Crop Insurance 2013

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Gibson Insurance Group

"The Risk Management Specialists"

Inside this issue:

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Merry Christmas

from all of us at Gibson Insurance

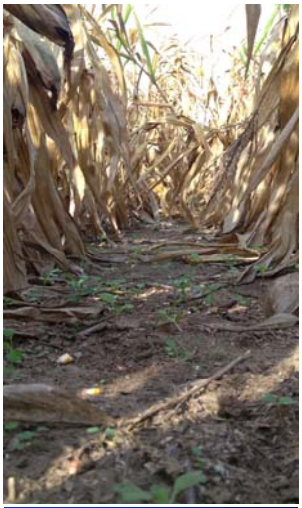
Farm Bill Update

According to news sources, the passage of a new farm bill is finally making some progress. Both House and Senate leaders are optimistic about finally getting the bill passed in the very near future.

The points of disagreement are largely centered around the food stamp program which they now refer to as SNAP or Supplemental Nutritional Assistance Program.

By all reports, it seems to be fairly certain that most of the direct payments will be either eliminated or changed significantly.

Both the House and Senate versions contains program modifications and possible new programs. What the final bill will look like, only time will tell, but we are certainly closer to a new bill than we have been since Congress started the process nearly 3 years ago. As most farmers will attest, it's about time!



Livestock Risk Protection

LRP is a very simple and cost effective way of locking in a minimum price floor for your livestock.
Call us today so we can explain this program and its benefits to you and your operation.
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Cover Crops in the Field

This summer we decided to run a project on our own farm to evaluate the profitability of using cover crops to background cattle right here in central Missouri. We had seen and heard the success stories of 2012 when these crops were planted early after silage was removed. What we didn't know is how these crops would do in a normal year when the crops came off at the usual time. Would we get a stand flying these crops on standing corn? Would we have enough sunlight penetrating the canopy to make these crops grow? Could we produce enough forage in a normal year to justify the cost of this operation? What kind of stocking rate will these crops support? This fall we are attempting to answer all of these questions .

The last week of August we flew on 5 pounds of turnips and another 5 pounds of rape seed over the top of 36 acres of standing corn. The weather at this time was hot and dry and the corn was suffering from the lack of moisture. Regardless, the time was here when we had to apply this seed or abandon the plans of this project. The seed was flown on and we waited another couple of weeks before we received any rainfall.

Within a few days after the first bit of rain we noticed that indeed we had cover crops emerging from between the rows. Over the next several weeks we were impressed on how thick of a stand we actually had. By mid to late October the corn was harvested testing in the 17% range and the cover crops had completely covered the ground between the rows. We knew that now time was critical to put cattle on this ground and take advantage of both the corn stalks and the cover crops while they we both at there best.

We contacted Toby Thacker of United Producers and placed an order for 5 wt. steers. The cattle market at this time for this weight of feeders seemed very high, in the $1.80's, but we realized that we had a good corn crop nationwide and expected the corn price to fall though the rest of the year. I was looking to market these calves in late January early February. I was estimating putting about 200-250 pounds of gain on them. At this time futures prices for January-February time frame were running around $166-8 per cwt. Using the Livestock Risk Protection program, I was able to place a floor price for my feeders at $166 per cwt. giving me bottom side price protection while not limiting my upside pricing potential.

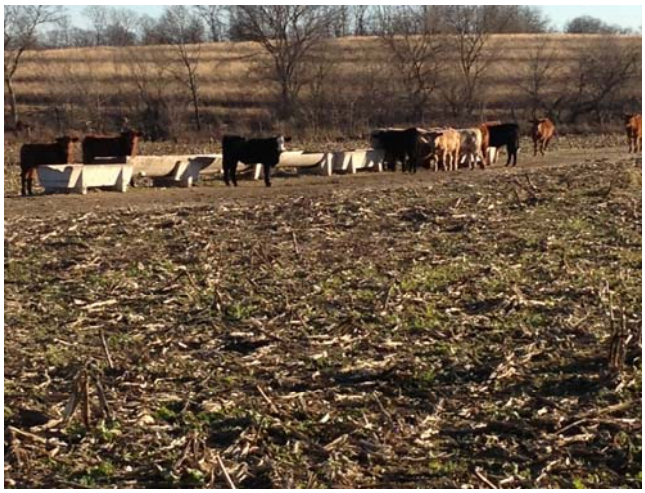
81 feeder steers were purchased, worked and delivered to the farm. They were put on preconditioning receiving ration with AS700 for two weeks then released into the cover crops. These cattle did very well adapting to the cover crops. They were hand fed daily a ration containing a mixture of by-products and an ADM feed called Amino Gain. This ration was formulated by Bill Frank to compliment the cover crops that these cattle would be grazing. These cattle would always have dry hay in front of them and we would use their hay consumption to monitor their forage needs.

