"CropTalk"

Bi-annual informational publication of Sonnenberg Agency, LLC

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

Spring 2018 Issue 41

Sugar Beet Replant

PAYMENT INCREASE

The 2018 crop provisions have seen an increase in the sugar beet replant payment for the spring of 2018. The maximum amount of replanting payment per acre will be $110.00, multiplied by your insured share. That has increased from $80/acre multiplied by insured share.

What qualifies for a Replanting Payment?

1. Sugar Beets must be damaged due to an insurable cause;
2. Insurance Company must determine that it is practical to replant and give CONSENT to replant;
3. Acres being replanted must have been initially planted on or after the "Earliest Planting" date applicable to your county;
4. Per acre appraisal must be less than 90 percent of the final stage production guarantee for the acreage the insured intends to replant;
5. Acreage replanted must be at least the lesser of 20 acres or 20 percent of the insured planted acreage for the unit.

The maximum amount of the replanting payment per acre will be the lesser of:

1. The insured's actual replanting cost; or
2. The maximum amount of the replanting payment of $110 multiplied by your insured share.

SALES CLOSING DATE — MARCH 15TH

Spring crop (corn, sugar beet, millet, grain sorghum, soybeans, etc…) changes must be made prior to this date. Changes include: coverage level increase or decrease; policy type change (Yield to Revenue, or vice versa); adding or subtracting a county, adding or subtracting a crop type; changing entity types and even writing a new policy.

If you do not make any changes to spring crop policy, your existing coverage level will "roll over". Premiums do NOT "roll over" - they are independently determined each year based on several factors.

INSIDE THIS ISSUE

SPECIAL POINTS OF INTEREST

- Crop insurance has underspent since 2014 according to federal government
- Sales Closing Date is March 15th—changes due by this date!
- Final Plant Date for corn in Colorado has changed—see page 3

SOMETHING TO THINK ABOUT...

If current snow-pack moisture numbers hold steady, or even decline, this crop year will start dry. Moisture can come at any time and bust this dry spell, but one thing that can be decided now is your Multi-Peril level of Crop Insurance.

We urge all clients to consider increasing their Multi-Peril level of coverage to at least the 75% Coverage Level. Multi-Peril coverage is all peril coverage (including drought) AND the government pays part of this premium. This year may be a year to maximize the part of your coverage that you may need to access if the dry spell continues.

If you think this idea has merit, increasing your coverage level would have to be completed by March 15th (see front page— Sales Closing Date). Please speak with us if you would like a quote to compare your existing coverage level with a higher level of coverage.

According to the federal government Office of Management & Budget, the crop insurance program has underspent $12 billion since 2014 due to low losses.

ADD-ON POLICY

Several of our crop insurance companies have begun developing their own products to work in combination with the standard Multi-Peril Crop Insurance policy. The goal of these policies is to help the producer increase revenue in the event of a Multi-Peril loss.

This is a positive step to help mitigate some of the effects of recent low commodity prices. There is of course a premium associated with add-on coverages, but the policies may be worth looking at.

CONSERVATION COMPLIANCE (AD-1026) UPDATE

Several years ago, the government implemented a rule that further tied FSA and crop insurance together — a form that was commonly filed at the FSA Office was made mandatory in order to receive the crop insurance premium subsidy. The form had to be filed by June 1st. After dealing with this compliance mandate for several years, there has been a positive change for producers new to farming, crop insurance, or newly formed entities. The old cutoff date of June 1st to file an AD-1026 with your local FSA office to be eligible for crop insurance premium subsidy has been REMOVED.

You still must file an AD-1026 with your local FSA office for the reinsurance year by the Premium Billing Date to be eligible for premium subsidy on your crop insurance. This new date gives the producers more flexibility to secure the proper documentation to make sure they still qualify for their premium subsidy.

If you have any questions regarding compliance with AD-1026 requirement, it is best to contact your local FSA Office as the form is an FSA form and kept on file in the FSA Office. We (your crop insurance agents) don't have access to FSA forms and cannot readily confirm if you have filed the form. We occasionally get updates from the company regarding compliance, but we don't always receive the updates timely. This is why the extended timeframe is beneficial — there should always be plenty of time for producers to make sure they have the AD-1026 form on file with FSA.

