

FarmPLUS INSURANCE SERVICES



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Winter 2013

Sales-closing dates fast approaching

For all spring-planted crops, the sales-closing date in North Carolina is Feb. 28 and in Virginia on March 15.

The price election for flue-cured tobacco has already been established at \$1.75 and for burley tobacco at \$1.80.

The projected harvest prices for corn, soybeans and grain sorghum will begin to be calculated on Jan. 15 for North Carolina growers and on Feb. 1 for Virginia growers.

In our area, crops were relatively good in 2012, other than perhaps corn in areas where drought and heat caused significant damage. Crops in the rest of the country suffered significant losses in 2012. Even so, farm incomes were relatively high across the nation due to significant participation in crop insurance. Decision making that will take place in the next two months can have a "make or break" effect on a farming operation. Our office will be sponsoring numerous meetings, in order to inform producers of the changes in crop insurance that need to be considered for the upcoming crop year.

Please see the enclosed list of dinner meetings that will be held at various locations, and if you are a customer we strongly encourage you to come to one of the meetings to receive "policy documents and quotations" and general information intended

Trend Adjusted yields

A new option is available for corn and soybeans in most North Carolina counties and some Virginia counties. This option, known as Trend Adjustment (TA) allows for improved yield averages in recognition of the fact that advances in technology have increased average yields significantly over the last two decades.

The mechanism through which TA operates is by assuming that yields have improved by a certain

Crop insurance meetings tentatively planned

Below is a list of the crop insurance meetings that are planned for this winter.

- *Jan. 22, 2013 Tuesday, 6 p.m., McLeansville, N.C., Wildlife Club
- *Feb. 5, 2013 Tuesday, 6 p.m., Roxboro, N.C., Person County Office Building
- *Feb. 7, 2013 Thursday, 6 p.m., Wentworth, N.C., Rockingham County Service Center (FSA office)
- *Feb. 12, 2013 Tuesday, 12:30 p.m., Rocky Mount, Va., The Franklin Center
- *Feb. 12, 2013 Tuesday, 6 p.m., Pittsylvania County, Va., Olde Dominion Agricultural Complex
- *Feb. 19, 2013 Tuesday, 6 p.m., South Boston, Va., Ernie's Restaurant
- *Feb. 21, 2013 Thursday, 12 p.m., Wytheville Meeting Center
- *Feb. 21, 2013 Thursday, 6 p.m., Mount Airy, N.C., Golden Corral Restaurant

to help you in your decision making. If you are not currently insured with our agency, feel free to attend one of these meetings to become better informed, even if you currently have no intentions of changing insurance agents. As most of the meetings are catered, please call and let us know which meeting you plan to attend.

A commitment that our office has adhered to for many years has been a personal visit to each customer's farming operation during this decision-making time. While this has proven to be a limitation to the amount of business that we are able to service, it has also proven to be effective in helping producers make good risk-management decisions that have allowed many farmers to grow their operations through good years and bad years.

We appreciate every effort that our customers make in accommodating our visits, sometimes unannounced, as several meetings per day must be accomplished in order to see everyone. 

number of bushels per acre per year. For example, if the assumption is that yields have improved by one bushel per acre for corn over the past years, a yield of 100 bushels 10 years ago would be equivalent to a yield of 110 bushels today.

We find that the TA option is advantageous to a farm that has extensive data in his or her yield databases and also for farmers who have relatively strong yields instead of poor yields. The reason that the TA option is perhaps most advantageous to the more successful farmers is because when the TA option is purchased, yield cups and yield floors are no longer available to the grower. A yield cup is a mechanism

See TA on page 4

Corn crop insurance refresher

After attending three different spring-update meetings with three different crop-insurance companies, we thought it would be a good idea to revisit some of the topics of importance in the corn policy.

There is a lot of corn in both Virginia and North Carolina planted for silage that is turned into the Farm Service Agency (FSA) as grain. The concern expressed by most growers is that it is hard to know what will be chopped and what will be shelled. That stands to reason. After the growing season is complete, some producers will chop the corn with the least amount of grain while others may choose to chop some of their better corn, because it is closer to the silo or silage pit. We have always felt there is some gray area in how corn is reported to FSA and how it is insured.