For the first 30 days we watched these cattle closely not knowing if we would have issues with bloating. Fortunately no problems were encountered. In fact the cattle, when they were turned out in the corn fields, seemed to prefer the freshly combined corn stalks to the lush forage of the turnips and rape that covered the ground.

Cover Crops in the Field (continued)

As soon as we had the first killing frost that preference seemed to change very quickly. What had happened is that when we had a frost the cover crops became much more palatable as the sugars in the plant had changed. This also seemed to attract all the deer in the country to come and graze in these fields as well.

By mid November the majority of the cover crop foliage had been consumed but in walking the fields we noticed that just the tops of the plants had been eaten and the bulbs of the turnips were still at the top of the ground. Within days we observed that the cattle had learned to root these bulbs out of the ground and this was providing a considerable amount of forage along with the corn stalks that they were still grazing. By Thanksgiving Day these 81 steers had not yet consumed 2 bales of grass hay.



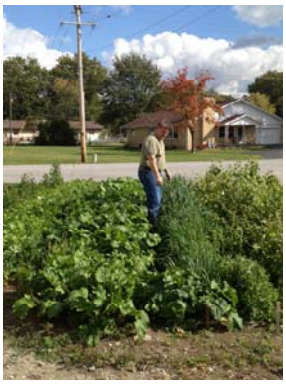
Cover Crop Plot Observations

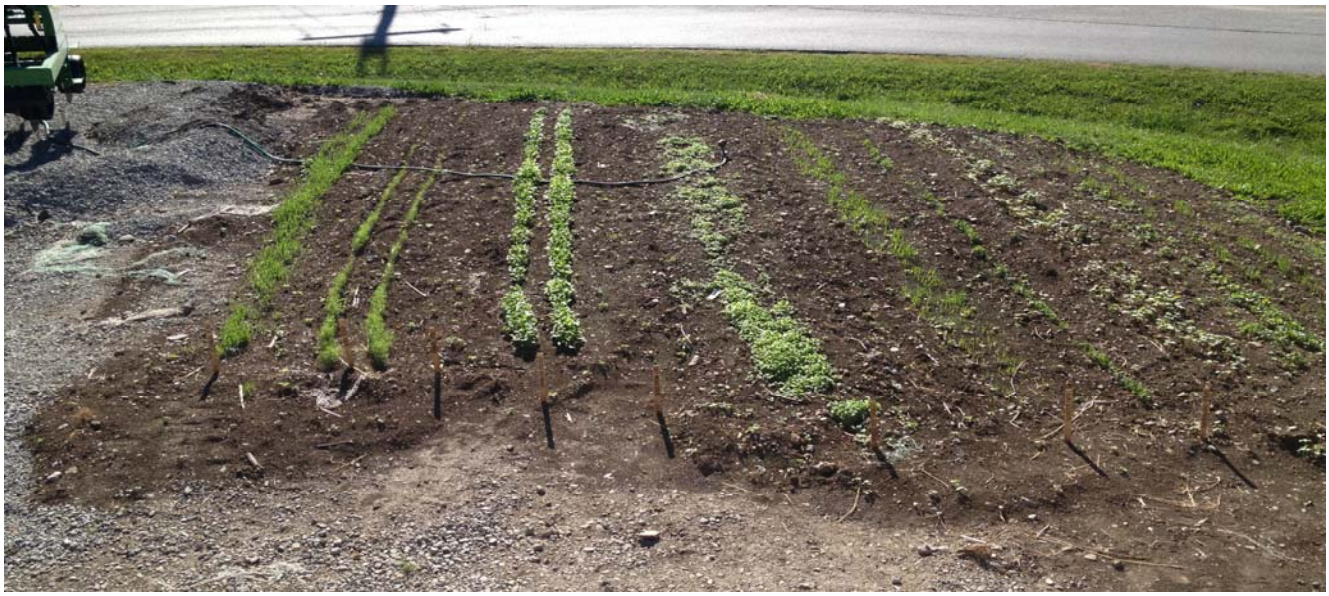
The plot was planted on August 23 during an extended hot and dry period. To make sure that we would get good germination of our seeds, we watered the seed bed heavily to make sure that there was enough ground moisture for all the planted crops. We continued to water occasionally as the hot and dry conditions continued till mid-September.

