

# CROP INSURANCE NEWS



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## Wet Spring Causes Havoc with Crops

What a difference a year can make, particularly when you are talking about the weather.

In 2012, the southeast experienced a lack of rainfall across a broad area. Severe drought in the Midwest brought record losses to the Crop Insurance industry with a total payout exceeding \$17 Billion, the highest year on record. In the Southeast, we experienced drought losses as well.

Fast forward to 2013 and what a change. Excessive rainfall in May, June, and July for most Southeast states caused major crop problems.

Delayed plantings and in a lot of cases preventive planting (PP) where crops did not get planted. A lot of PP claims were filed and are in the process of being worked.



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Harvest problems with wheat were experienced over a broad area. The wheat crop at one time looked like it would produce "bin buster" yields. Excessive and frequent rains brought along a lot of quality problems, such as vomitoxin, sprouting, reduced test weights, and problems with late harvest due to an infiltration of weeds. In essence, the wheat crop for a lot of producers went from a boon to a bust.

Our adjusting staff pulled a number of samples and submitted for QA testing. Test results in a number of cases reduced production to a level that losses were generated and in some, the crop was destroyed with the producers receiving a 100% indemnity payment.

Wet conditions have caused problems with other crops we insure such as tobacco, fresh market tomatoes, and in cases corn due to drowning.

What will the weather bring for fall planted crops, no one knows. Be prepared by insuring your crops.

## Small Grain Sales Closing

Sales closing for wheat, barley, canola, and oats is just around the corner.

Currently price election for wheat is tracking at \$6.74/bu CBOT. Tracking runs from August 15-September 14. Price election for 2012 was set at \$8.57. Should the price continue to track at \$6.74, this would be a 20% reduction compared to 2012 price election.

One thing this will mean is that your coverage at your current level would be 20% less than in 2013. In order to keep protection at the same level as 2013, you would need to consider raising levels of coverage.

We will soon be creating quotes for carryover insureds. In order to provide you with an accurate quote, we must get your 2013 production data. This is only if you have not filed a claim on all units.

Adding a crop or making any changes must be completed by **September 30**.

### Acronyms used in this Newsletter

**APH**– Actual Production History

**CBOT**– Chicago Board of Trade

**NBG**– New Breaking Ground

**PP**– Prevented Plant

**PRF**– Pasture, Rangeland, Forage

**QA**– Quality Adjustment

**RMA**– Risk Management Agency

**SBI**– Substantial Beneficial Interest

**TA**– Trend Adjusted

## Short Notes

### **Uninsured Acres**

-Production must be reported on these acres as well as production records should be maintained separately from insured acres

### **Post Harvest Inspection**

-Stubble and or stalk inspection required when a loss exists on any type Tobacco

-Stalk inspection required when a loss exists on Cotton

-Required on all Fresh Market Tomatoes after completion of harvest

### **Crop Rotation for Flue and Burley Tobacco**

-Our agency is diligently working with RMA to provide some relief. We are making progress and have joined forces with the Burley Tobacco Cooperative in Lexington, Kentucky on this effort. The current language being considered is:

“Tobacco will not be insurable on any acreage planted to tobacco in the two (2) previous crops years if a disease indemnity was paid on the FSN which includes such tobacco acreage either of the two (2) previous years.”

### **Website/Facebook page**

-Visit us at [www.JTDavisIns.com](http://www.JTDavisIns.com) or our Facebook page for important updates, bulletins, archives of newsletter, and links.

### **SBI**

-Particular emphasis must be put on having the SBI's listed correctly on your policy. An SBI is any entity that has as much as a 10% interest in the policy

-New rule for 2014 states that if SBI info is not correct, policy will be VOIDED, very serious. - Particular emphasis should be put on Corporations, LLC's, Partnerships, etc. These type entities change from time to time. You should notify us immediately when a new entity is established or an old entity is changed. This applies to a marital status change as well.

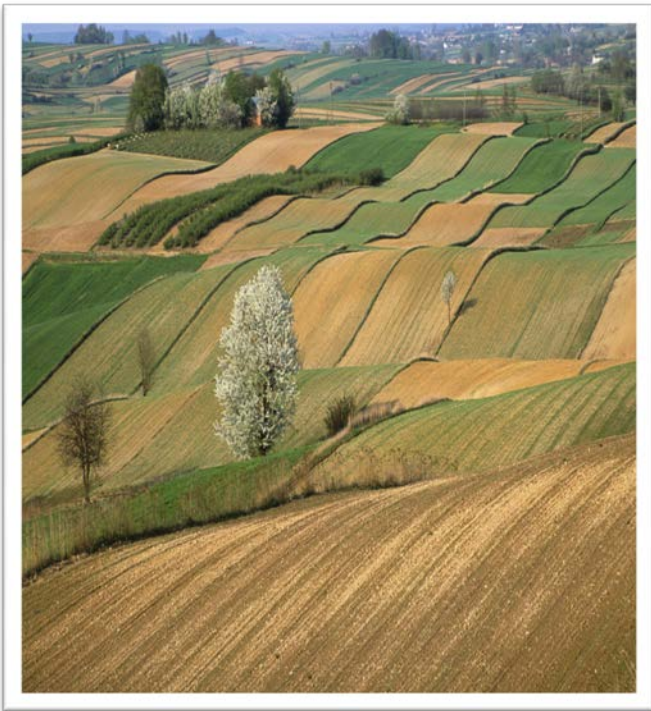
## Trend Yield Adjustment

TA will be available in select counties for the 2014 wheat crop year.

