

Crop Insurance Newsletter

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Crop Insurance Program Improvements

There is a saying in the crop insurance industry - "It's not your fathers crop insurance program any longer." This is ever so true. The Agricultural Risk Protection Act of 2000 (ARPA) made permanent changes which enhances your policy and at the same time reduces your cost.

Some of the most noted positive changes of the ARPA of 2000 are:

*higher premium subsidies

You may want to give us a call to go over what crops, counties, and farm numbers you currently have on your policy. All policy changes must be made before sales closing!

*since 2001 the **Federal Government is paying up to 67% of your premium**

*adjustment for multi year losses

*expanded research for new crops and products

2002 - A Year Most Want to Forget

If any season could be termed a disaster in the past 10 years, the 2002 season rivals all as farmers were faced with drought, disease, and excessive moisture all within the same growing season.

The Southeast has been in drought conditions for nearly three years, leaving some areas with rainfall deficits of more than 45 inches. Virginia posted the largest long-term precipitation deficit in 75 years. North Carolina experienced the driest one year, August - July period in its 108 years of record keeping. Tennessee experienced similar conditions.

Disease such as Tomato Spotted Wilt Virus (TSWV) ravaged crops in Georgia, South Carolina, and North Carolina. TSWV showed up in isolated areas in Virginia. TSWV attacked a number of specialty crops and was especially devastating on tobacco. The spread of TSWV is expected to continue as there is no known cure. The development of resistant varieties to this disease are on the shelf and will likely remain so due to the rejection of genetically modified production by many foreign customers.

For the few crops which managed to receive pockets of rainfall during the growing season, harvest came to a screeching halt when the sudden swing Grain producers who have picked up a new farm or anyone who is adding another county or crop should notify us with the changes so we can keep your policy up to date.

to wet weather occurred. Many of these crops have just rotted or deteriorated in the field.

What a year! What will the future bring? Who knows. Weather scientists say to expect more of the abnormal to be normal.

Be thankful you have a crop insurance policy. If you do not have a policy or don't have all your crops insured give us a call.

\$4.1 Billion Expected Payout in 2002 A Record Payment

When we thought it couldn't get any worse, 2002 crop year rolled around. Crop insurance payments are expected to exceed \$4.1 Billion which surpasses the previous record of \$2.7 Billion payout in 2001.

Payout as of 1/6/03 for 2002:
Virginia - \$23,242,813
North Carolina - \$72,579,572
Tennessee - \$10,914,022

Many claims are still open which means the above figures will continue to rise.

A Time for Changes

Sales closing for all spring crops in VA, TN, & WV is March 15, 2003. NC sales closing is February 28, 2003.

What does this mean for you? It's time to review the information on your crop insurance policies.

With the higher premium subsidies and added features of the program, **now** is the time to **insure all** your crops at a very **affordable cost** per acre - literally pennies in cases.

Features of the crop insurance program:

- 60% option to remove low yields

- A process will be implemented to allow farmers the option of dropping low yields from the APH database by inserting 60% of the county average yield into the database. This process will allow for higher yield coverage to be realized at the farmer level and will provide a soft landing for multi year loss situations that plagued farmers during the 1990's.

- 10% cup protector

- Your average yield cannot be reduced more than 10% in a given year even if your production is 0 for that year

- Yield floor protector

- Depending on the number of years you have been growing a particular crop, your average yield **cannot drop below 80%** of county "T" yield.

- Preventive Plant Payments

- Crops such as corn, soybeans, grain sorghum, wheat, barley, cotton, and peanuts are covered which means you could be eligible for a payment (up to 70% of your guarantee, with buy-up) should you be prevented from planting your crop due to a weather related problem (drought or excess moisture).

- Replant Payments

-Should you have to replant due to an insurable cause you will be reimbursed for replant cost and you will keep your full guarantee. Replant payments are available for most crops.

The above features of the program are designed to keep your guarantee and yields higher.

Burley Tobacco Quota Is the Key

The key to remember is that we insure quota and not acres. In order to have 100% coverage you need to have **enough quota** on your marketing card **to equal farm yield times number of acres planted.**

If you cannot acquire enough quota, you need to divide effective quota by farm yield to determine acreage you need to put out for best coverage.

