



**THE CARROT PROJECT PRESENTS**

# Exploring USDA Micro Farm Insurance

December 2022



Farm Service Agency

U.S. DEPARTMENT OF AGRICULTURE



National Institute of Food and Agriculture

U.S. DEPARTMENT OF AGRICULTURE



NORTHEAST  
EXTENSION  
RISK  
MANAGEMENT  
EDUCATION

THE carrot  
PROJECT

# Funding Acknowledgements



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# Thank You to Partners and Hosts



**Jeff Schahczenski** — *ATTRA Sustainable Agriculture at National Center for Appropriate Technology*

**Cian Dalzell** — *Three Maples Market Garden Consulting*

**Kevin Channell** — *Farm & Forest Business & Tax Services*

# Who we are

## Our Vision

The Carrot Project envisions a just and resilient farm and food system, where successful farms and agricultural businesses are increasing in number and racial diversity, and are contributing to New England's economic, environmental, and social well-being.

We address the most important gaps at the intersections of financial security, racial and economic justice, financial barriers to farmland access, and farmers' abilities to weather major disruptions.

## Our Mission

We support agricultural businesses, securing their futures by breaking down financial barriers and building their paths to sustainability.

We do this as business advisors and through education, advocacy, and research.



## Our work

The Carrot Project works to increase the number of economically viable farm and food businesses. We want your businesses to be here 5, 10, 25, and even 50 years from now.

Our services are aimed at helping farmers and food business owners achieve greater financial management expertise and confidence in making business decisions that lead to long-term business success.

Services may be free or cost-shared depending on location and household income.



## Who we serve



## Our programs are designed to support:

**Farmers and fishers** based in MA, RI, and CT who use sustainable methods and sell some - or all - of their products locally or regionally.

**Food entrepreneurs** who source their ingredients from these types of farmers and fishers and sell some - or all - of their goods locally or regionally.

**Our priority** is start-up and early-stage farms and agricultural businesses who have low-to-moderate incomes, but we also work with more established businesses.



## Our services

### Trainings and Workshops

The Carrot Project offers hands-on, skills-based trainings and workshops with a focus on bookkeeping and financial management skills necessary to make agricultural business thrive. Most workshops run during the agricultural “off season” of late October through March. Class size is limited to ensure participants get the attention they need.

### Loan Programs

Capital or operating loans of \$5,000-\$50,000 are available to agricultural businesses that may not be able to obtain financing elsewhere, including startups and farms in the first few years of operation. Those who already have a business plan are ideally suited to apply. We offer guidance on when and how to apply for financing, as well as assistance with loan applications and connections to lenders that lend up to \$250,000.

### 1:1 Business Advising & Coaching

One-on-one coaching and business consulting helps farmers and food business owners achieve greater financial management expertise and confidence in making business decisions, which lead to long-term business success.



# Hello, it's wonderful to meet all of you!

## Amanda Chang

(she/her)

Outreach Coordinator

- Your friend on USDA topics (loans, disaster assistance, crop insurance)
  - Reach out for individual support
- Find me roaming around MA, CT, and RI





# Let's Get Started!



# Micro Farm Insurance – What Is This and Who Is Eligible? (Part A)

How many of you here are familiar  
with crop insurance?



How many of you here have  
experience with some kind of  
insurance (home, car, health, etc.)?

# History of Crop Insurance

- 1938 – Federal Crop Insurance Corporation
- 1980 – Federal Crop Insurance Act expands to more crops and regions
- 1994 – Federal Crop Insurance Reform Act introduces catastrophic coverage levels
- Policies created by USDA Risk Management Agency
- Sold and administered through private crop insurance companies and agencies
- AIP = Approved Insurance Provider



# FSA vs. NRCS vs. RMA

1. **Farm Service Agency (FSA)** – financial services such as loans and disaster assistance payments
2. **Natural Resource Conservation Service (NRCS)** – conservation of farmland and the environment; financial and technical support for farmland and environmental protection
3. **Risk Management Agency (RMA)** – insurance for farm production



