



CROP INSURANCE IS NOW AVAILABLE FOR PASTURE AND HAY

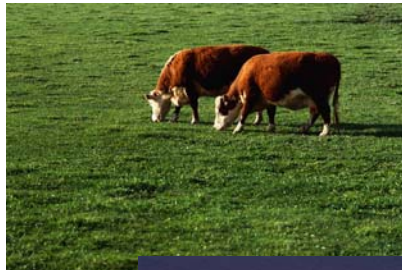
Spring 2010



GIBSON INSURANCE GROUP, INC.

Crop Insurance 2010

Missouri's livestock producers know all too well how costs have increased over the last several years. Land prices, feed costs and fertilizer have all increased substantially in the last few years. The price of feeder cattle on the other hand have been under pressure at the same time thus decreasing the profitability of the livestock operations. In the past there has been little opportunity to protect a producer's investment in an operation other than forward pricing their end product. Recently the USDA's Risk Management Agency has expanded a new program to Missouri that provides some needed relief to this sector. This program is called the Pasture Rangeland Forage (PRF) program. It is a single peril program that insures the producer for lack of rainfall that will reduce his pasture and hay production.



The lack of precipitation is by far the largest factor that effects the amount of tonnage that a farm can produce. I remember well the years on my farm when it seemed you

couldn't buy a heavy dew let alone a rain. In 1980 we were feeding hay and cutting silage by mid July. In 1999 and 2006 we were scouring the country trying to purchase hay in order to keep our livestock. When drought hits the livestock sector it is actually worse than when it hits the crop farmer. Not only will we have lost all of our inputs for the year but we are forced to go buy feed in the market that we would not normally have done.

With the PRF program the producer can insure the periods of time when forage is growing and when rainfall is the most critical. The calendar is broken up into 11 different

periods for the producer to choose from (Jan/Feb, Feb/Mar, Mar/April, April/May, May/June, June/July, July/Aug, Aug/Sept, Sept/Oct, Oct/Nov, Nov/Dec).

HOW I USED THIS ON MY FARM. WHAT MONTHS SHOULD I PICK?

For 2009 I will have 163.5 acres in Cooper County. This pasture will be spread this fall with poultry litter and maybe top-dressed with some nitrogen in the spring for an early boost.

September 2010

Su	Mo	Tue	We	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

The sales closing deadline for the Pasture-Rangeland-Forage program is **September 30, 2010.**

Pasture and hay ground (continued)

I have chosen to cover this pasture in three different sixty day periods. Starting with June/July, then Aug./Sept. and Oct./Nov. Even though April/May is when the grass starts growing I seldom remember a time when I had a shortage of pasture in these months. However, June and July is typically when dry weather seems to impact my operation. August/September is usually a hot dry time and if we were short of pasture the preceding two months, I would need help in this period.

The last period I chose to insure was October/November. Many producers like myself depend on stock piled fescue pastures for late fall and early winter grazing. Fescue is a grass that grows early in the season and later in the fall as hot weather puts it into dormancy where little growth occurs during the hottest times. Therefore, I thought it was important to cover this fall period.

SO HOW DOES THIS COVERAGE WORK?

The average county value on pasture is published at \$41.09 per acre in Cooper County. Because my fertilizer expenses are so high I have decided to insure the maximum which is 150% of the counties pub-

lished rate. This gives \$55.47 coverage at the 90% level.

Lets assume that we normally get ten inches of rain in June/July but this year we only received four inches that period. We would have a 60% loss and the math would work like this $\$55.47 \times 60\% = \33.28 loss payment per insured acre for this period. This scenario would repeat for each period. It will be common to have losses in one period but not in another depending on the weather pattern.

The cost of this coverage at the highest level will average around \$4.95 per acre per year. This coverage based on the average county rate will cost about \$3.20 per acre.



HAY PRODUCTION

On my farm I have two different types of crops that need coverage. The first is an alfalfa brome mix and the second is fescue grown for seed production and then baled for hay. I have chosen April/May and June/July periods to insure these crops. Brome and Alfalfa both come into production earlier in the year than does most grasses that we have native to the area. I know that the biggest boost in growth will occur within 45 days of fertilization. Therefore, I thought that it would be important to cover this critical period for the alfalfa mix.



