A crop insurance newsletter

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Pasture, Rangeland and Forage policy proves successful in 2012

The 2012 crop year is the third year that the Rainfall Index version of the Pasture, Rangeland and Forage (PRF) policy has been available for purchase in Virginia and North Carolina. The PRF policy is intended for insuring permanent hay and pastureland.

The PRF product has represented a bumpy road for the farmer and agent alike considering that the accuracy of the rainfall data used to determine claims settlements has been suspect. It's important for farmers to understand how the PRF product works in order to understand the problems that can occur with the PRF product. The PRF product works from Rainfall Index values on grids that are roughly 12 miles by 14 miles in size. The index value represents a percentage of average rainfall at the center of the grid over a two-month time period. These time periods called "index intervals" cover two calendar months. The farmer selects a coverage level for his hay and pasture crop from 70 percent to 90 percent in 5-percent increments. He also selects an amount of coverage for each acre of hay or pastureland that he is insuring. As an example, if a farmer selects a 90-percent level for a specific index interval and the actual rainfall for that period is 75 percent of the average rainfall, the policy would pay 15 percent of the coverage per acre for the acres insured during that index interval.

> The deadline for signing up for 2013 hay and pasture coverage under the PRF Rainfall Index policy is Nov. 15.

For our customers in 2010, our focus was in insuring periods of the year in which rainfall is critical for hay and pasture production. This method proved disappointing at best for a couple of reasons. First, the rainfall data is collected from the four nearest National Oceanic Atmospheric Administration (NOAA) rainfall stations which are often miles from the cropland being insured. Second, a singular rainfall event in a two-month index interval may contain plenty of rainfall but may be too late to increase hay production. Third, a rainfall event might be large but may involve plenty of runoff that

*See **PRF** on page 4*

Acronyms used in this issue:

PRF (Pasture, Rangeland and Forage) policy
RMA (Risk Management Agency)
NAP (Non-insured crop disaster Assistance Program)
FSA (Farm Service Agency)
FSN (Farm Serial Number)
LGM (Livestock Gross Margin)
cwt (hundredweight)
GSIs (growing season inspections)
PHI (preharvest inspection)
EU (Enterprise Unit)
OU (Optional Unit)
SURE (Supplemental Revenue assistance payments)

Revised acreage reporting deadlines at FSA and with crop insurance

The Risk Management Agency (RMA) and the Farm Service Agency (FSA) have coordinated reporting deadlines within both agencies to be the same dates for the 2013 crop year. On that note, **all hay and pasture acreage for the 2013 crop year must be reported to FSA by Nov. 15, 2012. For Pasture, Rangeland and Forage (PRF) policyholders, t**hose same hay and pasture acres must be reported to us by Nov. 15.

November 15 is also the sales closing deadline for applying for a PRF policy, and correspondingly Nov. 15 is the deadline at FSA for applying for a Non-insured crop disaster Assistance Program (NAP) policy for hay or pasture.

For small grains, the acreage reporting deadline for wheat, oats or barley crop insurance policyholders has been extended from Dec. 15 to Jan. 15. At FSA, the fall-seeded small-grain acreage-reporting deadline has been moved back from the typical May 15 deadline to match with the crop insurance Jan. 15 deadline. Many FSA offices do not have a sufficient budget to send newsletters; and therefore, this may be your only notice that the new deadlines at FSA apply to you. There are FSA programs, which to be eligible, require timely reporting of acreage.

Crop Hints
By Brent Craig

Apples and peaches

I have already been to see every apple or peach policyholder in regards to the sales closing date on apples and peaches. Most of you have already decided whether or not to make any changes to your apple and peach coverage. The last day to make changes to your coverage is Nov. 20, 2012.

I have also received production and acreage reports from some. I will be back to see you at the end of November or the first week in December to gather production and finalize acreage reports. January 15 is the deadline for reporting acreage and production on apples and peaches.

Prices for 2013 in regards to your insurance are as follows: fresh apples $11.70 per bushel, processing apples $3.60 per bushel, fresh peaches $18.25 per bushel and processing $6.25 per bushel.

