

Crop Insurance Newsletter

Courtesy of J T Davis Insurance Agency, Inc.

Your Risk Management Advisor

CROP INSURANCE PREMIUM REDUCED FEDERAL GOVERNMENT PAYING UP TO 67% OF YOUR TOTAL PREMIUM

The "Agricultural Risk Protection Act of 2000" authorizes permanent reform to the current crop insurance program.

Some hi-lites of the act are:

- * higher premium subsidies
- * actual production history (APH) adjustments for multi-year losses
- * Expanded research and development for new production and new crops.

Higher Premium Subsidies

First and foremost is the huge amount of premium subsidy money authorized by congress. Congress has appropriated \$8.2 billion over the next 5 years with a great portion earmarked for premium reduction.

One of the primary purposes of the new legislation was to make higher insurance coverages more affordable on a permanent basis.

The highest level of coverage for most crops is the 75% level. 80 & 85% levels are available for certain crops. The subsidy (amount of money the federal government pays of your total premium) for the 75% level for crop year 2000 was 23.5%. **Subsidy** for 2001 will be 55%, an **increase of 134%** in the amount the Federal Government is paying of your total premium.

Crop Revenue Coverage (CRC), which guarantees dollars, will now be subsidized at the same rate as the Multi Peril Crop Insurance. To give you an example, the 75% CRC level was subsidized in 2000 at 18%. The 2001 **subsidy** will be the same as MPCCI or 55% an **increase of 200%**. In the past CRC was only fully subsidized on the production side and not on the dollar side.

- Yield floor protector

- Depending on the number of years you have been growing a particular crop, your average yield **cannot drop**

Mike Connealy, Rural Community Insurance Services (RCIS) President states, "We believe catastrophic (CAT) coverage and regular buy-up coverage on certain crops will diminish as farmers migrate toward the now more affordable risk management products" such as CRC.

Mike also states "75% coverage level is likely to become the most popular choice of farmers."

Now is the time to look at expanding your coverage to include all crops as well as increasing coverage on crops you currently insure. Take advantage of higher subsidies now.

SEPTEMBER 30 - DEADLINE FOR INSURING FALL CROPS

Sales closing for fall crops; wheat, barley, and oats is near.

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.

Features of the new crop insurance program:

- 60% option to remove low yields

- A process will be 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 will allow for higher yield coverage to be realized at the farmer level and will provide a soft landing for multi year loss situations that plagued farmers during the 1990's.

- 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

below 80% of county "T" yield.

- Preventive 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) should you be prevented from planting your crop due to a weather related problem (drought or excess moisture).

- Replant Payments

-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.

WHEAT LOSSES FOR 2000

94% of our insured's **experienced losses** in **2000** due to poor yield, low quality, and or low prices at harvest time.

Dry conditions last fall resulted in poor germination and in some cases resulted in some wheat not being planted.

With additional subsidies, now is the time to insure your wheat. The added subsidies means that the **federal government** is **paying** up to **67%** of **your premium** in certain cases.

A quote I recently ran on a 50 bushel yield resulted in a **premium** of only **\$1.30** per **acre**. What a low cost to pay to protect your investment as well as provide peace of mind.

CROP REVENUE COVERAGE (CRC) NOW FULLY SUBSIDIZED

CRC is a revenue plan which guarantees dollars (\$\$\$) rather than production.

CRC is an affordable way to protect your farming operation against both low yields and unpredictable market swings. CRC guards against a loss in revenue caused by low prices, low yields, or a combination of the two. This means a CRC policy may pay an indemnity when there is no yield loss.

The Crop Insurance reform act of 2000 provides permanent additional funding which now provides full subsidy. The subsidy rate at 75% coverage level goes from 18% subsidy in 2000 to 55% **subsidy** in 2001. This is an **increase** of **200%** in the amount the Federal Government is paying of you premium in 2001.

Bob Utterback, farm economist, stated in Farm Journal Magazine, "**take out as much crop revenue coverage (CRC) as possible**".

CRC is more attractive to lenders when you go in to talk about operating loans. They love to hear you have a dollar coverage rather than production coverage.

A great number of our insured's already have switched from APH coverage to CRC.

Insured's with losses in 2000 who had the CRC plan received a 40¢ per bushel indemnity bonus as harvest price was lower than base price.

CRC policies are projected to increase significantly as subsidies are dramatically increasing.

CRC is now available for cotton, corn, grain sorghum, soybeans and wheat.

Plan now - get CRC coverage.

YOUR DUTIES WHEN A LOSS OCCURS

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

Should the current crop be used for a purpose other than originally intended, such as soybeans for hay rather than for grain, leave field sample 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.

Acceptable records at loss time are normally sale receipts for what has been sold. Be sure production is kept separate by unit according to your insurance contract.

If you are using bin or other storage then structures must be marked by the adjuster before co-mingling production with other units.

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

In cases where the adjuster volume of losses will not allow him to do pre-measurement timely then the company may waive this requirement as was the case in 2000 when wheat losses were numerous. Any pre-measurement waivers will have to be handled on a case by case basis. The assigned adjuster will work closely with you in each case.

Our intentions at loss time are to get the losses worked as timely as possible and at the same time not disrupt you harvest schedule.

PRODUCTION REPORTING IN A NO LOSS SITUATION

In a **no loss** situation field harvest records such as number of combine binds or wagon/truck loads by unit are normally acceptable.

You need to retain your records for up to 3 years.

We can provide you with a handy compact **Crop Production Record Book** to keep in your combine. Let us know and we will be glad to get one to you.

SPECIALTY CROP COVERAGE EXPANDED

We now insure:

BEANS (FRESH MARKET & PROCESSING)

BLUEBERRIES

CABBAGE

CUCUMBERS

GRAPES

GREEN PEAS

NURSERY

ONIONS

PEPPERS

POTATOES

PUMPKINS

SQUASH

STRAWBERRIES

SWEET CORN

SWEET POTATOES

TOMATOES (FRESH MARKET &

PROCESSING)

Plan now for 2002. Give us a call.

* At **J. T. DAVIS INSURANCE AGENCY, INC.** We bring to you:

**personal on the farm service*

**individual risk management planning*

**toll-free phone service*

**Experienced, Competent, local adjusting staff*

**office personnel with combined insurance experience of 72 years*

**devoted 100% to crop insurance*

**fast claim turn-around*

SALES CLOSING IS SEPTEMBER 30, 2001

CALL US TODAY - TOLL FREE 1-800-248-5480

IMPLEMENT A PLAN TO PROTECT YOUR FARM AND FAMILY FROM THE NEXT DISASTER!

RISK MANAGEMENT IS **YOUR** RESPONSIBILITY.

We Can Help...

We insure your crops against:

- | | |
|---------------|---------------------|
| ◆Drought/Heat | ◆Excessive Moisture |
| ◆Flood | ◆Hail/Wind |
| ◆Frost/Freeze | ◆Disease |
| ◆Insects | ◆Fire |
| ◆Wildlife | ◆Low Prices |

“Our Business Is Keeping You In Business”