# “Traditional” Crop Insurance

- Single commodity policies
- Yield based



# Whole Farm Revenue Protection

- Launched 2014 (2007 pre-cursors were Adjusted Gross Revenue and Adjusted Gross Revenue-Lite)
- Insures revenue rather than production
- Insures up to \$17 million in revenue
- Based on five years of historic revenue and estimated revenue for upcoming year

# What if Your Farm Looks More Like This?

- 5 acres
- 10 different crops
- \$120,000 in annual revenue





# Enter Micro Farm

- Addendum to WFRP
- Launched in 2022
- Reduced paperwork requirements
- Simplified application process
- Addition of post-production processing and value-added product revenue – Huge Change!!

# How Micro Farm Works – Basic Overview

- **Coverage**
  - For annual approved revenue up to \$350,000
  - Insured amount is based on your historic revenue and your expected revenue for coverage year
    - Need at least 3 years of past revenue
    - Based on Schedule F Tax Forms (or Substitute Schedule F)
  - Pick the level of coverage
    - Lowest is 50% coverage
    - Highest is 85% coverage
- **Premium**
  - Pay money out of pocket to enroll in this program
- **Claims**
  - Claim based on difference in insured amount and revenue made in coverage year

# Eligibility for Micro Farm



# Basic USDA Eligibility

- Be currently farming or ranching
- Be a US citizen, non-citizen national, or documented/legal permanent resident



- Be growing with commercial intent – growing to sell farm products (does not matter if business is for-profit or non-profit)
- Cannot be raising crops or livestock prohibited or controlled by federal law (ex. cannabis, endangered species)

# Basic Micro Farm Eligibility

- Approved revenue up to \$350,000
- Resale of farm products cannot be over 50% of total revenue
- Have at least 3 years of Schedule F's (or can fill out a Substitute Schedule F)
- Not enrolled in any other crop insurance policies (but can be enrolled in USDA FSA's NAP)



# Approved Revenue

## **Approved**

- Agricultural products produced on farm
- Resale of agricultural products (less than 50% of total revenue)
- Revenue from post-production processing (freezing, drying, packing, etc.)
- Revenue from value-added production (jams, salsas, jellies, pies, etc.)

## **Non-Approved**

- Timber
- Forest
- Forest products
- Animals for sport, show, or pets
- Revenue from non-farm products (recipe books, tote bags, water bottles, etc.)

# Self-Assessment Tool

<https://survey.alchemer.com/s3/7100878/USDA-Micro-Farm-Eligibility-Self-Assessment-Tool>

# Other Risk Management Options



# Other Risk Management Options

- Crop Insurance
- Whole Farm Revenue Protection
- USDA Farm Service Agency Disaster Assistance Programs

# USDA Farm Service Agency Programs

## Non-insured Crop Disaster Assistance Program (NAP)

- Similar to crop-insurance; register before season and receive payment if there's a disaster

## Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program

- Payments for loss of livestock, honeybees, and farm-raised fish

## Tree Assistance Program

- Payments covering tree mortality

## Emergency Conservation Program

- Payments to repair damage to farmland after a natural disaster

## Livestock Indemnity Program

- Payments for livestock death in excess of normal mortality

## Livestock Forage Disaster Assistance Program

- Payments covering drought and grazing loss



# How do these compare?

	Crop Insurance	Whole Farm Revenue Protection	Micro Farm	USDA FSA Disaster Assistance Programs
By the crop or livestock	✓			✓
Everything under one policy		✓	✓	
Private insurance company	✓	✓	✓	
USDA FSA Office				✓

Micro Farm Fact Sheet: <https://www.rma.usda.gov/en/Fact-Sheets/National-Fact-Sheets/Micro-Farm-Program>

