

# Crop Insurance Newsletter

Courtesy of J T Davis Insurance Agency, Inc.

## Landmark Crop Insurance Bill

### CONGRESS PASSES

### LANDMARK CROP INSURANCE BILL INTO LAW

The "Agricultural Risk Protection Act of 2000" authorizes permanent reform to the current crop insurance program.

Some hi-lites of the act are:

- \* higher premium subsidies
- \* actual production history (APH) adjustments for multi-year losses
- \* Expanded research and development for new production and new crops.

#### Higher Premium Subsidies

First and foremost is the huge amount of premium subsidy money authorized by congress. Congress has appropriated \$8.2 billion over the next 5 years with a great portion earmarked for premium reduction.

The highest level of coverage for most crops is the 75% level. The subsidy (amount of money the federal government pays of your total premium) for the 75% level for crop year 2000 was 23.5%. Subsidy for 2001 will be 55%.

One of the primary purposes of the new legislation was to make higher insurance coverages more affordable on a permanent basis.

Crop Revenue Coverage (CRC), which guarantees dollars, will now be subsidized at the same rate as the Multi Peril Crop Insurance. To give you an example, the 75% CRC level was subsidized in 2000

at 18%. The 2001 subsidy will be the same as MPCRI or 55%. In the past CRC was only fully subsidized on the production side, not on the dollar side.

Mike Connely, Rural Community Insurance Services (RCIS) President states, "We believe catastrophic (CAT) coverage and regular buy-up coverage on certain crops will diminish as farmers migrate toward the now more affordable risk management products" such as CRC.

Mike also states "75% coverage level is likely to become the most popular choice of farmers."

President Clinton, after signing the bill, stated "the reforms in this bill will put risk management where it belongs: in the hands of the producer."

The federal government now will be paying on an average, 60% of your premium.

Now is the time to look at expanding your coverage to include all crops as well as upgrade your coverage. Take advantage of higher subsidies now.

Remember, any changes must be done before March 15, 2001.

#### APH Changes

A process will be implemented to allow farmers the option of dropping bad yields from the APH database by inserting 60% of the county average yield into the database.

This process will allow for higher yield coverage to be realized at the farmer level and will provide a soft landing for multi year loss situations that plagued farmers during the 1990's.

#### Expanded Programs

Another purpose of the legislation was to provide monies to expand coverage for crops where no coverage is currently available - especially specialty or vegetable crops. A push toward more revenue type products is on. Guaranteeing dollars (\$\$\$) rather than production is a positive move. This movement will provide protection against low commodity prices.

A number of pilot programs for new crops, including livestock coverage, are being introduced. Pilot programs are offered initially in select areas of the country and once these programs move out of the pilot status (usually 3 years) then they will be expanded across the country.

Program rules and regulations continue to be written regarding the new legislation. We expect to see bulletins flow regarding changes and interpretation on up to sales closing, March 15, 2001.

Bottom line, the legislation is directed toward improving the program in a number of areas. The \$8.5 billion commitment is a testimony to this fact.

## **CROP INSURANCE REQUIRED FOR CERTAIN USDA PROGRAMS**

If you receive payments under USDA's Crop Loss Disaster Assistance Program (CLDAP) through FSA then you will be required to carry crop insurance on crops of "economic significance" as defined by FSA for crop year 2001 and 2002.

Other programs such as USDA low interest loans which could qualify a farmer for up to

## **CATASTROPHIC (CAT) FEE INCREASE**

Catastrophic (CAT) or basic coverage fees starting with 2001 crops will increase from \$60 per crop to \$100.

This move by Congress is an attempt to encourage farmers to buy up to higher levels of coverage as buy coverage premiums are reduced while CAT fees are increased.

Keep in mind CAT payments are paid on only 55% of price election compared to buy up payments at 100% of price election.

## **CROP REVENUE COVERAGE (CRC) Now FULLY SUBSIDIZED**

CRC is a revenue plan which guarantees dollars (\$\$\$) rather than production.

Crop Revenue Coverage (CRC) is an affordable way to protect

\$500,000 @ 3.75% interest with a 7-20 year payback will also require linkage. See your FSA director should you have questions.

## **CROP INSURANCE CONTRACT IS CONTINUOUS**

Your crop insurance policy is a continuous contract. If you make no changes your crops will be insured at the same level as in 2000. All changes **must** be made in writing before sales closing, which is March 15,

your farming operation against both low yields and unpredictable market swings. CRC guards against a loss in revenue caused by low prices, low yields, or a combination of the two. This means a CRC policy may pay an indemnity when there is no yield loss, because it protects against low market prices at harvest time.

The Crop Insurance reform act of 2000 provides permanent additional funding which now provides full subsidy. The subsidy rate at 75% coverage level goes from 18% subsidy in 2000 to 55% subsidy in 2001. This is an increase of 300% in the amount the Federal Government is paying of your premium in 2001.

CRC policies are projected to increase significantly as subsidies are dramatically increasing.

CRC is now available for

2001.

## **PREVENTED PLANT PAYMENTS**

Crops such as corn, soybeans, grain sorghum, wheat, barley, cotton, and peanuts are covered which means you could be eligible for a payment (up to 70% of your guarantee) should you be prevented from planting your crop due to a weather related problem (drought or excess moisture).

cotton, corn, grain sorghum, soybeans and wheat.

## **CROP INSURANCE PROGRAM EXPANDS**

The current Crop Insurance Program participation has tripled in the past six years. The program currently provides \$33 billion in protection on more than 200 million acres of crops. As a result, crop insurance today protects more farmers better than ever before and is a principal life-line to rural America in times of crisis.

