Crop Insurance Newsletter

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Increase in Price Election for Actual Production History (APH) Crops '07

Good News! Price elections for crop year 2007 for crops insured under guaranteed production plan, APH, are up an average of 24%. A chart at the end of this article shows price comparison, '06, '07 and percent change, for individual crops. For revenue plans, CRC and RA, prices will not be issued until mid February for 2/28 sales closing and March 1 for 3/15 sales closing.

Given the positive futures outlook for traditional crops such as corn, soybeans, and wheat; revenue products should show a very positive gain as well. Traditionally, revenue price elections have been higher than price elections for guaranteed production plans.

Most of the positive outlook for grain crops is driven by two factors, alternative fuel and export demands. I recently read an article that some 140+ ethanol plants were either in the planning or construction stage. Demand for bio-diesel is also on the rise. Corn acres are predicted to increase for '07 with soybean acres predicted to decrease. Both situations should move the market in a positive position. With pressure on corn supplies, wheat prices usually trend positive.

Commodity experts are predicting prices to be favorable for an extended period of time. According to Jonah Bowles, Ag Risk Management Coordinator with Virginia Farm Bureau, "The improved demand to satisfy bio-fuel production should support prices. The price relationship between corn and ethanol, and soybeans and bio-diesel have changed dramatically recently and promise to continue being erratic in months ahead. The astute producer will use the current situation to insure the attractive prices - some going all the way into 2009. Revenue crop insurance products are one means that growers have that can complement marketing plans. The producer who understands the need for price risk management will benefit from a much improved financial position with limited exposure to adverse price moves - which will come at some point in time."

Higher price elections mean better protection for you. An enhanced guarantee always looks attractive to a lender. Higher guarantees also allow you to be in a position to forward contract more of your crop should you choose to use this type of marketing.

Remember, any change to your insurance plan must be made before sales closing.

CROP	2006 PRICE ELECTION	2007 PRICE ELECTION	% CHANGE
BARLEY*	$1.85	$2.20	+ 19%
BURLEY TOBACCO	$1.50	$1.62	+ 8%
CORN	$2.00	$3.30	+ 65%
CORN SILAGE	$19.50	$30.50	+ 56%
COTTON	$0.53	$0.53	0
DARK TOBACCO	$1.80	$1.98	+ 11%
FLUE TOBACCO	$1.35	$1.52	+ 13%
FRESH MARKET	$4.30	$4.75 - TN	+ 10%
TOMATOES		$4.10 - VA	- 5%
GRAIN SORGHUM	$1.95	$3.10	+ 59%
OATS*	$1.33	$1.80	+ 35%
PEANUTS	$0.18	$0.19	+ 6%
POTATOES	$9.25	$9.30	+ .01%
SOYBEANS	$5.15	$6.50	+ 26%
WHEAT	$3.15	$3.90	+ 24%

Spring Sales Closing Dates:
VA, WV, TN March 15th
NC, SC February 28th

**Fall Sales Closing Dates:*
All States September 30th

Tobacco

As you have seen in another section of this newsletter, price elections for APH crops ‘07, tobacco price elections for all types are up substantially over 2006 price elections. This positive move, hopefully, is a signal of more stability as we continue to transition from a quota to a non quota program.

2006 was the second year that tobacco was treated as an APH crop which requires that **production must be reported by you to us at the end of each sales season**. Each year we will send you a Schedule of Insurance Production Report around sales time. You should keep this report form until all sales are complete. Production should be entered separately by each FSN and share, if you choose to insure by FSN. We are experiencing some problems where reports are returned with no production entered.

Be sure that your sales bills match the information sent to us.

We ask that you be timely and accurate in reporting back to us. This information determines your production guarantee each year.

As this production reporting requirement is relatively new to you, please don’t hesitate to call us should you have any questions. We want to make sure you are credited correctly with all the production you produce in a given year.

A number of producers, in a effort to reduce labor costs, are electing to go with mechanical harvesters. Mechanical harvest coverage is included in your current coverage. This means that if your tobacco cannot be harvested as a result of an insured peril, then an appraisal will be made to determine the loss.

