

FarmPLUS INSURANCE SERVICES



Volume 9, No. 2

5048 U.S. Highway 29
Blairs, VA 24527
434-835-0107 * 800-458-3440
434-835-0109 (fax)
www.farmersontheweb.com



Spring 2009

Get it planted and get it reported

The acreage reporting deadline for most spring-planted crops is June 30 or July 15, depending on crop and county. When reporting acreage for crop insurance, it is imperative that acreage be identically reported to us and to the Farm Service Agency (FSA). We recently sent an acreage report to you that will show the spring crops that are insured and also shows all farm serial numbers (FSNs) that we currently have on file for you.

Review for accuracy

Our preferred method of obtaining your acreage report is to receive your FSA crop report in the form of a 578 Producer Print along with your signed crop insurance acreage report. **The most important thing about reporting your acreage to us in this way is**

that you review your FSA-generated crop report for accuracy. If that report contains errors, those same errors will show in your crop insurance acreage report. Generally, you can go back to FSA and fix errors that occurred when you reported to FSA, but **once the crop insurance reporting deadline has passed, you will not be able to correct your crop insurance acreage report.** When errors do occur in your acreage report, there is a penalty applied to any claim for damages on the acreage that was reported in error. The penalty (known as the Misreported Information Factor) equals the amount in excess of 10 percent error on your report. As an example, if your report shows 20 acres and should have shown 10 acres on a particular farm, you would be 100 percent over-reported and; therefore, the claim

on that farm would be reduced by 90 percent!!!! Hopefully, you can see the importance of an accurate acreage report.

For grain crops, it is important that you report all acres of the insured crop even if some or all those acres are intended for hay or forage. Hay or forage acres are not insurable, except for corn that is insured as silage on a silage-specific policy. Conversely, all acres reported as grain to FSA are insurable.

Call first

On any acres that are planted with the intention to harvest for grain but are subsequently harvested for hay or forage, it is very important that you call us before cutting. With this phone call, we will send an adjuster to do an appraisal on the insured crop, so be sure to **call before you cut**. This is also true of wheat that is currently insured in the event that you cut some or all of your wheat for hay.

For tobacco growers, the acreage reporting deadline is typically July 15, and it is especially important that different types of tobacco are reported accordingly, for example, fire-cured, flue-cured, burley, etc.

Also, even if FSA does not differentiate between organic and conventional tobacco, it is important that you differentiate those practices to us on your acreage report.

If you have signed up to have your acreage measured by FSA or by a measuring service, please indicate to us that a measurement will be performed. This will allow us to make revisions to your acreage after the acreage reporting deadline and after the measurement has been done. 



The FarmPlus team is ready to serve you and work hard to keep your business growing. (left to right) Joyce Willis, David Adams, Cheryl Guill, Susan Eggleston, Betty Pillow, Tim Alderson and Charlie Lloyd.

Late-planted acreage

All spring-planted grains such as corn and soybeans have a 25-day late-planting period beyond the final plant date. It is important that you re-

port all late-planted acres within five days of your last plant date. The final plant date for soybeans has been extended to June 30 in most counties in Virginia and North Carolina. The reporting deadline for soybeans is June 30 in most counties in Virginia and July

15 for most counties in North Carolina.

Double crop

If you are reporting double-cropped soybeans after wheat or another small grain, show those acres as double-cropped by writing "DC" in the "Additional Info."

area for that farm serial number (FSN) on our acreage report. If you have early soybeans and double-cropped soybeans on the same FSN, you should show those acres separately on your acreage report. This may mean that you should add additional lines to your acreage report at the end of the report. By reporting double-cropped acres, you will be creating double-cropping eligibility. Double-cropping eligibility plays a large role in the amounts that we can pay on two crops planted on the same piece of land or in prevented-planted situations.

Tobacco

For tobacco, the late-planted period extends 15 days beyond the final plant date, which is June 15, in most counties which we serve. 🐞



Crop hail insurance

your wheat crop to supplement your federal crop insurance coverage on wheat or barley crops. At a relatively low cost of \$1.40 per \$100 coverage, this is an inexpensive way of increasing your safety net on your wheat and barley crops.

With regards to tobacco, we will be contacting all growers who have expressed an interest in crop hail insurance in the past. These visits will take place during the month of May. Many tobacco growers have insurance in place already due to an endorsement known as "Auto-Crop." Auto-Crop policies "rollover" from year to year unless changes are made before May 31 of each year. If you have an Auto-Crop policy, we will also contact you before the end of May.

