

Crop Insurance Newsletter

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Common Crop Policy Changes for '05

The common crop policy changes for '05 go into effect starting with spring planted crops.

You received in August '04 a company letter which showed a summary of changes. You can review this new policy by visiting the RMA web site at www.rma.usda.gov.

We have outlined below some of the main changes that could affect you. These

Tobacco Crop Insurance After "The Buyout"

The Tobacco Quota Program and the Crop Insurance Program for Tobacco are two separate programs. The elimination of the Tobacco Quota Program has no bearing on the Tobacco Crop Insurance program.

changes should be reviewed closely. Should you have any questions, please feel free to give us a call so we can discuss with you further.

- Section 2 (b)

Changes in identification information from year to year must be reported to us by the next sales closing date applicable under the policy. (See **Policy Entity Information - page 4**)

- Section 6 (d)

Adds provisions allowing procedures to revise the number of acres reported on the acreage report when acreage measurement occurs after the acreage report date.

In order to qualify, you must provide us estimated acres prior to acreage report deadline and inform us that a pre-measurement service has been requested from a bonafide source such as FSA, or other qualified and/or certified measuring services.

You will have 40 days after acreage reporting to update your acreage report.

- Section 6 (g)

Add provisions that provide for a reduced indemnity when information used to establish the amount of insurance is misreported.

If the determined acres or share are out of tolerance +/- 10% from acreage report, indemnity payment will be reduced.

All of the changes are not yet in place and probably won't be finalized by Risk Management Agency (RMA) until later this year. We will, of course, keep you posted as the changes are finalized. The changes or proposed changes specific to the Quota (Burley) and the Guaranteed (Flue and Dark Fired) tobacco types are discussed in other sections of this newsletter.

This added provision increases the need to report acreage as accurately as possible. One way to assure you are within tolerance is to have acreage pre-measured. FSA services are provided for a very reasonable fee.

Another way to lessen the chance of inaccuracies between crop insurance and FSA is to report acreage 1st to FSA and obtain a **578 Producer Print** which you can supply to us and certify for accuracy.

Important Note:

- Review all acreage report information on 578 Producer Print for accuracy before sending to us. This includes:

- Total acres by FSN
- Plant date
- Share arrangement

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 all changes or correction by Acreage Report Date. Any changes after Acreage Report Date are subject to approval by company. In the past, you had 10 days from the time we mailed the letter and summary to report any changes.

The one thing that is certain is that crop insurance will be available for tobacco at the same levels of coverage and the government subsidy (amount the government pays of your premium) will be in place. The government will be paying, as in the past, up to 60%, on average, of your total premium.

All types of tobacco will be changing over to an Actual Production History (APH) plan to calculate guarantees. This is the same plan which is currently being used for all Category B crops such as corn, soybeans, and wheat.

Burley will change over to this system effective for '05 whereas Flue and Dark Fired will change over effective for '06.

Production will be reported by you to us the same as other APH crops. We will send you a form to enter your production by FSN. In cases where a loss is involved, we will obtain information from loss papers.

You will still be able to have separate optional units by FSN or share arrangement.

Contracting stations, for the most part, will be issuing one contract per customer irregardless of the number of FSN's. In the past, the tracking system for production was the marketing card. We will still be able to insure by FSN, however you will have to keep farm management records to show which farm the production came from. This is a very simple system to implement and we can help by providing a Crop Production Record book as we do for our grain producers or we will work with you in developing a system tailored to your operation.

If more people or entities are sharing in the crop than are listed on the contract, you will have to have a "paper trail" which shows how the money was actually distributed.

The price election for each type has not been finalized. Final price should reflect the average price once all contracts are considered.

Your current policy will remain in place at the same level of coverage for '05 unless you make changes by sales closing.

If you are not farming in 2005 or do not have a share in the crop, you will need to notify us in writing prior to sales closing so your policy can be

cancelled.

