



Gibson Insurance Group

"The Risk Management Specialists"

Gibson Insurance Group, Inc.

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P.O. Box 795
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The Decision to Plant Wheat (continued)

it still holds true. A wheat crop is a strange animal. We have noticed in production records that wheat is generally very good or very bad. Unlike corn and beans, wheat seldom comes in with average yields. Our seed and plant health products have improved greatly over the last several which has caused wheat yields to jump significantly.

This year the wheat coverage on crop insurance will qualify

for trend yield adjustment. This will increase the guaranteed yield for producers that qualify. This fall the minimum guaranteed price for wheat was set at \$8.57 per bushel. This will allow the typical producer with a 50 bu aph @ 80% level to guarantee per acre revenues of @ \$340 per acre.

The input cost of wheat including seed, fertilizer and total machine costs is estimated at \$159 per acre. This

leaves a return of \$181 to land labor and management. As a side note, fungicides and its application have been left out of these estimates as the application of these chemicals will vary between producers. However, my experience has been that the application of fungicides usually provides a positive return, thus increasing your profit per acre.



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**2013 Wheat
Guaranteed
Minimum
price is
\$8.57/bu**

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Crop Insurance 2012

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DROUGHT 2012 - Pasture Coverage Saves the Day

Crop and livestock producers all know that the best laid plans for a successful year all hinges on Mother Nature cooperating by providing the weather conditions needed to allow it to happen. Unfortunately this year she decided not to cooperate, throwing everything and everybody into chaos.

We started the year with a warmer and drier than normal winter, (*would you really call that a winter?*), which seemed to pull the wheat harvest, hay harvest, and corn and soybean plantings about a month earlier than normal. Most producers try to store a minimum amount of forage for a 120-150 day period through the winter and early spring while expecting that rainfall will keep existing pastures productive enough for grazing till late November. This spring area hay production was adequate with some areas better than others but it was enough for a normal winter. Then the hot and dry weather set in causing severe depletion of available forage for livestock. By late July area producers had to supplement their pastures by feeding the hay harvested just a month or so earlier, which is nearly 4 months before they usually do. This early start to feeding and the expectation

that the amount of rainfall needed to restore enough pasture growth for fall grazing was unlikely created a massive demand for additional forage. It also created significant addi-



tional costs for livestock producers as they had to locate, harvest, transport and store this additional forage.

HOW A PFR PLAN WORKS FOR AN AREA PRODUCER

In the past livestock producers were the forgotten segment of the agriculture industry but the 2008 Farm Bill sought to address that by creating the Pasture, Rangeland, and Forage (PRF) program. It is a single peril (lack of rainfall), grid based (approximately a 12 x 12 mile area), group risk index program that protects the producer(s) acreage located in

each grid for the lack of rainfall that will reduce his hay and pasture production.

The lack of precipitation is the largest factor that affects the amount of tonnage that a farm can produce.

For an area livestock producer, the long protracted hot and dry spring and summer that we experienced this year is why he is glad he has a PRF plan in place.

This producer has 750 (625 open) acres that he rotates his cattle over, haying some fields in the spring then using the regrowth for pasture for the rest of the year. Wanting to protect his forage production and his investment in fertilizer for those acres he chose a PRF pasture plan that would cover the open 625 acres over the 3 available insurable intervals from May 1 thru October 31. He split his acres equally over those 3 intervals. Some acres were insured as grazing ground and some were insured as hay ground. **Why those months?** Because that is when he needed enough precipitation to ensure that he would have adequate forage production from both his hay fields and his pastures. **What does it cost him?** He pays about \$4.50 per acre or about 7 ½ cents per day for each 2

After a summer like this are you wishing you had a way to protect your investment in your pasture and hay ground? Well there is !! Give us a call and let us get you protected for next year.



September 30
Sales Closing for Wheat and other Fall Crops

THE STATEMENTS CONTAINED IN THIS PAMPHLET ARE FOR INFORMATIONAL PURPOSES ONLY AND DO NOT CONSTITUTE AN INTERPRETATION OF THE TERMS AND CONDITIONS OF ANY INSURANCE POLICY. NOTHING CONTAINED HEREIN WAIVES, VARIES OR ALTERS ANY TERM OR CONDITION OF ANY INSURANCE POLICY. ELIGIBILITY FOR COVERAGE, ENTITLEMENT TO AN INDEMNITY AND LIABILITY FOR PREMIUM MAY VARY. PLEASE REVIEW YOUR INSURANCE POLICY TO DETERMINE WHICH TERMS AND CONDITIONS ARE APPLICABLE TO YOU.

Drought 2012 (continued)

month index interval!

