FarmPLUS INSURANCE SERVICES

5048 U.S. Highway 29
Blairs, VA 24527
434-835-0107 * 800-458-3440
434-835-0109 (fax)
www.farmersontheweb.com

Volume 11, No. 1

Winter 2011

Decision time: Sales closing dates fast approaching

For North Carolina farmers, the deadline for applying for or changing crop insurance for spring-planted crops is Feb. 28, and for Virginia farmers the deadline is March 15. For the 2011 crop year, decision-making will be somewhat difficult for grain producers due to the lofty pricing of the commodities markets. As with other inputs, insurance costs will be higher due to high commodity prices, resulting in higher coverages and premiums at current coverage levels.

In order to recover input costs in the event of a loss, a farmer must develop a good idea of what his costs actually are for his corn and soybean crops. With that information, we can arrive at a coverage level and/or unit structure that will hopefully provide enough coverage to offset input costs should a loss occur. As was the case in 2010, increased government subsidies are available for those farmers that can make sense of Enterprise Units (EU). EU subsidies and discounts allow for insurance rates that are 50 to 60 percent lower than Optional Unit (OU) rates. Optional Units provide for coverage on a farm serial number (FSN) by a farm serial number basis. Enterprise Units provide coverage for the entire crop grown within the county by a producer.

Due to the elevated potential for prices to drop during the growing season, a farmer may want to consider higher levels of coverage with EU in order to have greater potential for a loss due to price drop. However, especially with soybeans, farm by farm coverage (OU) is still attractive when (1) planting dates are spread over a long period of time, (2) wildlife pressure is highly variable from farm to farm, (3) there is a similar amount of full-season and double-cropped acreage.

Due to high commodity prices, we are hopeful that many farmers will be forward contract-

*See **Decision** on page 4*

Scheduled crop insurance meetings

Below you will notice the various crop insurance meetings that we have scheduled. Please let us know as soon as possible which meeting you will attend. At the meetings, we will provide quotations for your farming operation, and applications for you to review and for you to make any change necessary to your crop insurance.

Bring with you a good appetite and any questions that you may have regarding your crop insurance coverage. Seating may be limited at one or more of these meetings, so you may want to call us and reserve your spot as soon as possible.

Feb. 8, Tuesday, 6 p.m.
McLeansville, N.C.
McLeansville Wildlife Club

Feb. 10, Thursday, 6 p.m.
Roxboro, N.C.
Person County Office Building

Feb. 15, Tuesday, 6 p.m.
Danville, Va.
Mary's Diner

Feb. 17, Thursday, 6 p.m.
Reidsville, N.C.
Rockingham County Agricultural Center

Feb. 22, Tuesday, 6 p.m.
Danville, Va.
Mary's Diner

Feb. 24, Tuesday, 12 p.m.-2 p.m.
(Joint meeting with Anderson Tractor)
Wytheville, Va.
Wytheville Meeting Center

March 1, Tuesday, 7 p.m.
Rocky Mount, Va.
Fisherman's Galley Restaurant

Web sites of interest to crop insurance customers:

- If you have a Pasture, Rangeland and Forage Policy (PRF), the Web site below will allow you to locate your grid number:

http://agforceusa.com/rma/vi/prf/maps

- If you want to know how PRF would have performed in the past, use the following site:

http://agforceusa.com/rma/vi/prf/dst

- If you want to see specific rainfall indices (% of average rainfall for different time periods), use the following site:

http://www3.rma.usda.gov/apps/premcalc/viri_payment_report_form.cfm?ins_plan=13&crop_cd=0088

- If you're interested in seeing current rates for Livestock Risk Protection (LRP) or Livestock Gross Margin (LGM), use the following site:

http://www3.rma.usda.gov/apps/livestock_reports/

Crop Hints
By Brent Craig

This winter has been rather harsh on wheat in most areas. If your wheat looks great, then I applaud you.

