A crop insurance newsletter

FarmPLUS INSURANCE SERVICES

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Volume 15, No. 1

Winter 2015

Sales deadline Feb.28 and March 15

The sales deadline for changes to crop insurance on spring-planted crops is **Feb. 28, 2015 in North Carolina** and **March 15, 2015 in Virginia**. As always, we will be visiting all customers prior to the deadlines. As this is a considerable endeavor, we ask for your help in making yourself available when we're in your area. The face-to-face contact that we give at such an important time is perhaps the greatest difference between FarmPlus agents and other agents. Your crop-insurance premium is perhaps the largest insurance premium that you pay and deserves the best service that can be given. We look forward to seeing you on your farm.

Dinner meetings

As in the past, we will be sponsoring numerous dinner meetings to review changes in the crop insurance program, to give growers an opportunity to learn how crop insurance works, and to give us a chance to say thank you for your business. Below are the dates and locations for the various meetings. Our office will call to determine which meeting is most convenient for you, but we welcome a call from you to let us know which meeting you wish to attend.

Jan. 8: (Organic tobacco meeting), Thursday, 6:00 p.m. dinner, Prospect Hill Volunteer Fire Department, Prospect, NC

Jan. 27: Tuesday, 12:00 p.m. lunch, Rolling Hills Gin, 29107 Kendalls Church Rd, New London, NC

Jan. 28: Wednesday, 6:00 p.m. dinner, Rockingham County Farm Service Agency, 525 NC 65, Reidsville, NC

Jan. 29: Thursday, 6:00 p.m. dinner, Captain Tom's Seafood, 1265 NC 66 S, Kernersville, NC

Feb. 3: Tuesday, 6:00 p.m. dinner, McLeansville Wildlife Club, 6045 Rock Quarry Rd, McLeansville, NC

Feb. 9: Monday, 6:00 p.m. dinner, Person County Office Building, 304 S Morgan St., Roxboro, NC

Feb. 10: Tuesday, 6:00 p.m. dinner, Hawfields Civitan Club, 2115-B S NC Hwy 119, Mebane, NC

Feb. 17 Tuesday, 12:00 p.m. lunch, Sagebrush Steakhouse, 170 Nye Circle, Wytheville, VA

Feb. 17: Tuesday, 6:00 p.m. dinner, Prime Sirloin, 1018 Rockford St., Mount Airy, NC

Feb. 19: Thursday, 12:00 p.m. lunch, The Franklin Center, 50 Claiborne Ave., Rocky Mount, VA

Feb. 19: Thursday, 6:00 p.m. dinner, Olde Dominion Agricultural Complex, 19783 US Hwy 29, Chatham, VA

Feb. 24: Tuesday, 6:00 p.m. dinner, Ernie's Restaurant, 1010 John Randolph Blvd., South Boston, VA

Abbreviations

APH	Actual Production History
AGI	Adjusted Gross Income
AGR	Adjusted Gross Revenue
ARC	Agricultural Revenue Coverage
AIP	Approved Insurance Provider
ACRE	Average Crop Revenue Election
BFR	Beginning Farm and Rancher
CAT	Catastrophic Coverage
CCC	Commodity Credit Corp.
EU	Enterprise Unit
FSN	Farm Serial Number
FSA	Farm Service Agency
GCN	Grower Confirmation Number
HEL	Highly Erodible Land
LRF	Limited Resource Farmer/Rancher
MYA	Market Year Average
MPCI	Multi-Peril Crop Insurance
NRCS	Natural Resources Conservation Service
NBG	New Breaking Ground
NPS	New Producer Status
NAP	Noninsured Crop Disaster Assistance Program
PLC	Price Loss Coverage
QA	Quality Adjustment
RCIS	Rural Community Insurance Services
RMA	Risk Management Agency
STAX	Stacked Income Protection Plan
SCO	Supplemental Coverage Option
SURE	Supplemental Revenue assistance payments
TAGS	Tobacco Administrative Grading Service
TMP	Tobacco Monitoring Program
USDA	U.S. Department of Agriculture
WFRP	Whole Farm Revenue Protection

The Farm Bill as it relates to crop insurance

By now, hopefully every grower has participated in a Farm Service Agency (FSA)-sponsored Farm Bill meeting. If not, we encourage everyone to take advantage of these meetings to be better informed on the various programs that are available through the FSA and the Risk Management Agency (RMA).

