



Spring 2021

TOBACCO POLICY CHANGES

Risk Management Agency (RMA) has made changes designed to help improve the integrity of the tobacco program making it more sustainable going forward.

2021 there will be two price elections for flue cured tobacco. Burley and Dark Tobacco are not affected with this change. Tobacco grown under a valid contract from a processor or manufacturer will receive \$1.80/lb. for conventional and \$3.00/lb. for organic, while tobacco grown without a valid contract will receive \$0.90/lb. Producers with a valid contract who choose to grow more tobacco than they have contracted will receive a weighted average price for all their insured tobacco.

To issue a valid contract a company must be legally authorized to manufacture processed tobacco and/or tobacco products, and must have all required state and federal permits, including a permit as a manufacturer of tobacco products or processed tobacco under 26 U.S.C. Chapter 52. Federal permits are issued by the Alcohol and Tobacco Tax and Trade Bureau. Depending on the state in which they are located, a processor or manufacturer may need to meet additional permitting or licensing requirements.

Valid contracts must be written same as crop insurance policy. If a producer intends to grow without a contract and sell under another producers contract then \$0.90/lb. will apply. However, if you have a valid contract, pounds sold to another producer will not affect pricing and \$1.80/lb. will apply.

Example: Your Home farm has a 2,400 lb. yield. Tobacco contract is for 100,000 lbs. The maximum acres covered at the \$1.80/lb. would be 41.6 acres (100,000 lbs / 2,400 lbs).

Instead you plant 50 acres with the 100,000 pound contract (2,400 lbs x 50 acres = 120,000 lbs). Below is example of the effect on your price election.

Contracted		Uncontracted		Total Contracted & Uncontracted	
Price Election	\$ 1.80	Price Election	\$ 0.90	Liability	\$198,000
	X		X	/	
Pounds	<u>100,000</u>	Pounds	<u>20,000</u>	Pounds	<u>120,000</u>
Liability	\$ 180,000	Liability	\$ 18,000	Weighted Average price	\$ 1.65

The weighted average price of \$1.65 will apply to all 50 acres.

Quality adjustment (QA) will not be available for tobacco that is not grown under a contract. Questions have been submitted to RMA awaiting further clarification.

SOYBEANS, CORN START 2021 ON STRONG NOTE, AT 6-1/2 YEAR HIGH

The 2020-21 marketing year has been off to a flying start for the US soybean farmers as they have been able to sell huge volumes of the oilseed.

Dryness in Argentina and southern Brazil will cause a late crop therefore US picks up more business from China

Over recent years, the US has seen fairly big shifts in soybean planting, with the trade war putting pressure on the soybean market and farmers shifting acres to corn.

Projected soybean prices for the 2021-22 marketing year are looking strong. Weather will be especially important this year as farmers begin planting, especially in the corn-soybean acreage tradeoff.

The projected rise in soybean prices is largely attributed to the larger volume of exports expected in 2020-21, the USDA said, as exports are forecast at 59.87 million metric ton, up 31% from prior year.

The rapid improvement in prices had little to do with COVID-19. The rally was primarily driven by increased export demand and domestic and foreign weather reducing production. From a marketing standpoint, 2020 closed on a high, with renewed optimism for row crop producers in 2021.

Enhanced Coverage Option (ECO)

ECO is a new option providing area-based coverage for a portion of your underlying crop insurance policy deductible. Similar to supplemental coverage option (SCO), both options are based on the same county expected area yield published by Risk Management Agency (RMA).

ECO covers from 86% up to your election of 90% or 95% coverage levels and can be purchased in addition to SCO, as they do not overlap. ECO will not impact participation in the Agriculture Risk Coverage Program (ARC) like SCO does and may be purchased on the same acres enrolled in ARC.

A payment is triggered for ECO when the county average revenue falls below the selected coverage level regardless of loss or non-loss of underlying coverages such as SCO or MPC.

You cannot have Hurricane Indemnity Protection (HIP) with this option.

The final area yield is expected to be released June 16th of the following crop year.

ECO must be elected by sales closing date (SCD).

“To those that work in acres, not in hours we thank you.”

DAIRY REVENUE PROTECTION (DRP)

DRP is an area-based revenue program that is designed to protect dairy farmers against quarterly revenue losses. The expected revenue is based on future prices for milk and dairy commodities and the amount of covered milk production elected. The covered milk is indexed in the state your farm is physically located in.

The Dairy program insures the difference between the final revenue guarantee and actual milk revenue, times your actual share and protection factor.

DRP allows producer to customize coverage to accurately reflect the dairy farms price risk.