It is no secret that processing coverage on apples and peaches is less than desirable. That is the reason that you must keep good sales records. The records can come from sales receipts that show the date, name, address and phone number of the seller, the volume and price per volume of the fruit sold and date it was sold.

Once we have the sales records, then we will have to back up those records with another form of third-party proof. Last year, we used Schedule F tax forms or the Virginia apple tax form as another source of proof.

The sales records and other documents will need to represent one in the previous four crop years. If a policyholder is trying to recertify fresh for 2013, then we can use records from 2012, 2011, 2010 or 2009. If a policyholder gives us records for 2012 then, unless the rules change, we will not have to do this again until 2016.

Once again, we will be dealing with changes in regards to recordkeeping. This change affects peaches. In order to insure peaches as fresh, a producer must sell at least 50 percent of his production at a price that is at or above the price election for the calendar year they are trying to certify. These prior price elections are as follows: 2010, $18.50; 2011, $19.00; 2010, $16.25; 2009, $13.50. Our offices will be in contact with you sometime before year end to get a copy of your sales records.

The good news is that we will have a quality adjustment function in the peach-loss calculation. It is as follows:
(3) Mature marketable peach production may be reduced as a result of a loss in quality due to an insured cause of loss. The amount of production to count for such peaches will be determined as follows:

(i) For fresh peaches by:

(A) Dividing the value of the damaged peaches minus the post-production cost as specified in the Special Provisions, by the fresh peach price election and

(B) Multiplying the result of section 12(c)(3)(i)(A) (not to exceed 1.00) by the number of bushels.

We feel that this change in the peach policy is advantageous to the grower but also adds a certain amount of headache to the grower as well.

Production reporting for 2012 crops

Recently our office sent production reporting forms to all growers (with acreages of corn, soybeans, grain sorghum or tobacco) for whom a loss has not been paid.

If a loss exists on these crops and you're expecting a claims settlement, the yields on those acres will be automatically obtained through the loss settlement. Our office is primarily interested in receiving yield data on crops. Of course, if you suspect a loss and have not done so already, you should call us immediately and report a claim. Timely reporting yield data to us is important for several reasons: (1) good yields contribute to higher yield averages which translate into better coverage for future years (2) data mining efforts of late results in more inspections and a higher level of recordkeeping when a farmer with frequent

*See **Loss** on page 4*

Powers of attorney needed

The Risk Management Agency's interpretation of policy language has changed regarding authorized signers of crop insurance documents. For married couples, known within crop insurance as spousal entities, only the named insured can sign policy documents. The remaining husband or wife can sign policy documents only with an executed power of attorney. Likewise, for a corporate entity, the initiator of the policy for the corporation is recognized as the authorized signer. Other members of the corporation, even if they are officers, can only sign crop insurance documents with an executed power of attorney.

Note: Powers of attorney filed with the Farm Service Agency (FSA) are not allowed to be used for crop insurance purposes. However, a general power of attorney can be provided and can be used for crop insurance purposes. Our office can provide you with a crop-insurance-specific power of attorney that allows for signatures on crop insurance documents only. If you have questions or would like a power of attorney to be mailed to you, please call.

Crop insurance meetings tentatively planned

Below is a list of the crop insurance meetings that are planned for this winter. While these meetings have been scheduled with the venue shown, if you know of any major conflicts with other grower meetings, please let us know. Our next newsletter in late January will contain definite plans for dinner meetings.

*1-22-2013, Tuesday, 6 p.m., McLeansville, N.C., Wildlife Club
*2-5-2013, Tuesday, 6 p.m., Roxboro, N.C., Person County Office Building

*See **Meetings** on page 4*

Wheat, oats and barley planting

The enclosed chart below shows the final plant dates for wheat, oats and barley. Most of these dates have passed or are only days away. It is important that you know that fall-seeded small grains have a 15-day late-planting period. A grower can plant during the late-planting period and <u>must</u> insure this acreage and will lose 1 percent of coverage per day after the final-plant date.

