.gov/apps/costestimator/)

Approved livestock agenda and insurance companies:  

Related AMS online livestock reports:  
[marketnews.usda.gov/mnp/](marketnews.usda.gov/mnp/)

National Office

1400 Independence Ave. SW  
USDA/RMA/Stop 0801, Room 6092-South  
Washington, DC 20250

Email: FPAC.BC.Press@usda.gov

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The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual’s income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA’s TARGET Center at 202-720-2600 (voice and TDD). To file a complaint of discrimination, complete, sign and mail a program discrimination complaint form, (available at any USDA office location or online at www.ascr.usda.gov), to: United States Department of Agriculture; Office of the Assistant Secretary for Civil Rights; 1400 Independence Ave., SW; Washington, DC 20250-9410. Or call toll free at (866) 632-9992 (voice) to obtain additional information, the appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Overview - 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 another person’s production history for the specific acreage transferred to you that you were previously involved in the decision making or physical activities to produce the crop; 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

For the current reinsurance year, Beginning Farmer and Rancher benefits will be available 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.

Who Is Eligible? 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 (10 years for Whole-Farm Revenue Protection (WFRP). 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 It Works - 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 (10 crop years for WFRP) 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 (10 crop years for WFRP) 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 (10 crop years for WFRP);
- 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.

More Information - Find a Crop Insurance Agent

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 rma.usda.gov/Information-Tools/Agent-Locator-Page.

To download copies of this fact sheet and others, visit our online publications/fact sheets page at rma.usda.gov/Topics/National-Fact-Sheets.

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Veteran Farmer and Rancher Benefits for Federal Crop Insurance

Overview - Veteran Farmer and Rancher Benefits

Veteran 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 another person’s production history for the specific acreage transferred to you that you were previously involved in the decision making or physical activities to produce the crop; 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).

Who is Eligible? Qualification to be a Veteran Farmer or Rancher

To qualify for veteran farmer or rancher status you must be a military veteran and:

- You must be an individual. Business entities may receive benefits only if all of the substantial beneficial interest holders, who hold 10 percent or more of the business entity qualify as veteran farmers or ranchers. For example, a veteran moves home to take over the family farm and incorporates with his/her spouse and neither have previous farming experience. Their corporation would qualify as a veteran farmer or rancher for 5 crop years.

However, if a veteran moves home and forms a corporation with a parent, who has had an insurable interest in crops or livestock for more than 5 crop years, at 10 percent or greater, the corporation cannot receive Veteran Farmer and Rancher benefits. Although the veteran qualifies as a veteran farmer or rancher, the parent does not so the corporation cannot receive benefits; and

- You must not have actively operated and managed a farm or ranch anywhere, for more than 5 crop years; or
- You must have first obtained veteran status in the past 5 years.

How it Works - How to Apply for Benefits

For the 2019 crop year Federal crop insurance policy, you must apply for Veteran Farmer and Rancher benefits by June 1 or your Federal crop insurance policy’s acreage reporting date, whichever is later. For the 2020 crop year crop and livestock insurance policies, you must apply for Veteran Farmer and Rancher benefits by your Federal crop or livestock insurance policy’s sales closing date. You are required to identify any previous farming or ranching experience and your date of discharge or release from active military, naval, or air service in the Armed Forces. Talk to your crop insurance agent for more information.

Benefit Availability

Veteran Farmer and Rancher benefits will be available beginning with crops having a December 20, 2018 sales closing date or later. It is important that you fill out the application provided by your crop insurance agent to be eligible for benefits. For the 2019 crop year, applications must be completed by June 1 or the acreage reporting date, whichever is later. Veteran Farmer and Rancher benefits for all other policies will be available beginning the 2020 crop year.

More Information - Find a Crop Insurance Agent

All Federal reinsured crop insurance policies are available from authorized crop insurance agents. To find a crop insurance agent in your area, visit the Risk Management Agency’s website or contact the Washington National Office.
Frequently Asked Questions

Question: How long can I be a Veteran Farmer or Rancher and keep my benefits?
Answer: Once you choose and qualify for Veteran Farmer and Rancher status, it is continuous until the earlier of:
- You have operated a farm or ranch for more than 5 crop years;
- You have been discharged from active military, naval or air service in the Armed Forces for more than 5 years;
- You exhaust 5 crop years of Veteran Farmer and Rancher benefits; or
- You cancel the Veteran Farmer and Rancher Application.

Question: What if my spouse is not a veteran? Does that affect whether I qualify as a Veteran Farmer or Rancher?
Answer: No, whether your spouse is a veteran does not impact whether you are considered a Veteran Farmer or Rancher.

Question: Does forming a business entity impact whether I qualify for Veteran Farmer or Rancher benefits? For example, if I am a Veteran Farmer or Rancher and I form a corporation with my brothers, who are not veterans, can the corporation receive Veteran Farmer or Rancher benefits?
Answer: Just forming an entity does not impact whether you are eligible to Veteran Farmer or Rancher benefits. However, for a business entity to be eligible for VFR benefits, all substantial beneficial interest (SBI) holders must meet VFR qualifications. In this example, the corporation would not qualify for these benefits.

Question: Can I receive both Veteran Farmer and Rancher benefits and Beginning Farmer and Rancher benefits?
Answer: No, you must choose to receive one or the other.

Question: What is the difference between Veteran Farmer and Rancher benefits and Beginning Farmer and Rancher benefits?
Answer: Although the criteria for qualifying as a Veteran Farmer and Rancher and a Beginning Farmer and Rancher are different, the benefits are the same.

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 Veteran Farmer and Rancher Application.

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 Veteran Farmer and Rancher benefits, you will receive the same yield substitution as all other policyholders who are not Veteran 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.

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appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Dairy Revenue Protection

Dairy Revenue Protection (Dairy-RP) is designed to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities, and the amount of covered milk production elected by the dairy producer. The covered milk production is indexed to the state or region where the dairy producer is located.

