

**2004 INNOVATIONS AWARDS PROGRAM**  
**Application Form**

1. Program Name: Adjusted Gross Revenue – Lite (AGR-Lite) insurance program for farmers
2. Administering Agency: The Pennsylvania Department of Agriculture
3. Contact Person (Name and Title): Kyle Nagurny, Chief  
Risk Management and Commodity Promotion Division
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Harrisburg, PA 17110
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9. Please provide a two-sentence description of the program.  
AGR-Lite is an agricultural insurance program that protects producers of agricultural commodities from reduction or loss of gross revenue due to natural disasters or fluctuations in market prices. The program provides for indemnification when a producer's gross revenue falls below a pre-selected coverage level, which is a percentage of previous five-year revenue history based on IRS income tax records. (See attached fact sheet.)
10. How long has this program been operational (month and year)? Since November of 2002
11. Why was the program created? (What problem[s] or issue[s] was it designed to address?)  
The program was created to fill a protection void for agricultural producers of otherwise uninsurable commodities (crops and animals) under the USDA's federal crop insurance program. AGR-Lite is an important part of the efforts of the Pennsylvania Department of Agriculture (PDA) to help agricultural producers improve farm level risk management practices so that they can survive weather disasters and maximize profitability.
12. Describe the specific activities and operations of the program in chronological order.  
After assessing producer needs in 2002 and previously, AGR-Lite was designed and developed to include an insurance policy, administrative and operating procedures, and premium rates. Upon securing approval of the USDA Federal Crop Insurance Board of Directors, the program was eligible for federal premium subsidy and reinsurance protection. Agreements were developed with the private insurance industry to market and service the policy. Extensive producer educational programs were launched and continue at the present

time. The program is reviewed annually to determine necessary improvements. In 2003, the state departments of agriculture in eleven northeastern states, in addition to Pennsylvania, recognized the benefits of AGR-Lite and as a result, requested and received PDA and USDA approval to offer the product to producers in their states. Applications are also currently pending to make the program available to producers in North Carolina, Arkansas, Idaho, Oregon, and Washington for 2005.

13. Why is the program a new and creative approach or method?

The program is a new and creative approach for the following reasons: 1) It is the first program designed to make unilateral down-side revenue risk protection available for the producers of crops and animals in crop-diversified states, 2) It is the first successful effort by a state department of agriculture to utilize a provision in the 2000 Federal Crop Insurance Act, Section 508h, to secure federal financial backing for a new crop insurance product developed outside of the federal system, 3) The availability of AGR-Lite validated the Pennsylvania Crop Insurance Assistance Program in that it made the policy premium cost share program protection universally available – a fairness issue in public policy, 4) This approach fostered the use of state funds to secure more federal dollars, and 5) AGR-Lite helped producers become more credit worthy as this insurance protection can be used to collateralize producer production loans.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Start-up costs were approximately \$25,000, primarily for staff support required to write and administer the initial program proposal.

15. What are the program's annual operational costs? Approximately \$15,000 to oversee program improvements and expansion to other states.

16. How is the program funded? The program is funded by policy premiums and through discounts on those premiums via assistance from the USDA and the Pennsylvania Department of Agriculture.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number. The Federal Crop Insurance Act, Section 508(h)

18. What equipment, technology and software are used to operate and administer this program? None. Private insurers are responsible for delivering and administering AGR-Lite insurance policies.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.  
Yes - Pennsylvania, under the direction of the Pennsylvania Department of Agriculture and the USDA Risk Management Agency.

Russell C. Redding, Executive Deputy Secretary for Administration  
Pennsylvania Department of Agriculture

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ? Pennsylvania and its department of agriculture own the AGR-Lite program. The program was recently expanded to eleven northeastern states and other states are currently developing their own versions of AGR-Lite under the supervision and authority of the Pennsylvania Department of Agriculture.
21. Has the program been fully implemented? If NO, what actions remain to be taken?  
Yes.
22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.  
AGR-Lite is designed to benefit small-scale farmers who otherwise, may not qualify for crop insurance. AGR-Lite is designed to benefit producers who may not find more traditional crop insurance products of benefit to them. Please see that attached AGR-Lite fact sheet for an explanation of benefits.
23. How has the program grown and/or changed since its inception?  
The program has grown from an enrollment of 0 to 70 producers within a few months, representing \$2.7 million of protection in force. Significant growth in AGR-Lite policy enrollments is expected as producers and sales agents become more familiar with the program's benefits and experience its performance first hand when disasters occur. The program has been expanded to eleven northeastern states in addition to Pennsylvania with improvements and refinements made in 2004. Additional states are currently working on their own versions of AGR-Lite under the supervision and authority of the Pennsylvania Department of Agriculture.
24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?  
The Pennsylvania Department of Agriculture will continue to assist other states in developing an AGR-Lite program to meet the specific needs of their producers. With the assistance of the USDA Risk Management Agency, AGR-Lite programs can be tailored to guarantee success for any interested state.