

CROP INSURANCE NEWSLETTER

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COURTESY OF J. T. DAVIS INSURANCE AGENCY, INC.

2009 Policy Changes

Double Crop verification (soybeans behind wheat)

Risk Management Association (RMA) will be requiring the adjuster, at loss time, to verify hard copy records for two of the four most recent years. Record verification is needed for both crops.

If you experienced a loss in any of these years, the adjuster can use loss records from our system as verification.

Revenue Products price movement limits changed.

CRC and RA movement will be 200% above base price with no limit on the down side.

Enterprise Units (EU) subsidy increased.

Subsidy has increased from an average of 60% to 80%.

Enterprise Unit lumps all farms into one unit in a county. If all farms are in close proximity to each other and soil types don't vary, then this plan could save you a considerable amount of money over optional unit structure, insuring farms separately.

This discount applies to most coarse and small grain crops as well as Flue Cured Tobacco in North Carolina.

Any changes must be done prior to sales closing.

Some County T-yields and Final Plant Dates have changed.

A copy of your declaration sheet is enclosed which shows plant date as well as other pertinent information. Call us if you have any questions.

Social Security Number or EIN will have to be verified to adjuster before a loss can be worked.

This means under a spousal policy that you will need to have you spouse's Social Security Number available.

Crops still in the field at End of Insurance period.

You will need to notify us of any crop not harvested by End of Insurance period (see declaration sheet) if you are anticipating a loss. We will have to file for an extension and request a crop inspection for insurance coverage to remain in place. A cause of loss must have occurred within insurance period.

2009 Price Elections

	2009 PRICE
CROP	ELECTION
BARLEY	\$5.00
BURLEY TOBACCO	\$1.85
CORN SILAGE	\$37.25
CORN - APH	\$4.00
CORN - CRC (NC & SC)	\$4.27
CORN - CRC & RA (TN,VA,WV)	\$4.31*
CORN - RA (NC)	\$4.31*
COTTON	\$0.63
COTTON-CRC	\$0.56*
DARK TOBACCO	\$2.20
FLUE TOBACCO	\$1.85
FRESH MARKET	\$5.20 - TN
TOMATOES	\$4.50 - VA
GRAIN SORGHUM	\$3.85
OATS	\$3.50
PEANUTS	\$0.205
SOYBEANS-APH	\$9.90
SOYBEANS-CRC (NC&SC)	\$9.63
SOYBEANS-CRC & RA(TN,VA,WV)	\$9.60*
SOYBEANS - RA (NC)	\$9.60*
WHEAT - CRC	\$8.58
WHEAT	\$7.35

* *These prices are currently tracking and are not final.*

A Reminder

Any crop that is to be harvested other than originally intended, requires an appraisal before being put to another use. Notify us at least two weeks prior to harvest.

Examples:

Wheat, soybeans, oats insured as grain but cut for hay
Corn insured as grain but chopped for silage

If procedure is not followed, there will be no coverage on those acres however, premium remains.

REVENUE PRODUCTS PAY OFF BIG IN 2008

Revenue protection for eligible crops paid off big in 2008 due to the huge price swing downward in the market.

Corn Spring Price was set at \$5.40 with Fall Harvest Price coming in at \$3.74 , a \$1.66 or 30% drop.

Soybean Spring Price was set at \$13.36 with Fall Harvest Price coming in at \$9.22, a \$4.14 or 30% drop.

Because of the price decline, a farmer could produce his average yield and still trigger a loss.

Corn losses, nationwide, for revenue products paid to date is \$1,125,237,675 compared to \$138,817,602 paid for APH

production losses.

Soybean losses, nationwide, for revenue products paid to date is \$1,247,302,292 compared to \$89,769,021 paid for APH production losses.

Example: Suppose a soybean producer had an average yield of 30 bushels per acre and selected 70% coverage level. His trigger for a production loss would be 21 bushels. Due to the price drop his new trigger for a loss would be 30.4 bushels. A production yield below 30.4 would trigger a loss.

