

# FarmPLUS INSURANCE SERVICES



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Fall 2010

## Combo policy for grains is finally here!

**Y**ou'll receive or may have already received information from the insurance company detailing the new crop insurance policy for grain crops, commonly known as the Combo policy. The Combo policy is an effort to consolidate the many different types of crop insurance policies that previously existed into one new policy.

For 2011, the Combo policy will be issued at the coverage level and the type of plan that is most similar to your existing coverage.

There will be a yield protection only version of the Combo policy and also a revenue protection version of the Combo policy. Both versions will use

the same price-per-bushel to calculate coverage and premiums. The price election or price-per-bushel for wheat will be calculated using July 2011 wheat futures averaged from Aug. 15, 2010 until Sept. 14, 2010. The market value of wheat futures at the end of each trading day on the Chicago Board of Trade will be used to calculate the average price known as the Expected Harvest Price.

A welcomed change to the Combo policy is the removal of the misreported information factor (MIF). MIF was a penalty that was applied whenever reported information, such as acreage, was more than 10 percent in error.

There are other changes in the Combo policy too numerous to mention but of small significance.

The Combo policy changes the rule known as the 20/20 rule with regards to enterprise units. In the past, a farmer had to plant two farms with at least 20 acres or 20 percent of total planted acres within the unit. To qualify for enterprise units with the Combo policy, a farmer must plant two farms with 20 acres or multiple farms when combined that represent two sets of total acreage that are at least 20 percent of the total acres of the crop in the county. 🐾

## Small grain sales-closing date is Sept. 30

**T**he deadline for initial sign up or changes to wheat, oats and barley coverage is Sept. 30, 2010. In the coming weeks, our office will send quotations showing current yields, coverage levels and resulting premiums for existing small-grain policyholders.

As always, we strive to make on-farm visits to discuss your coverage. However, this time of year has always proven to be full of surprises. Storms and other adverse weather often keep us in a service mode to our existing customers, rather than a sales mode. Still, the proper choice of coverage for small grains in 2011 is important to every producer. Due to the change to the new Combo policy, it will be important for every grower to re-evaluate their coverage for all grain crops.

We anticipate increased commodities pricing for wheat for 2011 versus 2010, due to the short supply of wheat that appears to be developing in the United States. This will cause increased coverages, and unfortunately, increased premiums.

Also, enterprise unit (EU) structure discounts remain in effect for 2011. We have found that wheat is perhaps a more consistent crop from farm to farm than other crops, and the EU discounts are often worthwhile. Generally, EU discounts range in excess of 60 percent of optional unit (farm by farm) pricing. 🐾

### Premium due dates

**P**remiums were due for wheat, oats, barley, hay, and pasture on July 1, 2010. Premiums for spring-planted crops such as tobacco, corn, soybeans, and grain sorghum will be due

on Oct. 1, 2010. Any claims paid prior to the premium due date will result in premiums that are owed being deducted from the claims settlement.

Crop-hail premiums are due Dec. 1, 2010 in North Carolina and Jan. 1, 2011 in Virginia. Again, premiums will be deducted from any crop-hail claim. 🐾

**If you are interested in seeing the content of prior newsletters, visit our Web site at [www.farmersontheweb.com](http://www.farmersontheweb.com). Click "Agribusiness" then on the newsletter that you would like to view.**

## Crop Hints By Brent Craig

Written August 6, 2010

**W**heat markets have been on the move in the past couple of weeks. In the past 24 hours, cash prices for wheat have climbed 60 cents per bushel (bu). I called a mill in Virginia this morning and received the following prices: \$8.04/bu today, January

delivery \$8.41/bu and July delivery \$7.05. Whether this is a flurry or a storm has yet to be determined. Usually when commodity prices trend upward, so do input costs. Fertilizer and seed will likely follow if this is a long-term event. It may be a good idea to get a handle on fall fertilizer needs. By now, most have placed wheat-seed orders. If you have not, I encourage doing so. Certified seed is in tight supply due to lost production, caused by unfavorable weather conditions and insect pressure.

One vital aspect of wheat production is proper seeding rates. In order to achieve maximum yields, you have to start the crop off with the correct amount of seed. Each seed should produce at least three fall tillers if soil fertility is right and planted timely. Fall tillers will be the ones that produce the grain head. It all starts with proper seeding rates.

I'd bet 9 out of 10 corn producers know exactly how many seed per acre they are using. When you ask the question—How much wheat do you plant per acre?—the answer usually comes back in bushels or bags per acre.

