

# FarmPLUS INSURANCE SERVICES



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Fall 2009

## Wet, dry, wet .....

The wet planting season made for some difficult times getting the tobacco, corn and soybean crops in the ground. In a lot of cases, it made for two different crops, depending on plant dates.

The more recent dry weather has certainly been hurtful to crops in this area, especially crops in wet-natured land that perhaps didn't develop a great root system. The most recent rains that most everyone has experienced has helped, but in many cases the rain was a matter of weeks late to do the most help.

Our expectations are a moderate-to-heavy year in terms of quantity of claims but perhaps a less severe year in size of claims. Due to issues that involve wheat loss adjusting and due to a very large quantity of wheat claims, those wheat claims have been very slow to be adjusted, and; therefore, the claims force is particularly behind in their workload.

### Tobacco

The tobacco crop is generally good; however, there are certainly crops that are poor due to excess rains early in

the growing season. A poorly developed root system and washed out soil seems to be the culprit, especially in light of dry weather in July and early August.

### Corn

Corn claims have been spotty in terms of geography, and adjusters are doing their best to adjust corn that is being cut for silage as quickly as possible.

### Soybeans

Generally, the full-season soybeans in the area are looking better than average; however, double-crop beans appear to be far below average in most areas. 

## Wheat losses

### Quality issues

Many factors contributed to one of the worst wheat loss years that we've ever experienced. First, many growers experienced production losses due to a wet spring, quality losses due to wet weather and revenue losses due to a precipitous drop in commodities prices. To add further insult to injury, vomitoxins have been discovered in almost every area that we service.

### Premium due dates

Premiums for corn, soybeans and tobacco will be billed in September with a due date of Oct. 1. Interest is normally added after Nov. 1.

Hail insurance premiums are normally due Dec. 1 or Jan. 1, depending on the type of tobacco and your location.

### Thresholds

Due to the challenges with the quality of the 2009 wheat crop, it is important to understand the thresholds at which claims settlements are increased due to poor quality. Generally, there is a considerable "Quality Adjustment" (QA) for low-test weight when the test weight on wheat is below 54 pounds per bushel.

There's also a small adjustment that is made for high moisture. In the event that vomitoxin is a factor in the future, the QA begins at 2 parts per million (ppm). At 5.1 ppm to 10 ppm, the QA involves a 45-percent reduction in harvested bushels. At 10.1 ppm and above, the crop is considered unmarketable and can be destroyed for full claim settlement. However, at 10.1 ppm and above, a grower may opt to keep his wheat and receive a QA of 50 percent of the harvested bushels.

### Revenue

In 2009, coverage was established

on revenue policies at \$8.58 per bushel. This price is attained by averaging the closing July wheat futures for each day from Aug. 15 to Sept. 14 each year. The harvest price is an average of July wheat futures from June 1 to June 30. In 2009, the harvest price came in at \$5.80

What this meant to growers was that they were paid \$8.58 for every bushel below their guaranteed bushels, and for the bushels they did make when those bushels were below the guaranteed bushels, the grower received \$2.78 per bushel of revenue loss. It was not uncommon to see coverages in excess of \$300 per acre in 2009.

### What to expect for 2010

Unfortunately, with July 2010 wheat commodities tracking around \$5.50, the grower that had \$300 per acre of coverage in 2009 will have slightly under \$200 of coverage per acre in 2010.

See losses on page 3

# Double cropping

For the 2009 crop year, wheat claims have been excessive in number and extremely slow in being paid. The primary reason for the length of time that is being taken to work wheat claims is due to a new interpretation taken by the Risk Management Agency (RMA) of double-cropping rules. In order to be paid 100 percent of your loss on two crops on the same piece of land within one crop year, double-cropping history must be established. Double-cropping history is considered to be the second highest number of acres that are double cropped in the last four years in which the first crop was planted.

In the past, this history of acreage was established primarily through examination of FSA acreage records. Currently, the adjusters are required to obtain proof of production, e.g., sales tickets, load records, etc. for the acreage that was double cropped. This proof must include both crops of the double-cropping rotation.

Many hours have been spent corresponding with RMA, politicians and lobbyists in an attempt to bring light to the extreme burden that this record requirement has placed on the farmers, the adjusters, the agents and the companies. To date, the interpretation described above holds. Perhaps, we will see relief before the 2010 wheat harvest, but that is yet unknown. If you've been affected by this issue in 2009, we encourage you to contact your federal representatives in order to help us collectively gain a favorable

outcome.

If double-cropping history is not established, the first insured crop (wheat, oats and barley) is paid at 35 percent of the actual loss sustained. The premium on those acres is also reduced to 35 percent. In this situation, the second crop (soybeans) is insured at 100 per-



cent of coverage and premium. If the second crop does not sustain a loss, the remainder of the first crop loss and then first crop premium is restored, and; therefore, a second check is issued. If the second crop does suffer a loss, a comparison is made between the remainder of the first crop loss and the second crop loss. The higher of those two amounts is then paid.

