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Crop year 2011 in review

The 2011 crop year has been given mixed reviews by farmers with the majority having a negative opinion of the fortunes of farming. One bright spot occurred at the beginning of the 2011 harvest in the form of an excellent wheat harvest accompanied with favorable pricing. Most growers experienced yields well above average and enjoyed some of the best profits per acre ever.

Corn and soybean growers told a tale of good, then bad and for some, good again. Most growers were able to get good stands, and early growth of the crops showed great promise. A summer drought that has become the norm rather than the exception occurred again in 2011, except for in a few isolated areas. For plenty of corn growers, dry weather and heat during pollination resulted in very poor ear development. Most corn crops looked good in the field but not in the shuck. However, there were areas where high yields were accomplished by those that hit the jackpot with summer storm clouds.

Soybeans were more of a mixed bag of success and failure. Many growers had the vines but didn't have the soybeans. Others, especially double croppers, never had the vines due to drought and deer. There were others that didn't have the pods low on the vine, but late rains and late varieties combined to give some growers a welcomed surprise in the combine cab.

Throughout the country, expectations are for heavy losses to amount to the first unprofitable year for the crop insurance system since 2002. Floods in the Mississippi and Missouri River Valleys resulted in heavy losses. Also, an unprecedented drought in Texas and surrounding areas resulted in devastating losses. More locally, hurricane damage in eastern North Carolina, Virginia and throughout New England made for plenty of work for adjusters in those areas. There were localized droughts such as in our area in several states. At the time of writing this newsletter, the losses throughout the country are showing $7.2 billion in claims versus $11.9 billion in premium volume for a 60-percent loss ratio. There are many losses yet to be paid on the 2011 crop so the numbers are expected to get worse. This compares to the losses versus premiums shown below in billions of dollars for recent years.

While on the subject of loss ratios, it is interesting to note the loss ratio on flue-cured tobacco for the same period. In recent newsletters, tobacco has been discussed at length, and the loss ratios have been alarming to the Risk Management Agency (RMA) as well as for anyone involved in the crop insurance program in tobacco-growing areas. Below is the data associated with flue-cured shown in millions of dollars.

What this means to the tobacco community is an ever increasing effort on the part of RMA to reduce fraud, waste and abuse of the crop insurance program on tobacco through enforcement of laws and rules of the program. Other ways that the loss ratio can be brought under control are (1) with higher rates, (2) rule changes such as one unit per county or producer or worse yet, (3) removal of the crop insurance program for tobacco entirely. It is well known that many of the problems with tobacco-loss ratios

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Nationwide Loss Data on All Crops

Year	Losses (mil)	Premiums	Loss Ratio
2010	$4.2	$7.6	56%
2009	$5.2	$9.0	58%
2008	$8.7	$9.9	88%
2007	$3.5	$6.6	54%
2006	$3.5	$4.6	77%
2005	$2.4	$3.9	60%
2004	$3.2	$4.2	77%
2003	$3.3	$3.4	95%
2002	$4.1	$2.9	139%
2001	$3.0	$3.0	100%
2000	$2.6	$2.5	102%
1999	$2.4	$2.3	105%

Flue-Cured Tobacco Loss Data

Year	Losses (mil)	Premiums	Loss Ratio
2011	$102.2	$35.9	285% (thus far)
2010	$ 77.4	$34.4	225%
2009	$ 76.0	$38.0	200%
2008	$ 80.9	$32.9	246%
2007	$ 68.4	$28.7	238%
2006	$ 80.0	$22.5	355%
2005	$ 42.5	$15.9	267%
2004	$ 45.3	$27.8	163%
2003	$ 84.0	$26.2	321%
2002	$ 69.6	$25.5	273%
2001	$ 21.6	$22.8	95%
2000	$ 28.8	$21.8	130%
1999	$ 78.2	$25.0	313%

Crop Hints
By Brent Craig

It is hard to believe another harvest season is almost over. Now much preparation is underway for the spring-planting season. With the potential for input costs trending upward some tough decisions are going to be made in regard to expenses. Let's take a look at a couple of management tools that may help reduce the expense of these inputs.

Soil sampling is a great way to make sure that nutrients are not over applied. The results from the sample will tell how much phosphorus and potassium are in the soil. They will also tell how alkaline or acidic the soil is as well, pH. They are not used to indicate how much nitrogen is in the soil. However, most labs will give a crop-specific recommendation for how much nitrogen, phosphate, potash and lime to apply.