After the late-planting period, an insured may elect to uninsure acres or insure those acres at the prevented-planted guarantee which is from 60 percent to 70 percent of the normal guarantee, depending on the policy options chosen by the grower.

Anytime after the final-plant date a farmer may file for prevented-planted coverage on unplanted acreage. However, it must be deemed acreage that could not be planted due to weather conditions, and the majority of growers in a geographic area must have also been prevented from planting. As of the writing of this newsletter, a killing frost has not occurred, and it is unknown whether a late harvest of soybeans will be considered a payable cause of loss for prevented-planted wheat on that same acreage. This is a question for claims personnel that will almost certainly need to be answered. Anytime after the final-plant date, a farmer may file for prevented-planted coverage on unplanted acreage. (Note: The actual claim must be received not before the final plant date and not after 72 hours from the end of the late-planting period. You can't wait until the acreage reporting deadline to file a prevented-planted claim.) However, it must be deemed acreage that could not be planted due to weather conditions, and the majority of growers in a geographic area must have also been prevented from planting.

2013 North Carolina	**Wheat** Final Planting	**Wheat** Acreage Reporting	**Oats** Final Planting	**Oats** Acreage Reporting	**Barley** Final Planting	**Barley** Acreage Reporting
Alamance	10-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Caswell	10-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Catawba	31-Oct	15-Jan	31-Oct	15-Jan	15-Oct	15-Jan
Durham	20-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Edgecombe	30-Nov	15-Jan	10-Nov	15-Jan	10-Nov	15-Jan
Forsyth	10-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Granville	20-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Guilford	20-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Orange	10-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Person	10-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Randolph	20-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Rockingham	10-Nov	15-Jan	31-Oct	15-Jan	15-Oct	15-Jan
Stokes	10-Nov	15-Jan	31-Oct	15-Jan	15-Oct	15-Jan
Surry	31-Oct	15-Jan	15-Oct	15-Jan	15-Oct	15-Jan
Vance	20-Nov	15-Jan	31-Oct	15-Jan	*	*
Wake	30-Nov	15-Jan	31-Oct	15-Jan	31-Oct	15-Jan
Wilkes	31-Oct	15-Jan	15-Oct	15-Jan	15-Oct	15-Jan
Yadkin	31-Oct	15-Jan	15-Oct	15-Jan	15-Oct	15-Jan
Virginia						
Augusta	31-Oct	15-Jan	*	*	15-Oct	15-Jan
Bedford	10-Nov	15-Jan	*	*	25-Oct	15-Jan
Bland	*	*	*	*	*	*
Campbell	10-Nov	15-Jan	25-Oct	15-Jan	25-Oct	15-Jan
Carroll	*	*	*	*	*	*
Charlotte	10-Nov	15-Jan	25-Oct	15-Jan	25-Oct	15-Jan
Craig	31-Oct	15-Jan	*	*	*	*
Floyd	*	*	*	*	*	*
Franklin	10-Nov	15-Jan	*	*	15-Oct	15-Jan
Halifax	10-Nov	15-Jan	25-Oct	15-Jan	25-Oct	15-Jan
Henry	10-Nov	15-Jan	*	*	*	*
Mecklenburg	20-Nov	15-Jan	25-Oct	15-Jan	25-Oct	15-Jan
Montgomery	31-Oct	15-Jan	*	*	*	*
Patrick	10-Nov	15-Jan	*	*	*	*
Pittsylvania	10-Nov	15-Jan	*	*	25-Oct	15-Jan
Pulaski	*	*	*	*	*	*
Tazewell	*	*	*	*	*	*
Wythe	31-Oct	15-Jan	*	*	*	*

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

PRF
Continued from page 1

isn't very helpful in producing a grass crop. It may prevent a claim settlement during an index interval.