Quota (Burley) Tobacco Crop Insurance Policy for 2005

In order to make a smooth transition, we have lobbied hard to get a system put in place which will allow substitution yields in poor crop years.

Conversion over to the APH system will consist of a 4 year data base being established. We will determine your average yield by taking the higher of your actual production or 90% of the 10 year National Agricultural Statistical Service (NASS) average yield for a given county. This formula will help offset bad crop years by allowing a higher assigned yield if you had low actual yields.

You will be allowed the same yield protectors; 60% T-Yield plug, 10% Cup, and a Yield Floor, as other Category B crops, when calculating future yields. These options are explained more in detail under (**Features of the Crop Insurance Program - page 3**) This system works well for other APH crops.

Another change involves the final plant date being moved up 10 days to June 20.

FSA is currently working on a computer program which would provide your last 4 years production and acreage history.

FSA procedures require that you request, in writing, this information be obtained and forwarded to us. We have provided a form you can use. Form is on page 7.

We would suggest you contact your local FSA office as to how they may handle this request. Each FSA tends to handle situations a little differently as their work loads may vary.

Ultimately you, the producer, are responsible in making sure the information gets to us.

We remain ready to assist in any manner.

Guaranteed Production (Flue & Dark Fired) Tobacco Policy

The current policy will remain in place for 2005 with the APH system being implemented in 2006.

The major change in 2005 will be reporting of production.

Conversion over to the APH system for 2006 will consist of a 4 year data base being established.

3 years will consist of your current Tobacco (T) Classification. The T classification system has been the basis of your guarantee in the past. It is comprised of 10 years of actual production as reported by you to FSA. The 4th year entered into your data base will be your actual yield for 2005.

We will use a simple average of the 4 years to determine your yield for 2006. Every year a new yield will be entered into the database building toward a 10 year database

Other News

Disaster Bill Passed

Congress, prior to adjourning last fall, passed a \$2.9 Billion National Agriculture Disaster Bill which covers losses in 2003 or 2004. Sign up will begin shortly at FSA.

One stipulation in FSA's requirements is that a producer have crop insurance on the crop for at least the next two years. Participation must be at least one level above the lowest coverage level (CAT).

Should you qualify for a disaster payment and not have crop insurance, you will have to apply for crop insurance by sales closing.

Digital Mapping/FSA

FSA, nationwide, is converting to a Global Imaging System (GIS) based mapping program which will prove to have many advantages.

The new computer generated map is a lot more “farmer friendly” in the sense that clarity is much better. Descriptors can be entered which can identify a landmark. By doing so, maps become easier to work with. In addition, maps can be printed in color which enhances the clarity even more.

You should request a new aerial photo of all farms in your operation and keep on file for your future reference.

We can, upon your request, provide you with a date calendar which will serve as a reference guide for all important dates.

A Time for Changes

Sales closing for all spring crops in VA, TN, & WV is March 15, 2005. NC and SC sales closing is February 28, 2005.

Sales 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.

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

Revenue Products

How you manage your risks with grain crops can mean the difference in whether or not a profit is realized.

You should include commodity program payments as provided by FSA in planning for profitability.

Forward contracting allows you to lock in higher prices. Farmers are forming marketing clubs which allows them to focus as a group on a number of marketing opportunities.

Crop Insurance offers revenue products as a means to allow you to forward contract more of your crops.

on your policy.

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

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.

Features of the Crop Insurance Program

- 60% option to remove low yields

- A process has been 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 helps keep your average yield up and provides a soft landing particularly in multi year loss situations.

Revenue products are gaining popularity as they provide protection against a loss of revenue caused by price fluctuation (either lower or higher than base prices) low yields, or a combination of the two. Moreover, you don’t necessarily have to experience a production loss in order to trigger a payment.

Regular Multi Peril Crop Insurance (MPCI) provides protection only against yield losses.

The traditional revenue product has been Crop Revenue Coverage (CRC). More information on CRC is included in the next article of this newsletter. Track records for revenue products have been good in the past because of volatile price swings, both up and down.