We have got to convert that back to seeds per acre as well, if we are going to start the wheat crop off on the right foot. Seed sizes vary from year to year, variety to variety and seed treatment also affect seeding rates. These variations may be as high as several thousand seed per pound, which can offset planting rates by as much as 25-30

percent easily. Remember, if you plant 30 percent more seed than you need, you have cost yourself several dollars per acre and increased your odds of the wheat lodging in the spring. On the other hand, if you plant 30 percent fewer seed per acre, you have already dropped your potential yield by 30 percent. Quick math: 70-bu average reduced by 21 bu *times* \$7/bu wheat = \$147/acre loss. Ouch!

Unfortunately, grain drills have yet to reach the accuracy of modern-day corn and soybean planters. They measure volume; corn and soybean planters count seed. But a simple drill calibration can take the guess work out of small-grain planting.


There are many ways to calibrate a grain drill. One that we have often used starts by measuring off and marking a 50-foot distance. Next, make a mark on the drill tire that drives the drill. Pull the drill along the 50-foot marked course and count the revolutions. Next, jack up the drill, on the drive-wheel side. Place your wheat in the drill, enough to cover four or five spouts. Take a hose off of a spout. Start turning the drive wheel, and once the seed begins to trickle out of the spout place a small bucket or rain gauge under the spout and begin counting the revolutions until you reach the 50-foot mark. Remove the bucket and count the seed. You may want to repeat this process on another spout or two to make sure there are minimal variations between the spouts.

On seed timely planted, roughly one to two weeks before the average frost date you want 20-22 seeds per linear foot on conventional wheat and about 22-24 seed per linear foot on no-till with 7.5-inch spacing. You are looking for about 1,000-1,100 seeds per 50-foot conventional and 1,100-1,200 no-till with 7.5-inch spacing. Repeat the calibration process until you get the drill where it needs to be.

I realize 500 acres of wheat cannot be planted in a day. That is just the way it is. When the planting window is going to start a little early and finish a little late, a couple of considerations should be made.

If planting early, try to use the longer-season varieties. Some shorter-season wheat is daylight sensitive and may grow too fast, too early and be damaged by cold or freeze injury. Also, if planting early it may be a good idea to use an insecticide such as Gaucho as a seed treatment. Aphids and many other insects spread disease such as Barley Yellow Dwarf Mosaic and can severely reduce yields and do not show up until spring when it is too late.

When planting late, use shorter-season varieties. Also remember for every week beyond the optimum plant date in your area that wheat is planted, the seeding rate needs to be increased by 10 percent.

Again, at FarmPlus Insurance Services, we wish you a prosperous harvesting and planting season. 

## Livestock Gross Margin (LGM) for dairy

**J**uly 2010 was the first month Livestock Gross Margin (LGM) for dairy, was available in Virginia and North Carolina. LGM provides protection to dairy producers when feed costs increase or milk prices decrease. Gross margin is the market value of milk *minus* feed costs. LGM for dairy uses futures prices for corn, soybean meal and Class III milk to determine the expected gross margin and the actual gross margin.

LGM is very flexible to meet the needs of different sized operations. A producer may choose to insure a small percentage of milk production up to 100 percent of production. The limit per

insurance period is 240,000 hundredweights (cwts), which is roughly a 1,000-cow dairy with a 24,000 pound rolling-herd

average. A producer may choose to insure production for one month at a time up to a 10-month interval. Costs range from about 10 cents per cwt up to 65 cents per cwt, depending on the deductible chosen. Deductibles range from a high of \$1.50 per cwt to as low of \$0.

Sales-closing dates are from 4:30 p.m., the last business Friday of the month, through Saturday at 9 p.m. Eastern Standard Time. Chicago Mercantile Exchange prices are averaged Wednesday, Thursday and Friday for soybean meal, corn and Class III milk. At 3:30 p.m. Friday afternoon, expected

See **LGM** on page 4

## Recordkeeping

The most common complaint with crop insurance of late is the complexity of the rules. While the complexity is a given, every aspect of crop insurance hinges upon recordkeeping. It is important that every grower maintain accurate records of planting and production in order for the crop insurance program to work to his or her greatest benefit.

With regards to soybeans, we have gathered acreage records based upon whether the acres were early planted (full season) or double cropped behind another crop. It is imperative that production be maintained separately also. Without these separate production records, a grower is not “qualified” as having double cropped and cannot receive a full claim on both the first and

second crop. In fact, he can receive no more than 135-percent settlement on a given acre of land.