Crop hail insurance can be a great tool to insure that a hail storm doesn't wipe out your hard work and expected profits in a matter of minutes. In 2008, the loss ratio for crop hail on all crops in Virginia was 94 percent, and the loss ratio in North Carolina was 91 percent. Therefore, a lot of damage was done by hailstorms in 2008, and a lot of good was done by crop hail insurance.

If you have not taken crop hail insurance in the past to supplement your federal crop insurance but wish to consider doing so, please give us a call. Insurance companies have the capacity for specific amounts of coverage in any given area; therefore, to be assured of being able to write crop hail insurance before capacity limits are reached it is important that we write any new crop hail business early this season. 🐞



Reconstitution by the FSA

The Farm Service Agency (FSA) offices are charged by their policy manuals to reconstitute farm serial numbers (FSNs) by combining all farm serial numbers with common ownership and with common operator. Apparently, this has been the policy at FSA for some time, but some county FSA offices are making an extra effort to comply with this rule.

Obviously, when FSNs are combined, units for crop insurance are fewer, and the odds of a loss are less. FSA recognizes three types of entities

when it comes to farm reconstitutions. There is the landowner, the operator and the producer. The producer and the operator are usually the same person but not always. The producer is the person that is farming the land, and the operator is the entity that has decision-making authority regarding the property at FSA. Recons occur when there is a common owner and operator on different FSNs that you tend. 🐞

\$100,000 claim defined

If you have ever had a claim of \$100,000 or more, you have been subject to a "High Dollar Claim Review," which involves proving your yields for the past three years on the crop that generated the high-dollar claim. Going forward, all claims within a county on a certain crop that collectively add up to over \$100,000 will generate a high-dollar claim review. In the past, these reviews were sometimes avoided when there were multiple claims on the same crop that were individually under \$100,000 and the Risk Management Agency (RMA) has sought to eliminate this loophole. 🐞

Quality adjustment on tobacco claims

For the upcoming tobacco crop, we anticipate a considerable amount of questions regarding how your average price received for your tobacco crop affects your crop insurance claim. The price you receive only affects your claim if the average price that you receive is below this year's price election of \$1.85 on a particular unit (usually by farm serial number [FSN]) **and** your average yield for the farm serial number is below or near your guaranteed pounds. Your guaranteed pounds are the average yield for the farm *times* your coverage level *times* the number of acres on the farm. Below is an example with the following assumptions:

Average yield:	2,500 pounds per acre
Coverage level:	70 percent
Actual yield:	2,000 pounds per acre
Average price received:	\$1.60

In this case, the guaranteed pounds would be 2,500 pounds *times* 70 percent or 1,750 pounds, and the farmer has exceeded his crop insurance guarantee with 2,000 pounds of production. However, the quality adjustment for the farm is calculated by dividing \$1.60 into \$1.85, which results in a factor of 0.865. The actual yield of 2,000 pounds is multiplied by the 0.865 factor, resulting in 1,730 pounds which is less than the 1,750-pound guarantee. In this case, the policy would pay for 20 pounds of loss per acre at \$1.85 or \$37 per acre.

Although technically not as correct, an easier way of determining if low prices have triggered a loss is to multiply the guaranteed pounds *times* the price election to determine the guaranteed dollars. In the above example, the 1,750-pound guarantee *times* \$1.85 is \$3,237.50, and the revenue is 2,000 pounds *times* \$1.60 or \$3,200. The guaranteed dollars *minus* the revenue equals \$37.50, which is nearly the same result as we obtained earlier. 🐦

FSA extends "buy-in" to disaster program

The "buy-in" for the 2008 disaster program has been extended to May 18, 2009. Per the Farm Service Agency (FSA), the "buy-in" fee is \$100 per crop with a maximum fee of \$300 per county. If you experienced a loss in your farming operation in 2008, we recommend that you contact FSA for further information. If you "buy-in" under this provision, you will have to agree to federal crop insurance coverage or Non-insured crop disaster Assistance Program (NAP) coverage for all crops for the next insurance years. For crops insurable by federal crop insurance, you'll be required to buy the 70 percent level or higher. 🐦

Farm maps are available by appointment

One free service that we offer to our customers is farm mapping. Our software allows us to generate color maps of the farms that you tend for you to use in your recordkeeping and farm management. The maps show the acreage for each field and are much like maps that you would receive from the Farm Service Agency (FSA). However, you may want your maps more customized to your operation than can be achieved at FSA. If you have an interest in mapping your farms, give us a call, and we will make an appointment to set down with you to generate your maps. 🐦

