



FARMER'S INSURANCE AGENCY
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WINTER 2004 NEWSLETTER

2004 IN REVIEW

The 2004 crop year has been a good one for most of us when we consider the quality of the crops. Other than spotty losses in some areas, there were relatively few losses and still fewer that were large losses. Following the losses that occurred in the 2002 and the 2003 crop years, 2004 was a much-needed breather for the crop insurance companies that operate in Virginia and North Carolina.

The federal government added pressure to the crop insurance companies to operate profitably due to the failure of American Agrisurance at the end of the 2003 season. For that reason, there is little interest among the companies in operating in our area. We are now down to only two viable insurance companies working in the mid-east. Both of those companies are trying to determine a way to be profitable here. Although heavily subsidized by the federal government, the companies still assume a portion of the risk in any operating area.

 Text Box: Reidsville, NC – Golden Coral Restaurant Tuesday, January 18th, 2005 @ 6:00 pm Roxboro, NC - Outer Banks Restaurant Thursday, January 20th, 2005 @ 6:00 pm Rocky Mount, VA - Fisherman's Galley Thursday, February 17th, 2005 @ 6:30 pm Danville, VA - Mary's Diner Tuesday, February 22nd, 2005 @ 6:00 pm Halifax, VA - Molly's Restaurant behind Toot's Creek Antiques Thursday, February 24th, 2005 @ 6:00 pm

This year's crops have helped many with poor yields to improve on those yields substantially. Yield averages determine coverage for the future years. Another good year in 2005 is still needed by many to bring yield averages back to levels that existed prior to 2002.

TOBACCO BUYOUT BEGINS A NEW ERA

Due to the recent tobacco buyout, there will obviously be a lot of changes to the tobacco business. The federal crop insurance program on tobacco will change very little other than that a lower price, consistent with the market average, will be paid if a producer doesn't produce his/her guaranteed yield. Government subsidy will not change. Another difference is that we will be

keeping track of your yields in the future instead of the way FSA kept yields through the marketing card system.

The crop-hail program will remain similar to what it has been in the past. We aren't presently sure of what the rates will be for 2005. We expect hail rates to remain similar to the past but we do expect a slight increase in wind rates. Due to the hurricanes of 2004, the companies experienced wind losses that exceeded premiums paid.

OUTSTANDING CLAIMS

If you have a claim that has been filed but you haven't heard from an adjuster, we need to hear from you immediately. To our knowledge, all claims for the 2004 crop year are currently being worked. If, for some reason, you feel that you should have turned in a claim but didn't, please call us immediately and we will do our best to get your claim worked.

CROP INSURANCE DINNERS SCHEDULED

As we have done for several years, we will be hosting dinners for our crop insurance customers to discuss changes in the crop insurance program, strategies for insuring your crops, etc. The meetings are scheduled for the following dates.

If you plan to attend one of the meetings, please fill in the RSVP form included with this mailing and mail it back to us so that we can make plans for the meals. You may also call us at 1-800-458-3440 and we will add your name to the list of attendees. Please respond by January 16th and be sure to bring your spouse or a friend. All farmers and their guests are welcome, whether insured by our agency, insured by another agency, or not insured at all.

PRODUCTION REPORTS DUE

If you had a soybean, corn or grain sorghum crop on any farm that didn't have a loss, we need to get your production on those particular farms as soon as possible. These "no loss" yields are generally higher than your average yield and strengthen your yield database. Failure to report your yields will result in an assigned yield that is 75% of your average yield, thus reducing your average.

We have sent production reporting forms to any grain farmers for which we show farms that didn't have a loss. Also, your RCIS Schedule of Insurance is a production reporting form and can be used to report production to us. If you can find that document, you can write your production amounts on the form, sign it and send it back to us. Otherwise, you can write the farm numbers on a blank sheet of paper along with the production for that farm, sign it and send it to us.

If you are reporting corn that was cut for silage, you may report the tonnage figures to us and we will convert the tonnage to grain amounts. Our conversion is 6 2/3 bushels per ton of silage in case you want to convert the tonnage before reporting to us.