If double-cropping history does not exist, there are three alternatives to the farmer: (1) Plant a second crop, receive a 35-percent settlement on the first crop with insurance on the second crop. This is the case described above. (2) Waive insurance on the second crop. In this case, the farmer can plant the second crop but elect not to insure those specific acres. (3) Leave land idle. If no second crop is planted after

in error. The MIF is calculated on a farm by farm basis. With regards to yields, if your reported yield is not within the 10 percent tolerance of your actual yield, the MIF is applied to claims in the same way as with an acreage error.

In the event that you entirely failed to report acreage of a crop on a given farm serial number (FSN), the penalty for doing this is a pro-ration of the production from the unreported acreage to the acreage that was reported; therefore, any unreported acres will certainly reduce claims on reported acres. 

the first crop, the first crop loss is paid at 100 percent.

With the upcoming deadline of Sept. 30 on deciding your small-grain coverage, it is important that you understand double-cropping rules in order to make an informed decision regarding your coverage.

## Recordkeeping requirements

It is more important than ever that every farmer maintain accurate acreage and production records. The crop insurance policy requires retention of records for the current crop year and the three prior crop years. Also, if you are accustomed to double cropping, you'll want to maintain records for the last four years in which the first crop (wheat) was planted.

We've always required that you maintain records on a farm serial number (FSN) by FSN basis. In light of the current interpretation of double-cropping rules, we believe that your best advice is to maintain field by field records for grain crops. The best way to do this is to maintain combine-bin-load records or truckload records.

For tobacco growers, it is essential that you maintain FSN by FSN records from the field to the barn to the truck to the warehouse, and finally to the sales tickets.

Always keep all production records from all crops in a yearly file so that you will be able to produce those records when needed for future claims and audit purposes. It is better to have the records and not need them than to need them and not have them. 

## Rainfall Index Policy

A new policy by the name of the Rainfall Index (RI-PRF) Policy will be available in 2010 for Pasture, Rangeland and Forage crops for the 2010 crop year. This is a much better policy for pasture and hay land for this area than the previous vegetative index policy.

Losses are calculated by comparing rainfall data during the covered period to past rainfall data. The deadline for signing up for this coverage is Nov. 30, 2009.

Our office will send a separate mailing to you in the near future about this coverage with more details and premium rates. 

## MIF factor

The misreported information factor (MIF) came into being in 2005. This factor was strictly designed as a penalty for reporting errors regarding your crop insurance. The factor functions by way of penalizing the grower when production or acreage is reported in error in excess of 10 percent. The actual penalty is the amount of error that is in excess of the 10-percent tolerance. Most often the MIF comes into play when acreage has been reported

# Upcoming mailings

## Small grain production reports

Currently, we are mailing production reporting forms for everyone that reported wheat, oats and barley acreage to us for 2009. Many of you have experienced a loss on every farm in 2009. If that is the case, we will gather all of your production information from your loss. If you have any farms that did not experience a loss, we will need your production data on the forms that we are sending to you.

Considering that many wheat claims have yet to be closed, there will be many growers who receive production reporting forms from us that will later be paid a claim on every farm. If that is the case with you, you may disregard the mailing.

## 2010 small grain quotations

If you are an existing wheat, oats or barley customer, you will soon receive from us a quotation for each of the farms that you tend for the small grains that you grow. Because we anticipate increases in coverage, you'll see pricing for your current level of coverage, as well as higher levels of coverage.

**Wheat sales closing dates for North Carolina and Virginia are Sept. 30. Any changes to your policy—including change in plan, change in coverage level, additional crops, deletion of crops, changes in tax ID numbers, changes in policy options, etc.—must be done by Sept. 30.**

## Losses

Continued from page 1

For this reason, premiums will be less, and in order to cover production costs growers may want to consider higher levels of coverage.

## Enterprise unit pilot program

As was the case with corn and soybeans, a new pilot program is in place for enterprise units on wheat. For the grower who is willing to have all wheat grown in the county as one unit, there are significant discounts. These large discounts often allow for a grower to insure at significantly higher levels for the same or less premium.

You will also see pricing for enterprise units if that is your choice for 2010.

## Different types of plans that are available

For wheat there are two plans of insurance available.

First, there is the Actual Production History (APH) plan of insurance. This plan strictly provides protection against low yields but has correspondingly lower premiums.

The other more popular plan is Crop Revenue Coverage (CRC), which protects against a combination of low yields or low-market prices. In 2009, the CRC plan averaged \$3 to \$5 per acre more in premium but often paid as much as tenfold additional claims dollars for the additional premium.