The 2000 Crop Insurance legislation which provides an additional \$8.2 billion spending over 5 years provides for additional subsidies and programs. This will enhance the current program even further.

## WRITTEN AGREEMENTS

As farmers attempt to diversify a common concern is - how can I protect my investment costs? Crop Insurance is logically the 1st answer.

Any crops which is currently insured anywhere in the U.S. can be insured through a written agreement.

We have been able to insure crops such as Fresh Market Tomatoes, Peppers & Sunflowers, just to name a few, using the written

## INSURANCE CARRIER CHANGE - 2001

In order to provide all our multi peril customers the best service available, we will be writing our multi peril crop insurance through Rural Community Insurance Services (RCIS).

We have been writing a portion of our crop insurance business through RCIS since 1997. RCIS has become the 2nd largest crop insurance provider in the nation. Our agency has been impressed by their desire and commitment to be the best in serving you, the farmer, through state of the art computer software support, as well as prompt & courteous claims processing through their Winston Salem Regional Office.

agreement process.

The main criteria is to provide 3 years of records for the crop, or a similar crop, you are looking to insure.

I have been fortunate in getting the rules laxed for new producers when it comes to similar crops. For instance, if a farmer has only grown tobacco then generally I can use 2 years of tobacco production and 1 year of the new crop production to satisfy the requirements to insure under a

written agreement.

## REPLANT PAYMENTS

Should you have to replant due to an insurable cause you will be reimbursed for replant cost and you will keep your full guarantee. Replant payments are available for most crops.

## LATE PLANT COVERAGE

This coverage is now available for most crops should you have to plant after established final plant dates.

RCIS is a subsidiary of Wells Fargo & Company which provides a strong financial base. RCIS is also our primary carrier for crop hail. Their rates have historically been better than all the other competition. We have found their services - application processing, adjusting, and claims processing, to be the best in the market today.

In mid October 2000, we mailed each of our Rain & Hail customers a packet which included a form to be signed and returned in a self addressed postage paid envelope.

If you have not returned this new contract, **please return as soon as possible**. This is needed to assure you of coverage for 2001.

\* At **J. T. DAVIS INSURANCE AGENCY, INC.** We bring to you:

*\*personal on the farm service*

*\*individual risk management planning*

*\*toll-free phone service*

*\*round-the-clock service when you need it*

*\*Experienced, Competent, local adjusting staff*

*\*office personnel with combined insurance experience of 72 years*

*\*devoted 100% to crop insurance*

*\*fast claim turn-around*

## **“OUR BUSINESS IS KEEPING YOU IN BUSINESS”**

### **GOT MAIL?**

[www.jtdavisins.com](http://www.jtdavisins.com)

As you may have noticed on our business card, included with your Christmas calendar, we now have a website address. For those of you who have Internet access you can now go to your crop insurance policy online. You can review information, turn in your acreage report, or production, as well as e-mail us with questions or concerns you may have about your policy. All you need to do is let us know that you would be interested in this new feature and we will get everything set up for you.

### **YOUR DUTIES WHEN A LOSS OCCURS**

Your crop insurance policy insures you against a number of perils. These include all types of diseases, all weather related incidents, insects, wildlife, and fire. With the implementation of CRC we can insure against price drops

and increases on certain grain crops. What you need to know in addition is what to do when you suspect that you will have a loss on your crop.

According to policy provisions you need to **notify us within 72 hours** after damage occurs or is discovered, or at least **15 days before you harvest** your crop. This will prevent many of the problems we sometimes have at adjustment time.

### **FEES WAIVED FOR LIMITED RESOURCE FARMERS**

Starting with the 2001 crop year both the CAT fee (\$100) and the buyup fee (\$30) may be waived if you qualify as a “limited resource farmer”.

A limited resource farmer is defined as a producer or operator of a small or family farm with an annual gross income of less than \$20,000 derived **from all sources of revenue** for each of the prior 2 years.

If you qualify you **MUST** sign a certification form with us before March 15, 2001 in order to receive the waived fees.

## **SALES CLOSING IS MARCH 15, 2001**

### **CALL US TODAY - TOLL FREE 1-800-248-5480**

IMPLEMENT A PLAN TO PROTECT YOUR FARM AND FAMILY FROM THE NEXT DISASTER!

RISK MANAGEMENT IS **YOUR** RESPONSIBILITY.

We Can Help...

We insure your crops against:

- ▶ Drought
- ▶ Excessive Moisture
- ▶ Hail/Wind
- ▶ Disease
- ▶ Insects
- ▶ Fire
- ▶ Wildlife
- ▶ Frost/Freeze
- ▶ Flood

Subsidy Comparisons	50% MPCl	50% CRC	65% MPCl	65% CRC	75% MPCl	75% CRC	85% MPCl	85% CRC
<b>Old Law</b>	55%	35.2	42.0%	24.7%	24.0%	13.6%	13.0%	7.5%
<b>2000 25%</b>	66.3%	51.4%	56.3%	43.5%	42.6%	35.2%	34.8%	30.6%
<b>New Law</b>	67.0%	67.0%	59.0%	59.0%	55.0%	55.0%	38.0%	38.0%
<b>Change From Old Law</b>	21.8%	90.3%	40.5%	138.9%	129.2%	304.4%	192.3%	406.7%
<b>Change From 2000</b>	1.1%	30.4%	4.8%	35.6%	29.1%	56.3%	9.2%	24.2%
<b>Farmer Savings vs 2000</b>	2.1%	32.1%	6.2%	27.4%	21.6%	30.6%	4.9%	10.7%