MESSAGE TO WHEAT POLICYHOLDERS

We recently obtained an acreage report from each of our wheat policyholders. It is very important that you turn in the same acres to FSA for your wheat that you have turned into us. If you don't have a copy of your wheat acreage report that you submitted to us, please contact us and we will send a copy to you. All wheat that was planted by the final planting date should be signed up at FSA as grain and not forage.

Recently, you should have received a summary of coverage for your wheat crop. We still have a chance to make corrections to acreage that was reported incorrectly if you make us aware of the error within 10 days of receiving your summary of coverage. **Please** review your acreage and farm numbers to be sure that your wheat was reported correctly. Changes are now nearly impossible to accomplish once a loss has been turned in.

PREVENTED PLANTED WHEAT ACRES

There were quite a few wheat acres that were turned in as prevented acres this year. It is important that you understand how this coverage works. First, there is no guarantee that these claims will be paid. The policy calls for prevented planted claims to be paid only if there was an inability by all farmers in the area to plant the crop. It was our experience that most acres of wheat planted behind tobacco were planted successfully. On the other hand, many acres intended to be planted after soybeans or corn were prevented due to the late date that those crops could be harvested. It is our hope that the company will recognize that these are two different growing practices and that they will pay the prevented acres intended to be planted after corn and soybeans. We should know the company's position on this soon and will let you know in a future newsletter.

There are two sets of circumstances that involve prevented planted wheat acreage. These are, first; if you plant a crop on those acres in the Spring and second; if you don't plant a crop on those acres in the Spring.

If you plant a crop on prevented acres in the Spring, there are two possibilities on how the claim will be worked. First, if you don't have a history of double cropping the Spring-planted crop behind wheat, 35% of the normal amount paid for prevented planting will be paid. Your yield database will be affected by showing a yield for wheat in 2005 on the prevented acres that is 60% of your average yield. You can then insure the Spring-planted crop and collect a loss on that crop if you incur a loss. Second, if you do have a history of double cropping behind wheat, the prevented planted payment will be made at 100% and you can insure the

Spring-planted crop. In this case, there is no affect to your wheat yield database. As you can see, a history of double cropping is very advantageous.

If you don't plant a crop on prevented acres in the Spring, you will be eligible for 100% of the prevented planted payment on the wheat acres. A cover crop can be planted on the land with no effect on the claim. However, if you hay or graze the prevented wheat acres, you will be subject to a 35% prevented planted payment and your yield database will be affected by showing a yield for wheat in 2005 on the prevented acres that is 60% of your average yield.

DOUBLE CROPPING DEFINED FOR CROP INSURANCE PURPOSES

The crop insurance program defines a double cropping practice as one in which the farmer has planted a second crop on the same land at least two out of the last four years in which the first crop was planted. However, when this condition exists, the eligible acres for double cropping are considered the second highest number of acres that were double cropped in two out of the last four years in which the first crop was planted. This calculation is done on a county-by-county basis.

SALES CLOSING DATES FOR CORN, SOYBEANS, TOBACCO & CABBAGE

If you plan to make any changes in your crop insurance policies or if you intend to insure a crop for the first time, these changes must be done by **February 28, 2005 in North Carolina and March 15, 2005 in Virginia**. If you wish to cancel coverage, it must be done by those dates as well. Any policy in force after the above dates causes coverage to be in place on the insured crop as soon as it is planted. If you grow cabbage in Carroll County, Va., the sales closing date for cabbage is also March 15, 2005.

CROP-HAIL PREMIUMS DUE DEC 1, 2004 IN NC AND JAN 1, 2005 IN VA

Most of you have already paid your crop-hail premiums for this crop year. If you have already sent your premium, we appreciate the prompt payment.

MPCI PREMIUMS DUE NOVEMBER 1, 2004

As of November 1, 2004, any unpaid MPCI premium amounts have been accruing interest. If you have an unpaid premium, it could affect your ability to have coverage for the coming crop year. Also, we don't get paid unless you pay your premium. Just like you, we don't like to work for free.

If there is ever a situation where we have failed to satisfy, please let us know. We welcome suggestions and even complaints, as they are the only way that we have of knowing where we are falling short of the mark.