Clearing up a gray area

In the corn-policy provisions, the language is certainly in black and white. It reads, ".....both grain and silage, all insurable acreage will be insured as the type or types reported by you on, or before, the acreage-reporting date." This clears up the gray area. If the corn you plant is a grain type, you may insure it as grain. If you plant a brown midrib (BMR) silage corn, it needs to be turned in as silage. The other instance where corn needs to be reported as silage is when forage sorghum is interseeded with corn. The maximum amount of sorghum that can be planted with the corn and still be insurable as silage is 20 percent.

Appraisal necessary

If corn is insured as grain and some, or all of it, will be chopped for silage, then an appraisal must be done if a loss is to be paid on the acreage. If an appraisal cannot be done before the corn is chopped, strip authorization should be requested from your adjuster and representative samples or strips of the crop should be left for appraisal purposes. Representative sample areas (RSAs), or strips, are supposed to be 10-feet wide over the length of the field. The Risk Management Agency (RMA) is requiring the companies to

enforce the strip requirements so producers need to do all they can to stay in the guidelines in order to be paid when in a loss situation. The adjuster has the authority to deny payment of a claim if the strips are not within the guidelines.

Planting early

The winter of 2011 was one of the mildest on record. This carried over into March 2012 and resulted in producers questioning how early they could plant corn and still have coverage on it. Corn can be planted before the earliest plant date. If corn is planted before the earliest plant date and something happens to the corn that results in a stand reduction and it is not replanted, there is a good chance that a loss will not be paid on that acreage. The long and the short of it is if you plant early and get a stand, that acreage will be insurable.

Replant coverage is available on both grain and silage. The maximum replant payment may be the lesser of 20 percent of the guarantee per acre, or eight bushels *times* the price election of grain if signed up as grain, or one *times* the price election of silage if signed up as silage producers. Load records of tonnage chopped are soft records and must be backed up by daily feed records in an audit situation.

Appraisals are considered hard records and can be used as proof of yields in audits.

We have had a few appraisals in the past done in non-loss situations. These were instances in which the producer knew a payable loss did not exist but wanted to have a hard-copy record from the appraisal to help boost the yield database. Most of them were not deemed favorable by our producers. Grain appraisals tend to be more accurate once the ear starts drying down. Many producers will need to leave strips in order to do this, because the drier the corn the more accurate the appraisal will be. Appraisals are a record of preference for silage corn moving forward, because they are hard records and will hold up if a producer is ever audited. We will cover this further in our meetings that we have coming up.

Quality adjustment

Quality adjustment (QA) is available for both grain and silage. In corn for grain, it often refers to aflatoxin, test weight, foreign matter, etc. In silage, it frequently refers to the lack of quality due to grain deficiency. In either case, if a producer suspects quality problems, samples must be pulled from the field by the adjuster in order to be paid a QA loss. Once grain is stored in a bin or silage is chopped and put in a silo, a QA loss will not be paid. If samples can't be obtained for quality purposes prior to harvest or during harvest, RSAs (sample strips) can be used to obtain samples for QA purposes. 

Rule changes for tobacco

As of the writing of this newsletter, the loss ratio for 2012 for flue-cured tobacco stands at 93 percent. While that number doesn't stand out like a sore thumb—as the flue-cured tobacco loss ratio has done in past years—tobacco will most likely creep over 100 percent loss ratio yet again for the 2012 crop year, once all claims have been paid.

The Risk Management Agency (RMA) considers that tobacco should be comparable to other crops in a geographic area, because weather conditions are similar on all crops in a given geographic area. Currently, the national loss ratio for 2012 soybeans stands at 59 percent, and this includes all soybeans in the drought-stricken western states. Corn stands at 154 percent nationally.

It stands to reason that RMA will view the 2012 loss ratio for tobacco as a considerable improvement, but considering generally favorable rainfalls for tobacco and a heightened demand for tobacco, RMA will likely continue efforts to reduce the loss ratio on tobacco. To date, RMA has increased rates although only slightly, required GSIs (Growing Season Inspections) and PHIs (Pre-harvest Inspections) over the last three years on producers meeting certain criteria; and for 2013 RMA has made rule changes. **A re-**

See **Changes** on page 3

New breaking ground

The winds of change constantly blow, and while new breaking-ground (NBG) rules have been a part of the crop-insurance policy for many years, the Risk Management Agency (RMA) has placed an increased focus on the NBG rules beginning with the 2012 crop. NBG is any land that has not had a row crop planted and harvested (or insured and unharvested) in the last three years. Hay and pasture are not considered row crops in the definition of NBG.