You are either real lucky or good. However, if your wheat does appear to be thin, then maybe this article will help you. About the only option to increase tiller count or stand thickness at this point is to apply nitrogen (N). A split application may be in order for this year with the first in early February followed by a second in early to middle March around growth stage 30.

Around growth stage 30, the wheat will appear to stand up. If you split a stalk of wheat from top to bottom with a knife, you should be able to see the growing point or head about ½ inch above the first roots. After this, it will move up the stem above the soil surface.

Begin the decision-making process with a tiller count. Only count plants with at least 3 leaves. One formula used is Tillers per square foot = (Tillers per yard of row *times* 4) *divided* by the row width in inches. You can also measure off one-foot square and count within the square. Do this in several places and fields to get some averages. If tiller counts exceed 50 per square foot, do not apply nitrogen at this time, a single application at growth stage 30 will suffice. If nitrogen is applied, the wheat could lodge or go down. Also, freeze damage could occur later.

After checking the tiller count, the question still remains—how much nitrogen to apply. If stands are very thin—around 25 tillers per square foot or less—apply 50 to 70 lbs. of N per acre. If stands are 25 to 45 tillers per square foot then apply 40 to 50 pounds of N per acre.

The second application of N should be applied around growth stage 30. This usually occurs late February to about the middle of March, depending on the season and variety of wheat. At this time, nitrogen uptake will begin, and the availability of nitrogen will be detrimental to yield.

A ballpark figure for units of N per acre is about 120 per year. Some of the best producers may push this limit on some fields but may back down on others. So consider any applied at planting and if you applied any in a split application. Another thing to take into consideration is leaching due to excessive rainfall in the fall and carry-over nitrogen from other crops. This does require some guesswork.

One method that takes a lot of guesswork out is a tissue test. This is done around growth stage 30, and many agronomists and fertilizer dealers will assist you with this. The greatest downfall with this is turnaround time for lab results, unfavorable weather conditions and time constraints. But if you are like me, I can find an excuse for about anything I do not like to do, especially housework. However, take a little time and try it on a field or two. We are dealing with very high wheat prices, and I think we will be dealing with very high fertilizer prices. It may save you some money and increase your yields.

Remember, if you are using liquid nitrogen, there are additives that can decrease nitrogen volatility such as Nutrisphere and Agrotain. Also, if you split-apply or apply all your nitrogen in March, remember to take out the broadleaf weeds and ryegrass. Also, a mid- to late-March application of nitrogen with a pesticide can reduce the likelihood of having to spray for cereal leaf beetle later on. A few of these products are as follows: Prowl H20 for pre-emergence of ryegrass, Harmony for broadleaf, Warrior for Cereal Leaf Beetle, Osprey for post-emerged ryegrass. DO NOT MIX OSPREY WITH NITROGEN. Always read the label. Remember Personal Protective Equipment (PPE). Timing of application is important and may harm some crops if applied incorrectly. Take into consideration cropping rotations for which crops will follow after spraying these chemicals.

There are many chemicals made by many companies that will probably work just as well, and I am not biased to those in this article; however, I have used these and am familiar with them. This article is merely to inform you, our customer or hopefully future customer, and that "We are working hard to keep you growing."

Introduction of new Combo Policy

Beginning with the fall-planted grain crops and now continuing with the spring-planted grain crops, a new crop insurance policy will apply. The new Combo Policy is an effort to simplify the choices between revenue crop insurance policies. The various revenue policies from the past such as Crop Revenue Coverage (CRC) and Revenue Assurance (RA) have been combined to form the Revenue Protection (RP) policy. The yield only or Actual Production History (APH) policy for grains has been renamed the Yield Protection (YP) policy.

For a producer who wishes to keep coverage as similar to the past coverage as possible, the appropriate plan of RP or YP has already been changed and established on your policy. For YP, the most significant change from the APH plan is that the same expected harvest price will be calculated with the RP plan. Otherwise, the plan should be very similar to the past APH plan.

With RP, the most significant change is that the expected harvest price and the harvest price will have the same price-discovery periods for a given crop in a given state. In the past, each plan had different price-discovery periods.

