

“CROP TALK”



**Sonnenberg Agency is
35!!! 2018 is our 35th
Anniversary.**



USDA Announces Financial Assistance for Farmers Impacted by Tariff Disputes

On August 27, 2018, U.S. Secretary of Agriculture Sonny Perdue announced details of actions the U.S. Department of Agriculture (USDA) will take to assist farmers in mitigating some of the damage done by retaliatory actions as a result of tariff disputes. This is what is known so far:

- The Farm Service Agency (FSA) will administer the Market Facilitation Program (MFP) to provide payments to corn, cotton, dairy, hog, sorghum, soybean and wheat producers starting September 4, 2018. Additional payments may be made in the coming months, if warranted.
 - The MFP payment will depend on the severity of the trade disruption AND will be based on each producer’s actual production.
 - Interested producers can apply after harvest is 100% complete AND they can report their total 2018 production.
 - Producers can apply online at www.farmers.gov.mfp or submit their application in person at the local FSA office.
 - The initial MFP Payment will be paid on 50% of the producer’s total 2018 production by the applicable MFP Rate. If a second MFP is declared, it will be paid on the remaining 50% of the producer’s total 2018 production.
 - The Initial Payment Rate for crops in the Sonnenberg Agency, LLC marketing area are:
 - * Corn = \$0.01/bu
 - * Soybeans = \$1.65/bu
 - * Sorghum = \$0.86/bu
 - * Wheat = \$0.14/bu
- USDA’s Agriculture Marketing Service (AMS) will administer a Food Purchase & Distribution Program to purchase up to \$1.2 billion in commodities targeted by tariff retaliation. The amounts of commodities to be purchased are based on an economic analysis of the damage and damages will be adjusted based on several factors and spread over several months. It appears that the USDA plans to initially purchase the following dollar amounts of commodities in the Sonnenberg Agency, LLC marketing area:
 - Dairy = \$84,900
 - Kidney Beans = \$14,200
 - Lentils = \$1,800
 - Pork = \$558,800
 - Sweet Corn = \$2,400
- Through the Foreign Agricultural Service’s Agricultural Trade Program (ATP), \$200 million will be made available to develop foreign markets for U.S. agricultural products. Applications for the ATP will be accepted until November 2, 2018, or until funding is exhausted. Funding should be allocated to participants in early 2019. The ATP is meant to help all sectors of U.S. agriculture.

These programs are not crop insurance programs. As such, the crop insurance companies we represent do not provide or issue payments. We can assist you by providing contact information for FSA or USDA, if you need it, but since these programs and payments are not crop insurance, we cannot make determinations about payment amounts or eligibility.

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Special points of interest

- SALES CLOSING DATE FOR WHEAT IS SEPTEMBER 30TH! IF YOU NEED A NEW POLICY, DESIRE TO MAKE POLICY CHANGES TO YOUR EXISTING POLICY OR CANCEL YOUR POLICY, IT MUST BE DONE BEFORE 9/30.**
- CHOPPING CORN FOR SILAGE? CALL US IMMEDIATELY SO IT CAN BE APPRAISED.**



Acceptable Production Evidence & Assigned Yields

The federal government has tightened down on how you report production for your crops, and now will enforce a steep penalty if you are off by more than 5% by Assigning Yields to your **ENTIRE** APH (Approved Production History) database. The days of reporting production by “*this field made about 180 bu/ac and this field made about 198 bu/ac*” are gone. We will outline the steps of your responsibilities and requirements to accurately report production to greatly minimize the chance of your APH database being assessed an assigned yield.

Production Report Definition

It is **YOUR** responsibility to accurately report all information that is used to determine your approved yield for each unit. We use this information to create a written record (APH) showing all annual production to determine your yield for insurance purposes. It contains yield information from previous years that includes planted acreage and **NET** production. When you report total production by each unit it must match **EXACTLY** and be supported by the following:

1. Written verifiable records from warehouseman or buyer of insured crop (net bushels not gross bushels)
2. Measurement of farm-stored production
3. Other records of production approved by the AIP (Approved Insurance Provider) on individual case basis

Production Record Requirements

You must retain and, upon request by the AIP, provide acceptable production evidence to substantiate total production and acceptable evidence to separate and document the production from different units. When requested, the production evidence must be provided on a unit basis or at a level that can be aggregated to the unit level. You must **RETAIN** all records used to establish the amount of production you certified on your production reports to compute your approved yield for three years after the calendar date for the end of the insurance period for the crop year.