With double-cropping records, a producer may receive as much as 200-percent settlement (e.g. 100 percent for wheat, 100 percent for soybeans).

## Production reports for spring-planted crops

In the near future, you will receive from us a production-reporting form for all spring-planted crops. On that report, we will ask for production from each farm serial number for each crop. We ask that you maintain separate records for each farm serial number even if your crop insurance is in an enterprise unit or a basic unit (one unit per county). The separate production

records are required if you wish to insure on an optional-unit basis (one unit per farm serial number).

We will ask for separate production on full-season versus double-cropped soybeans on the production reporting form. Claim settlements on double-cropped acreage are improved substantially if you keep records of double-cropped acreage separate from full-season acreage (See **Recordkeeping** above).

**The deadline, for signing up for the Supplemental Revenue Assistance (SURE) Program for 2008 disaster assistance through the Farm Service Agency (FSA), is September 30, 2010.**


<b>North Carolina</b>	<b>Wheat</b>		<b>Oats</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
Floyd	*	*	*	*	*	*
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	*	*	*	*
Patrick	10-Nov	30-Nov	*	*	*	*
Pittsylvania	10-Nov	30-Nov	*	*	25-Oct	15-Nov
Wythe	31-Oct	15-Nov	*	*	*	*

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

**LGM**  
Continued from page 2

futures prices are posted, and a producer has a little over 24 hours to lock in their gross margin. Premium is also due that day. The check must also be in the hands of the Rural Community Insurance Services (RCIS) within 10 days of the date the production was keyed on the computer. The agent must have the amount of production keyed by 9 p.m. Saturday, or the producer will have to wait until next month, the last business Friday, to purchase the insurance. There are only 12 sales-closing dates a year, one a month for LGM.


The only possible way that this can work is to have anyone interested in LGM sign an application well beforehand. There is no fee involved in doing this. No payment is due until a producer elects to insure their production for a certain time period. This will allow us to get everything on the computer, and once that is done, all we have to do is make you aware of what the expected future prices are on the last business Friday of the month.

The best way to sum up the last 18 months of milk prices is a roller-coaster ride. Hopefully, we have seen the bottom and are inching back out of the valley toward the top of the hill. We think LGM may be a way to keep from spending too much time in the valley and more on top of the hill. If you think you may be interested, give us a call, and we will get an application to you. 

## Tax ID number verification


If you operate as a corporation, limited-liability company, or use a tax ID number other than your Social Security Number, it is very important that you operate under the correct number, both at the Farm Service Agency (FSA) and with us.

Any owner of your farming entity that has a 10 percent or greater ownership must be identified on your crop insurance application.

The upcoming small grains pasture and hay land sign-up deadline of Sept. 30 begins the 2011 crop year. It is important that any corrections or changes occur before the Sept. 30 deadline. 

## High-dollar claims

A high-dollar claim is considered to be a claim over \$100,000. If a high-dollar claim is paid, an audit of that claim and an audit of the most recent three years of production records for the crop must be performed.

If you suspect that you will be paid a high-dollar claim, you should gather all production records for the crop for the three most recent years. If losses were paid in those years, you may contact our office, and we can assist in gathering records from the losses. 

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## Peach, apple and grape sales closing date is Nov. 20

Peaches (including nectarines) are insurable if grown for the fresh-market sales or as processing peaches. Trees must have reached the fourth growing season after set out and have produced at least 100 bushes per acre in one of the three most recent years. Peach policies exist for Bedford, Carroll, Floyd, Franklin, Henry, Patrick, Pittsylvania, Roanoke and Wythe counties in Virginia, and for Surry, Watauga and Wilkes counties in North Carolina, among other counties in which our agency doesn't currently have customers. If your county does not have a peach policy, you can still purchase coverage through a written agreement. A written agreement requires that you have at least the three most recent years of hard-copy records of production.

Apples are insurable if grown for fresh-market sales or for processing. Insurable apples must have produced at least 150 bushels per acre in one of the past four years. The policy offers coverage against perils resulting in fresh or processing fruit that fails to grade U.S. No. 1 processing or better. Apples are insurable in Bedford, Carroll, Floyd, Franklin, Patrick, Roanoke and Wythe counties in Virginia, and Catawba, Stokes and Wilkes counties in North Carolina amongst other counties. Again, if a policy doesn't exist for your county, a written agreement can be obtained with three years of production records.

For apples and peaches, the sales closing date is Nov. 20, 2010. If you have interest in insuring your apples or peaches, please contact our office.