One very welcome change within the new Combo Policy is that the Misreported Information Factor (MIF), which is a penalty for misreported acreage or yields has been eliminated.

There are negative results already within the crop insurance system for misreported information; and therefore, the MIF policy represented "double jeopardy".

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. Amy Alderson, 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.

Quality Adjustment on tobacco

In 2010, a new crop insurance policy for tobacco was introduced. With regards to production losses, the new policy works in the same way as the previous policy. A production guarantee is established by multiplying the average yield on a farm by the chosen coverage level. Any deficit in production/yield is paid at the price election which was $1.75 for 2010 and will be $1.60 for 2011. However, there was a significant change regarding Quality Adjustment (QA). For a QA loss to occur, quality problems must be verified by an adjuster before the tobacco is sold, and the average **value** for the tobacco must be below 75 percent of the price selection ($1.31 for 2010 and $1.20 for 2011).

Value for tobacco is determined by policy language to be a **reasonable** price for a given grade. "Reasonable" pricing was not determined within the policy, and each crop insurance company was left to determine reasonable pricing for each grade through whatever method deemed appropriate. Unfortunately, each company developed a different method for determining reasonable pricing. Rural Community Insurance Services (RCIS), our primary carrier, developed an average for each grade using all standard tobacco contracts that were available to them. The average price for each grade was considered to be the minimum reasonable price for a given grade.

It is our hope that a standard method of determining reasonable pricing will be established by the Risk Management Agency (RMA) before the sales closing dates of Feb. 28 (North Carolina) and March 15 (Virginia).

Federal crop insurance should be consistent from company to company since it is a federal insurance program. Our agency has contracted with other carriers in the event that a farmer feels that quality adjustment could become a factor in 2011, and currently those other companies have similar but slightly different methods of determining reasonable pricing.

During 2011, any grower with quality problems due to disease, drought or any other cause of loss should turn in a claim as soon as the quality problem becomes apparent in the field or in the curing barn.

Production reporting

In the latter part of 2010, our office mailed production reporting forms to all growers with policies for spring-planted crops. In many cases, losses were pending, and the production data was gathered by a loss adjuster. In cases where losses did not occur, our only way of gathering production data is from the grower.

In order to generate accurate premium rates for 2011, we must determine average yields through the 2010 crop year. Therefore, if you haven't returned your production reporting form to us with the requested data, please do so immediately. If not received, the best estimate of insurance rates is obtained by using yield averages through the 2009 crop year. Also, if you did not plant a spring-planted crop in 2010 or if there were losses on all planted acres in 2010, we still need for you to sign and date the production reporting form and return it to us so that we can assign appropriate unit numbering for each farm within your crop insurance policy. The method of unit numbering has been changed for the 2011 crop year and beyond. Those changes should not have direct effect to coverages but will allow for better organization of farm serial numbers within a crop insurance policy.

Word of caution

Due to increased government subsidies for farmers using Enterprise Units (EU) on their crop insurance policies, many farmers are changing to an EU structure. However, a person should not elect EU and higher levels of coverage if there is a chance that the EU qualifications will not be met.

Recently, many farmers elected EU for wheat and chose the 75 percent level of coverage. The typical premium for 75-level EU for wheat is $10 to $15 per acre. However, for those that did not qualify for EU, the premium then becomes $25 to $35 per acre for the same amount of coverage per acre.

To qualify for EU, a farmer must plant on at least two separate farm serial numbers within a county to the insured crop, and the acreage on at least two farms or an aggregate of two groups of multiple farms must represent 20 percent of the total planted acreage of the crop in the county or 20 acres, whichever is less.

If you are interested in seeing the content of prior newsletters, visit our Web site at *www.farmersontheweb.com*. Click "Agribusiness" then on the newsletter that you would like to view.

Linkage to SURE program

In 2010, most counties in our area were declared disaster areas due to drought. When this declaration occurs, the Farm Service Agency's (FSA's) Supplemental Revenue Assistance (SURE) program can trigger payments when farm revenues fall below calculated trigger amounts.