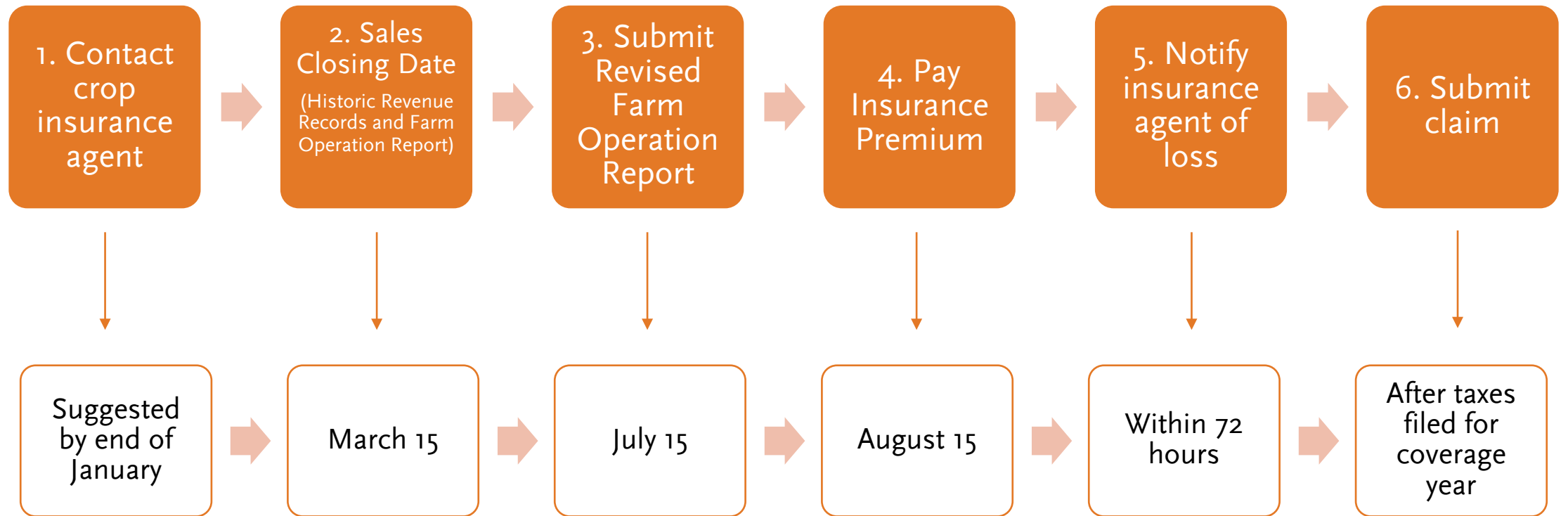
The Carrot Project can help you with deciding and locating providers.



Questions?

# Micro Farm Insurance – Applying for Insurance and What You Need to Know (Part B)

# Overview of Micro Farm Process



# What Do You Need to Apply?

## **General Paperwork**

- AD-1026 from USDA
- EIN or SSN documentation
- Contact info of owners

## **Financial Paperwork**

- At least 3 most recent Schedule F's
- If don't have Schedule F, bring at least 3 most recent other Farm Tax Forms
- Planned production for 2023 (Agent will need to fill out a Farm Operation Report)



# Self-Assessment Tool

<https://survey.alchemer.com/s3/7104728/USDA-Micro-Farm-Application-Self-Assessment-Tool>

# *Prior Slide* How Micro Farm Works – Basic Overview

- **Coverage**
  - For annual approved revenue up to \$350,000
  - Insured amount is based on your historic revenue and your expected revenue for coverage year
    - Need at least 3 years of past revenue
    - Based on Schedule F Tax Forms (or Substitute Schedule F)
  - Pick the level of coverage
    - Lowest is 50% coverage
    - Highest is 85% coverage
- **Premium**
  - Pay money out of pocket to enroll in this program
- **Claims**
  - Claim based on difference in insured amount and revenue made in coverage year

# Coverage





# Jargon - Liability

**Liability:** Value of what is insured



# What is my coverage based on?

**Approved Historic Revenue**  
(based on at least 3 years of  
reported revenue on tax forms)



**Approved Estimated Revenue**  
(for the coverage year, based on  
planned production and revenue)

The lower of these is the number that will be used.



# Example

## Approved Historic Revenue

Year 1: \$90,000

Year 2: \$100,000

Year 3: \$110,000

**Average: \$100,000**



## Approved Estimated Revenue

**Coverage Year: \$120,000**

Insurance will be based on lower of two: \$100,000

# Coverage Level

After calculating the approved revenue, select your coverage level.