$30 \text{ bushels} \times 70\% \text{ level of coverage} = 21 \text{ bushel trigger} \times \$13.36 = \$280.56 \text{ dollar guarantee} \div \$9.22 \text{ Harvest Price} = 30.4 \text{ new bushel trigger.}$

If you do not have revenue coverage, call us for more details.

Crop Insurance Required Under New Farm Bill Provision for Disaster Assistance

On June 18, 2008, Congress enacted the 2008 Farm Bill.

Provisions of this legislation requires farmers to obtain crop insurance for all insurable crops of economics significance in order to be eligible for the new permanent disaster program

called Supplemental Revenue Assistance Program (SURE).

Disaster Assistance Program Guarantees formula is sum of:

- ▮ 115 % of insured value of each insurable commodity
- ▮ insured value = 100% of price election x acres insured x coverage level x yield, where yield is higher of adjusted actual production history yield or counter-cyclical payments (CCP) program yield.

This means the higher the level of coverage on your Crop Insurance Policy, the higher your Disaster Assistance Program Guarantee.

Catastrophic (CAT) coverage will have reduced SURE coverage. CAT insured farmers will have their coverage based on 50% coverage at 55% of the price whereas farmers buying buy-up coverage will have their guarantee based on 50-75% coverage and 100% of the price.

You need to contact your local Farm Service Agency (FSA) office **before sales closing** to learn more details about their SURE Disaster Program.

Not insuring one crop could prevent you from being eligible for Disaster Assistance.

Catastrophic Risk Protection (CAT) Fee Increased To \$300 Per Crop

Provisions in the new Farm Bill requires farmers to pay a fee of \$300 per crop starting in 2009 as opposed to a fee of \$100 per crop in 2008.

If you have a CAT policy and want a cost comparison to a buy-up policy, give us a call.

Burley Tobacco Crop Insurance Expanded

Burley tobacco coverage has been added to most all the counties that required a written agreement to insure in 2008.

This means that anyone producing Burley Tobacco in 2009 is eligible for coverage.

If you do not have a policy in place, you must do so by March 15.

Call us now for a quote.

Insure Your Livestock Against Price Decline

Livestock Risk Protection is now available for cattle, lamb and swine producers in all the states that we serve.

There have been 5,903 policies written for the 2008 reinsurance year.

Payout to date for 2008 has been approximately \$9.4 million to livestock producers.

Comments by Jonah Bowles Ag Risk Management Coordinator

for Virginia Farm Bureau: “Cattle producers who are concerned about an adverse market move should consider Livestock Risk Protection crop insurance - a relatively new risk management tool in our area that can be tailored to individual livestock operations.”

Examples of information misreported that could apply the penalty are:

- number of acres reported by unit are incorrect
- production history (APH) incorrect

One way to improve upon accuracy of information reported is the use of the 578 Producer Print (578 PP) from FSA.

As our information and FSA information should match we ask you to do the following:

- 1) **submit acreage report to FSA first**
- 2) **retain copy of 578 PP** and review to make sure all information is correct
 - acres planted
 - plant dates
 - share arrangement
 - tax ID numbers
- 3) **Make crop report to us from 578 PP**

We will then enter your acreage from the information you submitted.

If we take acreage report by phone or from 578 Producer Print, you will be mailed an Acreage Report Letter along with your summary of coverage which states you have to make any changes or corrections by Acreage Report Date. Any changes after Acreage Report Date are subject to approval by company.

Importance of Reporting Information Accurately

As a reminder, provisions were put into the 2005 common policy which provide penalties if information is reported incorrectly. These penalties are in effect for 2005 and subsequent crop years.

This penalty is referred to as the Misreported Information Factor (MIF). In the next paragraph, I have included the exact language from the Crop Insurance Handbook (CIH) which states the penalty and how it works.

Misreported Information Factor (MIF). If an insured under or over-reports (misreports information used to determine the liability) by more than 10 percent (the reported liability is less than 90 percent or greater than 110 percent of the correct liability):

Any indemnity, prevented planting payment and/or replant **payment will be reduced** in proportion to the amount of liability misreported in excess of the tolerance.