The FSA programs, known as Agricultural Revenue Coverage (ARC) and Price Loss Coverage (PLC), were written to replace other FSA programs such as the Supplemental Revenue (SURE) assistance payments program, Average Crop Revenue Election (ACRE), direct and countercyclical payments (DCP), etc. These new programs are similar to past programs and will span the 2014-2018 crop years. Every farm and crop requires a decision between ARC and PLC, which will be a five-year election.

Briefly, ARC is a county revenue-insurance program that would pay a "band" of coverage from 86 percent of expected-county revenue down to 75 percent of expected-county revenue. This would occur when actual county revenue falls below 86 percent of the expected-county revenue. This 11-percent band is intended to be the shallow-loss coverage debated by Congress.

The PLC program is strictly a price-driven program that would pay if Market Year Average (MYA) prices fall below certain reference prices. These reference prices are set at $5.50 per bushel for wheat, $3.70 per bushel on corn, $8.40 for soybeans, and $3.95 for grain sorghum. Neither program would generate any large payouts per acre, but, in bad years for price, yield, or both, a grower could expect from $20 to $45 per acre depending on the county's variables. Both PLC and ARC would pay on a maximum of 85 percent of base acres for a given crop and Farm Serial Number (FSN).

Base acreage was established over 10 years ago in a prior Farm Bill, and although base acres can't be increased they can be reallocated to other crops based on a producer's planting history between 2008 and 2012. Further, the yield associated with the base acres can be reestablished using

*See **The Farm Bill** on page 4*

Conservation compliance

For the 2015 crop insurance year and beyond, all growers must be in compliance with the Natural Resources Conservation Service (NRCS) on all farms in all counties to be eligible for crop insurance subsidy. Without subsidy, farmer-paid premiums are from 250 percent to 400 percent higher. Every farmer should file an AD-1026 at the Farm Service Agency (FSA) by June 2015 to be in compliance.

Any farm classified as having Highly Erodible Land (HEL) or wetlands must have a soil conservation plan, and the AD-1026 is a form by which the grower certifies compliance. Any grower found non-compliant, even with a signed AD-1026, will be given a 12-month period to achieve compliance. This compliance requirement applies to row crops, perennials, and hay and pasture crops.

Changes regarding tobacco

For the 2015 crop year, the tobacco policy received few changes. The most significant change calls for tobacco to be insured in the county in which the tobacco is physically located and not necessarily in the county at which it is reported to the Farm Service Agency (FSA). Many farmers report their acreage at the closest FSA office, which is not always the county where the crop is grown. In 2014, tobacco was insured based on the county where the report was made.

For 2015**, the price election for flue-cured tobacco has been established at $1.80 per pound. An organic price election has been established for 2015 up to $3.60 per pound based on the grower's contract.** The $3.60 price election would only apply up to the grower's contracted pounds of organic tobacco.

The Quality Adjustment (QA) standards for tobacco remain unchanged from the 2014 crop year. The QA system on tobacco requires a grower to contact the Tobacco Administrative Grading Service (TAGS) so that U.S. Department of Agriculture (USDA) grade can be placed on any quality-deficient tobacco. Based on the grade received, the tobacco can be discounted from 20 percent to 100 percent. This means that from 20 percent to 100 percent of the weight of the discounted bale is discounted, or in other words, not considered as production. **Price received for a bale of tobacco, no matter how small, or a non-USDA grade, no matter how low, has no bearing whatsoever on QA.**

If in 2015, you have quality-deficient tobacco, you should: (1) file a claim, (2) contact TAGS and get a Grower Confirmation Number (GCN), (3) deliver your tobacco as scheduled to the receiving station agreed upon with the TAGS personnel, (4) verify with the grader the GCN and the Farm Serial Number (FSN) from which the tobacco was harvested.