## Tax ID number verification

If you farm as a corporation, partnership, limited liability company, or if you farm under a tax ID number (TIN), it is important that we verify that your tax ID numbers are correct.

Also, we will be seeking to verify that anyone with a 10-percent interest in your farming operation is identified on your crop insurance application. If your crop insurance application shows an improper TIN, or if all shareholders are not represented, claims will be reduced or eliminated. 🐾

## New tobacco policy

A new tobacco policy is being issued for the 2010 crop. While more information will be given in future newsletters about this new policy, the following changes are already known;

- Optional units and enterprise units will still be available where previously available.
- Quality adjustment has changed to show "average value" instead of "average price received." It appears that there is an effort here to make sure that the price received will include all incentives in the future.
- It will not be necessary to have a contract in order to insure tobacco.
- Appraisals will take precedence over reported production if the appraisal is done before harvest and there is no cause of loss between the appraisal and the end of harvest.
- Prevented planted coverage has been added.

While some items such as replant coverage was not added to the policy and there was no change in the policy to address mechanical harvesting, the primary concern of one unit per county was avoided. More information will follow about the 2010 tobacco policy before the sales closing date for 2010 tobacco coverage. 🐾

## Cutting for hay?

It's important we know about potential claims prior to harvest. With hay stocks high, it's difficult to imagine that much of the soybean crop will be cut for hay. If you insured soybeans that you will be cutting for hay, it's important to contact us prior to doing so. We'd like as much as one week prior notice to get an adjustor in contact with you so that crop samples to be left for later appraisal can be agreed upon. If you have soybeans you believe will have a loss and are not planning to cut the soybeans for hay nor will combine the beans, contact us so that we can send an adjustor to appraise the expected bushels that could be harvested. 🐾

For an online copy of this and past newsletters, visit [www.farmersontheweb.com](http://www.farmersontheweb.com). Also, you can email us at [farmersinsagency@earthlink.net](mailto:farmersinsagency@earthlink.net) with your email address, and we will send an advance copy of each newsletter by email.

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**When you suspect a claim, call us**

**W**ith the heavy workload that the claims force is seeing, it's important that as soon as you suspect a loss on any of your crops you should call to file a claim with us. It is never hurtful to you to file a claim and have an improvement in your crop that results in us not paying a claim.

To the contrary, it is very hurtful if we realize that a payable claim existed after the crop has been harvested. This is especially true when the crop has been harvested, and the crop residue has been destroyed. Generally, no claim is payable if a claim is filed after such time that the adjuster can't verify that the crop ever existed.

**Dates to remember**

<b>North Carolina</b>	<b>Wheat</b>		<b>Oates</b>		<b>Barley</b>	
	<b>Final Planting</b>	<b>Acreage Reporting</b>	<b>Final Planting</b>	<b>Acreage Reporting</b>	<b>Final Planting</b>	<b>Acreage Reporting</b>
Alamance	10-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Caswell	10-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Durham	20-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Edgecombe	30-Nov	15-Dec	10-Nov	15-Nov	10-Nov	15-Nov
Granville	20-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Guilford	20-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Lee	20-Nov	15-Dec	31-Oct	15-Nov	*	*
Montgomery	20-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Moore	20-Nov	15-Dec	31-Oct	15-Nov	*	*
Orange	10-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Person	10-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Randolph	20-Nov	15-Dec	31-Oct	15-Nov	31-Oct	15-Nov
Richmond	20-Nov	15-Dec	31-Oct	15-Nov	*	*
Rockingham	10-Nov	15-Dec	31-Oct	15-Nov	15-Oct	15-Nov
Surry	31-Oct	15-Dec	15-Oct	15-Nov	15-Oct	15-Nov
Wilkes	31-Oct	15-Dec	15-Oct	15-Nov	15-Oct	15-Nov
Yadkin	31-Oct	15-Dec	15-Oct	15-Nov	15-Oct	15-Nov
<b>Virginia</b>						
Bedford	10-Nov	30-Nov	*	*	25-Oct	15-Nov
Campbell	10-Nov	30-Nov	25-Oct	15-Nov	25-Oct	15-Nov
Franklin	10-Nov	30-Nov	*	*	15-Oct	15-Nov
Halifax	10-Nov	30-Nov	25-Oct	15-Nov	25-Oct	15-Nov
Henry	10-Nov	30-Nov	*	*	*	*
Mecklenburg	20-Nov	15-Dec	25-Oct	15-Nov	25-Oct	15-Nov
Montgomery	31-Oct	15-Nov	*	*	*	*
Pittsylvania	10-Nov	30-Nov	*	*	25-Oct	15-Nov

\* If a date isn't shown for a county, coverage is only offered in that county by special written agreement.