Written Agreement to Insure Burley Tobacco

Many producers who have not traditionally grown burley tobacco are adding burley as part of their farming operation.

If you are a new producer of burley in a county where burley has not been traditionally grown we can insure your crop through a written agreement.

A written agreement request must be submitted by us no later than sales closing date, March 15, 2007. As certain information has to be obtained from FSA, contact us now so we can get the process started.

Producers who insured their burley tobacco through written agreement last year will soon be receiving information from us to sign and return.

We are being told by RMA that actuarial data for nontraditional burley counties may be available for the ‘08 or at the latest ‘09. Once in place, written agreements will no longer be needed.

If you are considering a burley crop for ‘07 give us a call to see what needs to be done to insure your crop.

Plan now to insure your burley for 2007.

Peanut

The peanut policy for 2007 has been revamped to reflect moving from a quota to a non quota program.

Earlier this year you were sent a summary of changes for the ‘07 and succeeding crop years.

I have listed below a couple of pertinent items:

1. A copy of all peanut sheller contracts must be provided to the insurance provider on or before the acreage reporting date if the producer chooses to insure the peanuts in accordance with the sheller contract. The producer may not contract more pounds of peanuts than the production guarantee (per acre) multiplied by the number of acres that will be planted to peanuts.
2. The producer may elect a price election to cover all insurable peanuts that is the base contract price contained in such sheller contracts or the price contained in the Special Provisions.

Fresh Market Tomato Program Expanded

The Fresh Market Tomato Program has been expanded in Tennessee to the following counties:

Bledsoe
Cocke
Grainger
Greene
Hamblin
Rhea
Washington

Anyone interested in coverage in the above counties must contact us before **sales closing - March 15, 2007.**

Livestock Risk Protection Coverage Approved For Lamb Producers

WASHINGTON, Oct 25, 2006 - The Livestock Risk Protection (LRP) plan of insurance for lamb, approved by the Federal Crop Insurance Corporation Board at its September 28 meeting, will provide price insurance coverage to lamb producers in 27 states, of which include Virginia and West Virginia.

LRP Lamb is similar in concept to LRP for swine and cattle, offering protection against declines in slaughter lamb prices. Producers are offered coverage prices based on a statistical model that uses various industry data, such as cutout, slaughter, weight, and pelt information, to forecast cash prices at the policy end date. As policies mature, producers receive insurance payments if the cash index, a figure based on actual Agricultural Marketing Service market information, is below the coverage price purchased.

Detailed program information will be released in spring 2007, with sales expected to begin early summer 2007.

Should you have an interest in this program, contact us before April 2007. We should have more details by this time.

Adjusted Gross Revenue-Lite

A Whole Farm Revenue Risk Management Tool

AGR-Lite is a streamlined whole-farm revenue protection program. 2006 was the first year it was offered in Virginia.

This program is designed and works well for producers of crops and commodities that there is no traditional coverage for, such as most vegetable crops.

The program is based on the 5-year average of selected revenue reported on IRS Schedule F 1040 or equivalent tax forms, therefore, minimal additional record keeping is required.

Protection

AGR-Lite provides protection against low revenue due to unavoidable causes. Covered farm revenue includes income from almost all crops and agricultural commodities including animals and animal products such as milk, aquaculture products grown in a controlled environment, and greenhouse production. The value of any crop production fed to animals is counted as animal income.

Eligibility Requirements

Basic eligibility requirements include having:

1. Five consecutive years of IRS Schedule F 1040 records (or same information from other tax forms) for the same tax entity for the past five years (unless at least 90 percent of a previous farming operation was transferred to the current tax entity). These records must be available for inspection.

2. Average annual adjusted gross revenue of $2,051,282 or less ($1,000,000 max. policy liability).

3. Not more than 50% of allowable income from Ag commodities purchased for resale, and

4. Expected potato revenue not to exceed 83.35% of the total revenue.

Insured Causes of Loss

Insurance is provided against loss of revenue due to any unavoidable natural occurrences, including but not limited to, adverse weather, fire, insects, disease, wildlife, earthquake, volcanic eruption, or failure of irrigation water supply, if applicable, that causes production losses that occur during the current or previous insurance year or market fluctuation that cause a loss of revenue during the current insurance year.