Coverage ranges from 50% to 85%.

*Example:* \$100,000 in approved revenue

85%	80%	75%	70%	65%	60%	55%	50%
\$85,000	\$80,000	\$75,000	\$70,000	\$65,000	\$60,000	\$55,000	\$50,000

# Historic Revenue

- Based on Schedule F's or Substitute Schedule F's
- Must take out non-approved sources of revenue
- Calculated as average of five years
  - Required 3 years
  - Substitute lowest years for missing years

# Historic Revenue – Example

## 3 Years of Schedule Fs

2020: \$90,000

2021: \$100,000

2022: \$110,000

Substitute: \$90,000

Substitute: \$90,000

**Average = \$96,000**

## 4 Years of Schedule Fs

2019: \$100,000

2020: \$90,000

2021: \$100,000

2022: \$110,000

Substitute: \$90,000

**Average = \$98,000**

# Expected Revenue

## Farm Operation Report – required part of the insurance application

- Estimated revenue for the coverage year
- Based on your planned production, and estimated revenue
- Can use your own historic sales prices to make the estimate
- Can be a consolidated estimate for Micro Farm – no need to break out individual crops

# Adjustments

- What if I had some bad years?
- What if I steadily increased my profits, so earlier years drag down my average?
- What if I change my production after the sales closing date?
- Indexing
- Revenue Substitution
- Revenue Exclusion
- Revenue Cup
- Opportunity to revise in July and continue to keep records



The image shows four blue cardboard containers, likely for raspberries, arranged in a 2x2 grid. Each container is filled with yellow raspberries, with a few red raspberries scattered throughout. The raspberries are fresh and vibrant in color. A teal banner is overlaid on the top left of the image.