Without exclusion, there is no provision for a claim to be paid or magnified simply because tobacco is selling at a low price, or there's no market for the tobacco. While a contract is not required to insure tobacco, recent markets have shown that growing tobacco without a contract is certainly risky business. Crop insurance does not offer a remedy for this type of risk.

Programs offer assistance to limited resource and beginning farmers

Limited Resource Farmer/Rancher

A program known as the Limited Resource Farmer/ Rancher (LRF) program has been in existence for many years within crop insurance circles. That program gives the benefit of removal of any policy fees on any crop insurance buy-up policy and the $300-policy fee for catastrophic coverage (CAT).

A LRF cannot have gross farm sales above $176,800 and must have a household income below the national poverty level for a family of four. More information is available at www.irftool.sc.egov.usda.gov.

New Producer Status

New Producer Status (NPS) has been available for many years within the crop-insurance program. NPS allows for a starting-average yield at 100 percent of the county T-yield for any growers who have grown a crop two years or less within a county. Without NPS, a crop-insurance policy begins with an average yield at 65 percent of the county T-yield. Since all coverage calculations begin with a producer's-average yield, NPS is certainly valuable where applicable.

Beginning Farmer and Rancher

New with the recent Farm Bill, the Beginning Farmer and Rancher (BFR) program gives benefits to farmers that have less than five years experience in farming. Five years of benefits are available, and certain exclusions allow a farmer to qualify, even if he/she has farmed for more than five years. Excluded years consist of: (1) years in which the farmer was under 18 years of age, (2) years that the farmer also was full-time military and full-time military service, or (3) years that a farmer was also in college for at least one semester.

The benefits of BFR status are as follows: (1) policy fees ($30 per crop, per county) and for CAT fees ($300 per crop, per county) are waived, (2) a yield substitute or "plug" is given at 80 percent of the county yield instead of the normal 60 percent of county yield for years where yields are lower than that amount, (3) a BFR may use a previous producer's yields with permission if he/she had decision-making responsibilities or physical activities necessary to produce the crop, (4) a BFR receives 10 percent additional premium subsidy over and above the normal premium subsidy. This increase in subsidy generally results in 25-percent to 50-percent reductions in farmer-paid premiums.

BFR status remains in effect through the fifth year that a farmer is engaged in farming, or more years if the previously mentioned exclusions can be used. After BFR eligible years are exhausted, all benefits are removed. For a corporation, partnership or spousal entity to quality for BFR, all members, stockholders, or the spouse must also be BFR eligible.

If you believe that you are eligible as a limited resource farmer, new producer, or beginning farmer and rancher please make us aware so that the appropriate paperwork can be submitted.

Apples and peaches

With the changes to the Farm Bill, producers are required to stay in compliance with the Soil and Water Conservation Service. A form known as an AD-1026 must be completed and signed at the Farm Service Agency (FSA) for each farm that is tended. The local FSA office will assist each producer in completing the form. For perennial crops, this process is very simple.

We encourage every producer to contact FSA and make arrangements to get this done. If a producer does not sign an AD-1026 form, then they will be responsible for their entire crop-insurance premium. Currently, the subsidy or portion of the premium paid by the government is about 65 percent of apples and peaches. The producer pays about 35 percent. So, if it is discovered that a producer is out of compliance with soil and water, a producer's premium may more than double in cost. We do not want to see this happen, so please contact your local FSA and make sure this important process gets completed.

Fresh reviews are required by the policy and are initiated by Approved Insurance Providers (AIPs) – NAU, RCIS, Pro-Ag, etc.—and the Risk Management Agency (RMA). This requirement results in a lot of time and effort for all of us, including agents, insurance companies, as well as producers. However, without the Fresh Option, very few losses would be paid on apples in most years.

