A crop insurance newsletter

FarmPLUS INSURANCE SERVICES

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Crop insurance changes occur in 2009

Tobacco

Flue-cured

With reference to flue-cured tobacco, there aren't a lot of changes for 2009 in relation to past years. We're still working from the previous crop insurance policy that is perhaps flawed, because it's a policy that was designed back when farmers were using plantbeds, and there was very little, if any, mechanical harvesting taking place.

Be that as it is, the rating structure for crop insurance has not changed to any substantial degree. The only significant difference for 2009 versus prior years is that we're somewhat surprised at a price election of $1.85 per pound. This comes in a climate where tobacco companies are talking about less money than in 2008 on their contracts, but crop insurance generally is based on the prior year's average market price.

Beyond the change in price election, there are no significant changes in the flue-cured tobacco plan.

Burley

With regard to burley tobacco, a very positive change is that burley policies were introduced as standard policies in most of the counties in which we serve. What this means to the grower is that in order to initiate or continue a burley policy, there are less requirements placed on the grower to be able to receive a policy with regard to past production history.

Also, a new producer is now eligible for burley coverage in these counties; whereas, in the past a burley policy wasn't available unless the producer had three years of production history.

Finally, in those counties where a burley policy has been introduced, a request for the policy, or written agreement, is not required; therefore, a producer is assured of being able to obtain the coverage in the qualifying counties.

The price election for burley tobacco in 2009 will be $1.85 unless the Risk Management Agency (RMA) increases that price in the next few weeks.

Dark fire-cured

Dark fire-cured tobacco has a price election of $2.20 per pound. Due to a higher demand for this type from the tobacco companies, we are seeing more interest in this coverage. Dark fire-cured tobacco is available as a standard policy in most Virginia counties in which we serve; however, the more lengthy application process, known as a written agreement, is required for dark fire-cured in North Carolina.

Organics

We've seen a surge of interest in coverage on both organic tobacco and Purity Residue Clean (PRC) tobacco.

For the 2009 crop year, not a lot has changed with regard to organic tobacco. The price election will be the standard flue-cured price election, and the premium structure is the same as the standard conventional flue-cured premium structure, other than a small surcharge for organic. PRC tobacco will be treated the same, from an insurance standpoint, as conventional flue-cured tobacco.

We anticipate in future years, price elections for organic crops will be more indicative of actual market prices for those crops. This is assuming that President

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Obama follows through on his campaign commitment of better coverage on organic crops.

Soybeans

Several changes have been made with regard to soybean coverage. The most significant changes have to do with final plant deadlines and acreage reporting deadlines. In most counties in this area, the final planting date has been moved from June 20, 2009 to June 30, 2009. While this may not seem very significant, this is normally a time in which the majority of acres are double cropped behind wheat; therefore, a reduction in coverage will not occur unless soybeans are planted beyond June 30 in most counties.

With this change in planting deadlines, there was also a change in most counties to a July 15 acreage reporting deadline, which is very welcome news.

At this point in time, it appears that price elections will be 10 to 25 percent less than in 2008 for soybeans. There will be a corresponding decrease in coverage and premium. Every soybean grower will want to look at whether their coverage level provides adequate protection to cover input costs, and we anticipate many growers moving to a higher level of coverage.

Another very significant change is that with the very popular Crop Revenue Coverage (CRC) plan, the limits on price movement have been eliminated when prices fall. The limit on upward price movement has been placed at 200 percent of the base-price election. This is significant in that in all past years' price movement for soybeans under the CRC plan was limited to a $3 upwards and downwards movement.

RMA apparently viewed a $3 movement in price as too small a limitation in these current volatile markets.

Even with the above changes, that are all favorable to the insurance customer, there appears to be no significant changes to the rating structure, and therefore, more bang for the buck.

Corn

There have been no changes to corn coverage other than a reduction in price elections of between 10 and 20 percent; therefore, coverage will be reduced by corresponding amounts as well as premiums.

As with the CRC plan for soybeans, there was an elimination of the downward price movement on CRC corn. In the past, there was a limit of $1.50 upwards and downwards movement. There is an upward limitation for corn and soybeans of 200 percent of the base price.