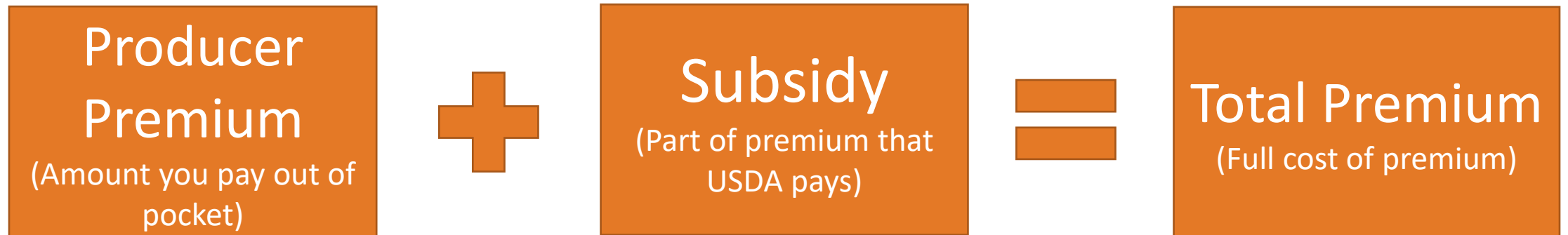
# Premium

# Jargon - Premium

**Premium:**  
The cost of insurance

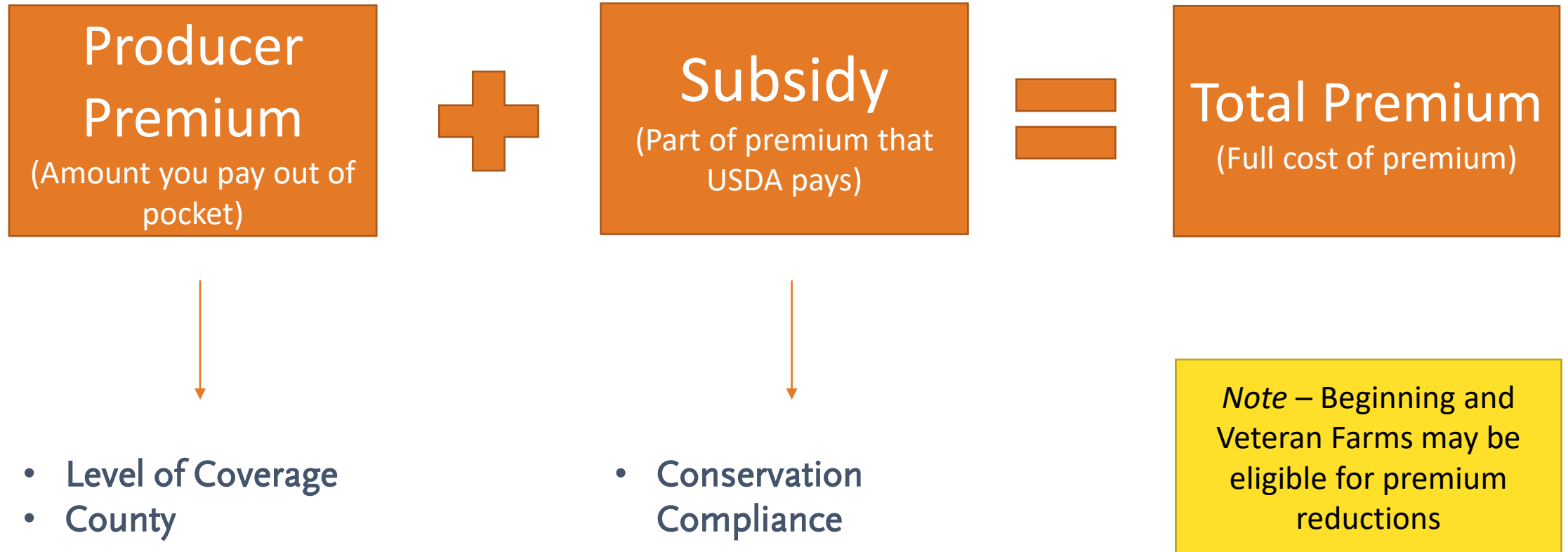


# What makes up the premium?



Pay premium by August 15 of coverage year

# What do they base my premium on?



# AD-1026

## “Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification” a.k.a. AD-1026

- Premium is heavily subsidized by government
- Need to be compliant with conservation measures in your area before you can receive subsidy
- Obtain through county USDA FSA office



# Registering for Farm and Tract Number

1. Find your county FSA office: <https://offices.sc.egov.usda.gov/locator/app>
2. Schedule appointment to come into office (due to COVID, many offices require prior appointments)
3. If you own the land, bring the **deed to the land**.
4. If you lease the land, bring the **lease to the land**.
5. Bring **personal identification documentation** (government issued photo ID)
6. Bring **taxpayer identification number** (SSN or EIN)
7. If the farm is an entity, **bring business documentation** (articles of incorporation, trust & estate documents, partnership agreement, documentation showing you have ability to sign for entity, etc.)



# Claims





# Jargon - Indemnity

**Indemnity:** Value of the payment for insurable loss



# Notifying for Loss

- Notify insurance agent of loss within 72 hours
- Insurance company may send agent out to verify cause of loss and take pictures of claim
- Not a bad idea to take pictures for yourself!



# What is NOT covered by Crop Insurance?

- Labor shortage
- Inability to market
- Lack of sales
- Any damage caused by humans



# Claims Process

- Coverage is for revenue PRODUCED in the coverage year
  - Everything that you are claiming for, you must have a contemporaneous record to back it up
  - All revenue/sales records need to have a record to back it up
    - Can be consolidated records
1. Based on coverage year taxes (must file taxes before receive claim)
  2. Submit Final Farm Operation Report
  3. For example: file a claim in 2024 for 2023 revenue.
  4. Agent reviews claim and approves claim. If claim approved, issue indemnity payment.