In order for a producer to keep the fresh option open on his/her crop-insurance policy, at least 50 percent of the total production for a given year must have been sold as fresh in one of the previous crop years. In order for a producer to keep the Fresh Option for 2015, a producer must be able to provide records reflecting at least half of the production sold at a fresh price for one of the following years—2014, 2013, 2012 or 2011.

If 10,000 bushels of apples were reported as production for 2014, then at least 5,000 bushels would have been sold as fresh. This can be a little tricky because prices change from one year to the next because of supply and demand. In most cases, the AIPs use their best judgment to distinguish the difference in deer apples, culls for juice, and fresh apples.

The records for the fresh verification process include sales receipts, sales ledgers, an apple excise tax receipt, or a Schedule F.

Sales receipts need to have the name, address, and phone number of the seller, the name of the buyer—if possible—the amount paid per bushel, box, etc., and the date of the sale.

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yield data during those years. Any work to reallocate base acres or reestablish yields must be done by the landowner or producer possessing a power of attorney for the landowner. This task must be completed by **Feb. 27, 2015**.

The choice between ARC and PLC must be made by **March 31, 2015**. However, the election between ARC and PLC is made by the producer not the landowner.

There a number of decision-support tools that are available through FSA and various universities. The following sites may be very useful:

- www.fsa.usda.gov/FSA/
- http://fsa.usapas.com/
- https://usda.afpc.tamu.edu/
- http://farmdocdaily.illinois.edu

Of course, as we visit with every grower through the upcoming sales season for spring crops, we will gladly discuss the many options available at that time. Also, the dinner meetings that are scheduled in January and February will include information about ARC and PLC, but ultimately it is the responsibility of every landowner and producer to make what he/she believes to be the best decision for his/her operation.

It should be mentioned that there is a maximum $125,000 payout per producer for ARC and/or PLC. Also, there is a $900,000 limit on adjusted gross income (AGI) from all sources to be eligible to participate in the FSA programs. While these limits are larger and will affect a small number of growers, it is concerning that the limits exist because future legislation could easily lower those limits.

Finally, a payment for ARC or PLC would not be issued until October of the year following the crop year in question. For example, any payments made for the 2014 crop year would not be made until October 2015.

If you would like to receive an advanced copy of subsequent newsletters, please send us an e-mail to *cropins@farmplusins.com*. Also there are times when information might be beneficial to you that, with your e-mail address, we will be able to get this information out to you as quickly as possible.

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Cotton's final-plant dates

Final-plant dates have been moved to **May 30 in most counties in North Carolina** for the 2015-crop year. Last year, the final-plant date was moved to May 25. A cotton grower now has five more days to plant without facing a reduction in coverage. After May 30, the late-plant penalty is a 1-percent reduction in guarantee per day for five days.

An insurance plan known as STAX (Stacked Income Protection Plan) was introduced for cotton growers in the 2014 Farm Bill. It is available in most counties in North Carolina. STAX losses are triggered when the expected-county revenue falls below 90 percent of the actual-county revenue. County-expected revenue is the base price multiplied by the county average (yields are pulled from crop-insurance data). The actual-county revenue is the harvest price *multiplied* by the county's average yield for the crop year. Therefore, STAX is a product that is not based upon individual production. It will take a county-widespread weather event or a substantial price swing in the market to trigger a revenue loss.

STAX is subsidized 80 percent so the farmer premium is 20 percent of the base premium. STAX may not be purchased in combination with SCO. STAX coverage ranges from 70 percent to 90 percent and can be purchased in 5-percent increments. STAX cannot be purchased so that it overlaps with the underlying Multi-Peril Crop Insurance (MPCI) coverage. A Protection Factor is chosen as part of STAX that is between 80 percent and 120 percent that has the effect of decreasing or increasing the STAX premium and potential payment.

We will be visiting with our customers in the near future and will discuss the options and costs involved with STAX.