Assigned Yields

The common ways your APH database can be assessed an assigned yield is; not submitting acceptable production reports or an AIP review.

1. If an insured fails to maintain or provide acceptable records, the consequence is an assigned yield. The procedure involves:
 - Databases with all planted acres that year receive an assigned yield = 75% of prior year's approved yield
 - Combination of any optional units into the applicable basic unit(s) = all optional units are collapsed, not just the ones with acres
 - **If your units are collapsed and combined, they will be combined in the following year as well.**
2. AIP reviews are typically triggered by COI (Conflict of Interest), any claim greater than \$200,000, and RMA data mining scenarios. AIP's will examine your production history from 1 to 3 years. This will be the time they will request the last 3 years of production evidence that was used for your APH database. They will go through your records and conduct the 5% tolerance calculation to all databases. If the difference for the actual yield is less than 5% and the difference for total production is less than 5%, the yield is corrected and assigned yields would not apply. If either the actual yield or the total production is more than 5%, assigned yields would apply to **ALL** planted databases.

Example of 5% rule with assigned yield applied

- Prior year's approved yield = 197.0 bu/ac
- Insured reports 11,615.0 bu / 48.7 acres = 239 bu/ac reported actual yield
- Review finds 10,800 bu / 48.7 acres = 222 bu/ac determined yield
- Yield Difference: $239 / 222 = 107.6\%$
- Total Production Difference: $11615 / 10800 = 107.5\%$
- Yield and Total Production are greater than 5%, assigned yield applies
- Assigned yield applied to database:

$$(\text{Prior Years Approved Yield}) 197.0 \times (\text{Penalty}) 75\% = (\text{New Approved Yield}) 147.75$$

An additional consequence of an AIP 3-year review could reveal the need for corrected claims which could have led to overpaid indemnities or underpaid premiums from the past years which will need to be paid back to the AIP.

Key Takeaways

Considering the potential huge penalties for inaccurate reporting we strongly encourage you to be meticulous with your production reporting, do not report on basis of yield/acre but rather report total adjusted (net) production and total acres, and keep production records (acceptable evidence) based on record retention rules. At Sonnenberg Agency, LLC we can be a backup to your production records by storing them electronically in your crop file. If you are interested in having a backup stored here please contact us about the details.



Checking for Accuracy on ALL Documents

For most people, the phrase "I'm too busy!" rings all too true. We get it. At Sonnenberg Agency we try to make your insuring process as quick and as easy as possible. No one is perfect however, and in the effort to be quick and efficient, information is sometimes reported incorrectly.

Please review all documents sent to you and let us know as soon as possible if a mistake is found. Who's responsible when an error is found is not nearly as important as when the error is found. Errors in reported information that are not found until claim time are too late to be corrected. Errors found earlier have a better chance to be corrected. Review information sent to you, it's the best double-check possible.

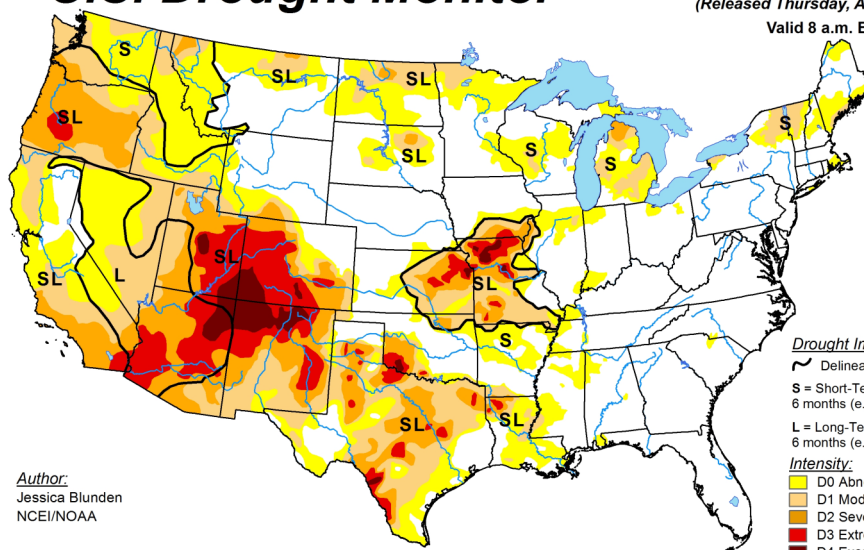
REVIEWS—They're Looking for More!!!