**Lag to receive claim payments.**



# Working with Insurance Agent

- Because program sold and administered through private companies (company must be an AIP), each place is going to be a little different – there is no standard application between insurance agencies
- Micro Farm is a NEW program – new for farmers and new for insurance agents too
- Insurance agents who sell federal crop insurance policies are required to offer Micro Farm and WFRP
- Advocate for yourself!
  - Ask questions
  - Find an agent that you work well with
  - Look out of state if needed
- We are in your corner
  - Let us know if you are running into issues





# Re-Enrollment

- Automatic re-enrollment each year, must decide if you will re-enroll or terminate by March 15 of next year (March 15, 2024 for those enrolling in 2023 coverage)
- Indemnity payment counts as revenue (when determining claim), but does not count towards historic revenue
  - This means your historic average for the next year may go down
  - *Remember* – opportunities to adjust and account for bad years

# Let's See Some Examples



# Ex: Trailing Arbutus Farm in Salem, MA

2018	2019	2020	2021	2022	Historic	Expected
\$50,000	\$45,000	\$52,000	\$51,000	\$49,000	\$49,400	\$55,000

Approved revenue would be \$49,400 (lower of historic and expected).

85%	80%	75%	70%	65%	60%	55%	50%
\$41,990	\$39,520	\$37,050	\$34,580	\$32,110	\$29,640	\$27,170	\$24,700

This farm is not eligible for indexing because its revenue is not increasing overall.

# Ex: Trailing Arbutus Farm in Salem, MA

Premium Estimate Using RMA's Cost Estimator Tool

Coverage	85%	80%	75%	70%	65%	60%	55%	50%
<b>Liability</b>	<b>\$41,990</b>	<b>\$39,520</b>	<b>\$37,050</b>	<b>\$34,580</b>	<b>\$32,110</b>	<b>\$29,640</b>	<b>\$27,170</b>	<b>\$24,700</b>
Total	\$4,451	\$3,794	\$3,186	\$2,732	\$2,376	\$2,045	\$1,712	\$1,433
Subsidy	\$2,493	\$2,694	\$2,549	\$2,186	\$1,901	\$1,636	\$1,370	\$1,146
<b>Producer Premium</b>	<b>\$1,958</b>	<b>\$1,100</b>	<b>\$637</b>	<b>\$546</b>	<b>\$475</b>	<b>\$409</b>	<b>\$342</b>	<b>\$287</b>



# Ex: Blue Violet Farm in Providence, RI

2018	2019	2020	2021	2022	Historic	Expected
\$110,000	\$75,000	\$60,000	\$160,000	\$115,000	\$104,000	\$170,000

Without adjustments: approved revenue would be \$104,000 (lower of historic and expected).

	85%	80%	75%	70%	65%	60%	55%	50%
<b>Regular</b>	<b>\$88,400</b>	<b>\$83,200</b>	<b>\$78,000</b>	<b>\$72,800</b>	<b>\$67,600</b>	<b>\$62,400</b>	<b>\$57,200</b>	<b>\$52,000</b>
Cup 90%	n/a, first year getting insurance							
Sub 60%	\$88,808	\$83,584	\$78,360	\$73,136	\$67,912	\$62,688	\$57,464	\$52,240
<b>Exclusion</b>	<b>\$97,750</b>	<b>\$92,000</b>	<b>\$86,250</b>	<b>\$80,500</b>	<b>\$74,750</b>	<b>\$69,000</b>	<b>\$63,250</b>	<b>\$57,500</b>
<b>Premium</b>	<b>\$4,473</b>	<b>\$2,545</b>	<b>\$1,501</b>	<b>\$1,272</b>	<b>\$1,076</b>	<b>\$911</b>	<b>\$759</b>	<b>\$621</b>

Revenue Exclusion gives best approved revenue, Producer Premium is based on Revenue Exclusion.

# Example: Mountain Laurel Farm in New Haven, CT

2018	2019	2020	2021	2022	Historic	Expected
\$200,000	\$215,000	\$180,000	\$220,000	\$240,000	\$211,000	\$250,000

Approved revenue would be \$211,000 (lower of historic and expected).

85%	80%	75%	70%	65%	60%	55%	50%
\$179,350	\$168,800	\$158,250	\$147,700	\$137,150	\$126,600	\$116,050	\$105,500

This farm is increasing its revenue and is eligible for indexing! Average is curved up to \$240,000.