When you put out more acreage than quota then you are reducing your coverage per acre. At loss time your payment will be determined by the difference between your guarantee, as posted on your schedule of insurance, and your gross sales.

Usually if we experience a problem with a policy it is due to the fact that an insured had more acres out than he had quota. Fall leased quota into a farm will not increase your guarantee. Quota must be posted at FSA by July 1. If you need help in figuring how much quota is needed or how many acres to put out, call us we will be glad to help you in your calculations.

North Carolina Only **Flue Tobacco Fall Lease and Transfer**

If you elect optional units you cannot receive an indemnity for failure to produce the quota on a unit when quota is leased or transferred to another of your units or to another producer.

Optional Unit - If you enter into a contractual agreement through Farm Service Agency (FSA), with a particular entity, including yourself, on more than **one** (1) Farm Serial Number (FSN) then these farms will be optional units. Keep in mind, the magic number is one (1).

You can lease or transfer with no penalty if you have basic units or an enterprise unit. In addition, higher levels of coverage, **80 & 85%**, are offered.

One (1) FSN with a particular entity, including yourself, constitutes a basic unit.

You can elect an enterprise unit which lumps all farms into one unit. The advantage of an enterprise unit are two fold:

- 1) You can lease or transfer with no penalty.
- 2) You receive a discount according to the number of farms which make up an enterprise unit.

Discount range is:

- 1- Farm Serial Number - 10%
- 2-3- FSN - 15%
- 4-6 -FSN - 30%
- 7 or more FSN - 40%

Call us to discuss your individual unit structure. Final unit determination will be made at acreage reporting time.

Social Security Number Required for Spouse

Section 506 (M) of the Federal Crop Insurance Act requires policyholders to report Social Security number (SSN) of spouse (husband or wife).

For the 2003 crop year, SSN of spouse will be **required by the sales closing date**. If the required information is not provided, the **amount of coverage** under the policy will be **reduced to 50%**..

The main purpose of this requirement is to prevent duplicate coverage and to prevent a person with an unpaid premium from writing a policy in his or her spouse's name.

The SS# information will, of course, remain confidential. Indemnity payments will be issued only in the name of the policyholder.

As you can see the consequence for not reporting husband or wife's SS# is severe. **If this information has not been reported, please do so by sales closing.**

Crop Revenue Coverage (CRC) Now Fully Subsidized

CRC is a revenue plan which **guarantees dollars (\$\$\$)** rather than production. CRC guards against a loss in revenue caused by price fluctuation (either lower or higher than base price), low yields, or a combination of the two. This means a CRC policy may pay an indemnity when there is no yield loss. A loss results when the calculated revenue is less than the final guarantee. Losses are based on the higher of the minimum guarantee or the harvest guarantee (whichever is higher) and the calculated revenue. Base and Harvest prices are set by board exchanges. The price you receive at a local market is not used to determine whether you have a loss or how much you will be paid.

The Crop Insurance Reform Act of 2000 provides permanent additional funding which now provides full subsidy. The subsidy rate at 75% coverage level has gone from 18% subsidy in 2000 to 55% subsidy in 2003. This is an increase of 200% in the amount the Federal Government is paying of your premium in 2003 over 2000 subsidies.

A great number of our insured's already have switched from APH coverage to CRC.

CRC policies are projected to increase significantly as subsidies are dramatically increasing. Coverage is now available for cotton, corn, grain sorghum, soybeans and wheat.

Plan now - get CRC coverage.

Your Duties When a Loss Occurs

Policy provisions state you need to **notify us** at least **15 days prior to or during harvest** and **leave representative samples** of the unharvested crop for an adjuster to inspect.

As requirements for each crop are

different, refer to your policy for definition of representative samples or call us and we will be glad to go over with you.

In the case of flue-cured tobacco & cotton, a stalk inspection will have to be made after harvest is complete.

Fresh market tomato & pepper claims require a post harvest inspection before the crop can be destroyed.

Should the current crop be used for a purpose other than originally intended, such as soybeans for hay rather than for grain, leave field sample for appraisal. Notify us so appraisal can be made.