Grape varieties grown for wine or juice are insurable if the vines have (1) reached the fourth growing season after being set out for all Native varieties and the fifth growing season after being set out for all Hybrid varieties, and (2) produced an average of 2 tons per acre in at least one of the three most recent crop years. All grapes in Virginia and North Carolina are insurable through written agreement only. This means that you must provide three years of hard-copy production records in order to purchase a policy. The sales closing date for grapes is Nov. 20, 2010. 

**While our primary focus has always been crop-insurance coverage, Charles Lloyd is always eager to help you with your farm, home, auto or any other insurance coverage that you have an interest in. A new addition to the staff, Claudia Franklin, can also be of service to you in these areas.**

**We are an independent agency, which means that we have many companies to offer, and therefore, are almost always very competitive.**

# Continuation of Pasture, Rangeland, and Forage (PRF)—Rainfall Index (RI) policy for 2011

The Rainfall Index PRF policy was introduced in Virginia and North Carolina for the 2010 crop year.

The program will be continued for 2011. Due to the fact that the PRF policy is a pilot program, it is unclear if the PRF plan will be made permanent; however, it is our belief that it will.

For 2010, participation in the PRF policy was excellent considering that there was only a short time from the introduction of the plan in October 2010 until the deadline for sign up at the end of November 2010.

Although there are plenty of results yet to be determined, the results—thus far in 2010—have had mixed reviews. Many cattlemen had coverage for the March/April time period. It's our experience that those farmers in grids (12 miles by 12 miles) on either side of the Virginia/North Carolina line did not collect an indemnity, due to above average rainfall in March even though rainfalls in April were below average. However, in areas further south and north away from the state line, the March/April time frame did pay losses.

Our experience with the April/May time frame was very similar to the March/April time frame, due to above average rainfalls in May at most rainfall recording stations operated by the National Oceanic Atmospheric Administration's National Weather Service.

The May/June indexes will be announced at the end of August. We expect losses to appear due to the extreme deficit in rainfall in June. However, average-to-above-average rainfall in May will diminish the May/June results.

For the June/July time frame, most rainfall recording stations experienced a deficit in rainfall for both months other than stations along the I-40 corridor that received above average rain in July. We expect considerable losses for the June/July time period.

A hard lesson learned thus far in 2010 is that PRF losses often do not mirror hay production. There have certainly been cases where spring hay production was 50-percent of average or lower, and the PRF policy did not

pay a loss.

While not a perfect system, the PRF policy did generate needed funds for many farmers thus far in 2010, and every insured farmer still has months of coverage to be determined.



*Sign-up deadline for 2011 is Sept. 30.*

**F**or the 2011 calendar year, the sign-up deadline or sales-closing date is **Sept. 30, 2010**. Any new coverage or changes to existing coverage must be selected by Sept. 30, 2010.

Once a grower has signed up for the PRF plan of insurance, he has until Nov. 15, 2010, to report acreage for the plan. It is important to note that, in order to be eligible for federal disaster assistance (the Farm Service Agency's [FSA's] Supplemental Revenue Assistance [SURE] program), a grower must insure at least his/her hay crop. Because PRF is a pilot program, a grower has the choice of insuring hay and pastureland, either with PRF or by using the FSA's Non-insurable Assistance

Program (NAP) to insure his or her hay or pasture. Although coverage is not required for pastureland to be eligible for the SURE program at FSA, pastureland coverage through PRF or NAP is required for eligibility for the

FSA's Livestock Forage Disaster Program (LFP) and also for the Livestock Indemnity Program (LIP).

The cost per crop for the FSA's NAP program is \$250 per crop, per county with hay and pasture being considered separate crops. The cost for PRF through our office can range from \$3 to \$20 per acre for hayland and 30 cents to \$4 per acre for pastureland. There's also a \$30 policy fee per crop, per county for the PRF policy.

Unless a grower has very large (greater than 600) acres of pasture or large acres of hayland (greater than 100), we can usually find a coverage level

and coverage per acre so that the farmer's premium will not exceed the cost of the FSA's NAP policy, which costs \$250.

Also, even at the lowest levels of coverage within the PRF policy, there is typically more coverage than the NAP policy offers, since NAP is designed to be the same coverage as a crop insurance catastrophic (CAT) policy.