NBG is normally uninsurable in its first year of production in row crops. The only exclusions allowed in the NBG rules involve hay crops such as alfalfa, orchard grass or perhaps even fescue planted for rotational reasons.

Also, land that is not planted in order to be in compliance with the U.S. Department of Agriculture (USDA) rules, such as land in the CRP program are not considered uninsurable when planted the first year in a row crop.

The only other exclusion to the insurability of NBG is through a written agreement, which is an official request to RMA allowing for insurability of the NBG. A successful written agreement requires an aerial photo, a soil survey and history of when the land was most recently planted to a row crop. A successful written agreement would allow for the county T-yields being used as a starting point for coverage and without proof of prior row crops on the land as little as 65 percent of the county T-yield being used as a starting point.

Proof of prior row crops would be ideally a Farm Service Agency (FSA) document from a prior year showing that the land was planted to a row crop. In some cases, our office has had success with a signed, dated and witnessed statement from a prior landowner or producer stating what the last row crop was, what year it was planted and specifically what tracks and fields were planted in that crop. Any written agreement must be submitted by Feb. 28 in North Carolina or March 15 in Virginia. If a written agreement request is only partially successful (less than the county T-yield), a producer could decline the written agreement offer and grow the crop on an uninsured basis.

In selected counties and with selected crops, a request can only be made to the insuring company rather than to RMA with the same documentation being necessary. In these situations, a farmer can obtain 80 percent of T-yields and insurance on NBG with proof of a prior crop on the land. Without proof of a prior crop, the farmer would be given a starting yield of 65 percent of T-yield on the NBG. This request to the company would have to be made by the acreage-reporting deadline, which is normally July 15. With this type of request to the company, the crop on the NBG **must** be insured without the farmer having the option of declining insurance.

In summary, the farmer's three options are:

1. Growing the crop uninsured.
2. Request an NBG written agreement from RMA in hopes of 100 percent of county T-yield (must be done by the sales-closing date) in counties and crops without provisions for NBG being handled by the insurance company.
3. Request NBG coverage from the insurance company by the acreage-reporting deadline (where this is the required method) with the understanding that the land must be insured using 65 percent or 80 percent of county T-yield that is granted by the company.

Although the NBG rules are complicated, the greatest importance lies in making your agent aware of potential NBG in your operation so that options can be discussed. A NBG written agreement often requires several hours to prepare, and therefore, your agent must begin the process before the sales-closing date. 

Changes
Continued from page 2

Requirement of crop rotation for tobacco is new for 2013.

This requirement allows for back-to-back tobacco on a given field but deems tobacco uninsurable if grown on a field for a third year in a row. Already, this change has caused a "scrambling for land" in many communities and increases in land rental rates.

Another rule change has been a move of the final-plant date in most areas backwards 10 days on the calendar. For example, many counties in which we operate had a final-plant date of June 15 and now have a final-plant date of June 5.

It is our understanding from conversations with RMA personnel that even more significant changes could occur for the 2014 crop year. These changes will possibly include removal of coverage for entire counties so that tobacco can only be insured through written agreement, meaning RMA personnel would give a thumbs-up or thumbs-down decision on allowing growers to insure their tobacco crop based on past experience with that grower. Also, there's been discussion of a list of growers that will be deemed ineligible due to past-loss experience. While these changes are in indeed concerning, our greatest concern is maintaining crop insurance for tobacco in any form. 

Billing changes

As a reminder, the billing date on all spring-planted crops was changed for the 2012 crop year to Aug. 15 instead of Oct. 1, as it had been prior to 2012. It is important that you remember this change due to the fact that interest will accrue as of 30 days after the billing date. In 2012, the drought in western states and the resulting glut of claims resulted in the U.S. Department of Agriculture (USDA) staving off interest charges until Nov. 1 in an effort to prevent additional financial difficulties to the farmers affected by the drought. For 2013, barring another weather disaster, farmers can expect interest charges to attach at least by Oct. 1 if not paid by that date. Payments must be in the agent's office or post-marked before Oct. 1 and the first of each subsequent month to avoid interest charges attaching.