Eligibility

To be eligible for SURE, all crops grown by a farmer in all counties in which he operates must be insured. When crop insurance is available for a crop, the coverage must be bought from a crop insurance agent. When coverage is unavailable for a crop, FSA's Non-insured crop disaster Assistance Program (NAP) program must be purchased.

Rule exception

An exception to this rule occurs when a crop represents less than 5 percent of the farmer's gross crop value.

There are other programs such as the Emergency Assistance for Livestock, Honeybees and Fish (ELAP); Livestock Forage Disaster Program (LFP); and Tree Assistance Program (TAP) that require crop insurance or NAP coverage.

Decision
Continued from page 1

ing some of their corn and soybean production. Revenue crop insurance is a good way of protecting those forward contracts in the event that yields are not adequate to meet contracted volume.

Our office will provide both EU and OU rates for your grain crops through a mailing and/or a personal visit. We will also provide an application for each crop and county in the event that you wish to make a change.

In North Carolina, the expected harvest price for corn and soybeans will be calculated from Jan. 15 to Feb. 14, and in Virginia the expected harvest price will be calculated through the month of February. Due to these time periods, we will not mail quotations until we have a good idea of what the expected harvest prices will be.

For tobacco growers, the price election will be at $1.60. We are already in the process of contacting those farmers that are tobacco only growers, since coverages and rates are already available.

FarmPLUS INSURANCE SERVICES
5048 U.S. Highway 29
Blairs, VA 24527

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

Interesting facts about crop insurance and tobacco, according to the Risk Management Agency

The 2008 farm bill legislated that RMA establish crop insurance policies that will generate not more than 100 percent loss ratio for the entire program. Obviously, tobacco generates a significant amount of attention from federal regulators. As we saw with the Quality Adjustment procedure changes in 2010, we can expect additional changes and scrutiny going forward until losses do not exceed premiums.

2008	**2009**	**2010 (as of Jan. 21, 2011)**
Burley tobacco: 69,908 acres insured Loss ratio: 168 percent	Burley tobacco: 80,848 acres insured Loss ratio: 241 percent	Burley tobacco: 80,470 acres insured Loss ratio: 43 percent
Dark fire-cured tobacco: 12,585 acres insured Loss ratio: 44 percent	Dark fire-cured tobacco: 11,072 acres insured Loss ratio: 93 percent	Dark fire-cured tobacco: 10,668 acres insured Loss ratio: 31 percent
Flue-cured tobacco: 216,188 acres insured Loss ratio: 246 percent	Flue-cured tobacco: 219,839 acres insured Loss ratio: 199 percent	Flue-cured tobacco: 206,251 acres insured Loss ratio: 173 percent

Tobacco Financial Assistance Program

The Danville Community College (DCC) Educational Foundation Inc. is offering the Tobacco Financial Assistance Program. Recipients must be a tobacco farmer, have an immediate family member who is a tobacco farmer, or have an occupation that is related to the decline or loss of tobacco production since the year 2000, as verified by the 1040 Federal Tax Return or the Tobacco Indemnification Settlement letter. Applicants must send a copy of either of these along with the application.

The foundation describes immediate family as spouse, father, mother, stepfather, step-mother, son, daughter, adopted son or daughter, grandfather, grandmother, step-grandfather and step-grandmother.

Scholarship recipients must be enrolled either full time or part time in credit courses at DCC. Recipients must maintain a 2.0 grade point average (GPA) in order to be eligible for an award. They also must apply for federal financial assistance. DCC's Financial Aid office has information on this, or on the DCC Web site at *www.dcc.vccs.edu*.

Applicants must return their application, proof that they have applied for financial aid, and a copy of either the 1040 Federal Tax Return or the Tobacco Indemnification Settlement payment letter to:

Danville Community College Educational Foundation Inc.
1008 South Main St.
Danville, VA 24541
434-797-8437 or 1-800-560-4291