Availability

Dairy-RP is available in all counties in all 50 states.

Pricing Options

Dairy-RP offers two Revenue pricing options:

- **The Class Pricing Option** uses a combination of Class III and Class IV milk prices as a basis for determining coverage and indemnities.
- **The Component Pricing Option** uses the component milk prices for butterfat, protein and other solids as a basis for determining coverage and indemnities. Under this option you may select the butterfat test percentage and protein test percentage to establish your insured milk price.

Coverage Levels and Premium Subsidies

You may cover 80 percent to 95 percent of your expected quarterly revenue in five percent increments.

A premium subsidy is available and is based on the coverage level you selected.

<table>
<thead>
<tr>
<th>Coverage Level %</th>
<th>80</th>
<th>85</th>
<th>90</th>
<th>95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Subsidy %</td>
<td>55</td>
<td>49</td>
<td>44</td>
<td>44</td>
</tr>
</tbody>
</table>

Establishing Coverage

Coverage is established by adding quarterly coverage endorsements to the policy. The sales period begins each day when the coverage prices and rates are validated and published on RMA’s website by 4:30 PM Central time and ends at 9:00 AM Central time of the following business day in which you can purchase quarterly endorsements.

If expected milk and dairy commodity prices are not available on the RMA website by 4:30 PM, then Dairy-RP will not be offered for sale for the insurance period.

Dairy-RP will not be sold on days where the monthly USDA Milk Production, Dairy Products, and Cold Storage reports are released. Milk or dairy commodity prices that experience a limit up or down move in the futures markets will not be available for determining the quarterly expected revenue.

Quarterly Coverage Endorsement

The Quarterly Coverage Endorsements correspond to the eight quarterly insurance periods available for purchase during the crop year. Producers may purchase coverage up to five nearby quarters and have multiple endorsements for the same quarterly insurance period.

Ending Milk Prices and Yield

The actual ending milk or component values are based upon the monthly average prices announced by USDA’s Agricultural Marketing Service. Actual ending values are posted on RMA’s website at the end of the insurance period. The milk yields are based upon USDA’s National Agricultural Statistics Service Milk Production report.
Causes of Loss

Dairy-RP provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times actual share and protection factor, caused by natural occurrences in market prices and yields in the pooled production region. Dairy-RP does not insure against:

- Death of dairy cattle;
- Other loss or destruction of your dairy cattle; or
- Any other loss or damage of any kind whatsoever.

Quarterly Insurance Period

The quarterly insurance period contains the three-month periods corresponding to one of eight quarters for which coverage is available under the quarterly coverage endorsement. For example, the insurance period for the January 10 sales closing date contains the quarters of April through June, July through September, October through December, January through March, and April through June.

Buying a Policy

You must buy Dairy-RP insurance through an authorized crop insurance agent. You can fill out an application at any time. However, insurance does not attach until you buy a quarterly coverage endorsement. You may buy multiple quarterly coverage endorsements with one application. Your insurance coverage starts the day you buy a quarterly coverage endorsement.

Where to Buy Crop Insurance

All Federal reinsured crop insurance policies are available from authorized crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website: rma.usda.gov at the Agent Locator Page: rma.usda.gov/Information-Tools/Agent-Locator-Page.
Tobacco: Burley, Cigar Binder, Cigar Filler, Cigar Wrapper, Dark Air Cured, Fire Cured, Flue Cured, Maryland

Sales Closing Dates*

2/28 or 3/15  2/28  3/15

*A Program may not be available in all counties.

Crop Insured
Tobacco is insurable if:
- You have a share in the crop;
- Premium rates are provided by the actuarial documents; and
- All rotation requirements in the Special Provisions of Insurance are met.

For crops, types or practices not insurable in a county, consult a crop insurance agent about the availability of coverage through a written agreement.

Insurance Period
Coverage begins at the later of when we accept your application or the date when the crop is planted, and ends with the earliest occurrence of one of the following:
- Total destruction of the tobacco on the unit;
- Removal of the tobacco from the unit where grown, except for curing, grading, and packing;
- Final loss adjustment of the loss on the unit;
- Abandonment of the crop on the unit;
- November 30 for Flue Cured in most North Carolina counties and Virginia;
- October 31, for Flue Cured in Florida, Georgia, South Carolina and some counties in southern North Carolina;
- February 28 for Burley in all states;
- March 15 for Dark Air Cured in Kentucky, Tennessee, and Virginia;
- April 15 for Fire Cured in Kentucky, Tennessee, and Virginia;
- April 30 for Cigar Binder, Cigar Filler, and Cigar Wrapper in Connecticut, Massachusetts, Pennsylvania, and Wisconsin; and
- May 15 for Maryland type in Maryland and Pennsylvania.

Acreage Reporting Requirements
You must file a report of planted acreage with your crop insurance agent by the acreage reporting date. Acreage reporting dates vary by crop and county, consult your crop insurance agent for more information and specific reporting requirements.

Acreage reporting dates:
- Flue Cured (Florida and Georgia) ………5/15
- Burley, Cigar Binder, Cigar Filler, Cigar Wrapper, Dark Air Cured , Fire Cured, Flue Cured (except Florida and Georgia), and Maryland………………………………….…7/15

Causes of Loss
You are protected against the following:
- Adverse weather conditions, including natural perils such as hail, wind, drought, and excess precipitation;
- Earthquake;
- Failure of the irrigation water supply, if caused by an insured peril during the insurance period;
- Fire;
- Insects and plant disease, except for insufficient or improper application of pest or disease control measures;
- Wildlife; or
- Volcanic eruption.

