Crop Insurance Newsletter

Spring 2012

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New Breaking Ground

What is New Breaking Ground? Risk Management Agency's (RMA's) definition: Acreage not planted and harvested in 1 of the 3 previous years.

(example: FSN 214 was in pasture since 2008 and will be in corn in 2012)

This land is not insurable unless:

1) Acres are emerging from CRP within the two most recent crop years
2) Acreage was not planted in at least two of the three previous crop years to comply with any other USDA program
3) Such acreage constitutes 5% or less of the insured planted acreage in the unit
4) Due to Rotation Requirements
5) Through a Written Agreement (WA) submitted to RMA by **Sales Closing Date**
    a. Requires Specific Documentation
        i. FSA Maps
        ii. Soil Maps
        iii. Documentation stating land has been broken in the past
    b. Production must be kept and reported separate only for the first year

Should you have any ground that fits the definition of "new breaking ground," you must notify us as soon as possible so we can determine the category that the land falls into and what action needs to be taken if any.

Remember, if we have to file a request for a WA, all paperwork must be in to RMA by sales closing. We need two weeks before sales closing to compile all the necessary documentation.

SALES CLOSING DATES FAST APPROACHING

Should you be looking at making any changes to:

- add or remove county or crop
- level of coverage
- plans of insurance
- unit structure
- farming entity such as: marital status, partnerships, Doing Business As….,
- mailing address or phone number

Please notify us prior to sales closing:

KY, OH, TN, VA, and WV – March 15th
NC and SC – February 28th

IN THIS ISSUE……..

PROBLEMS ENCOUNTERED IN CROP YEAR 2011 AND HOW TO AVOID

Our goal at loss time is to get you paid correctly and promptly with an emphasis on making sure you get paid the maximum amount as allowed by the policy.

Listed below are problems (P) experienced this past crop year with corrective action (CA).

P- Crops put to another use or destroyed; or production disposed of without consent by an adjuster.
CA – Adjuster must appraise a crop if it is being destroyed or put to a use other than what it was initially intended for (e.g. wheat/soybeans insured as grain, but cut for hay; corn insured as grain, but chopped for silage).

If a crop is rejected at market and declared of no value by adjuster, the adjuster must inspect the crop and verify it is disposed of in an approved manner.

P – Acreage and production not reported timely
CA – Know your acreage and production reporting dates. Open any correspondence from us immediately that is stamped: DATED MATERIAL OPEN IMMEDIATELY. Address the request and return by the date requested.

Now, all of our documents have to be scanned and forwarded to the company. Documents forwarded to you are date stamped. This means that getting them processed in a timely matter is more critical.

Acreage Report – Report all crops to FSA. Obtain a 578 Producer Print (PP) and forward to us. USDA is currently streamlining acreage report dates (ARD's). Most all spring crops will carry the same ARD's for FSA and Crop Insurance with the goal to have fall crops coincide for both agencies by 2013.

Production Report- All production reports are due 45 days after sales closing. We encourage all producers to turn in production **AS SOON AS HARVEST IS COMPLETE** or sales are complete.

P- Misreported acres or crops on acreage report. These types of errors can carry a huge penalty at loss time and in cases could knock a producer completely out of a loss.
CA - Carefully go over your acreage report after you receive your 578PP from FSA. Make sure FSN's match and ensure that the correct crop and acres are allocated to the correct fields.

Review Schedule of Insurance when you receive. Notify us within 10 days of any known errors.

P- Documents sent for signature not returned or not returned timely.
CA- Open, complete, and return ALL correspondence marked: DATED MATERIAL OPEN IMMEDIATLEY.

P- Not notifying agent of changes during the crop year. These changes could range from an entity change, marital status, address, phone number, etc.
CA- Notify us of any change as you become aware of it. Penalties could range from reduced coverage to no coverage.

P- FSA reconstitution not reported to us timely.
CA - Notify us of any reconstitutions as soon as possible, but no later than 45 days after sales closing.

P- Enterprise Unit (EU) qualifications not being met.
CA- To qualify for EU, a farmer must plant at least two separate farms serial numbers within a county to the insured crop, and the acreage on at least two farms or an aggregate of multiple farms must represent 20% of the total planted acreage of the crop in the county or 20 acres, whichever is lesser.

P – Proper notification not given before a crop eligible for a replant payment was replanted.
CA – Notify our agency before any crop is replanted. An adjuster will be in touch with you promptly to give you the "go ahead" to replant.

P – Post Harvest Inspection not completed. Claim will be denied if inspection is not made.
CA – Call adjuster or our agency for:

- tobacco stalk or stubble inspection
- cotton stalk or stubble inspection
- fresh market tomato post-harvest inspection

Price Election Announced to Date:

Burley Tobacco	$1.63	Dark Tobacco	$2.06
Flue Tobacco	$1.60	Peanuts	$0.28
Fresh Market Tomatoes (TN)	$5.10	Fresh Market Tomatoes (VA)	$6.40
Wheat (KY, TN, NC, SC)	$8.09	Wheat (OH, VA, WV)	$8.20
Barley (KY, NC, SC, TN, VA)	$6.88	Barley (WV)	$6.33

QUALITY ADJUSTMENT (QA) FOR TOBACCO

Risk Management Agency (RMA) has issued new guidelines for the 2012 crop year.

Flue Cured and Burley Tobacco

QA for Flue Cured and Burley types is now consistent with how quality adjustment (QA) is calculated for grain crops as it reduces production to count (PTC).