- Covered Milk Production
 - Select quantity of pounds to lock in - not exceeding 85% of your total quarterly milk marketing sales
- Flexible price protection:
 - Class price option
 - Elect class iii or class IV or combination of both
 - Component price option
 - Uses component milk prices for butterfat, protein and other solids to determine coverage
- Coverage levels
 - 80%-95%
- Protection factor to maximize milk price coverage
 - 1.0-1.5 in 5 percent increments
- Elect up to five quarters out
- Sales period begins each day when prices are released by 4:30 pm until 9 am the following business day
 - 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.
- Government subsidized
 - Premium billing end of quarter rather than an upfront cost

SPRING CROP DATE

	SALES CLOSING:	ACREAGE REPORTING :
NC, SC	FEBRUARY 28 TH	JULY 15 TH
VA, WV, OH, TN	MARCH 15 TH	JULY 15 TH

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CONTRACT PRICE ADDENDUM (CPA)

CPA allows a certified organic or transitioning producer the option to use their contract price instead of the RMA price election or projected price. This provides a crop insurance guarantee that is more reflective of the actual value. Most crops have a maximum value of 2 times the announced conventional price election or 1.5 times the announced organic price election.

Election must be made by sales closing date for that crop.

A copy of the contract must be submitted by acreage reporting deadline.

MULTI-COUNTY ENTERPRISE UNIT (MCEU)

The MCEU Endorsement allows insureds to combine acres of an insured crop in two contiguous counties into one Enterprise Unit (EU). To qualify counties must be contiguous and in the same state and one county (the primary county) must individually qualify for the EU election. Election is made at acreage reporting deadline.

ACREAGE REPORTING

Reporting acres is the most crucial part of your policy. **You must verify at Farm Service Agency (FSA) all acres are correct, failure to do so may prevent a payable loss. Any farm/fields left off or under reported may not be added after the applicable acreage reporting deadline.**

Signature on acreage reporting forms will be required for all crops per clarification from RMA. In the past, Rural Community Insurance Services (RCIS) would mail a "10-day letter" allowing insureds time to review acres and call us with any discrepancies. Those letters no longer replace a signed acreage report. We will be mailing/e-mailing acreage reporting forms out for the foreseeable future that must be signed and returned, regardless of prevented plant, zero, or uninsured acres.

ONLINE BILL PAY



WWW.RCIS.COM

To pay online you need to have a statement ID and statement date

QUALITY LOSS OPTION (QL)

Beginning with the 2021 crop year, producers will be able to elect a quality loss option that allows replacement of post-quality adjustment production amount in their actual production history (APH) with a pre-quality adjustment amount for any year in their database for eligible crops.

This replacement only applies when a notice of loss was timely filed and when the crop had quality-adjusted production, regardless of whether an indemnity payment occurred.

The overall impact of the QL option is to prevent a producer's guarantee from declining due to low quality in an abnormal production year.

How this Option Works

Example:

Crop Year	Post – QA PTC	Pre – QA PTC
2015	80 bu/ac	80 bu/ac
2016	120 bu/ac	120 bu/ac
2017	30 bu/ac	100 bu/ac
2018	110 bu/ac	110 bu/ac
2019	60 bu/ac	90 bu/ac
Average	80 bu/ac	100 bu/ac

With QL you substitute your Post–QA production with pre-QA production amount for 2017 and 2019 crop years increasing your APH to 100 bu/ac.

DESTROYING/PUTTING TO ANOTHER USE WITHOUT CONSENT

DO NOT: *Hay/graze *Bush hog *Spray/burn down or destroy any crop in any manner without notifying our office.

An adjuster HAS to appraise and release crop prior to destroying. Without an appraisal a ZERO will be applied to your APH for current year. Yield protectors, which prevent your APH from dropping drastically, will not apply.

Do you need to REPLANT a crop?

Replant – included in your policy at no cost

Weather events such as flooding/drought can damage or destroy previously planted crops in all or in portions of fields. If you deem it is necessary to replant NOTIFY us prior to replanting.

- Must replant at least 20 acres or 20% of the unit, whichever is lesser
- If you intend to replant under 100 acres, adjuster not required to make a farm visit.
- Available on most grain crops
- Will not qualify for replant payment if crop is planted prior to earliest planting date

Replant Option with Early Bird Feature – additional cost

- Removes 20 acre or 20% rule allowing any replanted acres to be covered and paid
- Can elect up to \$50-\$75 additional coverage
- Adds up to 20 days to early planting period

DIRECT DEPOSIT

If you are interested in having your claim checks deposited directly into your account.
Please contact our office to start the necessary paperwork.

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