



Spring 2016

Crop insurance has been through a lot of changes lately. Those changes, those choices and all of those new acronyms have all of our heads spinning. All of us have had to be on the offensive when politicians of both parties unleash their anger against the industry. Every budget that the president sends out has a slash to crop insurance spending while many of those same people who agreed to use crop insurance as the risk management tool for agriculture flipped sides to join the call to cut spending on crop insurance. So far we have stood up to the challenge of keeping their hands off crop insurance.

With that being said there is some good news. We do have people on both sides of the aisle who stand up for agriculture. Please take the time to thank those who stand up for agriculture and support them as they run for office. Look around and see how you can personally educate your corner of the world. You are affected by the lack of understanding that people have concerning how food and fiber are produced. When you take the time to educate people whom you know, the story becomes real, personal and effective because you put a face on their understanding and opinions.

### **SCO and STAX**

We do have fewer changes and acronyms to learn this year. Remember we are still waiting to see how SCO pays on 2015 wheat. **We probably will not know anything on how it pays until sometime between late April and June or July.**

SCO (Supplemental Coverage Option) will be available for cottonseed coverage in 2016.

Take a moment to review those two options which the 2014 Farm Bill created, to cover "shallow losses". SCO is available for most crops now. It pays when the county has a loss which exceeds 14 % and covers until it reaches your MPCl coverage level. In other words the coverage range is from your MPCl level up to 86%. Losses are determined on a county wide basis. The value of that coverage depends on your personal yield history on each unit. The premium is subsidized at a rate of 65%.

The other option the 2014 Farm Bill developed is STAX. STAX is for upland cotton only. Like the SCO policy, losses are determined on a county wide basis; however, the amount of insurance is **not** based on personal yields. The yield used to determine the value is a county wide average. Coverage runs from either 70% or your MPCl level, whichever is higher, up to 90%. This has a subsidy of 80%. Upland Cotton can be covered under either SCO or STAX but not both policies.

When we run quotes, we should be able to give you a history of how either option would have paid over the last 20 years so you can see how it might have worked in the past.

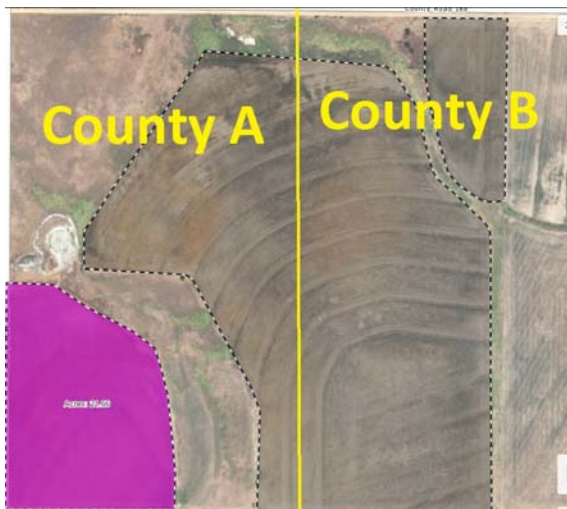
### **Mapping**

We have finally reached the time when every acre insured has to be reported by FSN/Tract/Field. The simplest way to do that is to report the acres by mapping. ARMTech has software which does that now but that has thrown up a few obstacles for us to work through. Many times the FSA will change the FSN, tract or field numbers from year to year. Our maps are not uploaded as quickly from them as we would like so our information will be

a bit different from what they have. The best way for us to report those acres is for us to have BOTH the maps and 578 producer prints. In the past we have only used the 578's or producer prints to report but now we also want you to send us the maps.

If you have not been in our office lately, you might consider coming in to report your acres. We can throw your maps on a big TV allowing you to guide us through the acres reports and make sure you have everything reported. We think it is a pretty cool way to report those acres.

One snag which has surfaced is how to handle farms which straddle the county line. In the past if a county line ran through the place, we chose either county to insure the entire place but now that is not allowed. RMA says that we can insure the field which has a county line running through it in either county; but, if one field is totally in one county or the other, that field cannot be included in the county in which it does not lay. Look at the picture below. In the past we might insure the pink field in County B since the county line crossed that place. Now we **must insure this in two counties** because there are two fields in counties which do not touch the county line. That is fine if you have



a policy for each county but if not, you need to add the other county to your policy by

sales closing. Be sure to check with us if you have this situation so all of your places are covered.