In 2010 and again for 2011, the sign-up deadline for the NAP program on hay and pastureland is Nov. 20 in North Carolina and Feb. 15 in Virginia. If a farmer desires to have "linkage" for the disaster program, which is the SURE program administered by the FSA, he or she will want to keep the crop insurance

# Commonly asked questions

Often we encounter common grower questions that we will attempt to address here for your convenience.

## (1) What coverage applies to windblown tobacco?

Windblown tobacco is a common problem during the storm season. For those growers that harvest exclusively with tobacco harvesters, the federal crop insurance policy includes coverage to pay for lost production due to the inability to mechanically harvest. However, any production harvested prior to the wind event is considered production-to-count against the unit (farm serial number). Also, any acreage that is not windblown to the extent that it cannot be mechanically harvested would be considered production-to-count. Therefore, a severe, widespread wind event is the usual cause of payable claims for wind damage under the federal crop insurance program.

For those who do not mechanically harvest, the federal crop insurance policy would only cover loss of production (i.e. leaf removal or broken/damaged leaves or plants that cannot be harvested manually).

Crop-hail insurance offers additional wind coverage for broken or removed leaves from the plant if the wind endorsement is purchased. If the wind endorsement is not purchased, there must be at least 5 percent of damage attributable to hail in order for wind damage to be paid. There is no coverage within the federal crop insurance program or the crop-hail policy that will pay for setup of windblown tobacco.

## (2) When can a crop be appraised and released?

A crop can be released only after its full potential can be determined. An adjuster must assume ideal weather conditions for the remainder of the growing season at the time that he is considering an appraisal and release. Therefore, the primary considerations at the time of appraisal are plant populations, remainder of the growing seasons, and maturity of the crop on the day of appraisal.

Generally, growing seasons are never ideal beyond the date of appraisals; and therefore, appraisals tend to be reduced as the growing season progresses. Often, it is in the farmer's best interest to tend a crop as long as possible. However, ongoing expenses of tending a crop (e.g. labor expenses in tobacco) sometimes outweigh the benefit of requesting an appraisal before completion of the crop.

## (3) How does quality adjustment work on tobacco?

Quality adjustment is a modification to the yield that is accomplished on a unit of tobacco (usually a single farm serial number). It is used to allow for deficiencies in quality that result in lower prices paid for the tobacco.

For 2010 and beyond, quality adjustment only occurs when the average price received per pound or the unit is less than 75 percent of the price election, which is \$1.75 for 2010.

If the quality problem is witnessed in the field by the adjuster and the average price received for the tobacco from the unit is less than 75 percent of \$1.75 (\$1.31), quality adjustment will be triggered. When quality adjustment is triggered, the maximum amount payable is the average yield for the unit *times* the coverage level *times* the price election (\$1.75) *times* the acreage in the unit.

In some cases, a producer could achieve yields greater than his production guarantee (average yields *times* coverage level) and still be paid a loss. If quality adjustment is triggered, the gross revenue for a unit is increased through crop insurance to the production guarantee (average yields *times* coverage level) *times* the price election (\$1.75) *times* acres in the unit. As in the past, any loss of production below the production guarantee will be paid at the price election.

## (4) What is expected of the grower with drought stricken sun-baked tobacco?

The crop insurance policy requires harvest or appraisal of ripe mature tobacco. Sun-baked, immature tobacco that is curing green in the shoulders is not considered ripe, mature tobacco. Often, drought years and un-irrigated tobacco result in immature tobacco until the rains finally happen. Once it does rain, it is expected that the farmer harvest the tobacco as it ripens. If frost should occur prior to completion of harvest, an appraisal can be done on the frostbitten tobacco. Usually, frostbitten tobacco has little, if any, appraised production as the companies have shown that they aren't interested in purchasing it. Labor is usually the sticking point in drought years due to the fact that migrant workers are expecting work and drought prevents work from being available. For that problem, there is no good solution.



**PRF-RI**  
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and FSA deadlines in mind, so as to sign up for one program or the other.

While our experience thus far with the PRF policy has had mixed results, it is our belief—that due to considerable government premium subsidy—it is a program that will be financially beneficial to all participants over the long haul.

If you wish to see how the PRF policy would have performed in your area, you can visit [www.agforceusa.com/rma/vi/prf/maps](http://www.agforceusa.com/rma/vi/prf/maps) to determine the grid in which you're located. You can then click on the Decision Support Tool. From the resulting web page, you can insert hayland acres or pastureland acres, and the months for which you desire coverage. From this web page, you can calculate the amount of claim that would have resulted for the chosen periods of time. Also, the web page calculates the insurance premium for the chosen crops and months of coverage.