Duties in the Event of Damage or Loss
If a loss occurs you must:
- Protect the crop from further damage by providing sufficient care;
- Notify your crop insurance agent within 72 hours of your initial discovery of damage, but not later than 15 days after the end of the insurance period;
- Maintain representative samples or each unharvested tobacco crop (type) at least five feet wide and extending the entire length of each field in the unit. The samples must not be harvested or destroyed until after our inspection; and
- Leave all tobacco stalks and stubble in the unit intact for our inspection, if you have filed a claim. The stalks and stubble must not be destroyed until we give you written consent to do so or until 30 days after the end of the insurance period, whichever is earlier.
Coverage Levels and Premium Subsidies

The premium subsidy percentages and available coverage levels, if electing basic units, are shown below. Your share of the premium will be 100 percent minus the subsidy amount.

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Premium Subsidy</td>
<td>67 64 64 59 59 55 48 38</td>
</tr>
<tr>
<td>Your Premium Share</td>
<td>33 36 36 41 41 45 52 62</td>
</tr>
</tbody>
</table>

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of $300, per crop per county.

Insurance Units

Basic, optional, and enterprise unit structures are available in select tobacco counties. Premium discounts apply for basic and enterprise units. Additional subsidy is available for enterprise and whole farm units.

Coverage Options

You may buy crop insurance coverage under one of the insurance plans offered: Catastrophic Risk Protection or Actual Production History. Additional options are the Supplemental Coverage Option (SCO), Yield Cup Option and Actual Production History Yield Exclusion, where available.

Contact a Crop Insurance Agent for More Information

All multi-peril crop insurance, including CAT policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA Agent Locator.

Useful Links

- Actuarial Information Browser
- RMA Map Viewer
- USDA/Risk Management Agency Homepage
- Regional Office State Directory

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Apples

Sales Closing Dates*

*Program may not be available in all counties.

Crop Insured

Apples are insurable if:

- You have a share in the crop;
- Premium rates are provided by the actuarial documents;
- They are grown on tree varieties that are adapted to the area;
- They are grown for fresh apple production or processing apple production;
- They are grown in an orchard that, if inspected, we consider acceptable; and
- They have produced, in at least one of the previous four crop years:
  - 10 bins of apples per acre in Montana, Wyoming, Utah, New Mexico and all other states west thereof;
  - 200 bushels of apples per acre in Colorado; or
  - 150 bushels of apples per acre in all states not listed above.

For crops, types, or practices not insurable in a county, consult a crop insurance agent about the availability of coverage through a written agreement.

Insurance Period

For new insureds, coverage begins on or after:

- February 1 in California; and
- November 21 in all other states.

For carryover insureds, coverage begins on the day immediately following the end of the insurance period for the previous crop year.

For all insureds, coverage ends with the earliest occurrence of one of the following:

- Total destruction of the crop;
- Harvest of the insured crop;
- Final adjustment of loss;
- Abandonment of the crop; or
- November 5, in most counties.

End of Insurance period dates may vary by crop type and county, consult your crop insurance agent for more information.

Acreage Reporting Requirements

You must file a report of grape acreage with your crop insurance agent by the acreage reporting date. Acreage reporting dates vary by crop and county, consult your crop insurance agent for more information and specific reporting requirements.

Acreage reporting dates:

- All states, excluding California……………..1/15
- California……………………………………3/15

Causes of Loss

You are protected against the following:

- Adverse weather conditions, including natural perils such as drought and excess precipitation;
- Earthquake;
- Failure of the irrigation water supply, if caused by an insured peril during the insurance period;
- Fire;
- Insects and plant disease, except for insufficient or improper application of pest or disease control measures;
- Wildlife;
- Volcanic eruption; or
- All other natural causes of loss that cannot be prevented, including, but not limited to, hail, wind, excess sun causing sunburn, and frost and freeze causing russetting.

Additionally, we will not insure against:

- Damage or loss of production due to your inability to market the apples for any reason other than actual physical damage for an insurable cause of loss.
Duties in the Event of Damage or Loss

If a loss occurs you must:

- Protect the crop from further damage by providing sufficient care;
- Notify your crop insurance agent within 72 hours of your initial discovery of damage, but not later than 15 days after the end of the insurance period;
- Notify us within 3 days of the date harvest should have started if the crop will not be harvested;
- Provide notice at least 15 days before any production from any unit will be sold by direct marketing;
- Provide notice at least 15 days prior to the beginning of harvest, if the crop was damaged during the growing season and you previously provided notice, and you intend to claim an indemnity as a result of the damage previously reported; and
- Leave representative samples.

Coverage Levels and Premium Subsidies

Crop insurance premiums are subsidized as shown in the following table. For example, if you select the 75-percent coverage level for an Enterprise Unit, the premium subsidy is 77 percent and your premium share is 23 percent of the base premium.

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Percent</th>
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<tbody>
<tr>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Premium Subsidy</td>
<td>67</td>
</tr>
<tr>
<td>Your Premium Share</td>
<td>33</td>
</tr>
</tbody>
</table>

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of $300, per crop per county.

Coverage Options

You may buy crop insurance coverage under one of the insurance plans offered: Catastrophic Risk Protection or Actual Production History. Additional options are the Contract Pricing, Coverage Level by Irrigated Practice, Hail & Fire Exclusion, Supplemental Coverage Option (SCO), Yield Adjustment, Yield Cup Option and Fresh Option, where available. The Optional Coverage for Fresh Fruit Adjustment applies to all of your apple acreage designated in your acreage report as grown for fresh apple production and that meets the insurability requirements specified in the Apple Crop Provisions, except any acreage specifically excluded by the actuarial documents. This option is not available with Catastrophic Risk Protection coverage.

Insurance Units

Basic and optional units are available in select apple counties. Premium discounts apply for basic units.

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appropriate office or to request documents. Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay service at (800) 877-8339 or (800) 845-6136.
Grapes

Sales Closing Dates*

For new insureds, coverage begins on or after:
- February 1 in California; or
- November 21 in all other states.

For carryover insureds coverage begins on the day immediately following the end of the insurance period for the previous crop year.