Regarding fall-planted crops, the payment due date for those crops is June 1, and interest begins to accrue on July 1. Regarding Pasture, Rangeland and Forage (PRF) coverage, premiums are due by Sept. 1, and interest begins to accrue on Oct. 1.

See **Billing** on page 4

Entity information must be correct

Over the past several years, the crop-insurance system has been less and less tolerant of errors in the information regarding the entity in which insurance is obtained. Every grower should review the entity information on their policy to verify that the tax-identification numbers are correct. If you report to the Farm Service Agency (FSA) and farm under your own name, you must verify that your social security number is correct on your crop insurance policy. If you are married, your spouse's name and social security number must be checked for accuracy. If you operate as a corporation, partnership or some other form of entity, verify that any person or entity with a 10 percent or more interest in the entity is listed as having interest in the policy and also verify that the proper tax-identification numbers are being used for the entity and the owners.

Powers of attorneys

Recent clarification of rules regarding signatures on policy documents requires powers of attorney for any person that is not the named insured or the authorized representative for a corporation. Spouses of named insureds must have a power of attorney to sign policy documents. Members of a corporation or limited liability company (LLC) must have power of attorney to sign policy documents if they are not listed as the authorized representative for the corporation, even if he/she is an officer of the corporation.

Verification

Finally, it is important to verify that you insure your crops in the same way that you pay for input costs and receive income from the crop. For example, if a father and son farm together and if they each pay 50 percent of the costs of growing the crop and each receive 50 percent of the proceeds from the crop, they should each show 50 percent shares in the acreage on their crop-insurance acreage report on their individual policies. However, if each pays for their input costs for their specific acreage, and each receives the proceeds of the sale of their specific acreage, they would be 100-percent owners in their acreage and would need to show the acreage at FSA and on the crop-insurance acreage report in that way. However, if two brothers share a checking account, split expenses and split profits, they should be signed up and insuring their crops in some way other than as 100-percent shareholders unless the entity owning the crops is shown as a partnership between the two, a corporation, a joint venture or perhaps joint operators. If the input costs and income is split between the two people on a set schedule or percentage, the acreage could perhaps be insured using the same percentage on the two people's individual policies.

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RMA scrutiny

Our experience is that entities and the correctness of the type of entity and shares being used on insurance policies is under close scrutiny by the Risk Management Agency (RMA), companies and adjusters. In fact, the 2013 Loss Adjustment Manual shows in PAR. 14A(1) that adjusters should pay special attention to situations where it appears the entity shown on the application has no insurable interest in the crop because the person shown on FSA documents, marketing records, etc., do not agree with the person on the application. If it is indeed determined that the entity has no insurable interest and the entity was showing an interest for concealment, misrepresentation, or fraud, the policy must be voided. This is no withstanding the potential criminal implications. Please take time to evaluate whether you are filing your acreage and insuring your crops in the proper way. Changes in entities can be accomplished prior to the sales-closing dates, but after those dates you must either farm according to how your entity is defined on your crop-insurance policy or go without insurance. If you have questions or concerns about this topic, feel free to discuss it with your particular agent. 

TA
Continued from page 1

that allows a maximum 10-percent drop from the previous year's yield average when a loss is incurred. A yield floor involves "flooring" a producer's yield at a percentage of the county T-yield when the producer's true average is less than that floor.

Our current experience shows that TA must be considered on a farmer-by-farmer basis and even on a crop-by-crop basis. Quotations that we will provide at crop insurance dinner meetings, or in person, will include rates for the normal yield and for the TA yield if TA is available for the crop in the county.

The TA option was available in 2012 in most states and counties in the nation's grain belt and had a dramatic effect on claims settlements paid to farmers affected by the severe drought of 2012. We are glad to be available to present this valuable option to our grain producers in this area for the 2013 crop. 

Billing
Continued from page 3

With any crop-insurance policy, premiums must be paid by the sales-closing date for the crop to avoid ineligibility for the subsequent crop year. When a grower goes on the ineligible list, that grower can't purchase any additional federal crop insurance until the unpaid premium has been paid. 