Corn CRC to be chopped **for silage** - an **appraisal must be made if you are anticipating a loss**. Call us and we will go over your **trigger point** for a loss.

Acceptable records at loss time are normally sale receipts for what has been sold. Be sure production is kept separate by unit according to your insurance contract.

If you are using bin or other storage then structures must be marked by the adjuster before co-mingling production with other units.

Field harvest records such as wagon/truck loads **can only be used with prior adjuster approval**.

In cases where the adjuster volume of losses will not allow him to do pre-measurement timely then the company may waive this requirement as was the case in 2000 when wheat losses were numerous. Any pre-measurement waivers will have to be handled on a case by case basis. The assigned adjuster will work closely with you.

Our intentions at loss time are to get the losses worked as timely as possible and at the same time not disrupt your harvest schedule.

Production Reporting In A NO LOSS Situation

In a **no loss** situation field harvest records such as number of combine binds or wagon/truck loads by unit are normally acceptable.

You need to retain your records for up to 3 years.

We can provide you with a handy compact **Crop Production Record Book** to keep in your combine. Let us know and we will be glad to get one to you.

Crop-Hail

Hail - a year's worth of work can disappear in 5 minutes. Moreover, hail is the one catastrophe that is most likely to totally destroy a part of your crop and leave the rest looking fine. The part hail takes out may well be less than the deductible of your Multiple Peril Crop Insurance policy.

Crop-hail insurance can fill that gap. A combination of a MPCPI policy and a crop hail add on is the only way to cover the total value of your crop. We can also provide a wind endorsement which changes your crop hail policy to a storm coverage policy.

Write your crop hail policy early this season as capacities for all companies will be limited.

Remember - **Rates** and especially **wind coverage vary by company**. We offer a very good package and if you are not currently doing business with us you need to check with us. We may be able to put together a comprehensive package which **saves you big bucks (\$\$\$)** while at the same time provide with you more comprehensive coverage.

North Carolina and Virginia - If you had a crop hail policy with us last year then your past policy will carryover for 2002 until 12:01 am May 15 for N.C. insureds and 12:01 am June 1 for Virginia insureds. This continuous

coverage will be for “**Replanting Destroyed Crops.**” The option will be suspended if you do not furnish us with revised Schedule of Insurance for the current growing season prior to above dates listed. Thereafter your insurance will be reinstated only after you have submitted a new application for insurance.

Auto Crop Schedule (ACS) - Crop Hail Continuous Coverage

It’s very easy to get so wrapped up in planting your crop, you forget to write your hail policy. It has been an annual policy, which meant it had to be rewritten each year. No more.

We are pleased to announce an expanded crop hail endorsement for tobacco which will now make your crop hail a continuous policy just like your multi peril.

Your crop, each year, will be covered at the same liability as the previous year. There are provisions which will allow you to adjust coverage per acre, change endorsements, and/or cancel for that particular crop year by certain dates.

Call us for further details.

Have a new landlord or share holder?

Give us a call

at **1-800-248-5480**

so we can get their share covered

before **sales closing,**

March 15th, in VA, TN, WV

February 28, in NC

Each shareholder must have a separate policy.

Added Price Option (APO) Available for Certain Crops

APO is an option offered as a way to insure your crops to full value or totally cover production costs. The intent of APO is to allow the insured the opportunity to supplement the price election selected on the related MPCCI policy as well as eliminate or spread the deductible.

For instance, at the 75% MPCCI level of coverage you have a 25% deductible. Technically a 25% loss of production has to occur before a loss occurs.

Certain requirements have to be met to qualify for APO coverage.

- 1) A producer must have at least 3 years of crop history
- 2) The company must approve all applications. Moreover, there are limits on the number of new policies that will be accepted in each state.

APO is a private crop insurance program of RCIS and is not subsidized by the Federal Government.

APO is currently available for:

- Tobacco
 - Flue & Dark
- corn
- soybeans
- cotton
- wheat

Customer Updates for 2003

Please help us to update your records!

In order to keep your records current we ask that you **review the enclosed declaration page(s)**. If any information is incorrect or needs to be changed you can either call us at 1-800-248-5480 or make the changes on the declaration page, sign and return to us as soon as possible.