For all insureds, coverage ends with the earliest occurrence of one of the following:
- Total destruction of the crop;
- Harvest of the insured crop;
- Final adjustment of loss;
- Abandonment of the crop;
- October 10 in Mississippi and Texas;
- November 10 in California, Idaho, Oregon, and Washington; or
- November 20 in all other states.

Acreage Reporting Requirements

You must file a report of grape acreage with your crop insurance agent by the acreage reporting date. Acreage reporting dates vary by crop and county, consult your crop insurance agent for more information and specific reporting requirements.

Acreage reporting dates:
- All States, excluding California: 1/15
- California: 5/15

Causes of Loss

You are protected against the following:
- Adverse weather conditions, including natural perils such as hail, frost, freeze, wind, drought, and excess precipitation;
- Earthquake;
- Failure of the irrigation water supply, if caused by an insured peril during the insurance period;
- Fire;
- Insects and plant disease, except for insufficient or improper application of pest or disease control measures;
- Wildlife; or
- Volcanic eruption.

Additionally, we will not insure against:
- Phylloxera, regardless of cause; or
- Inability to market the grapes for any reason other than actual physical damage for an insurable cause of loss.

Crop Insured

Grapes are insurable if:
- You have a share in the crop;
- Premium rates are provided by the actuarial documents;
- Grown for wine, juice, raisins, or canning;
- Grown in a vineyard that, if inspected, is considered acceptable by us;
- After being set out or grafted, have reached the number of growing seasons designated by the Special Provisions; and
- They have produced an average of at least two tons of grapes per acre (or as otherwise provided in the Special Provisions) in at least one of the three crop years immediately preceding the insured crop year.

For crops, types, or practices not insurable in a county, consult a crop insurance agent about the availability of coverage through a written agreement. Written agreement may also be allowed for acreage not meeting minimum production requirements.
Duties in the Event of Damage or Loss

If a loss occurs you must:

- Protect the crop from further damage by providing sufficient care;
- Notify your crop insurance agent within 72 hours of your initial discovery of damage, but not later than 15 days after the end of the insurance period;
- Notify us within 3 days of the date harvest should have started if the crop will not be harvested;
- Provide notice at least 15 days prior to the beginning of harvest, if the crop was damaged during the growing season and you previously provided notice, and you intend to claim an indemnity as a result of the damage previously reported; and
- Not destroy the damaged crop until you are given written consent to do so.

Coverage Levels and Premium Subsidies

The premium subsidy percentages and available coverage levels, if electing basic units, are shown below. Your share of the premium will be 100 percent minus the subsidy amount.

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
<th>70</th>
<th>75</th>
<th>80</th>
<th>85</th>
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</thead>
<tbody>
<tr>
<td>Premium Subsidy</td>
<td>67</td>
<td>64</td>
<td>64</td>
<td>59</td>
<td>59</td>
<td>55</td>
<td>48</td>
<td>38</td>
</tr>
<tr>
<td>Your Premium Share</td>
<td>33</td>
<td>36</td>
<td>36</td>
<td>41</td>
<td>41</td>
<td>45</td>
<td>52</td>
<td>62</td>
</tr>
</tbody>
</table>

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of $300, per crop per county.

Insurance Units

Basic and optional units are available in select grape counties. Premium discounts apply for basic units.

Coverage Options

You may buy crop insurance coverage under one of the insurance plans offered: Catastrophic Risk Protection or Actual Production History.

Additional options are the Contract Pricing, Hail & Fire Exclusion, Supplemental Coverage Option (SCO), Yield Adjustment, Yield Cup Option and Actual Production History Yield Exclusion, where available.

Useful Links

- Actuarial Information Browser
  https://webapp.rma.usda.gov/apps/ActuarialInformationBrowser/
- RMA Map Viewer
- USDA/Risk Management Agency Homepage
  https://www.rma.usda.gov/
- Regional Office State Directory

Contact a Crop Insurance Agent for More Information

All multi-peril crop insurance, including CAT policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/informationtools/agentlocator.

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Whole-Farm Revenue Protection

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

Availability

WFRP is available in all counties in all 50 states.

Causes of Loss

WFRP provides protection against the loss of insured revenue due to an unavoidable natural cause of loss which occurs during the insurance period and will also provide carryover loss coverage if you are insured the following year. See the policy for a list of covered causes of loss.

Important Dates

Sales Closing, Cancellation, and Termination Dates

Calendar Year and Early Fiscal Year Filers: January 31, February 28, or March 15 (by county)

Late Fiscal Year Filers: November 20

Revised Farm Operation Report Dates

All Filers: July 15

Contract Change Date: August 31

Talk to your crop insurance agent about the dates that apply for your county.

Insurance Period

Coverage is provided for the duration of the producer’s tax year (the insurance period). The insurance period is a calendar year if taxes are filed by calendar year, or a fiscal year if taxes are filed by fiscal year.

Reporting Requirements

Revenue Losses - You must submit a notice of loss within 72 hours after discovery that revenue for the policy year could be below the insured revenue. Inspections may be required for losses. You must have filed farm taxes for the policy year before any claim can be made. You must make claims no later than 60 days after the date you submit farm tax forms to the Internal Revenue Service (IRS). Claim payments for a revenue loss under WFRP are paid within 30 days after the determination of a payment due as long as you are in compliance with the policy.
Coverage

WFRP protects your farm against the loss of farm revenue that you earn or expect to earn from:
- Commodities you produce during the insurance period, whether they are sold or not;
- Commodities you buy for resale during the insurance period; and
- All commodities on the farm except timber, forest, and forest products; and animals for sport, show, or pets.

The policy also provides replant coverage:
- For annual crops, except those covered by another Federal crop insurance policy;
- Equal to the cost of replanting up to a maximum of 20 percent of the expected revenue multiplied by your coverage level; and
- When 20 percent or 20 acres of the crop needs to be replanted.

The approved revenue amount is determined on your Farm Operation Report and is the lower of the expected revenue or your whole-farm historic average revenue. Coverage levels range from 50 percent to 85 percent.