We had 4 crops, cereal rye, radishes, turnips, and crimson clover, sprouted in 4 days. The rest of the crops were sprouted by the 7th day with the exception of the Spring Oats and Annual Rye. 10 days after our initial planting we replanted the Spring Oats and Annual Rye. We assume that we did not get enough seed depth to facilitate germination in our first planting. The replanted crops came up within 5 days.

Growth Observations for Each Crop

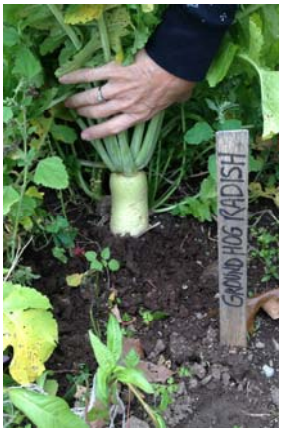
Cereal Rye – one of our first crops to sprout. We had a really good thick stand. Growth reached about 6 inches by late October. The frosts of November and De-





Plot growth 9/2

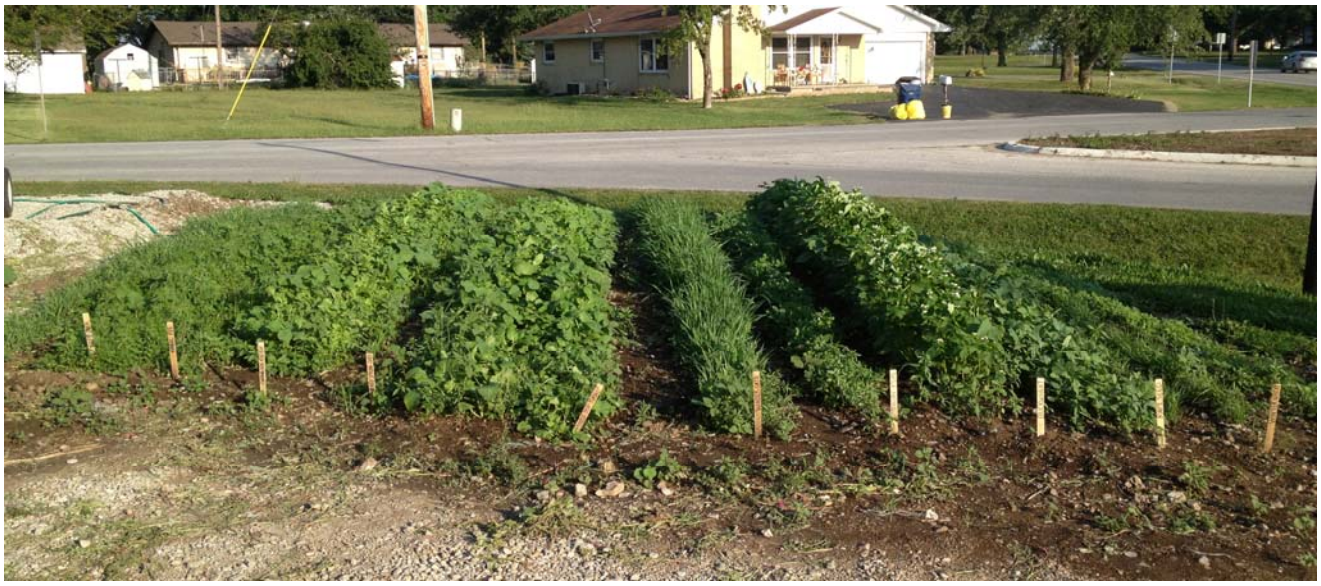
Cover Crop Plot Observations (continued)



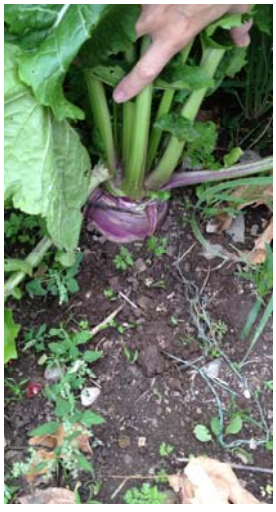
cember seem to have had no real impact to the stand.

