

Crop Insurance Newsletter

Table of Contents

<i>2003 - A Year to be Remembered...</i>	<i>pg 1</i>
<i>Crop Losses Hit Record Highs</i>	<i>pg 2</i>
<i>A Time for Changes</i>	<i>pg 2</i>
<i>2004 Price Elections</i>	<i>pg 2</i>
<i>Revenue Products</i>	<i>pg 3</i>
<i>Crop Revenue Coverage</i>	<i>pg 3</i>
<i>Policy Entity Information</i>	<i>pg 3</i>
<i>North Carolina Only</i>	<i>pg 3</i>
<i>Claims Problems</i>	<i>pg 4</i>
<i>Crop Hail</i>	<i>pg 4</i>
<i>Your Duties When a Loss Occurs</i>	<i>pg 5</i>

2003 - A Year to be Remembered or Forgotten

For most, 2003 will be remembered as the year the rains wouldn't stop. Excessive precipitation occurred all across the Mid-Atlantic states.

The rains started in the fall of 2002 and continued throughout the growing season. The Blackstone Virginia Research Station recorded the wettest 12 months in history with more than 74 inches of rainfall. 46 inches fell over the growing season from April to September which was 4 inches more than the average annual rainfall. In addition, the average temperature was the third lowest on record. Most crops

Crop Losses Hit Record Highs

One can understand why losses would reach record highs with the type weather experienced in 2003.

At the time of writing this newsletter some crop losses have

we grow don't like cold weather or "wet feet".

To add insult to injury, Hurricane Isabel moved in on September 18 delivering a devastating blow in the form of high winds and excessive moisture to parts of Virginia and North Carolina.

The final nail in the coffin was delivered October 3 in the form of a hard frost and freeze. This was the most damaging wide spread early frost since 1978.

There is no question 2003 will be a year etched into everyone's mind. Yet, as I reflect back on the past 10 years there seems to have been more dark spots than bright spots when it comes to the weather.

Within this 10 year time frame there were numerous hurricanes- Fran, Floyd, Bertha, Dennis, Danny, Irene, Bonnie, Isabel just to name some. We sometimes tend to only think of wind as the damaging factor of a hurricane when in reality it's the water which usually does the most damage. Excessive rainfall from hurricanes tends to reach hundreds of miles inland.

At least half of the last 10 years have brought drought to our region with the latest being from Fall of '99 thru the Summer of 2002-a 4 year period. Another year in this period which comes to mind is 1993 when the Southeast was drying up while the Midwest was being washed away.

U. S. News and World Report seems to sum up what's going on with the weather. The caption on the cover of January 2002

exceeded 600% loss ratio.

Our particular region had the highest number of preventive plant claims for the entire country.

Numerous tobacco crops failed early in the growing season because those who planted early either couldn't get back in the

edition reads "Scary Weather". Meteorologists state we are in a 25 year weather cycle of extremes. As they put it - "Expect the abnormal to be the normal."

Severe hail and windstorms strike a devastating blow each year. The scary thing about a hail storm is that it can strike anywhere, anytime. A crop can be completely destroyed in a matter of minutes. No one can dodge this bullet. I know I'll never forget the June 4, 1993 "Super Cell" hail storm which covered at least 18 counties in Virginia not only delivering devastating hail damage, but at the same time packing wind "down bursts" of up to 100 MPH in areas. As far as wind damage goes, it's common to hear a farmer make a statement "these wind storms just seem to get worse each year".

Disease brought on by either wet or dry weather conditions have plagued certain areas over the past 10 years. Extreme weather patterns tend to bring extreme disease problems.

Sprinkle in a number of late spring and early fall frosts and I think that sort of recaps the past 10 years.

What will the next 10 years bring - who knows? There is one thing for certain though - no one is anymore vulnerable to the consequences of bad weather than the farmer.

"2003 - A YEAR TO BE REMEMBERED OR FORGOTTEN". Whether or not you had crop insurance and an adequate coverage level probably determines how you choose to reflect on 2003.

fields to cultivate or the crop just “flat drowned”. Soil types and plant dates had everything to do with how their crops fared.

Later planted crops in most cases experienced better conditions yet yields and/or quality was adversely affected by the effects of Hurricane Isabel or the October 3 frost.

A Time for Changes

Sales closing for all spring crops in VA, TN, & WV is March 15, 2004. NC sales closing is February 28, 2004.

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 on your policy.

Grain producers who have picked up a new farm or anyone who is adding another county or crop should notify us with the changes 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.

The disastrous past crop year has prompted many to start inquiring about increasing coverage as well as adding coverage on crops for 2004. 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 allows 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% yield losses.

Revenue Products

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

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.