ACRE is not a substitute for federal crop insurance

The Farm Service Agency's new Average Crop Revenue Election (ACRE) program is a partial substitute to direct and counter-cyclical payments (DCP). It is not a substitute for federal crop insurance but is a program that involves payments based on yields and commodity prices, which is very similar to federal crop insurance. Sign-up for the ACRE program is ongoing, and the deadline to sign-up for ACRE was recently extended from June 1 to Aug. 14, 2009, by the U.S. Department of Agriculture (USDA) along with sign-up for the DCP payment. "By participating in ACRE, producers elect to forgo counter-cyclical payments, receive a 20-percent reduction in direct payments and a 30-percent reduction in loan rates. The decision to elect ACRE binds the farm to the program through the 2012 crop year, the last crop year covered in the 2008 farm bill," according to a USDA news release. It is important to understand that ACRE is a program with two "triggers." First, the state's yields and market prices must trigger a payment, and then your farm yields and prices must trigger a payment. 🐦

Crop insurance online

If you are one who likes to use the Internet, we have the ability to give you access to your crop insurance documents online. This would not replace the mailings that you receive currently but would simply give you another way of accessing your crop insurance information. You can even file acreage and production reports online if you wish. If you want for us to activate an online account for you, simply call. 🐦

Corn final plant dates expected to change in selected counties

Recently, our office has engaged in efforts to get a change made in the final plant date for corn in Pittsylvania, Halifax, Charlotte and Mecklenburg coun-



ties in Virginia. The current final plant date is May 15, and the counties to the immediate south of these counties show a final plant date of May 20; whereas, other counties to the immediate north of these counties show a final plant date of May 31. In 2008, these discrepancies were outlined to the Risk Management Agency (RMA) and to the federal politicians who represent those counties. In recent months, we have been told that a change in the final plant date for corn in these counties is "in the works" but will not take place until the 2010 crop year. 🌽

Extra time to work your claim

Many times, our adjusters measure grain bins to determine if you have a loss on your grain crops. Due to an amendment to the recent farm bill, producers may elect to have their claim worked as late as 180 days after the end of the insurance period for the crop in order to have the opportunity to sell the production out of the bin and know exactly the amount of grain that was in the storage bin. Every grain policyholder received a mailing in December 2008 explaining this change.

However, we are often asked long after a claim is worked if there is any additional payment due on revenue crop insurance policies due to the fact that the grain held in the storage bin didn't sell very well. The answer is almost invariably "no" due to the fact that revenue crop insurance always uses windows of time to determine the "harvest price" for the particular grain. This method of calculating prices from the Chicago Board of Trade makes the crop insurance program uniform across the country and also maintains incentive for a producer to get the best price that he can get for this grain. The only way that your local price has anything to do with your claim settlement is in the event that the price is low due to low quality. In those cases, there are calculations that the adjuster should make to account for the lower quality grain. 🌽

FarmPLUS INSURANCE SERVICES

5048 U.S. Highway 29
Blairs, VA 24527

Political climate: adverse to crop insurance

Acreage that is insured by federal crop insurance, commodity prices and levels of coverage that are being taken by farmers have all risen in recent years. In fact, the gross premium (your premium plus the government's subsidy) was \$2.5 billion in 2000 and rose to a record high of \$9.9 billion in 2008. For this reason, crop insurance gets a lot of attention in Washington, D.C.

With the new farm bill (known as the Food, Conservation, and Energy Act of 2008), there was a 2.3-percent cut in the allowance to companies that administer crop insurance, but there was no cut in the premium subsidies that affect the final premium that the farmer pays. Currently, there is a push by the administration to reduce subsidies on crop insurance premiums.

Loss ratio

Also, there was a directive in the 2008 farm bill to reduce the loss ratio of the program to 100 percent from the previous mandate of 107.5 percent or less. In other words, the program will pay out \$1 for every \$1 of premium within the program (your premium plus the government premium subsidies). However, the last year that the loss ratio was above 100 percent was back in 2002 so it is yet unknown if the current mandate will require higher premiums to meet the requirement.

In the crop insurance community, we have become accustomed to efforts by politicians to gain funds from the crop insurance program for use in other programs. We always try to do our part in fighting such proposals and ask that you, when given the opportunity, do your part as well. As a new budget is currently being legislated, any input is appreciated toward maintaining crop insurance as a substantial risk-management tool. 🌽

For an online copy of this and other past newsletters, visit www.farmersontheweb.com. Also, you can email us at farmersinsagency@earthlink.net with our email address, and we will send an advance copy of each newsletter by email.

If you have extra tobacco plants or need plants, give us a call at 800-458-3440.

Wheat acreage reports are due to FSA by June 1.