In 2011, another dry year, our strategy was to involve more index intervals so as to have a greater opportunity to have insured acreage in intervals that would generate a payable loss. Typically, our strategy involves hay acres being spread over five, two-month periods and pasture acres being spread over four, two-month periods. For example, hay might be insured in Feb/March, April/May, June/July, Aug/Sept and Oct/Nov and pasture insured in March/April, May/June, July/Aug and Sept/Oct. This strategy fared much better as our customers received on average over $1.15 per $1 paid in premium.

In 2012, our strategy evolved into spreading the coverage even further and covering all the possible index intervals, which total 11 intervals. Thus far in 2012, with only seven of 11 rainfall indexes announced, our customers have been paid in excess of $1.40 per $1 of premium.

The downfall to our current method is that the acres insured are spread so thinly over the different time periods that a grower will rarely do better than payouts exceeding twice his premium but will also rarely see payouts less than his premiums. This is made possible because over 50 percent of the normal premium is subsidized by the federal government. As agents, we find ourselves "selling" government subsidy in the case of PRF. While we would rather sell a completely functional insurance product instead of selling subsidy, we also recognize that we must sell that which is best for the farmer.

Loss
Continued from page 2

losses is flagged by Risk Management Agency (RMA) computers (3) in order to provide accurate quotations for the 2013 crop year, the 2012 data must be included in the yield database (4) failure to report yields results in an ever-declining yield average because unreported yields result in the usage of 75 percent of the prior year yield average being used for the current year.

Production reports are due next spring; however, we prefer that you report 2012 yields while that information is still on your dashboard or your desk rather than filed away with your 2012 taxes.

Meetings
Continued from page 2

*2-7-2013, Thursday, 6 p.m., Reidsville, N.C., Rockingham County Service Center (FSA office)
*2-12-2013, Tuesday, 12:30 p.m., Rocky Mount, Va., The Franklin Center
*2-12-2013, Tuesday, 6 p.m., Pittsylvania County, Va., Olde Dominion Agricultural Complex
*2-19-2013, Tuesday, 6 p.m., South Boston, Va., Ernie's Restaurant
*2-21-2013, Thursday, 12 p.m., Wytheville Meeting Center
*2-21-2013, Thursday, 6 p.m., Mount Airy, N.C., Golden Corral Restaurant

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2012 farm bill

Not much has changed since the writing of the last newsletter regarding the 2012 farm bill. The Senate has passed a farm bill that cuts several Farm Service Agency (FSA) programs, notably the Supplemental Revenue assistance payments (SURE) or disaster program and direct payments, while adding in a shallow-loss program to replace the SURE program.

The House of Representatives has issued a farm bill from the Agriculture Committee; however, the legislation has not been put on the floor by the House leadership. House leader John Boehner has said that the farm bill will be voted on during the lame-duck session after the presidential election.

For our part within crop insurance circles, our hope is that the farm bill will pass in the House and the law enacted. Both the House and Senate versions of the farm bill leave crop insurance fairly untouched. If Republicans gain control of the Senate and the White House, we expect a total rewrite of the farm bill.

Since the farm bill is more than 80 percent about food stamps, or now known as the Supplemental Nutrition Assistance Program (SNAP) program, there is significant interest in revising that program by conservatives; whereas, liberals want to keep the program fully intact or even expanded.

We believe that one of two things will most certainly happen. A farm bill could be passed during the late fall and could be made retroactive to the Sept. 30 expiration of the prior farm bill. The other possible scenario is that there could be a one-year extension of the current farm bill. If the current farm bill is extended, then the SURE program will be extended. The SURE program uses crop insurance coverage as a starting point for calculating a disaster payment. This is of special interest to cattle producers who do not grow any row crops.

In 2010, many growers who insured their hay crops with significant Pasture, Rangeland and Forage (PRF) coverage also received significant SURE program payments. We expect the same to occur for the 2011 disaster program and because most counties in the area recently received a disaster declaration for 2012, we expect similar results for 2012. Will there be a SURE program for 2013? While this is unknown, the question gives rise to additional consideration of significant hay coverage with the PRF insurance product.

Since this is the last newsletter of the year, we want to wish you the very best of holiday seasons!