85%	80%	75%	70%	65%	60%	55%	50%
\$204,000	\$192,000	\$180,000	\$168,000	\$156,000	\$144,000	\$132,000	\$120,000



# Example: Mountain Laurel Farm in New Haven, CT

Premium Estimate Using RMA's Cost Estimator Tool

Coverage	85%	80%	75%	70%	65%	60%	55%	50%
<b>Liability</b>	<b>\$204,000</b>	<b>\$192,000</b>	<b>\$180,000</b>	<b>\$168,000</b>	<b>\$156,000</b>	<b>\$144,000</b>	<b>\$132,000</b>	<b>\$120,000</b>
Total	\$21,216	\$18,240	\$15,480	\$13,440	\$11,544	\$9,936	\$8,316	\$6,960
Subsidy	\$11,881	\$12,950	\$12,384	\$10,752	\$9,235	\$7,949	\$6,653	\$5,568
<b>Producer Premium</b>	<b>\$9,335</b>	<b>\$5,290</b>	<b>\$3,096</b>	<b>\$2,688</b>	<b>\$2,309</b>	<b>\$1,987</b>	<b>\$1,663</b>	<b>\$1,392</b>

# Example: Mountain Laurel Farm in New Haven, CT

Expected revenue is \$250,000. Straight historic average is \$211,000. Indexed historic average is \$240,000.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Coverage Selected	\$168,000 (70%)	\$204,000 (85%)	\$204,000 (85%)	All my strawberries are lost, but my blueberries do really well. My gross revenue does not change. I cannot claim anything.	I make \$220,000 so do not qualify for an indemnity payment. All my expenses have increased, and I experience a net loss in income for the year.
Revenue Produced	<b>\$125,000</b>	<b>\$190,000</b>	<b>\$200,000</b>		
Indemnity	\$43,000	\$14,000	\$4,000		
Premium	- \$2,688	- \$9,335	- \$9,335		
Cost/Benefit	\$40,312	+ \$4,665	- \$5,335		
Final Revenue	<b>\$165,312</b>	<b>\$194,665</b>	<b>\$194,665</b>		

# Let's Go Through Your Numbers!

<https://ewebapp.rma.usda.gov/apps/costestimator/>

# Things to Consider – Could Micro Farm Work for My Farm?

- Is my revenue likely to fall below the trigger point?
  - Example - If I select 85% coverage, how likely is my revenue to fall 15% in the next year?
- How stable has my revenue been year to year?
- What has my historic circumstance looked like?
  - Example – the river near me floods every few years
  - Example – my crops are diversified and when one does poorly based on the conditions, another does better
- What does my projected finances look like for the coverage year?
- Can I “self-insure”? Do I want to “self-insure”?

Lastly

- How comfortable with risk am I?

# Next Steps

- Find an contact an insurance agent with RMA's agent locator:  
<https://www.rma.usda.gov/en/Information-Tools/Agent-Locator>
- You can work with The Carrot Project to discuss how this program could work for your farm, and go over your numbers and financial records
- Live Office Hours December 21 and January 4



# SUMMARY

- Go through the numbers!
- Use RMA's Premium Calculator to estimate out your premium
- All crop insurance is sold through crop insurance agents
- Find an insurance agent that you work well with
- Notify loss as soon as possible; always notify loss if you think there's a possibility of impact at end of year
- Keep strong records – you'll need to back up your claim when needed
- Micro Farm insures your gross revenue, not your profits



Questions?



**KEEP IN TOUCH**

# Thank you!

## Reach out any time.

### USDA Questions?

- Amanda Chang
- [achang@thecarrotproject.org](mailto:achang@thecarrotproject.org)
- 617.674.2371x10

### Client Service Questions?

- Jeff Cole
- [jcole@thecarrotproject.org](mailto:jcole@thecarrotproject.org)
- 617.674.2371x9

### General Questions?

- [info@thecarrotproject.org](mailto:info@thecarrotproject.org)
- 617.674.2371
- [thecarrotproject.org](http://thecarrotproject.org)

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