Fescue seed production is determined over this same period and the hay is generally 100% harvested by the end of July. Therefore, I will use the same periods to cover these crops on my operation. The cost of hay coverage will cost between \$7-18.00 per acre depending on the coverage level and the months insured

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Fescue Seed Production and Crop Insurance

In the past we have been asked by many producers how they could insure their fescue production using the Crop Insurance Program. Until now there has not been a good way. This week I had the opportunity to work with a large fescue seed producer to come up with this risk management plan using the PRF hay policy. **The PRF policy is a government owned insurance program that the USDA subsidizes by over 50%.**

This producer generally harvests around 1000 acres of fescue seed then cuts the stubble for hay. He was concerned about the input costs in 2009 if a failure were to occur. This individual has a history of harvesting @ 350# of clean seed per acre by fertilizing with 100# of nitrogen and swathing the seed prior to harvest to avoid shatter losses as the seed ripens. As soon as seed harvest is over, the fields are mowed and baled with the hay being offered for sale.

We used the hay policy at the 150% level to get a coverage level of \$246.11 per acre. The cost of this coverage would be \$18.61 per acre per year. These months would correspond well with the critical growing time of his crop. Even though this coverage does not guarantee pounds of seed per acre it does protect against the lack of rainfall in a 12 mile x 12 mile grid that encompasses his farm. In looking at his yield in both seed and hay production we saw a big variance by year. Then we compared it to what this coverage would have paid based on the rainfall totals for the last ten years.

To cover this crop we selected periods of April/May and June/July. This would attach coverage for the months of April—July.



Percentage of Average Rainfall per 2 month period - Cooper Co.

	Apr/May	May/June	Jun/Jul	July/Aug	Aug/Sept	Sept/Oct	Oct/Nov
2009	133.6	129.6	161	123.8	71.9	180.2	205
2008	124.5	128.4	159.5	115	160.3	158.9	55
2007	111.5	148.9	127.1	51.9	38.1	79.1	93.5
2006	66.4	73.8	95.4	89.3	53.3	70.4	118.2
2005	58	72.7	70.8	138.2	189.4	106	81.8
2004	92.4	76.8	97.2	161.3	94.8	62.1	186.3
2003	127.5	108.9	55.6	34.2	113.2	136.5	90
2002	152.7	135.8	88.6	150.3	114.1	79.3	83.8
2001	105.9	132.6	154.3	114.4	87.1	94.5	83.9
2000	67.7	129.8	129.4	104.5	90.6	80	88.6

##.## Signifies a 2-month period where the amount of rainfall is less than 90% thus triggering a loss payment if insuring for 90% of average rainfall

In looking at the two charts and comparing his yields, the product worked fairly well with the exception of 2004. That year we had an Easter freeze that would not be covered by this type of insurance.

In looking at his data the seed production seemed to be affected more by April/May rainfall and hay production seemed to be more correlated with the later period. While conditions for seed and forage production may be good for the early part of the year, the importance of adequate summer rainfall for fall pastures mustn't be overlooked.

Year	Growing Conditions	Losses Paid per Insured Acre							
		April/May		June/July		Aug/Sept		Oct/Nov	
2009	Excellent	\$0	\$0	\$0	\$0	\$49.50	\$11.16	\$0	\$0
2008	Excellent	\$0	\$0	\$0	\$0	\$0	\$0	\$95.71	\$21.57
2007	Excellent	\$0	\$0	\$0	\$0	\$141.92	\$31.99	\$0	\$0
2006	Below Avg.	\$63.38	\$14.55	\$0	\$0.00	\$100.36	\$22.62	\$0	\$0
2005	Average	\$87.59	\$19.72	\$52.50	\$11.83	\$0	\$0	\$22.42	\$5.05
2004	Poor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2003	Good	\$0	\$0	\$94.07	\$21.20	\$0	\$0	\$0	\$0
2002	Average	\$0	\$0	\$3.83	\$0.86	\$0	\$0	\$17	\$4
2001	Excellent	\$0	\$0	\$0	\$0	\$7.93	\$1.79	\$16.68	\$3.76
2000	Below Avg.	\$79.03	\$14.36	\$0	\$0	\$0	\$0	\$3.83	\$0.86

Losses paid per acre for Hay/Seed coverage at 150% of county base rate

Losses paid per acre for Pasture coverage at 150% of county base rate



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