Catastrophic Risk Protection (CAT) coverage is not available.

The number of commodities produced on the farm are counted using a calculation that determines:
- If the farm has the diversification needed to qualify for the 80 and 85 percent coverage levels (there is a 3 commodity requirement);
- The amount of premium rate discount you will receive due to farm diversification; and
- The subsidy amount. Farms with 2 or more commodities will receive a whole-farm subsidy and farms with one commodity will receive a basic subsidy.

You can buy WFRP alone or with other buy-up level (additional coverage) Federal crop insurance policies. When you buy WFRP with another Federal crop insurance policy, the WFRP premium is reduced due to the coverage provided by the other policy. If you have other Federal crop insurance policies at catastrophic coverage levels you do not qualify for WFRP.

WFRP ‘insured revenue’ is the total amount of insurance coverage provided by this policy. Your crop insurance agent and approved insurance provider determine the farm’s ‘approved revenue’ using the following information:
- Whole-Farm History Report;
- Farm Operation Report;
- Information regarding growth of the farm; and
- The coverage level you choose (50-85 percent) multiplied by the approved revenue is the insured revenue amount.

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Commodity Count (Minimum Required)</th>
<th>Maximum Farm Approved Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>3</td>
<td>$10,000</td>
</tr>
<tr>
<td>80</td>
<td>3</td>
<td>$10,625</td>
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<td>$15,454</td>
</tr>
<tr>
<td>50</td>
<td>1</td>
<td>$17,000</td>
</tr>
</tbody>
</table>

The Commodity Count in the table above is a measure of the farm’s diversification, determined by the policy. The calculation determines the minimum proportion of revenue a commodity must contribute to the farm to be considered a commodity for WFRP. A farm’s revenue would be evenly distributed if an equal percentage of revenue came from each commodity produced, for example, 25 percent from corn, 25 percent from soybeans, 25 percent from spinach, and 25 percent from carrots. The minimum proportion to be considered a countable commodity is one-third of that amount. In this example, for corn, soybeans, spinach, or carrots to each county, each commodity would have to make up at least 8.3 percent of the total revenue of the farm to count as a commodity under WFRP. Commodities with revenue below the minimum will be grouped together in order to recognize farm diversification (this will make the commodity count higher). The Maximum Farm Approved Revenue represents the maximum approved revenue for a farm to be eligible for WFRP given the $8.5 million maximum liability allowed.

Eligibility

Eligibility for WFRP coverage requires you to:
- Be eligible to receive Federal benefits;
- Be a U.S. citizen or resident;
- File either a Schedule F tax form or other farm tax form that can be converted to a Substitute Schedule F for a specified number of years (see information you provide below);
- Have no more than $8.5 million in insured revenue, which is the farm revenue allowed to be insured under the policy multiplied by the coverage level you select (see table above);
- Have no more than $1 million expected revenue from animals and animal products;
- Have no more than $1 million expected revenue from greenhouse and nursery;
- Have no more than 50 percent of total revenue from commodities purchased for resale;
- Have ‘buy-up’ coverage levels on any Federal crop insurance plans you choose in addition to the WFRP insurance plan;
- Meet the diversification requirements of the policy by having two or more commodities if a commodity you are raising has revenue protection or actual revenue history insurance available; and
- Meet the diversification requirements of the policy by having two or more commodities if there are potatoes on the farm.

Information You Provide

There are certain documents you must provide to your crop insurance agent to get Whole-Farm Revenue Protection insurance. For the Whole-Farm History Report you must provide:
- 5 consecutive years of Schedule F or other farm tax forms (it must be possible to complete a Substitute Schedule F form if you filed farm tax forms other than Schedule F). For the 2019 policy year, tax forms from 2013-2017 are required except:
  - If you qualify as a Beginning Farmer or Rancher (BFR) or qualified as a BFR in the previous year under our procedures, you may qualify with 3 consecutive years; and
  - If you were physically unable to farm for 1 of the 5 required historic years but were farming the past year, you may qualify; or
  - If you are a tax-exempt entity (such as a Tribal entity) and have acceptable third party records available that can be used to complete Substitute Schedule F tax forms for the 5 year history.
- Information supporting expansion if you want the farm to be considered as an expanding operation due to the farm operation physically expanding last year or the coming year, including increased acres, added equipment such as a greenhouse, new varieties or planting patterns, or anything else that expands production capacity (other than just a change in price); and
- Any supporting information required, including other signed tax forms, to show the farm tax forms are accurate and were filed with the IRS.

Growing Farm Operations

Operations that have been expanding over time may be allowed to increase their approved revenue amount based on an indexing procedure, or, if you can show that your operation has physically expanded (land, animals, facilities, or production capacity) so it has the potential to produce up to 35 percent more revenue than the historic average, your insurance company may approve your request as an expanding operation to adjust that growth in the insurance.
Prices and Yields
Prices used to value commodities must be based on the guidelines for prices in the policy. Organic prices that meet the policy requirements are allowed for valuing organic commodities. Yields used for commodities must be established based on the guidelines for yields in the policy.

Market Readiness Operations and Post Production Costs
Market readiness operations such as on-farm activities that occur in or near the field and are the minimum needed to remove the commodity from the field and make it market ready can be left in the allowable revenue and expenses. The cost from all other post production operations not considered market readiness operations must be removed from the allowable revenue and expenses, including activities that increase the value of a commodity such as canning, freezing, and processing activities.

Losses
Claims are settled after taxes are filed for the policy year. A loss under the WFRP policy occurs when the WFRP revenue-to-count for the insured tax year falls below the WFRP insured revenue. Revenue-to-count for the insured tax year is:

- Revenue from the tax form that is ‘approved revenue’ according to the policy;
- Adjusted by excluding inventory from commodities sold that were produced in previous years;
- Adjusted by including the value of commodities produced during the tax year that have not yet been harvested or sold; and
- Any other adjustments required by the policy such as those from uninsured causes of loss.