Fraud, Waste & Abuse in crop insurance has always been a hot topic for the government. There are more review types than ever before! The stated review types now include:

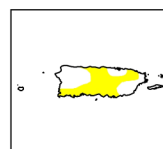
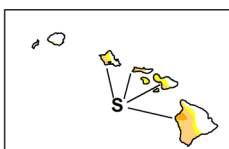
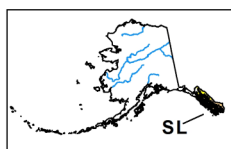
- Conflicts of Interest (agent and/or adjuster relationships with insureds outside of crop insurance, I.E. seed sales, fertilizer, book keeping, etc...)
- Any claim amount exceeding \$200,000
- Data Mining in any scenario RMA deems necessary
- Reviews pertaining to the Agricultural Risk Protection Act (aka the Farm Bill)
- Discretion of RMA
- Other

U.S. Drought Monitor

August 21, 2018
(Released Thursday, Aug. 23, 2018)
Valid 8 a.m. EDT



Author:
Jessica Blunden
NCEI/NOAA



Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
 D0 Abnormally Dry
 D1 Moderate Drought
 D2 Severe Drought
 D3 Extreme Drought
 D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

Crop Insurance Industry Data

- Policies in force in 2018 = 846,132.
 - This is down from a high of 1,157,537 in 2015.
- Acreage insured is approximately 270,000 acres.
 - This amount of insured acreage has remained relatively consistent for the past several years.
- What the data does reveal is this: with policy count reducing, but insured acreage staying fairly consistent, insured farms are getting bigger.
- As of 8/1/18, the loss ratio nation-wide for 2018 is 6%.

Agricultural Improvement Act of 2018 (a.k.a. The Farm Bill) Updates of Note

- Never let anyone tell you that crop insurance is the bugaboo of the Farm Bill! 80% of the Farm Bill is allocated to Food Stamps (the SNAP Program). According to the Congressional Budget Office, crop insurance constitutes only 9% of the Farm Bill spending. Over the past 4 years, crop insurance has lost nearly \$12 billion in funding.
- It has been proposed as part of the Act that hemp should be an insurable crop or at least be an approved agricultural commodity. If this part of the Act is approved, it should become possible to cover hemp with an insurance policy and obtain financial lending for the crop.
- Cover crops are also being zeroed in on the by the proposed Act. We don't yet know what this means, but it appears the government suspects either fraud or abuse is occurring in Cover Crops scenarios.



SONNENBERG AGENCY, LLC
302 N. 3RD ST.
P.O. BOX 1087
STERLING, CO 80751

AGENCY STAFF

STERLING OFFICE 970-522-1681

Tim Sonnenberg – Crop (Partner)
Sam Sonnenberg – Crop (Partner)
Darin Wecker – Crop (Partner)
Jared Sonnenberg – Crop (Partner)
Travis Davis – Farm & Ranch /
Commercial
Lisa Jackson – Home & Auto /
Commercial
Coree Miller – Home & Auto
Linda Wilson – Administration

STRASBURG OFFICE 303-622-6800

Renee Little – Home & Auto /
Commercial
Laurie Nitchman – Home & Auto /
Commercial
Lindsey Martin – Administration

*“Sonnenberg Agency, LLC is an equal
opportunity provider and employer.”*

Dairy Revenue Protection—A NEW PRODUCT

A new insurance is available nation-wide and will be sold starting on Tuesday, October 9, 2018. Dairy Revenue Protection is designed to insure against unexpected declines in quarterly revenue from milk sales relative to the selected coverage level. The expected revenue of a policy is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer. Covered milk production is indexed to the state or region. For example: Colorado utilizes state pricing – not regional.

The two revenue pricing options are:

- Class Pricing – using a combination of Class III and Class IV milk prices
- Component Pricing – using the component milk prices for butterfat, protein and other solids

Coverage levels are available from 70% - 95% (in 5% increments). Coverage is selected by Quarterly Coverage Endorsements (3-month periods). Sales periods begin each day when coverage rates and prices are released by RMA by 3:00pm Mountain Standard Time and those rates will be available until 8:00am the following day. If expected milk and dairy commodity prices are not available on a specific day, the policy will not be available for sale.

The Dairy Revenue Protection policy can only be purchased through an insured and authorized crop insurance agent (like Sonnenberg Agency, LLC). You can fill out an Application at any time, but insurance does not attach until you select a Quarterly Coverage Endorsement.