



## Marketing Gains to Revenue Losses

*Wes Veach finds extra value in CRC in 2008*

Getting paid on an insurance claim in 2008 was a bonus for Wes Veach, who operates 1700 acres in Coles, Edgar, Douglas, and Clark Counties. He raised 185 bu/acre corn and 56 bu/acre soybeans. It was a good crop, near average yields. However, due to a record decline in Harvest Prices, Veach received an insurance payment for the year due to revenue loss. Why? Because he, and other farmers like him, had 85% level Crop Revenue Coverage (CRC). On corn, Veach received \$133 per acre and he received \$91 per acre on soybeans.

That's just part of how Veach benefited from CRC in 2008. Veach noted that "the replant (reimbursement) on the CRC helped me out a

bunch, because I had a lot of replant." Due to flooding, Veach replanted 150 acres of corn and 520 acres of soybeans. CRC and similar plans reimbursed policyholders up to \$43 per acre for corn, and up to \$40 per acre for beans.

Wes Veach started farming in the early 80s, but has only been "carrying crop insurance with Farm Credit Services since 2005," said Farm Credit Crop Insurance Specialist Brent Becker. "I think he (Wes) hadn't ever had anyone explain to him all the mechanics of how it works and assumed crop insurance was just a stop gap disaster aid that seldom paid. But once he understood all the different ways crop insurance can work, he (Wes) saw it as a wise business investment."

Wes prefers the 85% Enterprise Unit (EU) structure because he can get the maximum guarantee for his operation, and also earn a discount on his premium. According to Veach, "It's affordable and covers

- story continued on page 2 -

## INSIDE THIS ISSUE

Marketing Gains for Wes Veach	1
Rescuing Your 2009 Budget	2
Marketing Gains - story continued	2
Important Dates for 2009	2
Crop Insurance Claims Mounting	3
Protect Your Investment	3



Wes Veach, Farm Credit Customer



**Farm Credit Services**  
**OF ILLINOIS**

**We Understand**



# Rescuing Your 2009 Budget

## Enterprise Units and Biotech Endorsement

Producers looking for ways to reduce costs without giving up important crop insurance protection should consider a plan with Enterprise Units in 2009. RMA has greatly enhanced the premium subsidies (see chart - [www.fcsillinois.com/subsidies](http://www.fcsillinois.com/subsidies)) when the enterprise unit structure is chosen on CRC and RA policies. Final base prices and factors are still not available, but at an estimated base price of \$4.25, a 175 bushel APH farm in Christian County with an 85% CRC policy has a \$632/acre guarantee. Under the previous subsidy, the EU premium would be \$31 per acre. With new subsidies, the 2009 cost drops to \$21.70/acre. If you add the Biotech Endorsement Discount, the premium would be under \$19/acre.

Previously, EU premium subsidies were applied after EU discounts (based on acres or number of sections). As a result, EU premium subsidies (dollars) were smaller than those on basic units (BU). In 2009, the dollar amount of the EU subsidies will equal BU subsidies, creating the larger savings for EU policyholders. EU discount percentages are still in effect. Producers must choose EU structure at time of application, which is March 15th.

The EU structure will not fit everyone. With EU, production results by crop from all farms are combined to determine if there is a loss. Because the production is combined, the 80 or 85% levels are strongly recommended. For farm units with similar production characteristics and close proximity, EU works well. However, many

operations will still want Basic or Optional units that insure fields separately due to higher variability in their yields. This is especially true where fields are spread out, or a significant acreage is bottomland. Premiums for separate coverage by basic or optional units in the Christian County example would be \$41.50 for Basic and \$46 per acre for optional units. Optional units are a further split of a basic unit by section.

### Biotech Endorsement

For 2009, BT corn hybrids with qualifying traits from Syngenta and Dow will be added to those from Monsanto, to earn further crop insurance premium discounts in 2009. The BE discounts will still require producers to have at least 75% of the acres in the unit planted to these hybrids, and will also require documentation from producers on seed purchases. Seed dealers, however will not need to sign a certification under the new program. The premium savings under BE will be the same regardless of the brand of seed used. Expected savings will vary by county. In the EU example previously, the savings will be about 15%. Producers with MPC1, CRC or RA plans automatically qualify, and can choose to participate at acreage report time. GRIP, GRP, IP and CAT do not qualify.

Budgeting for profits in 2009 will be a challenge. With better subsidies on EU and with the BE discount, producers will have at least two new tools to find more light at the end of the cash flow tunnel.