Hairy Vetch – We planted this in 2 rows and growth was slow and steady. The two rows of growth eventually merged into one thick mat of growth that completely covered the soil. We did notice that the vetch would "climb" on any weed growth taller than it and begin to pull it down.

Annual Rye – As stated earlier, we had problems with germination and by the time that we finally got a stand established weeds had started to take over the row even with occasional weed removal by us. The late start also hampered its growth but the frosts don't seem to have affected it too much.



Plot growth 10/25 ▲



Ground Hog Radish – We were very impressed by the growth of the radishes. By 5 weeks the plants had completely covered their row and was beginning to cover the crops planted on either side of them (Annual Rye and Spring Oats) By mid-November we were starting to see impressive sizes of radishes with diameters of 2 -3 inches at the ground level

Spring Oats – This is the other crop that we had to replant. After replanting, the crop sprouted within 6 days. The biggest problem was getting enough sunlight to help with its growth. The oats were bordered by the radishes on one side and the turnips on the other side. Their growth was such that the leaves from both were covering area where the oats were planted. What oat plants that did manage to grow above these leaves grew quickly.

Purple Top Turnips – Another crop that we were impressed by the growth rate and how fast they covered the seed bed. We planted them at a rate that was excessive but they still germinated and created a thick cover and the bulbs were still pretty big. The first frost in mid-November seemed to have little effect on the plants, evidenced by a little wilting of the leaves.

Winter Oats – We were really impressed by the growth of these plants. It took about 6 days for the plants to emerge. When they finally did they seemed to "pop" out of the ground to a height of about 2 inches overnight and didn't stop growing till they had matured. Since there was no competition from the nearby plantings the row came up thick and lush.

Austrian Peas – They too sprouted at about 6-7 days. Growth was slow and steady. It was hard to tell how tall they got before the frosts came. The plants seemed to gravitate toward the plants next to them, winter oats and buckwheat, which they used as support

Cover Crop Plot Observations (continued)

to get higher off the seed bed. Much like a soybean plant there was not much organic matter with the plant.

Buckwheat – Germinated at 6-7 days and growth was rapid. It grew to height of about 3 foot in 2 months and by then had begun to flower. By early November the plant had already matured and went to seed. The plants reminded us a of soybean plant only not nearly as many leaves nor as bushy. The peas loved it. They used the stalk for support so they could grow higher.

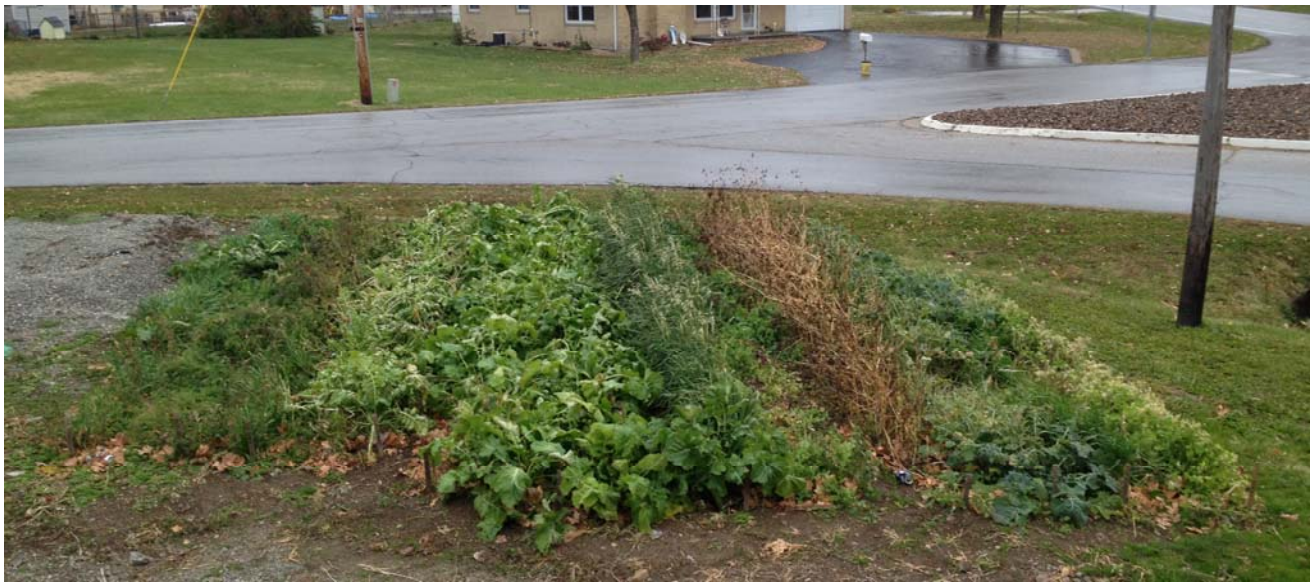
Rape – Germinated at 6-7 days and growth was steady. In the family of turnips and radishes, it grew large leaves that completely covered the seed bed. The plant reminded me of a cabbage plant without the cabbage head. This was the only plant that we had a bug problem with. We noticed that the leaves were loaded with green worms that ate the leaves and devastated the forage capacity of the plants. We did not attempt to eradicate the worms because we wanted to see if any other plants would be affected. They weren't.