### Whole Farm Revenue Protection Policy

A policy which is being touted by some people is the Whole Farm Revenue Protection Policy. This policy uses the last 5 years of Schedule F income tax returns as a basis to determine the income it is insuring. You are required to provide this and other farm records such as collateral lists, acres planted of each crop and other supporting records from the last 5 years to the company so they can provide a quote on it. Losses are determined after the farm tax forms are filed with the IRS. After the records are sent into us, we will send them up to the company so they can comb through the records to determine if there is a loss. Remember this loss is not paid until after you turn in your taxes for the previous year. If you need a payment immediately, this may not work for you. You can use this in addition to your MPCl and crop hail policies but anything those pay obviously contributes to farm income and against a paid WFRP loss. If you have an operation which does not have an MPCl policy available and you understand the limitations of Whole Farm Revenue Policy, you might find this of interest. If this is something you would like to look into, be ready to bring us 5 years of records so we can start running numbers for you.

### Enterprise Units

If more total dollars of liability are needed for your operation's cash flow, EU may be a viable option to consider. Be sure that you understand you are combining every unit of that crop in the county into one unit; or, if you choose EU by practice, then you combine the irrigated into one unit and the non-irrigated into another unit. The enticing part of this is the premium is subsidized at 80% which will drop your bill considerably. You may be able to raise your coverage level from 60% up to 70 or 75% and still pay less money. The EU by practice may make this more

attractive for those of you who have irrigation in your operation. You can also choose different levels by practice. Do not overlook the requirement of needing to have 2 units planted, with the smaller one or combination of units having planted at least 20 acres or 20% of the larger unit (whichever is less). If you have one unit over 660 acres then that is eligible for EU as well.

If you choose the EU and you have a good crop in the making, we **HIGHLY** recommend that you purchase crop hail insurance. This will provide coverage when individual fields are hailed out or when half way through harvest after you have met your guarantee, a hail wipes out the rest of your very good crop.

### Crop Hail

After last spring, many of you were relieved to know that your hailed out wheat crop had hail coverage. We still expect to have 2 hour binding available to us but if you have a good crop don't rely on that. Go ahead and bind your coverage as you see how it develops. This allows you to make reasoned decisions; not choices made in fear. But if you wait until the last minute call us and we will work with you. Remember that you have to talk to us or have us respond to you before you can assume that you are bound.

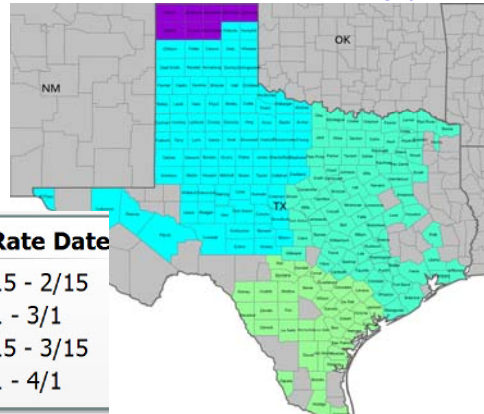
Volunteer wheat is NOT insurable for crop hail with any of the 3 companies we use.

### APH appraisals

If your wheat is good and you are not going to harvest the wheat for grain, consider leaving about 15% of the most acres you will plant in that unit insured and short rate the rest. Let us know that you want to do that and we will turn in a request for you to have an appraisal worked on your wheat. This will help build your APH since you have paid to have insurance on those acres

### Short Rate Date

2/15 - 2/15
3/1 - 3/1
3/15 - 3/15
4/1 - 4/1



### Short rate wheat

Use these maps to determine when the deadline is to short rate your wheat. This is also the last date to graze the wheat and still be able to insure the crop for grain. Call us if you have questions

### Deadlines

**March 15**– Applications and policy changes for most cotton, grain sorghum and sesame in Texas, Oklahoma and New Mexico

**February 28** Application and policy change for cotton and ELS cotton in Hudspeth and El Paso County, TX. Some east and south counties may fit here as well.

For other crops and locations call us or go to: <http://www.rma.usda.gov/> then follow the links to information browser then 2011 and beyond (center top link on page) . The next step is to go to the AIB Reinsurance year 2016. From that point enter your information as it asks for it. If this is not clear, always pick up the phone and call us.!



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## Meetings and Meals!!!!

We enjoy visiting with you. We enjoy feeding you and we want to help you understand what is happening with your crop insurance policy. We have found that producers who come to our meetings normally have a better understanding of what their policy will and will not do. It makes for much better communication and relationships. We have also found that normally the farmers that come to our meetings leave with a full stomach. Please take note and come to one of the meetings listed below so that you can get your three E's... Education, Eating and Enjoyment! Bring a friend if they are interested in crop insurance as well. An RSVP would be nice but if you forget to do that, *come anyway!*

<u>City</u>	<u>Location</u>		<u>Date</u>	<u>Time</u>
Abilene	Joe Allen's (Main building)	Tuesday	Feb 23	6PM
Fabens	Cattleman's	Monday	Feb 29	6PM
Anthony	To be determined			
Stamford	Bunkhouse	Wednesday	March 2	Noon
Erick, OK	Community Center	Thursday	March 3	Noon
Rochester	Webfoot	Monday	March 7	6PM
Lowake	Lowake Steak House	Tuesday	March 8	Noon