Coverage Choices

Protection is calculated by multiplying the approved adjusted gross revenue (AGR) by the coverage level and payment rate percentage selected at the time of enrollment. Choices are:

***65%** Coverage Level with the 75% or 90% Payment Rate

***75%** Coverage Level with the 75% or 90% Payment Rate

***80%** Coverage Level with the 75% or 90% Payment Rate

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.

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.

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

The traditional revenue product has been Crop Revenue Coverage (CRC).

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

Track records for revenue products have been good in the past because of volatile price swings, both up and down.

RA and CRC are very similar in coverage with only subtle differences. 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.

Crop Insurance on the Horizon

The Federal Crop Insurance Corporation (FCIC) is in the process of receiving comments in regard to a proposed Combination Policy Change. Some highlights of the proposed changes are listed below.

The combination policy would combine all of the revenue policies: Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP) and Indexed Income Protection (IIP) under one plan. This move would greatly simplify the process for you, the producer, in selecting revenue protection.

Crops insured under the revenue plan (dollar protection) and production plan (production protection) would use the same market-price discovery method to determine price elections.

The Misreported Information Factor (MIF) penalty which goes into detail in another section of this newsletter will be eliminated. This misreported penalty based on the actual production history (APH) yield and acres reported proved to be overly harsh. We have made the argument all long that the penalty should be removed. When implemented, discrepancies found at time of loss by an adjuster can be corrected without any reduction in your payment.

FCIC is currently in the process of conducting a replant study to determine the appropriate costs of replanting. The purpose of the study is to assess the need to adjust replant payments to more truly reflect actual cost of replanting. We all know that replanting costs have increased particularly with Roundup Ready products.

A new section is proposed to be added that informs the producer that failure to obtain crop insurance may impact the producer's ability to obtain benefits under other USDA programs.

The end of insurance period for corn insured as silage is proposed to be changed from September 30 to October 20.

Concerning prevented plant, FCIC proposes to remove provisions that specify failure to plant when other producers in the area were planting will result in denial of the prevented planting claim. This change will result in the requirement only applying to causes of loss other than drought. Producers should not be penalized because they elect not to take the risk.

These changes have to run through the Federal Regulatory Process which means that changes will not be effective until the 2009 crop year. In order to keep you better informed, we wanted to let you know now of the positive changes that will be affecting your crop policy.

New Crop Insurance Programs

There are three relatively new crop insurance programs, Group Risk Protection (GRP), Group Risk Income Protection (GRIP), Indexed Income Protection (IIP), being introduced for grain crops in certain counties and states.

All of these programs are based on a single unit per crop, per county.

GRP works off expected county yields and triggers a loss when county yields are below expected yields. You do not have to report your production.

GRIP is a revenue based product that works off expected county yields and expected prices or higher of expected price and harvest price if harvest price option is elected. Loss triggers when a combination of expected yields and price is below dollar amount of protection. As GRP, you do not have to report your production.

IIP is a revenue plan that uses your individual yields and indexes against the county yields.

If you are interested in lumping all units in a county into a single unit one of these products may be right for you.

Contact us for further details.

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. For example:

1) The reported liability is $12,250 and the correct liability is $10,000.

$12,250/$10,000 =1.225000 (the insured over-reported 22.5 percent.) The indemnity will be reduced by 12.5 percent (1.225000 – 1.100000 = .125000).

The misreported information factor is .875000 (1.000000 - .125000).

2) The reported liability is $8,200 and the correct liability is $10,000.

$8,200/$10,000 = .820000 (the insured under-reported 18.0 percent.) The indemnity will be reduced by 8.0 percent (.900000 – .820000 = .080000). The misreported information factor is .920000 (1.000000 - .080000).

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.

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, (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)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." 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 (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 before 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.

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.