Apples and peaches
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If you are selling by a roadside stand for example, a ledger is often used. A ledger takes the place of a receipt in most cases, because you may a have a high volume of small transactions and most are cash sales. The ledger needs to be kept daily and give the volume sold and price per volume sold for each day. Example: Aug. 24, 2015 – 100 bushel apples at $9 per bushel equals $900 total and 75 bushels of peaches sold at $35 per bushel equals $2,625 total.

It appears that good recordkeeping is going to be more important than ever moving forward. The RMA, the government agency that provides all rules and regulations and is over all of the insurance companies, is really towing the line when it comes to recordkeeping.

We greatly appreciate your business!!

Whole Farm Revenue Protection

Whole Farm Revenue Protection (WFRP) is a new product available to producers in the 2015 crop year. This insurance plan is similar to Adjusted Gross Revenue (AGR) and AGR-Lite that was available in the past. All commodities, animals, and animal products are covered under the WFRP plan. The only exclusions from coverage are timber, forest, forest products, and animals for sport, show, or pets. Individual commodity losses are not considered under this policy.

A loss exists if the overall farm revenue for an entire year falls below the guaranteed revenue determined by coverage level. Guaranteed revenue is calculated by five years of farm revenue found on your Schedule F tax document. Farming operations with one or two commodities can choose a coverage level ranging from 50 percent to 75 percent and farming operations with three or more commodities can choose a coverage level ranging from 50 percent to 85 percent. If an operation has at least two or more commodities, they will receive an 80-percent premium subsidy.

Whole Farm Revenue Protection is well-suited for highly diverse farms, farms with specialty commodities (pumpkins, Christmas trees, sage, peppers, tomatoes, etc.), and farms selling to direct or specialty markets. An insurable cause of loss under this policy is any natural causes of loss (weather related) and a decline in the market price during the insurance year. A grower has to file their taxes for the insurance year before any claim can be made. There is a maximum revenue guarantee of $8.5 million under this policy.

Supplementary Coverage Option

Supplemental Coverage Option (SCO) is a new endorsement available for 2015 that adds additional coverage to an existing federal crop-insurance policy a grower already has. SCO is an area based insurance policy that ranges from 86 percent down to your underlying Multi-Peril Crop Insurance (MPCI) policy. For example, if a farmer currently has a corn policy with a coverage level of 70 Enterprise Units (EU), his SCO coverage will range from 70 percent up to 86 percent.

Supplemental Coverage Options is very similar to Agricultural Revenue Coverage (ARC), which will be available through your local Farm Service Agency (FSA) office. The main difference between these two programs is that SCO is based on planted acres, where ARC is based on a percentage of your base acres. For an operation that has very few base acres on their farms, SCO may be a better option than ARC. You cannot choose to elect ARC and SCO on the same farm number for a single crop.

Supplemental Coverage Option is based on how the county does as a whole, not by a grower's actual yields in a crop year. Indemnity payments for SCO are based on whether the yield or revenue for a county falls below its expected level. It is possible for a grower to produce over his guaranteed yield and/or revenue and still receive a payment under the SCO endorsement.

Yield exclusions

A new provision of the Farm Bill that applies to crop insurance allows for yields to be excluded from a farmer's yield database(s) if the yield achieved in the county or in an adjoining county was less than 50 percent of the county T-yield on a countywide basis. Preliminarily, it appears that most counties have one or more excludable years for corn and soybeans. The rules are still being finalized on this new provision and should be fully available within the next few weeks. Of course, average yields will be boosted substantially for some growers when yields can be excluded. As soon as the information is available, we will of course make all growers aware.

The e-mail for FarmPlus Insurance Services has changed. Our new e-mail is *cropins@farmplusins.com*. The old e-mail address will be active for a few more months, but we want to transition folks to our new e-mail as soon as possible.