### "Marketing Gains" - story continued from page 1 -

my needs as far as marketing (goes)." Veach said that CRC gives him the confidence to forward sell everything up to his guaranteed bushels. According to Veach, those extra 'forward sales' in 2007 and 2008 earned him more than twice the amount of the 2008 claim paid. "Marketing is the main thing for me," says Veach. "I use that CRC 85% to market, and I have done so the last few years even though I hadn't had a claim until this year."

When asked what he would have done in 2008 without insurance, Veach said, "Oh, I might have had some sleepless nights there when it was flooding out the river bottom, and I wouldn't have marketed so heavily." For Wes Veach and others like him, the marketing protection insures the minimum bushels at the higher of Base or Harvest Price. Something new in 2009 that makes CRC even more attractive is that the Harvest Price can go up or down the full amount of the base price. Previously, there was a \$1.50 limit on corn and \$3.00 limit on beans. For example, at an estimated base price for corn of \$4.00, if Veach sells his guarantee ahead but then raises 20 bushels per acre less, CRC will pay up to \$8.00 per bushel if necessary to replace those bushels.

In 2009, the Enterprise Unit (EU) structure on Crop Revenue Coverage (CRC) and Revenue Assurance (RA) is even more attractive because of the increased premium subsidy. The benefits of CRC are many - from replant and prevented planting protection, to forward marketing support when prices are good, to an eventual harvest loss payment. Wes Veach has seen them all, and made CRC work for him as a management tool.

## IMPORTANT DATES IN 2009

2009 Base Prices Announced	March 1
Change or Cancel Existing Plan	March 16
New Applications for Corn & Soybeans	March 16
Earliest Plant Date for Corn	April 6
Earliest Plant Date for Soybeans	April 21
Report 2008 Production Results	April 29
Late Planting Period Begins for Corn	June 6
Late Planting Period Begins for Soybeans	June 21
Premiums Due for Wheat	July 1
Acreage Reports Due for Corn & Soybeans	July 15
CRC Harvest Price Announced for Wheat	August 17
New Applications for 2009 Wheat	September 30
Premiums Due for Corn & Soybeans	October 1
Interest Added to Unpaid Premiums	November 1
Harvest Price Announced for Soybeans	November 1
Harvest Price Announced for Corn (CRC & GRIP)	November 1
Acreage Reports Due for Wheat	November 16
Production Reports Due for Wheat	November 16
Harvest Price Announced for Corn (RA & IP)	December 1

Call your local Farm Credit Services office for additional information about these important dates.

# Crop Insurance Claims Mounting for 2008

*Insurance companies experiencing backlog as a result*

**2008** crop year has been a record-maker as far as crop insurance claims in Illinois. Despite above average crop yields in most areas, three out of every five policies with our largest crop insurance company have filed claims. This does not include the GRIP and GRP plans. And while two-thirds of these had been settled as of February 1st, the number and complexity of the 2008 claims has extended the claims period well beyond anyone's expectation.

It started with replant and prevented planting claims, which were the result of record rainfall through the end of June. Then there were failed corn claims. In the fall, harvest prices on revenue plans dropped by record amounts, so even people with very respectable yields experienced losses on CRC, RA, and IP plans. Though usually not known until early March, GRIP plans are also expected to pay losses in several counties

Several factors have caused delays in receiving 2008 crop insurance claim payments regardless of the company. Wet conditions delayed completion of planting, and therefore delayed acreage reporting. Replant claim paperwork cannot be finalized without acreage reports. As a result, replant claim work overlapped into harvest, which also was delayed on slower maturing crops.

Another factor adding to the delays is the new Federal Risk Management Agency auditing of large claims (over \$100,000), which requires

additional documentation from producers. Due to the amount of price decline, a much higher number of claims faced this new audit requirement.

But perhaps the primary cause of delays is that most of the 2008 claims are on revenue plans. Revenue losses are prevalent throughout the country. If this were a local or regional problem, companies would bring adjusters from unaffected areas to complete the claim work in a more timely basis. Unfortunately, their adjusters are busy in all states, but should soon be available to get the last of the claims done.

---

*"Large # of 2008 claims means backlog for insurance companies & delayed payments for policyholders."*

---

We sincerely appreciate the cooperation and patience you have demonstrated during this most recent claims season. We apologize for the delays, and will work with all of our companies to improve their claims response in the future.



**Protect your investment & their future with life insurance**

**YOU** have a lot invested in the success of your family business. At Farm Credit Services of Illinois, we understand the importance of life insurance protection. We can help you secure that long-term success with life coverage from top U.S. Companies that we trust and believe will give you the best possible product and the best value. In addition to life insurance, you also might want to consider the new "Farmer Disability Income Program."

**See Us For Operating & Equipment Loans.**



**Ask us today about these and other quality Farm Credit products and services.**