Early summer came and like most other producers, he had stockpiled enough hay to last the normal 120-150 day period during the winter. Then the drought grew worse creating pastures that looked like parking lots and he was forced to start feeding hay 4 months before he had planned. This early start to feeding his hay forced him to look for other forage sources to replace what he was feeding so that he could make it though the rest of the summer and fall creating additional costs for his livestock operation.

With the PRF plan that he had purchased, he had 200+ of his 625 acres covered from May 1 thru June 30 for the lack of precipitation. The difference between the interval's rainfall index and the amount of rain that his grid, which contained his fields, received was such that his plan paid him over

\$11,000 for the claim which he didn't have to apply for since all claims are paid automatically. He gladly used this money to help him purchase silage to help supplement his forage supply.

As July turned into August, he had started to feed his hay production but he was not as worried as some because he knew that he still had 200+ acres covered from July 1 thru August 31 and 200+ acres covered from September 1 thru October 31. If the index value for the months of July and August is like that for May and June he is planning on using the indemnity to help him recoup his fertilizer costs and to help restore damaged pastures.

He is really hoping that he won't have a claim for September and October period since that will mean that he will be getting rain, but if he does then he will be able to help defray the additional

costs that the extended drought creates.

Another feature that he likes about the PRF plan is that it will help him qualify for programs offered by the Farm Service Agency that require a RMPR (Risk Management Purchase Requirement), such as the SURE program, Livestock Forage Disaster Program (which is not funded as yet for 2012), and the Farm Storage Facility Loan Program.



Cover Crops and the Impact on Insurability of Spring Crops

With the widespread drought conditions creating a shortage of forage production, many producers are scrambling to grow forage and grazing production for this fall and early spring on their existing crop fields. In a normal year the planting of a cover crop would create a situation where the following crop would be considered a 2nd crop and therefore uninsurable in certain areas under existing crop insurance rules.



The Risk Management Agency

Cover Crops (continued)

(RMA) has recognized the situation and has issued the following bulletin "regarding planting of a cover crop on damaged or destroyed acreage and hay or graze acreage later this fall or early next spring without impacting the insurability of crops planted in the Spring of 2013."

"For the 2013 crop year, the Risk Management Agency (RMA) intends to file Special Provisions statements to allow haying or grazing of cover crops without impacting the insurability of planted 2013

spring crops. To assure any spring planted crops in 2013 are not negatively impacted by cover crops, policyholders may be required to stop haying or grazing at a certain point in the spring and will be required to terminate the cover crop. Some regions may require the cover crop be terminated prior to it reaching the headed or budded stage and other regions prior to a specific date occurring generally in late April or early May. These regional requirements will be contained within the Special Provisions statements

filed by November 30, 2012, which is the contract change date for 2013 spring-seeded crops.

For policyholders to know when they must terminate any cover crop, or cease any haying or grazing next spring without impacting the insurability of any 2013 spring planted crops, they should contact their crop insurance agent to discuss requirements contained within the Special Provisions that will be available no later than November 30, 2012."

The Decision to Plant Wheat

History tells us that in drought years when corn and soybean yields are low, producers have a tendency to plant more wheat. This year we expect the same to hold true.

Wheat prices currently are in the \$9 range. This market has been supported by several factors. The main cause is the drought that has been devastating to the spring planted crops in the mid-west and southern part of the country. Feeders have made ration changes and have incorporated high levels of wheat into the diets to replace corn and other feed grains.

The world supply of wheat is not all that short but it is important to note that the amount of carryover world wide has been shrinking each year for the past several years. This year the stocks to use ratio for this country is running about 29% and the

world ratio is about 26%. With the feed grain shortage caused by this years drought and estimated planting intentions of 56 million acres, we should expect these carry over numbers to continue to decline as more wheat is being used for livestock feed. With these assumptions, we must think that the price of wheat will remain strong through the middle of next summer. Out of the major crops that we

plant in the mid-west, wheat is one of the least expensive in terms of total input costs. Secondly this crop can be followed with a second crop increasing our gross revenue per acre. For these reasons producers in this area have started looking at wheat a little more favorably in their crop rotations.

Many of you have heard me tell this story in the past but

Continued next page



From Dvora's Desk

◆ **September 30** is the last day to add, modify, or cancel a Fall Crop (wheat, barley, etc.) policy.

◆ 2012 Wheat production is due by October 15.

◆ 2012 Wheat and PRF premiums are due by September 30. Failure to pay by due date will result in termination of policy.

◆ **November 15** is sales closing for Pasture, Rangeland, and Forage (PRF)

Did you know?

Approximately 1 in 7 Americans are on some type of food assistance.

Almost 3 of every 4 American school-children are on free or reduced school lunch.

All funded by the Farm Bill