Please keep in mind that **any changes** other than phone or address corrections **need to be made before sale closing date.** (VA, TN, WV - 3-15-03; NC 2-28-03)

Much of the information that is sent to you is very time sensitive, so we need to make sure you receive it as soon as possible. By providing us with updated information you help us to get your **policies** and **checks** to you in a more timely manner.

Also, we would like to have your e-mail address if you have one. This is a more efficient way for us to send you reminders of due dates or for you to contact us after office hours. You may call our 1-800 number or e-mail us at jtdavis@jtdavisins.com.

Once we receive your e-mail address we will activate your account so that you can have online access to all your policies.

Our customers website is very easy to use and gives you instant access to all your policy information. You can even turn in acreage reports, production, or a loss. You can also e-mail us, or request quotes on any of your policies.

This is a new and exciting tool to help us better serve your needs. It can save you time as well as postage and is absolutely free!

Visit our website: www.jtdavisins.com, you will be glad you did.

Key Points To Remember For MPCI Policy Holders

- ✱ **Deadlines** - Important dates you need to know. Refer to policy information sent annually or give us a call.
 - ✱ **Sales Closing:** Last date to apply for coverage...
 - Change level of coverage, add crops, add a county
 - If a tenant, landlord, or other entity wants coverage for the 2003 and subsequent years they must apply before March 15 in VA, TN, WV; February 28 in NC.
 - ✱ **Cancellation date:** give notice if I don't want insurance next year
-Your policy is continuous unless you cancel in writing by sales closing date.
 - ✱ **Production reporting date:** actual production must be reported by farm number
 - ✱ **Final planting date:** last date for timely planted coverage - if unable to plant, must contact agent
 - ✱ **Acreage reporting date:** report acreage planted
 - ✱ **Payment due date:** interest charges are due afterward
 - ✱ **Date to file notice of crop damage:** damage must be reported to agent
 - ✱ **End of insurance period:** latest date of coverage
 - ✱ **Debt termination date:** insurance coverage for all crops next year will be canceled if payment is not made
- ✱ **Timely Acreage Report - Report To Us:**
 - ✱ FSN
 - ✱ Acres Planted
 - ✱ Date Planted
 - ✱ Share Arrangement
- ✱ **All Documents Must Be The Same**
 - ✱ Policy
 - ✱ FSA
 - We encourage you to report all crop acreage to FSA
 - ✱ Sales Bills
 - It is a must that crops be sold the same as reported to us
 - If a portion of the crop is to be sold in spouse or child (at home) name, provide us with their social security number.
- ✱ **All Acres Of An Insured Crop Must Be Reported**
 - ✱ **Penalty For Not Reporting** -can reduce your loss payment
- ✱ **Report Notice of Loss 72 Hours After Damage or 15 Days Prior to Harvest.**
 - See page 3 for more details

**Sales closing dates for MPCI policies - VA, TN, WV - March 15, 2003
NC - FEBRUARY 28, 2003**

At **J. T. DAVIS INSURANCE AGENCY, INC.** We bring to you:

**personal on the farm service*

**individual risk management planning*

**toll-free phone service*

**Experienced, Competent, local adjusting staff*

**office personnel with combined insurance experience of 78 years*

**devoted 100% to crop insurance*

**fast claim turn-around*

SALES CLOSING IS:

MARCH 15, 2003 IN VIRGINIA, TENNESSEE, & WEST VIRGINIA

FEBRUARY 28, 2003 IN NORTH CAROLINA

CALL US TODAY - TOLL FREE 1-800-248-5480

IMPLEMENT A PLAN TO **PROTECT YOUR FARM AND FAMILY** FROM THE NEXT DISASTER!

RISK MANAGEMENT IS **YOUR** RESPONSIBILITY.

We Can Help...

We insure your crops against:

◆ Drought/Heat

◆ Flood

◆ Frost/Freeze

◆ Insects

◆ Wildlife

◆ Excessive Moisture

◆ Hail/Wind

◆ Disease

◆ Fire

◆ Price Fluctuation

“Our Business Is Keeping You In Business”