FORWARD PRICING WORKSHOPS SCHEDULED

Recently, we held a meeting jointly with a commodities marketing specialist by the name of Jonah Bowles in Roxboro, NC. Because there was so much interest in learning more about futures pricing, Jonah will be holding workshops at the Person County FSA office. The dates for these meetings are:

January 3rd, 2005 – 10:00 am until 3:00 pm

January 24th, 2005 – 10:00 am until 3:00 pm

If you have an interest in attending one of these workshops, please give us a call so that we can add your name to the attendee list for the date that you choose. The workshops are free due to a grant provided to Jonah from Risk Management Agency, which is the federal agency that administers crop insurance.

As of the date of printing this newsletter, following are some futures prices that exist currently.

Soybeans:

January 2005 \$5.48 per bushel

January 2006 \$5.75 per bushel

Corn:

March 2005 \$2.05 per bushel

December 2005 \$2.37 per bushel

Wheat:
 July 2005 \$3.21 per bushel
 December 2005 \$3.38 per bushel

I believe that Jonah would tell you currently that there are few opportunities currently for forward pricing. However, when the advantageous prices present themselves such as they did in 2004, it is important to know what action to take. Jonah explains the value of futures options in his workshops. Options are much "safer" than actual futures contracts and allow you to protect the better prices when they become available.

Whether you attend one of the workshops or not, please be sure to send an e-mail to Jonah at Jonah.Bowles@vafb.com requesting that he send a copy of his newsletter to you. Jonah produces his newsletter weekly and each newsletter is filled with suggestions on marketing the commodities that you produce. You can also request a mailed copy of the newsletter by sending a written request to Jonah at:

Jonah J. Bowles III
 Ag Risk Management Coordinator
 Virginia Farm Bureau Federation
 12580 West Creek Parkway
 Richmond, VA 23261

You may also call Jonah at the following numbers and request that he mail the newsletter to you:
 (804) 290-1117 - Office
 (804) 370-4061 - Mobile

AGR-LITE

In 2005, there is a new crop insurance product that is available to North Carolina farmers. This product is unlike any other crop insurance policy that we have sold in the past. AGR-Lite is a policy that protects the gross income that is received in a farming operation. The policy was developed to be used on crops where there is high variability in the market price. The crops where this type of policy has worked the best has been vegetable crops and other specialty crops for which no other crop insurance program exists and there is typically a large fluctuation in market price. However, there may be an application for this type of policy among the tobacco farmers that don't have a very attractive contract for the 2005 crop year. The policy can protect as much as 80% of your total expected farm income. Eligibility for coverage levels is based upon the number of crops that you grow and your total expected gross income. If you have an interest in this type of policy, we will need to meet with you soon because the deadline for signing up for this type of policy is January 31, 2005. Quoting for the AGR-Lite policy has to be done on a case by case basis, due to the many variables involved. Please give us a call if you would like to schedule an appointment to look more closely at an AGR-Lite policy. We've also scheduled our crop insurance meetings in North Carolina in January so that we can go over the AGR-Lite policy with those that attend prior to the sign-up deadline.

PRICE ELECTIONS FOR 2005 CROPS

Following are the price elections that have been announced for the 2005 crops. These are the prices that will be paid by crop insurance in the event of a loss. It is important to note that the price for flue-cured tobacco was announced as a temporary price until more data becomes available as to what the actual market average will be. A revised price election is expected sometime in January for tobacco.

Apples, Fresh Market, bu.	\$ 8.05
Barley, bu.	\$ 2.35
Cabbage, cwt	\$ 6.40
Corn, bu.	\$ 2.20
Tobacco, Flue-Cured, lb.	\$ 1.20
Grain Sorghum, bu.	\$ 2.15
Oats, bu.	\$ 1.60
Peaches, Fresh Market, bu.	\$11.75
Soybeans, bu.	\$ 5.00
Wheat, APH, bu.	\$ 3.50
Wheat, CRC, bu.	\$ 3.40

All of the above prices, other than wheat, are the APH (yield only) plan price elections. The CRC (Crop Revenue Coverage) price elections for corn and soybeans will be announced in February and March, 2005.

AS ALWAYS, WE GREATLY APPRECIATE YOUR BUSINESS.