Winter Wheat – The plant grew much like we expected using bin run wheat seed. It will be interesting to see how it winters and grows this spring.

Crimson Clover – This was one of the first plants to come up. Growth was slow and steady which kind of surprised us since it was located at the edge of the plot where the soil was not nearly as good as in the middle of the plot. We did have some flowering of the plants in early November and the frost did "burn" it a bit on the outer leaves.

Rape infestation

Plot Growth 11/16 ▼



Cover Crop Analysis

Examine the tables that we have included on the next page. These tables compare each of the cover crops together based on five important categories. However, we must remember that this is the feed's chemical composition. It doesn't mean that cattle will eat it nor does it tell us if there are any adverse side effects that we might see by giving this feed to cattle.

There are certain cover crops in our test that we will never use in our operation. The first is hairy vetch. The analysis of this crop looks very good on paper, but actual tests

Cover Crop Analysis (continued)

show that hairy vetch is not very palatable to cattle. Hairy vetch also produces about 20% hard seed that may lay in the ground for more than two years before it germinates. Essentially this plant becomes a weed and could be a continuous problem to control when used in and growing at the time of a frost it will cause extreme bloating and could kill cattle very quickly in the right conditions.

No individual plant is perfect by itself, all these crops have good points. It is up to us to mix a "cocktail" of these plants to get the best needs by itself.

Here is what we have to remember. A 600 pound calf that is expected to gain 2.5 lbs/hd per day will require a diet on the dry matter basis that contains 12.76% protein, have an NEG of .525 mcal/lb., and a TDN of 75 for its total diet.

the charts, most nutrients for this gain can be achieved from the cover crops. With these crops there is no harvest expense and the nutrients that the animal ingests from its diet is laid right back down on the soil in a more usable form for next years crop.

	Corn Silage	*Cereal Rye*	*Spring Oats*	*Annual Rye*	*Winter Wheat*	*Winter Oats*	*Buckwheat*
Analysis Results (Dry)							
Crude Protein %	9.01	25.90	21.10	30.60	26.50	25.20	17.30
Neutral Detergent Fiber, % NDF	46.26	38.00	38.70	33.20	35.30	37.00	21.00
Total Digestable Nutrients, % TDN	67.89	78.50	73.10	78.50	75.80	77.60	83.90
Net Energy, Gain, Mcal/lb	0.44	0.57	0.51	0.57	0.54	0.56	0.63
Relative Feed Value, (RFV)	138	177	165	202	186	180	337

a cover crop system.

Another crop than has adverse side effects is buckwheat. Even though this plant's nutritional levels rivals some of the other crops, it has a side effect of causing a rash in light colored cattle and in fair skinned people.

The final crop that I would eliminate from consideration is crimson clover. This crop would be great for spring application, however in the fall if this plant is lush

benefit. The crops that I would consider for fall grazing are the ryes, wheat, oats, radishes, turnips and rape. Most of these cover crops contain 2-2.5 times the protein needs of a feeder calf. They also contain more energy and TDN than the calf needs as well. This is the beauty of planting these crops into corn stover. In this system the calf will gets its needs met and will consume corn stover to really balance it's nutritional

The better the forage we can produce from cover crops just means that we can feed that much less supplement from another source. The advantage of getting the majority of this nutrition from our standing forage is that this is our least expensive feed. With cover crops we do not have the expenses of mechanical harvest, transportation, or preparation and handling of this feed. As you can see in

I see in my operation that we cannot solely depend on cover crops due to weather conditions and growing season variables. However, this has been the most nutritious feed that we have fed based on nutrients per dollar spent. We achieved our goals by producing livestock with the lowest cost per lb. of gain and still made these animals perform at an acceptable level, finishing with the correct body condition.