Calibration of application equipment is a very useful management tool. You can calibrate anything from a seed drill to the fertilizer applicators on a planter. The question may be: Why do I need to do this because there is a chart on the equipment? The chart is a general idea, but most application equipment moves material by volume. One five-gallon bucket of golf balls and a five-gallon bucket of fertilizer are both five gallons by volume, but if you weigh them the bucket of fertilizer will be much heavier. The fertilizer has a higher density and smaller particle size. Density and particle size greatly affect the flow of material that is applied by our farm equipment.

Over the past few days I have talked with several tobacco producers, and they are starting to make their buying decision in regard to fertilizer. Some are talking about switching from blends to ammoniated fertilizer and vice versa. This change will result in the need to calibrate the fertilizer applicators on tobacco planters because the density of a blend and an ammoniated fertilizer will vary. Below is the calibration procedure taken directly out of the 2008 N.C. Tobacco Production Guide.

Calibration of Fertilizer Application Equipment

Accurate application of the desired amount of fertilizer is essential to supplying the proper nutrition to a tobacco crop. Proper calibration of application equipment will better ensure that the proper amount of fertilizer is applied. The "1/100 acre" method is one of the easiest calibration procedures and does not require calibration charts and calculations.

1. The first step is to determine the appropriate calibration distance based on your row spacing.

Row spacing	**Calibration distance**
48 in.	109 ft.
46 in.	114 ft.
44 in.	119 ft.
42 in.	124 ft.

2. Collect fertilizer from the applicator over the calibration distance and weigh the fertilizer.
3. Multiply the amount of fertilizer collected *times* 100 to obtain the fertilizer application rate pounds/acre (lbs/A).

With two outlets per row, fertilizer should be combined to obtain the application rate for the row.

Fertilizer should be collected separately from each row to determine the actual rate of each row.

Example — With a row spacing of 46 inches, the calibration distance is 114 feet. If 7.25 pounds of fertilizer is collected from both outlets of a row applicator then the application rate is 7.25 *times* 100 or 725 lbs/A.

Individual rows of two- or four-row applicators should be within a 10-percent range of the intended rate. In the above example with 725 lbs/A, an acceptable range would be 690 to 760 lbs/A. differences between rows become more important with higher nitrogen fertilizers (8-8-24 vs. 6-6-18) or when applying nitrogen sidedress fertilizers.

In summary, if you begin your nutrient management program with a soil test recommendation, you have a great starting point. So once you know how much fertilizer or lime to apply then you can apply it with confidence because you have a good idea of how much material your equipment is putting down after calibrating it. Neither soil tests nor calibration are 100 percent but are much more precise than taking a shot in the dark.

Once again, thank you for your business, and we wish you a Merry Christmas and a Happy New Year.

Apple and peach meeting to be held Dec. 27

All apple and peach producers are invited to an informational meeting at the Hungry Farmer in Cana, Va., on Dec. 27 at 12 p.m. Although the sales deadline for apple and peach coverage for 2012 has passed, there is considerable confusion about the procedure for determining qualifications for the "Fresh" type and the "Fresh Market Option".

Growers are invited to attend so they can learn the recordkeeping that is needed to qualify for "Fresh" in 2012. Also, our hope is that any missing information such as apple and peach yields, orchard information for the pre-acceptance worksheet and acreage report information can be gathered before, during or after the meeting for those that have not yet provided all missing information. If you plan to attend this meeting, please RSVP by calling Vivian Anderson at 434-476-1515.

The acreage reporting deadline for apples and peaches is Jan. 31, 2012. The deadline for providing data for the Pre-acceptance Worksheet and the Production Report is Jan. 5, 2012. If you have apples or peaches insured and have not yet reported this information to us, please do so by the deadlines or contact us if you have any questions.

Southside Insurance Agency merges with FarmPLUS Insurance Services

Effective Nov. 23, 2011, Southside Insurance Agency in Halifax, Va., has been purchased by FarmPLUS Insurance Services. Since the passing of Phyllis Cole, the former owner of Southside Insurance Agency (then known as Phyllis Cole Crop Insurance), there has been partial ownership in Southside Insurance Agency by FarmPLUS. The recent transaction brought Southside fully within FarmPLUS' ownership.