Policy Entity Information

The very first steps toward making sure you are properly insured is to make sure the policy name and tax I.D. number are correct and up to

date. This means how your crops are insured, how they are sold, and how they are recorded at FSA should be one and the same. In certain cases receipts may not match crop insurance schedule of insurance. In those cases, a "paper trail" should show the distribution back to the schedule of insurance. Agricultural Risk Protection Act (ARPA) requires the "Federal Crop Insurance Corporation (FCIC) and the Farm Service Agency (FSA) must reconcile all relevant information received by the corporation or FSA for a producer who receives crop insurance coverage." **Make sure policy name and tax I.D. are the same as recorded at FSA.**

Occasionally, **insured entity types do change - marital status changes, an individual creates a partnership, corporation, officers are added to a corporation, etc. Any change which involves a social security number (SSN) or tax I.D. number (EIN) must be reported to us by sales closing date or prior to the**

We Bring To You:

- * individual risk management planning
- * toll-free phone service
1-800-248-5480
- * experienced, competent adjusting staff
- * office personnel with combined insurance experience of 93 years
- * devoted 100% to crop insurance
- * fast claim turn-around
- * e-business capabilities @ www.jtdavisins.com

crop being planted if the change occurs after sales closing date. Failure to do so will void the policy if reported after sales closing and after the crop is planted.

Correcting a SSN or EIN must be done before acreage reporting date.

Bottom line, notify us of any change or intent to change immediately.

Failure to make timely changes or corrections could result in program benefits being reduced or denied.

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 MPCIC 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

A Time for Changes

Sales closing for all spring crops in VA, TN, and WV is March 15, 2009. NC & SC sales closing is February 28, 2009.

Sale closing for fall crops is September 30.

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

Your crop insurance policy is a

endorsement which changes your crop hail policy to a storm coverage policy. The coverage becomes effective on the second day following the signing of the application by you and the agent.

Once liability capacity is reached by a company for a given county then no more applications can be accepted.

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

Better yet, sign up for crop hail continuous coverage -

Auto Crop Schedule (ACS).

Your acreage will be determined from your Multi Peril policy acreage report. 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.

"OUR BUSINESS IS KEEPING YOU IN BUSINESS"

continuous policy. If you do not make a change, including cancellation, your policy for the upcoming year and subsequent years will be in place with the

current plan and level of coverage that you elected the previous year.

You may want to give us a call to go over what crops and counties you currently have on your policy.

Producers who have picked up a new farm or anyone who is

Federal Crop Insurance Corporation requires us to regularly have on file.

Insured Name _____

Address _____

Phone-Home _____

Cell _____

Other _____

Entity/Martial Status _____

Tax ID/SSN _____

Spouse's Name _____

Tax ID/SSN _____

Sign Here _____

Date _____

Please complete, sign, date and return to us at PO Box 40, Brookneal, VA 24528 before sales closing or call us at 1-800-248-5480.

adding another county or crop should notify us as soon as the information is available to you so we can keep your policy up to date.

With high premium subsidies, now is the time to insure all your crops at a very affordable cost per acre.

Any changes to your policy must be completed by sales closing.

The higher the level of coverage:

- The better the protection
- The more the Federal Government pays of your total premium.

verify information that we

New Tobacco Policy

As most of you are aware, the Federal Crop Insurance Corporation (FCIC) is rewriting and combining all tobacco types into one policy.

A new policy has to be issued as a lot of the language is now outdated due to the changes brought about by the Tobacco Quota Buyout of 2004.

I had the opportunity to work with a number of grower organizations and individuals in a number of tobacco states on this issue. I also had an opportunity to present the proposed changes at a growers meeting in North Carolina where Congressman Bob Ethridge, Chairman of House Agricultural Subcommittee on General Farm Commodities and Risk Management, was present.

I am being told by Larry Atkinson, Risk Management Agency (RMA), Raleigh Division Director, that new policy will go into effect for the 2010 crop year.

One of the main issues was unit structure. Work was done on both the House and Senate side with the Agriculture Committee to address this issue in the Farm Bill. We were successful in getting language adopted which will provide you with the same unit structure options that you currently have. This was a major accomplishment.

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