If the farm operation does not have expenses during the insurance period of at least 70 percent of the “approved expenses” the insured revenue amount will be reduced by 1 percent for each percentage point the actual approved expenses are below 70 percent of the approved expenses.

Premium Subsidy
Farms with two or more commodities will receive a whole-farm premium subsidy as long as the minimum diversification requirements are met. Farms with one commodity will receive the basic level of premium subsidy.

Buying Whole-Farm Revenue Protection
You can buy Whole-Farm Revenue Protection from a crop insurance agent by the sales closing date shown for each county in the actuarial documents. A list of crop insurance agents is available at the Agent Locator.

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Potatoes

Potato Policy Availability*

Potatoes are insurable if:
- You have a share in the crop;
- Premium rates are provided by the actuarial documents;
- Planted with certified seed (unless otherwise permitted by the Special Provisions); and
- Planted for harvest as certified seed stock or for human consumption (unless specified otherwise in the Special Provisions).

Potatoes are not insurable (unless allowed by the Special Provisions or by written agreement) if:
- Interplanted with another crop; or
- Planted into an established grass or legume.

For crops, types or practices not insurable in a county, consult a crop insurance agent about the availability of coverage through a written agreement.

Sales Closing Dates

You must apply for insurance coverage with your crop insurance agent by the sales closing date. Sales closing dates may vary by county, consult your crop insurance agent for more information and specific requirements.

Sales closing dates:
- Alabama, Missouri: 12/31
- Arizona: 11/30
- California: 11/30, 12/15, 1/15, 3/15, 5/31, 6/15 or 7/1
- Delaware, Maryland, New Jersey, North Carolina, and Virginia: 1/31
- Florida: 9/30 or 12/31
- Oklahoma: 2/28
- Texas: 11/30, 2/28 or 3/15
- All Other States: 3/15

Acreage Reporting Requirements

You must file a report of planted acreage with your crop insurance agent by the acreage reporting date. Acreage reporting dates vary by crop and county, consult your crop insurance agent for more information and specific reporting requirements.

Acreage reporting dates:
- Alabama: 3/15 or 5/15
- Arizona: 3/15
- Florida: 10/15, 1/15, or 3/15
- Delaware, Maryland, Missouri, North Carolina, and Virginia: 5/15
- Nevada, New Mexico, Oklahoma, and Texas: 5/15 or 7/15
- All Other States: 7/15

Coverage Options

You may buy crop insurance coverage under one of the insurance plans offered: Catastrophic Risk Protection or Actual Production History.

Additional options are the Supplemental Coverage Option (SCO), Trend Adjusted Yield Option, and Yield Cup Option, where available.

Endorsements available only for the Northern Policy are the Northern Potato Certified Seed Endorsement, Northern Potato Processing Quality Endorsement.
Causes of Loss
You are protected against the following:
- Adverse weather conditions, including natural perils such as hail, frost, freeze, wind, drought, and excess precipitation;
- Earthquake;
- Failure of the irrigation water supply, if caused by an insured peril during the insurance period;
- Fire;
- Insects and plant disease, except for insufficient or improper application of pest or disease control measures;
- Wildlife; or
- Volcanic eruption.

Duties in the Event of Damage or Loss
If a loss occurs you must:
- Protect the crop from further damage by providing sufficient care;
- Notify your crop insurance agent within 72 hours of your initial discovery of damage, but not later than 15 days after the end of the insurance period;
- Leave representative samples at least 10 feet wide and extending the entire length of each field if you are going to destroy any acreage of the insured crop that will not be harvested; and
- Give the insurance company the opportunity to perform a grade inspection on the production from any unit for which you reported damage.

Coverage Levels and Premium Subsidies
The premium subsidy percentages and available coverage levels, if electing basic units, are shown below. Your share of the premium will be 100 percent minus the subsidy amount.

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Percent</th>
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<tbody>
<tr>
<td>50</td>
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<thead>
<tr>
<th>Premium Subsidy</th>
<th>Percent</th>
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<tbody>
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<td>67</td>
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<td>36</td>
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<th>Your Premium Share</th>
<th>Percent</th>
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<td>38</td>
</tr>
</tbody>
</table>

Catastrophic Risk Protection (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of $300, per crop per county.

Insurance Units
Basic and optional unit structures are available in select counties for potatoes. Premium discounts apply for basic units.

Useful Links
- Actuarial Information Browser: https://webapp.rma.usda.gov/apps/ActuarialInformationBrowser/
- USDA/Risk Management Agency Homepage: https://www.rma.usda.gov/

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Nursery Commodity Insurance

Crop Insured

Nursery crop insurance is available in all counties for which a premium rate is provided in the actuarial documents to all persons operating nurseries that meet certain criteria. Insurance coverage applies, by practice (field-grown or container), to all of your nursery plants in a county and:

- For which you have a share;
- Are on the EPLPPS;
- Are grown in a nursery that receives at least 40 percent of its gross income from the wholesale marketing of nursery plants;
- Meet all the requirements for insurability;
- Are grown in an appropriate medium; and
- Are grown and sold with the root system attached.

Nursery plants may not be insured if they:

- Are grown in containers containing two or more different genera, species, subspecies, varieties, or cultivars;
- Are grown as stock plants; or
- Are grown solely for harvest of buds, flowers, or greenery.

Plants producing edible fruits and nuts can be insured if the plants are available for sale. Harvesting the edible fruit or nuts does not affect insurability.

Your nursery must be inspected and approved as acceptable before insurance coverage can begin.

Causes of Loss

You are protected against the following:

- Adverse weather conditions, including wind, hurricane and freeze. If cold protection is required by the EPLPPS, adequate and operational cold protection measures must be in place;
- Failure of irrigation water supply, if due to an insurable cause of loss, such as drought;
- Fire, provided weeds and undergrowth are controlled; and
- Wildlife.