	Corn Silage	*Grnd Hog Radish*	*Hairy Vetch*	*Turnips*	*Rape*	*Austrian Peas*	*Crimson Clover*
Analysis Results (Dry)							
Crude Protein %	9.01	30.20	26.10	30.20	20.40	21.90	15.40
Neutral Detergent Fiber, % NDF	46.26	20.50	30.80	17.40	20.40	26.80	33.50
Total Digestable Nutrients, % TDN	67.89	81.20	72.20	84.80	81.20	76.70	74.00
Net Energy, Gain, Mcal/lb	0.44	0.60	0.49	0.65	0.60	0.55	0.52
Relative Feed Value, (RFV)	138	338	204	408	339	247	191

Farm Estate Planning Series by Bobby Medlin, CPA

Fair But Not Equal

American Farmers are an independent breed. Always hard-working, sometimes hard-headed, and soft-hearted at the same time. Not always the best combination for planning to transfer the operation to the next generation.

What is a landowner to do when there are several children in the family and not enough land to go around? Fortunately, good planning can help you keep the operation in place and in the control of the children who farm. To do so, think outside the box. A sound plan takes into account fairness but isn't always equal.

Here is an example:

Farmers John and Jane have worked hard and acquired 2,000 acres of prime cropland over their lifetime. Their four children, Johnny, Jenny, Jana, and Julie all worked on the farm growing up, helping out when needed. Now all are grown with children of their own. Jana and Julie married and moved to the city and have good careers. Jenny married a farm boy and together they operate a livestock operation in the next county with her in-laws. Johnny is married, has a few acres of his own, does some custom work for local farmers, and works with his parents to get crops planted and harvested during the busy season.

John and Jane know that if they leave their 2,000 acres equally to the four children that Johnny will have a hard time affording the equipment needed to farm his land and his share of mom and dad's land. He shares equipment with his parents now. Further, John and Jane know that the value of their land, equipment, and grain is well over $10 million. Of course, like most farmers, there is still some debt on the newer equipment and on the few acres most recently purchased.

Sound family planning includes involvement, communication, and funding. John and Jane need to involve Johnny in the ownership and management of their operation sooner rather than later, while they are still around and able to help with the transition. They need to talk with the children as a group, and let them know why Johnny is becoming a part owner of their operation now. Also sooner rather than later, John and Jane need to fund a plan for the three girls either with investments or insurance, so that they are fairly treated in the estate. Fair doesn't mean equal in a case like this. Most likely Johnny is underpaid, if paid at all, for helping his parents. He likely does not make the kind of income his sisters make. Sharing in the ownership of the operation helps make up for being underpaid, Johnny gets equity rather than cash (he is helping pay off the debt with his sweat equity). Working with professionals to plan will ensure that the farm stays together rather than being sold off when John and Jane are gone.

Bobby Medlin, CPA has a team of advisors with offices in Tipton, California and Lake Ozark

Important Notice
New Breaking Agreements

Are you thinking of breaking ground out this spring and getting insurance coverage on it? **The deadline for application is now MARCH 15 for New Breaking agreement applications.** Please call the office for details on how to get your ground broken out and ready to insure.

660-433-6300

DEADLINE
MARCH 15

Is the last day to either obtain a policy or make changes to your present insurance policy.

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.

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Business Tagline or Motto

Cover Crop Rules Update

Many producers including myself have been anxious about whether the USDA was going to change the rules in regards to cover crops. Well the final word is out and no changes have been made to the majority of the counties that we serve.

It is important to remember these basic rules when it comes to destroying cover crops.

For all of central and south Missouri, a cover crop must be destroyed before it becomes 50% headed or budded.

If the cover crop is not nearing maturity, it can remain until 5 days post planting at the latest.

Failure to abide by these rules could jeopardize a producer's ability to have crop insurance in place.

If the crop becomes more than 50% headed then the following crop could be deemed a second crop and not be insurable in some counties.

These rules have not changed from last year's liberalization in regard to cover crops. Some states and even some counties have special suggestions when it comes to cover crop planting rates. We checked this week and have not found any special instructions for Missouri. Check with your local NRSC office if you have questions about seeding rates for your area.

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