In cases where we have compared actual measurements made by an adjuster to old maps and new digitalized maps, acreage appears to be more accurate on the new maps.

Pre-measurement of Acreage

With the Misreported Information Factor (MIF), it is now more critical to get acreage correct than ever before.

We would recommend on high dollar value crops that you entertain pre-measuring acreage.

If you elect this service you may 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.

When measurement is complete, supply us with copy of correct acreage so that your guarantee can be updated.

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 transitional yield (T yield) into the database should the actual yield for a unit be lower than the 60% T yield.This process helps keep your average yield up and provides a soft landing particularly in multi year loss situations. You must sign up for this option.

- **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.

The above features of the program are designed to keep your guarantee and yields higher.

- **Prevented Plant(PP) 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).

Should you want to buy-up on PP coverage, you must do so before sales closing.

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.

In order to qualify for a prevented planting payment you must notify us within 72 hours after the **final planting date** if you do not intend to plant the insured crop during the late planting period or if late planting period is not available. If you intend to plant within the late planting period you must notify us within 72 hours after the **late planting period**.

-**Replant**

- Should you have to replant due to an insurable cause you will be reimbursed for replant cost as stated in the policy and you will keep your full guarantee. Replant payments are available for most crops and most plans of insurance.

Address Update

A number of areas are currently in transition from a rural route address to a 911 address. If this is your case or anytime your address changes, please notify us so we can enter your new mailing address into our mailing database.

Timely Notice of Loss

In order to expedite your claim, a timely notice of loss is a must. To further clarify this, we have included language taken directly from the common policy:

Give notice of loss within 72 hours of initial discovery (but not later that 15 days after the end of the insurance period). Do not put the insured acreage to another use before obtaining consent from the adjuster.

End of insurance period can be further defined as the earliest of:

1. Harvest of the unit
2. Total destruction of the insured crop on the unit
3. Abandonment of the crop
4. The calendar date contained in the Crop Provision for the end of the insurance period.

We have listed below, for your convenience, the calendar date for the end of insurance.

CROP	**END OF INSURANCE**
AGR & AGR LITE	12/1
BARLEY	10/31
BURLEY TOBACCO	2/28
CORN	12/10
CORN SILAGE	9/30
COTTON	12/31
DARK FIRED TOBACCO	3/15
FLUE TOBACCO	11/30
FRESH MARKET TOMATOES	9/20
GRAIN SORGHUM	12/10
OATS	10/31
PEANUTS	11/30
POTATOES	8/31
PROCESSING BEANS	9/20
SOYBEANS	12/10
WHEAT	10/31

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 and cotton, a stalk inspection will have to be made after harvest is complete.

Fresh market tomato and 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 can be sale receipts for what has been sold or farm storage records.

For the 2006 and succeeding crop years, bin markings, load records, or combine monitor records can be used to separate production commingled with other units. Records of any manner should be clear to an adjuster as to which unit the production came from.

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.

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 MPCI 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.

"OUR BUSINESS IS KEEPING YOU IN BUSINESS"

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.

Email has proven to be a most effective way of communication. Send your e-mail address to jtdavis@jtdavisins.com. We can then send certain "update" information to you in an effort to keep you better informed in the most timely manner.

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.

A Time for Changes

Sales closing for all spring crops in VA, TN, and WV is **March 15, 2007**. NC and SC sales closing is **February 28, 2007**.

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 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 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 - 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.

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 87 years
* devoted 100% to crop insurance
* fast claim turn-around
* e-business capabilities

If you have not completed this form. Please complete & return to us.

To: ________________________________ County FSA Office

I,_________________________________, hereby grant permission for my Crop Insurance Agency, J.T. Davis Insurance Agency, Inc., to obtain any and all documents needed to maintain my crop insurance policy for _________ and succeeding crop years. Such documents may consist of 578 Producer Print, Maps, 1026A, etc.

____

Producer's Signature

If your address has changed, please list all changes below and return to us.

Name ____

Address ____

City, State, Zip ____

J T Davis Insurance Agency, Inc.

PO Box 40

Brookneal, VA 24528