Trend adjusted APH adjusts eligible yields in qualifying APH databases to reflect historical increase in yields. Adjustment can go back 12 years. The further you go back in your APH database, the more your actual yield is adjusted upward.

If you are in a county that this pilot program is available, we will run a quote using TA to see if it is beneficial for you and if so to what extent. Using TA may be a way for you to increase your coverage without having to change levels of coverage.

Option must be selected by sales closing, September 30.



## New Breaking Ground

If you are putting land into crop production that has not been planted and harvested in at least 1 of the 3 previous years, this land is deemed by RMA as “New Breaking.” NBG has been covered more extensively in a prior newsletter. You can view all our archived newsletters on our website [www.JTDavisIns.com](http://www.JTDavisIns.com).

You can insure through a written agreement, which requires certain documentation to be filed no later than acreage reporting. **If you do not insure through a written agreement, these acres will not be insurable for the applicable crop year.** Acreage report deadline is **12/15** for TN, WV, and OH; **1/15** for VA, NC, SC.

Planning one year ahead by planting a crop that requires low input costs or having someone else plant a crop on land that is classified as NBG will make that land available for coverage the following year using the higher of your simple average of all your farms or the variable T-yield, whichever is higher. It is too late to apply this thought process for the 2013 crop year as anything planted this fall is classified as a 2014 crop year.

“Our Business is Keeping You In Business”

## PRF

The PRF program allows you to insure against inadequate rainfall compared to historical data which goes back to 1948.

A producer choosing the 90% level of coverage will trigger a loss if rainfall, in a particular interval chosen, is 10% below normal.

A summary of the policies we wrote in 2012 shows that, on average, \$1.70 return was realized for each \$1.00 invested.

2013 results were more mixed as this year's rainfall has been above average and significantly above average in most areas. However, losses were generated in the earlier part of the year. Moreover, we have four more months left in the crop year.

A fact sheet further explaining this program is in another section of the newsletter.



Carryover insureds will receive an acreage report form with maps to mark as to what acreage you want to insure for the 2014 crop year. Acreage reports are due by November 15.

Sales closing for new insured to enroll is November 15, 2013. Should carryover insureds want to make a change, they must do so by the same date.

## Farm Bill Update

Well, Congress left for the entire month of August for a recess without passing a Farm Bill.

Will a Farm Bill be passed before the next fiscal year which starts October 1? Who knows as there is so much wrangling on the House side.

The good thing is Crop Insurance will continue regardless, as it is a separate Title under the Farm Bill.

# J.T Davis Insurance Agency, Inc.

## Pasture, Rangeland, Forage Rainfall Index Plan



Rural  
Community  
Insurance  
Services

### ***WHY SHOULD I INSURE MY PASTURE & HAYLAND?***

- Good Risk Management
  - Keep plans on track (maintain herd size)
  - Government pays up to 59% of your premium
  - Tax Deductible
  - Affordable cost
    - Tailor your coverage to “fit your pocketbook”
- Satisfies linkage at FSA
  - Disaster program for hayland
  - Livestock Forage program for pasture
  - Eliminates requirement for NAP
    - \$500/pasture and hayland
- The program has paid out \$494,968,965 since introduced in 2007
  - “The Program Works”

### ***PRF POLICY DETAILS***

- Provides protection when rainfall is below normal as determined by coverage level you choose. You can trigger a loss if rainfall falls below 10% of normal.
- You must allocate a percentage of your total insured acres-your total risk-for a given type, grid and share into at least 2-month time periods called Index Intervals. You may choose from eleven Index Intervals.
  - How to select an interval
  - What months are most critical for rainfall to produce forage?
- You must elect to insure grazing land or hay land. Different county base values apply to each type.
- You select a Protection Factor with a value between 60 and 150 percent of the County Base Value. This further customizes your coverage.
- You choose a coverage level of 70, 75, 80, 85, or 90.
- You can choose to insure only the acres important to your grazing program or hay operation.
- Sales closing - November 15<sup>th</sup> 2013
- Acreage reporting - November 15<sup>th</sup> 2013
- Premium billing - September 1<sup>st</sup> 2014

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