A new product Revenue Assurance (RA) will now be available for corn and soybeans.

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.

- 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, with buy-up) should you be prevented from planting your crop due to a weather related problem (drought or excess moisture). No other crop may be planted in the fields on which prevented planting payments are made unless double cropping history can be proved.

- 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.

2004 Price Election

Coverage	Multi Peril Crop		Revenue
	(MP)	(CRC)	
1. Flue Cured Tobacco	\$1.85#		N/A
2. Fire Cured Tobacco	1.81#		N/A
3. Burley Tobacco		TBA	N/A
4. Corn		2.10 Bu.	*TBA
5. Soybeans		5.55 Bu.	*TBA
6. Wheat		3.35 Bu.	3.36
7. Grain Sorghum		2.05 Bu.	*TBA
8. Cotton		.61 #	TBA 2/24/04
9. Peanuts		.1785 #	N/A
10. Processing Beans		\$147/Ton	N/A
11. Fresh Market Beans	\$438/Acre		N/A
12. Fresh Market Tomatoes		4.50/25# Box	N/A
13. Potatoes		9.05/100 Ut.	N/A

*TBA - To be announced
 North Carolina - 2/10/04
 Virginia and Other - 3/10/04

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 early March for other states.

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 and 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.

The Crop Insurance Reform Act of 2000 provides permanent additional funding which now provides full subsidy. The subsidy rate at 75% coverage level has gone from 18% subsidy in 2000 to 55% subsidy in 2003. This is an increase of 200% in the amount the Federal Government is paying of your premium in 2003 over 2000 subsidies.

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 is 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 the FSA for a producer who receives crop insurance coverage." Bottom line, make sure policy name is 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 or reduced by both FCIC and FSA.

North Carolina Only Flue Tobacco Fall Lease and Transfer

If you elect optional units you cannot receive a crop insurance payment for failure to produce the quota on a unit when quota is leased or transferred to another of your units or to another

producer.

An optional unit occurs when you have two or more FSN's in a given county where you have 100% interest, or you share on two or more FSN's with the same entity.

You can lease or transfer with no penalty if you have basic units or an enterprise unit. In addition, higher levels of coverage, **80 & 85%**, are offered.

One (1) Farm Serial Number (FSN) where you have a 100% interest constitutes a basic unit. Another example of a basic unit is when you share with a landlord and only one (1) FSN in that county is involved.

You can elect an enterprise unit which lumps all farms into one unit. The advantage of an enterprise unit are two fold:

- 1) You can lease or transfer with no penalty.
- 2) You receive a discount according to the number of farms which make up an enterprise unit.

Discount range is:

- 1- FSN - 10%
- 2-3- FSN - 15%
- 4-6 -FSN - 30%
- 7 or more FSN - 40%

Call us to discuss your individual unit structure. The option to have enterprise units must be selected by sale closing date for the crop. Final unit determination will be made at acreage reporting time.

Claims Problems

The problems with weather in 2003 brought along a record number of claims as well.

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.

<u>Problem</u>	<u>Solution</u>
-acreage reported incorrectly	-report all acreage 1 st to FSA -retain a copy of acreage report (578) from FSA and forward 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 is originally submitted)	-review summary of coverage we send you each year to assure acreage is correct. -you have 10 days upon receipt of summary to notify us of discrepancies. -maintain a file showing acreage for each FSN by tract
and by field (FSA 578) for future reference -claim not reported timely	-notify us at least 15 days <u>prior to</u> or <u>during</u> harvest should you suspect a loss -see more detailed requirements on pg.5 (Your Duties When a Loss Occurs) -company must have the opportunity to assess the extent of damage of crop in the field. -always sell crops in the same share arrangement as reported to us and FSA
-shares reported incorrectly	

Remember:

How you sell the crop...

How you report to us...

How you report to FSA...Must all be the same.

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.

Call us for further details.

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 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,

Did You Know...

You can receive your loss payments by Direct Deposit?

A few benefits include:

- * no mail delays
- *no lost checks
- *no waiting for checks to clear
- *no standing in line at banks

Sign up online @ www.rcisag.com to make sure you receive your loss payment as soon as possible.

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.

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.

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.

Have a new landlord or share holder?

Give us a call

at **1-800-248-5480**

so we can get their share covered before sales closing,
March 15th, 2004 in VA, TN, WV
February 28, 2004 in NC
Each shareholder must have a separate policy.

At J. T. DAVIS INSURANCE AGENCY, INC.

We bring to you:

**individual risk management planning*

**toll-free phone service*

**Experienced, Competent, local adjusting staff*

**office personnel with combined insurance experience of 81 years*

**devoted 100% to crop insurance*

**fast claim turn-around*

****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.**