Vivian Anderson, the customer service representative at Southside will stay on in her capacity and has been a tremendous asset to the business over the past years. The office in Halifax will remain open for business for the foreseeable future. However, beginning Jan. 1, 2012, Vivian will be working out of the office in Blairs, Va., on Mondays, Wednesdays and Fridays for training purposes and to assist in the greater volume of workload that exists in the Blairs office. She will be working out of the Halifax office on Tuesdays and Thursdays. For the Halifax County farmers, it is recognized that the Southside office's close proximity to the Halifax County Farm Service Agency (FSA) is very convenient. Since that office space is owned by FarmPLUS, it will be closely evaluated as to how to best service the crop insurance business of the agency for growers in all counties while still maintaining the convenience for the Halifax County farmers. A mail slot will be installed in the rear door of the Halifax office for clients to drop off FSA documents, payments, etc., and when Vivian isn't in the office in Halifax, the calls to Halifax will be forwarded to Blairs so that Vivian can assist the farmers. Also, the other staff in Blairs will be available to assist. Also, if you wish to stop by the Southside office in Halifax on Monday, Wednesday or Friday, you can make an appointment with Vivian or Brent Craig.

Brent Craig has assumed the duties of agent for the former Southside customers and has a wealth of experience in farming and also in crop insurance. Brent is currently making his rounds to see all of the Southside customers to introduce himself and to evaluate the risk protection plan for each of his customers. FarmPLUS welcomes our Southside customers and will continue to appreciate their business as we have in the past.

Growers meetings to be scheduled

FarmPLUS will again be hosting growers meetings in selected areas to discuss changes to the crop insurance program that will be in effect for 2012. While these meetings have not yet been firmed up, we will attempt to have a meeting that is convenient to all of our customers, which is a difficult task. Currently, we are working towards scheduling meetings in McLeansville, N.C., Roxboro, N.C., South Boston, Va., Danville, Va., Rocky Mount, Va., and Wytheville, Va. We may also have a meeting in Mount Airy, N.C., prior to the sales deadline for spring-planted crops if there are enough growers that have an interest in attending a meeting. We believe that group meetings and newsletters help in getting the information out that all growers need to know.

Compounding the problem of making sure that all customers are well-informed is the fact that there have been recent changes to the agreement between the government and the crop insurance companies that resulted in a 40-percent cut for 2011 from the commissions that would have been paid under the 2010 rules for compensation of crop insurance agents. The end result is less money to be used for sales and service. We understand that our service to you must be maintained, but if we don't provide a fancy meal a hat or a rain gauge to the extent that we once could afford, we hope that you understand.

We believe that visiting your farm each sales season to review your individual risk management needs is paramount. We are equipped to provide the best possible information for your decision-making when we visit. For Brent Craig and Tim Alderson, their trucks are their offices for a large part of the year. We will do all that we can to give you advance notice of their visit to your operation and hope that you'll do all that you can to take the time to go over your coverage. This meeting, usually in the cab of their truck, is the most important time in the year that is spent in handling your crop insurance. This is true regarding your interests in risk management and also regarding our interest in doing a good job for you.

Production reporting forms

You should have a production reporting form for your 2011 spring-planted crops. While these production/yield reports aren't due immediately, the sooner we receive your yields for the 2011 crop the sooner we can quote accurate rates for the 2012 crop. If you had any crops that did not have a loss on all units, we need the yields for each unit that was claim-free. A good yield is like money in the bank because yield databases typically contain 10 years of data; and therefore, a good yield benefits you for 10 years. A poor yield has the opposite effect for 10 years. A good analogy for crop insurance is a bank account. In order to withdraw (claims), you must make deposits (premiums). With government subsidy generally over 50 percent of the total premium involved in crop insurance, the average customer can maintain yield averages at a constant level and collect nearly $2 for every $1 in farmer-paid premiums over time.

Crop year
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stem from oversupply leading to low prices. Lower prices lead to overcropping and, in some cases, fraud and abuse within the program. Buy-out money further complicates the issue, allowing farmers to survive when—without buy-out money—survival of the fittest would balance supply/demand economics.