Peanut improvements

With the passing of the 2014 Farm Bill, peanut growers have a lot to gain starting with the 2015 crop year. In the past, peanut growers where restricted to only an Actual Production History (APH) plan of insurance like tobacco growers. Now peanut growers will be able to choose between yield protection and revenue-protection plans of insurance to better meet their risk-management needs. In order to establish a price election for the revenue-protection plan of insurance, prices will be calculated based on the relationship between historical volatilities of peanuts with wheat, cotton, soybean oil, and soybean meal.

The four types of peanuts that will be available for coverage under the revenue-protection plan will be Runners, Spanish, Valencia, and Virginia. All existing APH plans will default to yield protection unless another election is made by sales closing. The quality adjustment process on peanuts has been revised to be based on 90 percent of the Commodity Credit Corp. (CCC) loan rate for type. Also, the 2014 Farm Bill simplified the replant provisions by making a flat rate of $95 an acre payment for replant on peanuts. To possibly save a few premium dollars, peanut growers will now have the opportunity to elect the Enterprises Units (EU) option under their yield or revenue -protection policies.

NAP program changes are made for 2015

The new 2015 Farm Bill continued funding for the Noninsured Crop Disaster Assistance Program (NAP) and a significant change was made for that program. For 2015 and beyond, NAP coverage will be available not only as a catastrophic coverage (CAT) policy but will be available at up to a 65-percent level of coverage. In its catastrophic form, NAP coverage is a 50-percent level of coverage and would only pay 55 cents per dollar of value. Whereas, a "buy-up" level would pay when yields fall below the coverage level and would pay the full dollar. Many crops such as strawberries, vegetables, tree fruit, etc., where policies don't exist within a county may be best insured through a NAP policy at the Farm Service Agency (FSA).

Data mining list

Every year during the winter and early spring months, every company receives a list of audits that must be performed due to data mining. Data mining is a process by which computer programs scour grower data looking for abnormalities. Following are categories for data mining: consistent high return, copied yields, excessive yields, increasing losses, isolated disaster, misreported claims, new tax IDs, only loss, over-reported harvested production, persistent losses/severe losses, producers lost then found, severe losses, and yield switching. As you can see, the computers look for many different indicators of fraud and/or abuse.

Also, in regards to tobacco, there is a list known as the Tobacco Monitoring Program (TMP). The TMP list is generated each year based on an unknown set of criteria. Any grower on the TMP list is subject to field visits, preharvest appraisals, and additional scrutiny if a claim exists.

If you are so unfortunate as to be named on a data-mining list, we will help you through the process as much as the rules allow.

New Breaking Ground written agreement

For the past several years, any land that has not had a crop grown and harvested in the past three years is considered New Breaking Ground (NBG), and crops grown on such land is uninsurable. There is a procedure known as a NBG written agreement that allows from 65 percent to 80 percent of the county T-yield to be used in insuring crops on NBG. Typically, this small amount of coverage isn't cost-effective for low-valued crops but may be cost-effective for high-valued crops such as tobacco.

If you'll have crops on NBG in 2015 and wish to insure those crops, you should contact us as soon as possible so that we may begin the NBG written-agreement process. Once a crop has been grown on NBG, the crops grown on that ground in the next crop year are insurable.

Farm, home, auto, life and health insurance

While our primary focus has always been crop-insurance coverage, Jennifer Minter is always eager to help you with your farm, home, auto or any other insurance coverage that you have an interest in. Rebecca Kelly 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.

Farm maps are available

Maps of your farming operation are available through our office, which are in full color and in full-page, half-page or quarter-page formats. The half-page and quarter-page formats are printed in such a way that they can be stapled to make booklets. These booklets contain forms for note pages where a grower can insert plant dates, chemical application dates, etc. If you would like a map booklet for your operation, contact Cindy Urias at 800-458-3440.

If you are a member of a grower's group or association such as young farmers, we will be glad to sponsor or co-sponsor meetings and give an overview of crop insurance to the members. Often small group meetings provide the best venue for questions and answers that our growers want or need to know.