Tobacco that qualifies for QA is assigned a discount factor (DF). The DF factor reduces the PTC for all bales assigned that particular USDA government grade.

We have included below language taken directly from the Loss Adjustment Manual (LAM) Section G (1).

A) The insured must contact the insurance company before any damaged tobacco is disposed of (sold or destroyed) so the tobacco can be inspected to determine the amount of tobacco that may be eligible for QA. If the insured disposes of any damaged tobacco without giving the company the opportunity to inspect it, such tobacco will not be eligible for quality adjustment.

(C) Quality adjustment is allowed only if:

1. The insured obtained an assigned grade for the tobacco and the assigned grade appears on the DF Chart in the Special Provisions; and
2. The tobacco is graded by a tobacco grader who is employed by the Agricultural Marketing System (AMS) or successor agency who assigns a grade in accordance with USDA Official Standards Grades.

Example: Insured has 1000# of tobacco graded. Adjuster pulls and submits sample. Sample results in a B4G being assigned. A B4G carries a DF of .400. The PTC will be 600# (1.000-.4000 =.600 x 1000# = 600# PTC).

A Discount Factor (DF) chart will be sent out to all Flue and Burley insureds after your acres are reported.

Dark Fired

Dark Fired QA will be calculated the same as in 2011. In order to qualify for QA, the unit must average less than 75% of price election ($2.06) which is $1.55 ($2.60 x .75=$1.55).

Example: 1000# in a unit averages $1.20. The PTC will be 582# ($1.20/$2.06 =.582# x 1000# = 528# PTC).

PREMIUM BILLING CHANGE

RMA issued a new Standard Reinsurance Agreement (SRA) with all companies for the 2012 and subsequent years as it pertains to spring planted crops.

Crops previously billed between 8/15 and 12/31 will have a billing date of 8/15.

This change will effectively move billing date up 30 days for most crops. You will have a 30 day grace period after billing date before interest starts accruing at 1.5% per month.

KEY POINTS TO REMEMBER

- Report all losses immediately when they occur. Proper documentation is a must.
- When adding a new farm, please notify us as soon as possible. We must have the necessary paperwork signed and entered into our system by acreage report due date.
- If FSA is reconstituting a farm, we must have the necessary paperwork in place by production reporting, which is 45 days after sales closing.
- In order to have separate optional units (insure by FSN), production must be kept separate.

POLICY ENTITY INFORMATION

The very first step towards making sure you are properly insured is to verify the policy name and tax I.D. number are correct. **Your name and tax I.D. number should be reported to us the same as it appears on your tax return**. The company cannot send out a 1099 without the correct legal name and social security number or tax I.D. number. How your crops are insured and how they are recorded at FSA should be one and the same. Occasionally, **insured entity types do change** - marital status changes, an individual creates a partnership, corporation, officers are added or removed from a corporation, etc.

Any change which involves adding or removing a social security number (SSN) or tax I.D. number (EIN) must be reported to us by sales closing date or prior to the 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 reported to us **as soon as possible**.

Bottom line; notify us of any change or intent to change immediately. Failure to make timely changes or corrections could result in payments being reduced or denied.

In certain cases, crop receipts may not match crop insurance schedule of insurance. In those cases, a "paper trail" should show the distribution back to match the schedule of insurance.

*** **E-Mail Address**

We are currently working on compiling a database of insured's e-mail addresses. With this database we will be able to send out e-mail alerts, notifications, and reminders. This will reduce some of the paper that you will receive, as well as let you get timely information about any changes or updates on crop insurance issues.

Please contact us to update your information.

PRODUCERS ELIGIBLE FOR DISASTER ASSISTANCE

On December 13th, 2011 USDA designated a number of counties in Virginia and North Carolina as primary natural disaster areas caused by two separate disaster conditions:

- August 27th – 28th, 2011 - Hurricane Irene
- May 25th – August 27th, 2011 - Drought/excessive heat

Contiguous counties to primary counties are eligible as well which adds a number of counties to the list. Such disaster assistance includes Farm Service Agency's (FSA) Supplemental Assistance (SURE) program.

Eligibility Requirement
To be eligible for SURE, all crops grown by a farmer in all counties in which he operates must be insured. When crop insurance is available for a crop, the coverage must be purchased from a crop insurance agent. When coverage is unavailable for a crop, FSA's Non-insured crop disaster Assistance Program (NAP) must be purchased.

Rule Exception
An exception to this rule occurs when a crop represents less than 5 percent of the farmer's gross crop value.

The current SURE program expired at the end of 2011. However, the 2012 farm bill talk has it that a disaster program will be likely in the new farm bill. There are current talks of extending the current SURE disaster program into 2012 if the farm bill is not written until after fall elections.

SALES CLOSING

SPRING CROPS:

KY, OH, TN, VA AND WV - MARCH 15th, 2012

NC AND SC - FEBRUARY 28th, 2012

FALL CROPS:

SEPTEMBER 30th, 2012

USDA MOVING TO LOWER INSURANCE PREMIUM FOR CORN AND SOYBEAN PRODUCERS IN 2012

A program announcement from November 28th, 2011 is posted in its entirety on RMA's website should one want to read it: http://www.rma.usda.gov/news/2011/11/cornsoybeanpremium.html.

RMA administrator Bill Murphy stated: "on average, these new rates should reduce corn farmer's rates by seven percent and soybean farmers by nine percent."

We are seeing an overall trend in rate reduction in most counties we serve. However, some counties showed no change and some a slight increase.

We will be generating individual coverage quotes which will reflect the changes when the price discovery period ends.

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