MPCI Price Elections and Revenue Product Pricing

	2008	2009	%Change
Apples (fresh)	8.65	9.45	9
Barley (APH)	2.80	5.00	79
Burley tobacco	1.75	1.85	6
Cabbage, per cwt	7.15	7.60	6
Corn (silage, APH)	32.00	37.25	16
Corn (APH)	4.75	4.00	-16
Corn (CRC) base price, NC	4.78	4.27	-11
Corn (CRC) harvest price, NC	5.49	tbd	
Corn (CRC) base price, VA	5.40	tbd	
Corn (CRC) harvest price, VA	4.13	tbd	
Corn (RA) projected harvest price, NC	5.26	tbd	
Corn (RA) harvest price, NC	3.74	tbd	
Corn (RA) projected harvest price, VA	5.40	tbd	
Corn (RA) harvest price, VA	3.74	tbd	
Cotton (CRC) base price, Jan. 31 cancellation	0.68	0.63	-7
Dark air-cured tobacco	1.50	1.50	0
Dark fire-cured tobacco	2.15	2.20	2
Flue-cured tobacco (APH)	1.60	1.85	16
Grain sorghum (APH)	4.45	3.85	-13
Grain sorghum (CRC) base price, NC	4.48	3.77	-16
Grain sorghum (CRC) harvest price, NC	5.14	tbd	
Grain sorghum (CRC) base price, VA	5.06	tbd	
Grain sorghum (CRC) harvest price, VA	3.87	tbd	
Grapes, Group A	420.00	tbd	
Oats (APH)	2.25	3.50	56
Peaches (fresh)	13.00	13.50	4
Soybeans (APH)	11.50	9.90	-14
Soybeans (CRC) base price, NC	11.85	9.63	-19
Soybeans (CRC) harvest price, NC	12.79	tbd	
Soybeans (CRC) base price, VA	13.36	tbd	
Soybeans (CRC) harvest price, VA	10.36	tbd	
Soybeans (RA) projected harvest price, NC	12.81	tbd	
Soybeans (RA) harvest price, NC	9.22	tbd	
Soybeans (RA) projected harvest price, VA	13.36	tbd	
Soybeans (RA) harvest price, VA	9.22	tbd	
Tomatoes (fresh market), VA	4.35	4.50	3
Wheat (APH)	4.90	7.35	50
Wheat (CRC) base price, NC, VA	5.93	8.58	45
Wheat (CRC) harvest price, NC, VA	7.93	tbd	

Crop insurance dinners scheduled for 2009

As in the past, we will be hosting crop insurance information dinners in various locations during 2009. The dates and locations are as follows:

McLeansville, N.C. — Guilford County Wildlife Preserve, Tuesday, Feb. 10, at 6 p.m.
Reidsville, N.C. — Golden Corral Restaurant, Thursday, Feb. 12, at 6 p.m.
Roxboro, N.C. — Homestead Restaurant, Tuesday, Feb. 17, at 6 p.m.
Roxboro, N.C. — Outer Banks Restaurant, Thursday, Feb. 19, at 6 p.m.
Danville, Va. — Mary's Diner, Tuesday, Feb. 24, at 6 p.m.
Rocky Mount, Va. — Fisherman's Galley, Tuesday, March 3, at 6:30 p.m.

Sometimes space is limited. As soon as possible, you may want to call and let us know which meeting you wish to attend. We will attempt to contact every customer by phone prior to the meeting in your area in the event we don't hear from you.

For existing customers who attend these dinner meetings, we will supply a renewal quotation with the most current pricing and rates for each of your farms.

Which revenue grain program is best for me?

We're often asked which policy is best for a grain producer. We offer the Actual Production History (APH) policy, the Crop Revenue Coverage (CRC) policy, and the Revenue Assurance (RA) policy.

The APH program, while very cost effective, offers protection against poor yields only with no protection for volatility in market prices.

The RA and CRC policies, while more expensive than APH, generally prove their worth through larger claim settlements whenever there is volatility in the commodities markets. The RA and CRC plans protect against low yields, low market prices, and especially a combination thereof.

With the recent changes to the CRC program in which the limitations on price movement have been removed, there's not a great deal of difference between the CRC and RA plans.

The most significant difference we see is that the RA typically uses a later futures contract for calculation of the initial base price and the harvest price.

It is our experience that downward swings in the commodities market are more prone to occur in these later months when harvest is actually occurring. For that reason, we have seen somewhat better performance from the RA plan of insurance than the CRC plan of insurance.