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Prevented planted wheat

During the recent planting season for wheat, oats and barley, there were significant acres that could not be planted due to late harvests of 2011 crops and frequent rains in November and thus far in December. A review of the loss-adjustment procedure for prevented planting is perhaps in order. Some of the rules to keep in mind are as follows:

1. There is a 20/20 rule that exists for prevented planting. You must have been prevented from planting 20 acres or 20 percent of your entire unit to qualify for payment. If you have optional units (farm by farm coverage), the 20-percent rule would be 20 percent of the acreage that you have planted in the past on that farm or 20 percent of the cropland acreage on that farm if you haven't planted small grains on it in the past.
2. Eligibility for prevented planted is based on the highest number of acres planted to the insured crop in any of the last four years.
3. Eligibility for full payment depends on use of the land after filing for prevented-planted acreage.

a. If the acreage is planted to a cover crop that isn't hayed or grazed or otherwise harvested, the full prevented-planted payment is made.

b. If the acreage is planted to a cover crop that is hayed or grazed or otherwise harvested, the payment is reduced to 35 percent of the normal payment, the premium is reduced to 35 percent of the normal premium and a yield of 60 percent of the current average yield for the farm is plugged in for 2012.

c. If the acreage is planted to corn or tobacco or any other crop that doesn't have a history of double cropping behind wheat, the 35-percent payment is made and the 60-percent yield is used.

d. If the acreage is planted to soybeans and the growers has adequate double-cropping history of wheat and then soybeans, the prevented-planted payment is paid at 100 percent, and there is no effect to the yield database.

e. Double-cropping history (acreage) is defined as the second highest number of double cropped acres in the past four years.

As you can see, the rules are complicated, but they are logical. If you have questions about your particular prevented-planted claim or eligibility, feel free to give us a call.

Other crop insurance companies available

For many years, we have dealt primarily with Rural Communities Insurance Services (RCIS) for our crop-insurance customers. RCIS is based out of Anoka, Minn., and our business is handled primarily through their Winston-Salem, N.C., office. In the last two years, we have also contracted with two other companies to provide additional options to our customers. The two companies are NAU Country and ARMtech Insurance Services.

NAU Country is headquartered in Ramsey, Minn., and provides service to our area from their Cadiz, Ky., office. NAU Country has offered insurance in North Carolina and Virginia for only the last couple of years but has a large presence in other parts of the country with 11 regional offices providing service to the agencies in each region.

ARMtech Insurance Services is headquartered in Lubbock, Texas, and provides service to our area from their Batesville, Miss., office. ARMtech has various adjusters located in North Carolina that work the North Carolina and Virginia customers. ARMtech has four regional offices throughout the country that provide service to the agencies in each region.

The crop-insurance program is federally administered to the various companies that have agreements with the government to handle crop insurance. The rates and rules are the same from company to company. It is our experience that each of the companies is well advanced in their structure, software and service. While we are not as familiar with the claims adjusters for NAU Country and ARMtech as we are with the RCIS adjusters, we have found that every company has adjusters that know the crop-insurance business well.

If you have an interest in making a change to another company, let us know, and we would be glad to accommodate you. It is our belief that our agency is in a better competitive position if we don't have all our eggs in one basket. Often, we learn things from one company that we would not have known without the additional relationship. Also, a company tends to provide better service to you as a customer and to us as agents when they know that a change is easily made to another company. While we are not encouraging anyone to move to another company, we are also not discouraging it either. We welcome business to NAU or ARMtech in order to have a significant presence with all companies with which we have contracts.

Please keep in mind that tobacco and apples are high loss-ratio crops. All companies desire to have a mix of grain crops, which traditionally have had lower loss ratios than tobacco and apples, along with a minority of tobacco and apple policies. For that reason, we are not always able to place tobacco and apple policies with the new companies until we have obtained a favorable number of lower loss-ratio crops. When an insurance company can't make sufficient money with the mix of business that we place with that company, we are often threatened with reduced commissions or worse yet, cancellation of our contract with that company. Currently, our mix of business is about 24-percent tobacco, 4-percent apples, and the rest is in grain crops. We strive to maintain similar mixes of business with all companies.

If you are a member of a growers' group or association such as Young Farmers, we would be glad to sponsor or cosponsor meetings and give an overview of crop insurance to the members. Often, small group meetings provide the best venue for questions and answers that all growers want and need to know. Let us know if we can serve you.