Plant damage or losses in value as a result of the following situations are not covered:

- Collapse or failure of buildings/structures, unless caused by an insurable cause of loss;
- Disease or insect infestation, unless effective control measures for the infestation do not exist;
- Failure of plants to grow to an expected size;
- Inadequate power supply, unless such inadequacy is a result of an insurable cause of loss; and
- Inability to market nursery products due to a stop sales order, quarantine, boycott, phytosanitary restriction on sales, or buyer refusal.

Important Dates

Sales Closing/Cancellation ............... May 1
Contract Change Date ..................... January 31
Insurance Period Begins .................. June 1

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 75 percent of your plant inventory value. Crop insurance premiums are subsidized as shown in the following table.

<table>
<thead>
<tr>
<th>Item</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
<th>70</th>
<th>75</th>
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<tbody>
<tr>
<td>Coverage Level</td>
<td>67</td>
<td>64</td>
<td>64</td>
<td>59</td>
<td>59</td>
<td>55</td>
</tr>
<tr>
<td>Premium Subsidy</td>
<td>33</td>
<td>36</td>
<td>36</td>
<td>41</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Your Premium Share</td>
<td>33</td>
<td>36</td>
<td>36</td>
<td>41</td>
<td>41</td>
<td>45</td>
</tr>
</tbody>
</table>

For example, if you selected the 75 percent coverage level, your premium share would be 45 percent of the base premium. The catastrophic coverage level is fixed at 27.5 percent of your plant inventory value. The only cost for the catastrophic coverage level is an administrative fee of $300.
Definitions

Amount of Insurance - For the purposes of calculating premium, the result of multiplying the basic unit value by your selected coverage level and by your share. For the purpose of determining the amount of any indemnity, the result of multiplying the basic unit value by your selected coverage level and by your share minus any previous indemnities during the crop year paid under the Nursery Crop Provisions.

Amount of Insurance Example

$100,000 Plant inventory value
x 0.65 Chosen coverage level percentage
x 1.00 Producer share
$65,000 Unit amount of insurance

Container-Grown Plants - A nursery production practice in which plants are grown in standard nursery containers: above the ground; placed in the ground; or when placed in another standard nursery container in the ground (pot-in-pot).

Crop Inventory Valuation Report - A plant inventory list created in the Nursery Inventory Software for assisting in establishing the insurable nursery plant inventory value. The Nursery Inventory Software is available at Nursery-Inventory-Software-EPLPPS.

Eligible Plant List and Plant Price Schedule (EPLPPS) - A component of the actuarial documents that contains the following:
1) The botanical and common names of insurable plants;
2) The cold protection requirements for container grown material and areas in which they apply;
3) The hardiness zone in which field grown material is insurable;
4) The designated hardiness zones available for each county;
5) The plant type, storage key, and hardiness zone classification for each plant on the list; and
6) A schedule of insurable plant prices that establishes the highest value accepted for insurance purposes, unless otherwise allowed by the policy or an endorsement to the policy. You may receive a list by sending a request to rma.kc.nursery@rma.usda.gov or from your crop insurance agent.

Field-Grown Plants - A nursery production practice in which plants are grown in the ground.

Liners - Plants produced in standard nursery containers that have a minimum dimension greater than or equal to 5/8 inch in and a maximum dimension of less than 3 inches at the widest point of the container or cell interior, have an established root system, and meet all other conditions specified in the Special Provisions.

Nursery - A business enterprise that grows nursery plants. At least 40 percent of its gross income derived from plant sales must be from wholesale marketing of such plants.

Stock Plants - Plants used only for propagation during the insurance period or plants grown only for harvest of buds, flowers, or greenery. Stock plants cannot be insured.

Plant Inventory Value Report (PIVR)

The PIVR is used to declare the value of your insurable plants. A PIVR for each insured practice is required. Two copies of your most recent wholesale catalog or price list must accompany your PIVR unless the catalogs or price lists are submitted electronically. If catalogs are submitted electronically they must be in PDF format and suitable for printing. Wholesale catalogs must:

- Be typewritten and legible;
- Show an issue date on the cover page (may be handwritten);
- Contain name, address, and telephone number of nursery;
- Be provided to customers and used in the sale of your plants; and
- List each plant name, plant or container sizes, and wholesale price.

Your PIVR must also be accompanied by a crop inventory valuation report or physical plant inventory and price documentation.

Peak Inventory Endorsement

For increased coverage during certain peak periods when your inventory value may be significantly higher than your annual plant inventory value, you may consider the additional insurance coverage provided by a Peak Inventory Endorsement (not available with the catastrophic coverage level). Contact your crop insurance agent for more details.

Rehabilitation Endorsement

This endorsement is an addition to the basic policy and provides reimbursement for your expenditures on labor and material for pruning and setup (righting, propping, and staking) of field-grown plants that are damaged by an insured cause of loss and have a reasonable expectation of recovery. The Rehabilitation Endorsement is not available with the catastrophic coverage level. Contact your crop insurance agent for more details.

Pilot Nursery Growers Price Endorsement

The Pilot Nursery Grower’s Price Endorsement, available in 19 states, is an addition to the basic policy that insures specific plants at prices higher than those shown on the EPLPPS. You must buy this at the time you apply for coverage or, on or before the sales closing date. Contact your crop insurance agent for more details.

Loss Example

<table>
<thead>
<tr>
<th>$100,000 Plant Inventory Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.65 Coverage level percentage</td>
</tr>
<tr>
<td>$65,000 Unit amount of insurance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$100,000 Field market value before loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000 Value of Loss</td>
</tr>
<tr>
<td>$35,000 Deductible</td>
</tr>
<tr>
<td>$15,000 Indemnity</td>
</tr>
</tbody>
</table>

The deductible shown above is (1 - coverage level) X inventory = (1 –0.65) X $100,000 = $35,000

Duties in the Event of Damage or Loss

Notify your agent within 72 hours (3 days) of your initial discovery of damage and submit a claim for indemnity no later than 60 days after the end of the insurance period.