Another difference between CRC and RA coverage is that CRC is offered from the 50-percent level to the 85-percent level; whereas, RA is offered from the 65-percent level to the 85-percent level. Often, the 65-percent level for RA is more costly than a farmer can stand. In those cases, CRC in the 50-, 55- or 60-percent level is the most common choice.

Sales closing dates set

The sales closing date for most spring planted crops such as corn, soybeans, tobacco and grain sorghum is Feb. 28, 2009 in North Carolina and March 15, 2009 in Virginia. Any policy changes, plan changes, entity changes, etc. must be done by those dates.

We are currently printing and mailing renewal quotations to our existing customers. In order to prepare the most accurate quotations, it is very important that we receive all of your 2008 crop yields as soon as possible in the event that you have not reported those yields.

These renewal quotations will show the crop that you currently have insured, the farm serial numbers that we have on record, and the corresponding coverage and premiums for each of those farms. Also, the renewal quotations will show other plans of insurance that we have to offer for those crops.

If, upon reviewing your renewal quotation, you are confident of your intentions for the 2009 crop coverage give us a call. We always strive to contact every customer in person or by phone prior to the above mentioned sales closing dates.

Verify your policy information

At this time of year, it is extremely important that you verify the tax identification number on your policy. **If the tax ID number is incorrect, any claim will be denied**. It will be the adjuster's responsibility from now on to verify your tax ID number and send it along with the claim before a claim can be paid. In the case of a husband and wife, both social security numbers must be verified. In the case of a corporation, the Employer Identification Number (EIN) must be verified as well as any shareholder in the corporation that holds a 10-percent share or greater.

Also, the name and tax ID number that you use when reporting to FSA must match with the name and tax ID number on your crop insurance policy. If those numbers and name don't match, your claim will be denied. While these rules are perhaps harsh, they are strictly adhered to. Now is the time to be sure that your information is correct.

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Livestock Risk Protection protects prices

A new program, recently made available in Virginia and North Carolina, known as Livestock Risk Protection (LRP) allows a producer to "lock in" pricing, or a portion thereof, on the commodities exchanges. For example, if feeder cattle are trading at $1.10 per pound, you could buy LRP at $1.00 per pound for a certain time period. For this example, using a 30-week policy, if the price on the commodities exchanges is less than $1.00 per pound, the LRP policy would pay the difference between the $1.00 and the price on the commodities exchange at the close of business after 30 weeks. This difference would be then multiplied by the number of pounds that are covered under your policy.

The best use of this program would be when there are profitable prices currently and there is concern that prices will not be profitable when your cattle are ready to be sold. This program is very similar to buying a Put Option from a commodities broker. The benefit is that with this program the premium is subsidized by the federal government. Also, you are allowed to buy LRP in any quantity that fits your operation, down to one animal. Contact us if we can help you with the LRP program.

Crop insurance linked to disaster assistance program

The new farm bill, passed in 2008, includes a permanent disaster assistance program known as the Supplemental Revenue Assurance Program (SURE). A prerequisite for qualification for disaster payments under the program is that all crops of economic significance be insured either by Multi-peril Crop Insurance (MPCI) or by the Noninsurable Assistance Program (NAP).

Further, the calculations for disaster payments are directly tied to the level of insurance that a person takes when the coverage is offered by the MPCI program. Therefore, because the Catastrophic (CAT) policy is at a 50-percent level and uses 55 percent of the market price, disaster assistance calculations concerning that crop also uses a 50-percent factor and a 55-percent factor in calculating your payment. Considering that CAT coverage now costs $300 per crop per county, buy-up levels (50 percent to 85 percent) of insurance have become more attractive than ever. In short, **the higher the level of crop insurance that a person takes, the higher the trigger yields and prices are for that person to collect on disaster assistance under the SURE program.**

The SURE program and the NAP program are administered through the Farm Service Agency (FSA); therefore, you should contact them to get all the details. For those who have computer savvy, you may download FSA's online SURE calculator at: *www.fsa.usda.gov/FSA/fbapp?area=home&subject=landing&topic=landing*.

Now is the time to learn about these programs as sales deadlines are fast approaching for crop insurance, and just one uninsured crop would eliminate a producer from qualification for disaster assistance.

We greatly appreciate your business!!