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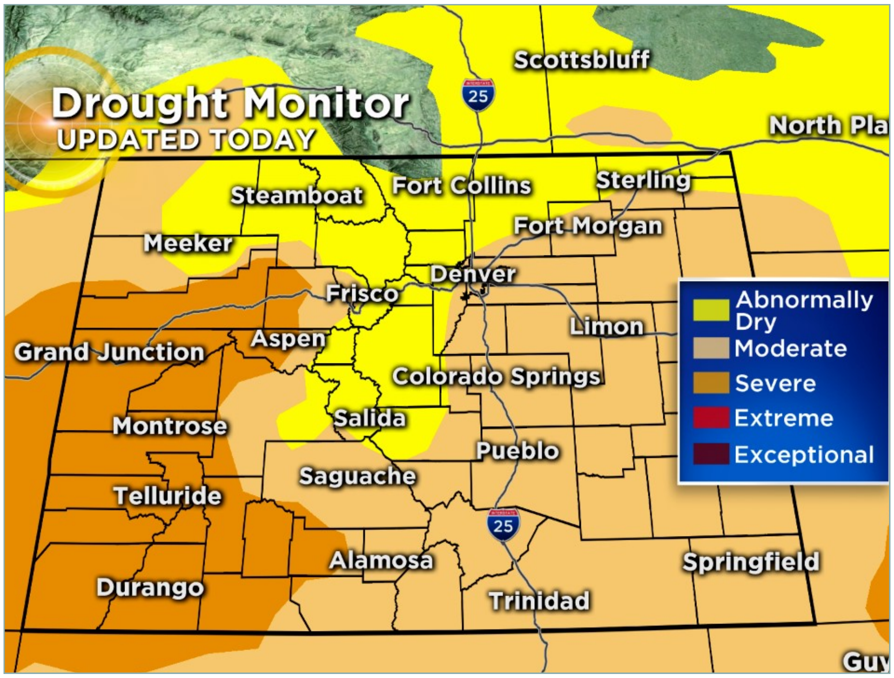

Drought Monitor map — January 11, 2018

ENTERPRISE UNITS—WHAT ARE THEY?

Simply put, an Enterprise Unit is a policy option that provides ONE guarantee for the entire policy, as opposed to an Optional Unit that provides a guarantee per unit, for the applicable crop. A premium discount is given when the Enterprise Unit option is selected because it reduces the chances of a payable loss due to fewer units (one compared to many).

To qualify for an Enterprise Unit, think about a "rule of 2's" – acres must be planted in 2 or more sections, with at least 20 acres planted or 20% of the unit planted. Practice (I.E. irrigated or non-irrigated) did not matter with the previous Enterprise Unit option.

Starting in 2018, a significant change to the Enterprise Unit has been made. Enterprise Units can now be applied by practice. For example, your irrigated corn can be insured under the Enterprise Unit option and your non-irrigated corn can be insured with the more "traditional" Optional Unit. If you choose or already have the Enterprise Unit option on your policy, we suggest adding extra hail coverage to your policy. The additional hail coverage can be added by unit to give you some coverage on an individual unit basis.

PRACTICAL TO REPLANT

There are changes to replanting provisions starting in 2018. In previous years, if the opportunity to replant a crop was available the insurance company's expectation was that a replant would occur during the Late Planting Period. The change for 2018 is: the insurance company will only expect a replant to occur in first 10 days of the Late Planting Period. Starting on the 11th day of the Late Planting Period the insured can choose to have the indemnity paid (if enough damage exists to create a payable loss) if they elect not to replant.

FINAL PLANT DATE FOR CORN IN COLORADO

The final plant date for Corn in Colorado has changed from 5/25 to 5/31.

There is no change to the final plant date for Corn in Nebraska; it remains 5/25. Also note: the End of Late Plant Period is 20 days after the final plant date.

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YIELD CUP

The yield cup option has always been a part of your crop insurance policy. However, the Risk Management Agency (RMA) has now made it an option that can be added or removed at each applicable sales closing. Carryover policies will automatically have the yield cup option attached to their current policy with an option to opt out of having a cup apply to specific APH database by production reporting date.

What does yield cup do for me?

This option prevents your current year's approved actual production history (APH) database from decreasing more than 10%.

Is there a premium for this option?

There is a minimal surcharge if you use the yield cup option to keep your APH from decreasing more than 10%.

PRODUCTION COST INSURANCE—AN OPTION FOR FORAGE/FEED CROPS?

With low commodity prices on traditional cash crops, forage and feed crops look, for some, like more favorable options for the current crop year. There is still a cost associated with planting these crops and an unprotected investment in the field. There is a policy that may provide coverage not previously available.

Production Cost Insurance is a policy designed to give the insured the ability to cover both the fixed and input expenses of their operation. PCI insures the factors that drive revenue on the farm: Yield, Price and Input Expenses (seed, fertilizer, chemical). Revenue (Yield x Price) – Input Expenses = Gross Margin. Gross Margin is what is designed to be covered by PCI. This is a private insurance product, based on each farm's unique past financial performance.

PCI appears to be an option for farms that have crops not covered by traditional Multi-Peril Crop Insurance because PCI is designed to protect revenue by two main components: Fixed Costs and Input Costs. Each policy is individually priced, so it's not possible to give a blanket answer to the, "What does it cost?" question. Several factors determine the quote, so please speak with us if you would like more information about the PCI policy.