Where to Buy Crop Insurance

Contact your crop insurance agent for more details.

- Plants produced in standard nursery containers that have a minimum dimension greater than or equal to 5/8 inch in and a maximum dimension of less than 3 inches at the widest point of the container or cell interior, have an established root system, and meet all other conditions specified in the Special Provisions.
- A plant inventory list created in the Nursery Inventory Software for assisting in establishing the insurable nursery plant inventory value. The Nursery Inventory Software is available at Nursery-Inventory-Software-EPLPPS.
- A component of the actuarial documents that contains the following:
  1) The botanical and common names of insurable plants;
  2) The cold protection requirements for container grown material and areas in which they apply;
  3) The hardiness zone in which field grown material is insurable;
  4) The designated hardiness zones available for each county;
  5) The plant type, storage key, and hardiness zone classification for each plant on the list; and
  6) A schedule of insurable plant prices that establishes the highest value accepted for insurance purposes, unless otherwise allowed by the policy or an endorsement to the policy. You may receive a list by sending a request to rma.kc.nursery@rma.usda.gov or from your crop insurance agent.
- A nursery production practice in which plants are grown in the ground.
- Plants produced in standard nursery containers that have a minimum dimension greater than or equal to 5/8 inch in and a maximum dimension of less than 3 inches at the widest point of the container or cell interior, have an established root system, and meet all other conditions specified in the Special Provisions.
- A business enterprise that grows nursery plants. At least 40 percent of its gross income derived from plant sales must be from wholesale marketing of such plants.
- Plants used only for propagation during the insurance period or plants grown only for harvest of buds, flowers, or greenery. Stock plants cannot be insured.
- For the purposes of calculating premium, the result of multiplying the basic unit value by your selected coverage level and by your share. For the purpose of determining the amount of any indemnity, the result of multiplying the basic unit value by your selected coverage level and by your share minus any previous indemnities during the crop year paid under the Nursery Crop Provisions.
- A plant inventory list created in the Nursery Inventory Software for assisting in establishing the insurable nursery plant inventory value. The Nursery Inventory Software is available at Nursery-Inventory-Software-EPLPPS.
- A component of the actuarial documents that contains the following:
  1) The botanical and common names of insurable plants;
  2) The cold protection requirements for container grown material and areas in which they apply;
  3) The hardiness zone in which field grown material is insurable;
  4) The designated hardiness zones available for each county;
  5) The plant type, storage key, and hardiness zone classification for each plant on the list; and
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- For the purposes of calculating premium, the result of multiplying the basic unit value by your selected coverage level and by your share. For the purpose of determining the amount of any indemnity, the result of multiplying the basic unit value by your selected coverage level and by your share minus any previous indemnities during the crop year paid under the Nursery Crop Provisions.
Where to Buy Crop Insurance

All multi-peril crop insurance, including CAT policies, are available from private crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at Agent Locator.

National Office

1400 Independence Ave. SW
USDA/RMA/Stop 0801, Room 6092-South
Washington, DC 20250
Email: FPAC.BC.Press@usda.gov

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.

USDA is an equal opportunity provider, employer and lender. To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., SW, Washington, DC 20250-9410 or call (866) 632-9992 (toll-free customer service), (800) 877-8339 (local or federal relay), (866) 377-8642 (relay voice users).
Pasture, Rangeland, Forage Pilot Insurance Program

Pasture, Rangeland, Forage

The Risk Management Agency’s (RMA) Pasture, Rangeland, Forage (PRF) Pilot Insurance Program is designed to provide insurance coverage on pasture, rangeland, or forage acres. The PRF program utilizes a rainfall index to determine precipitation for coverage purposes, and does not measure production or loss of products themselves. The Rainfall Index uses National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC) data, which utilizes a grid system to determine precipitation amounts within an area. Each grid is 0.25 degrees in latitude by 0.25 degrees in longitude, which translates to approximately 17 by 17 miles at the equator. Acres will be assigned to one or more grids based on the location to be insured. The Pasture, Rangeland, and Forage insurance was designed to help protect a producer’s operation from the risks of forage loss due to the lack of precipitation. It is not designed to insure against ongoing or severe drought, as the coverage is based on precipitation expected during specific intervals only.

Availability

PRF is available in the 48 contiguous states with the exception of a few grids that cross international borders.

Coverage and Claims

Coverage is based on a producer’s selection of coverage level, index intervals, and productivity factor. The index interval represents a two-month period, and the period selected should be the one when precipitation is most important to a producer’s operation. Policyholders can select a coverage level from 70 to 90 percent. The rainfall index does not measure direct production or loss. The producer is insuring a rainfall index that is expected to estimate production. Producers select a productivity factor to match the amount of protection to the value of the production that best represents the operation and the productive capacity of the producer’s acres. Producers do not have to insure all acres. However, producers cannot insure more than total number of insurable acres. Insurance payments are determined by using NOAA CPC data for their grid(s) and index intervals that were chosen to insure. When the final grid index falls below the policyholder’s “trigger grid index”, the producer may receive an indemnity. This insurance coverage is for a single peril — lack of precipitation. Coverage is based on the experience of the entire grid. It is not based on individual farms or ranches or specific weather stations in the general area.

Tools

Producers need to make several choices when insuring their grazing or hay production, including coverage level, index intervals, irrigated practice, productivity factor, and number of acres. Producers should work with their crop insurance agent to view the Grid ID Locator map and index grids for their area, and assign acreage to one or more grids based on the location and use of the acreage to be insured. RMA encourages the use of the Grid ID Locator, historical indices tool, and decision support tools available on RMA’s website to help decide whether PRF is the right insurance coverage for a producer’s operation.

Buying a PRF Policy

PRF policies can be bought from a crop insurance agent by the sales closing date shown for each county in the actuarial documents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at the Agent Locator.
Connecticut Agricultural Business Management Guide