- 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.

- Prevented 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). No crops other than acceptable cover crops may be planted in the fields on which prevented planting payments are made unless double cropping history can be proved.

-Replant

- 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.

Revenue Assurance (RA) will now be available for corn and soybeans in certain areas.

RA and CRC are very similar in coverage with only subtle difference. The main area we’ll watch is the price rating. We won’t be able to fully evaluate until revenue prices are released in early February for North Carolina and South Carolina. Price for other states will be released early March.

So stay tuned. Once all the data is in we will determine which product, MPCI, CRC, or RA is best for you.

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 when compared to 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.

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

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.

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." Bottom line, 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 added to a corporation, etc. Any change which involves a social security number or tax I.D. number must be reported to us immediately and likewise to FSA. How you trade is how you should report.

Failure to make timely changes could result in program benefits being 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 MPCCI 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. 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.

RCIS now requires **supporting MPCCI business** at least at the CAT level through our agency or another RCIS agent for you **to be eligible to write a crop hail policy**. MPCCI policy must be in place by sales closing.

Your Duties When a Loss

Occurs

Report all losses immediately.

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 samples 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.

Be sure production is kept separate by unit according to your insurance contract.

Acceptable records at loss time are normally sale receipts for what has been sold.

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

Do not co-mingle production from loss units with other units before getting permission from adjuster.

In cases where the adjuster volume of losses will not allow him to do pre-measurement timely then the company may waive this requirement.

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.

E-Business

Did you know you can access all your policy information online? That's right, you can view your policy levels, reporting and

planting dates, production information, as well as billing dates and amounts, and claims status. You can also print forms or send us e-mail. You can even sign up for Direct Deposit of loss payments which will get your funds to you without mail or bank delays. You will also be able to read current agricultural news and check the weather

forecast in your area.

It's all very simple!! Just go to our website at www.jtdavisins.com and click on the RCIS Ag link. On your first visit you will need to register to activate your online account access and create a password. So make sure you have your tax ID number available. Call or e-mail us if you have any questions.

We Bring To You:

- * *individual risk management planning*
- * *toll-free phone service*
- * *experienced, competent adjusting staff*
- * *office personnel with combined insurance experience of 85 years*
- * *devoted 100% to crop insurance*
- * *fast claim turn-around*
- * *e-business capabilities*

Claims Problems

Our objective at loss time is to get all losses paid correctly and as promptly as possible.

I have generated below some areas where we have experienced problems at loss time. The chart below outlines solutions which will help you, the insured, avoid some common problems so your claim can be paid accurately and promptly.

Problem

Solution

-acreage reported incorrectly

-report all acreage 1st to FSA
-retain a copy of acreage report (578 Producer Print) from FSA and forward to us
*verify information on 578 before sending to us
-high dollar value crops
*have fields pre-measured by FSA. Cost is

minimal.

-acreage left off acreage report.
(we cannot increase acreage after acreage report due date)

-review summary of coverage we send you each year to assure acreage is correct
-maintain a file showing acreage for each FSN by tract and by field (578 Producer Print) for cross checking and future reference
-report losses immediately
-notify us at least 15 days prior to or during harvest should you suspect a loss
-see more detailed requirements on pg.5

-claim not reported timely

(Your Duties When a Loss Occurs)
-company **must** have the opportunity to assess the extent of damage of crop in the field.

-shares reported incorrectly

-always sell crops in the same share arrangement as reported to us and FSA

Remember:

How you report to FSA...

How you report to us...

How you sell the crop...Should all be the same.

BURLEY TOBACCO GROWERS ONLY:

In order for us to obtain your production records from FSA you must supply FSA with written permission in order for them to send this information to us. You may use the form below to either mail or take to FSA.

****This newsletter contains a brief description of crop insurance plans and procedures available through the federal program and private companies. All policy provisions and procedures take precedent over any statement contained herein.**

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