Gibson Insurance Group

"The Risk Management Specialists"

Crop Insurance 2015

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REPLANT WARNING !

If you are going to need to replant call the office BEFORE replanting.

Do NOT Jeopardize Your coverage !!

Inside this issue:

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Scouting the Wheat

It's time to scout your wheat crop. Each year at this time we try to hit as many fields as we can and look at the challenges facing the wheat crop.

This year the majority of the wheat planted on my farm was from 2 different varieties. One variety was a bearded wheat while the other was not bearded. All of the wheat on my operation was planted in a 3 day period right before Halloween so it was planted in a timely fashion.

We were experiencing a dry period during planting and it seemed to take longer than usual for the wheat to emerge. My concern all fall was that I was not getting enough early growth for the wheat to get a good root system established going into the winter.

As the wheat went dormant, with the falling temperatures, we did several stand counts and found that we were a bit short on the expected amount of plants per acre. This was not a major concern as we were close enough to our goal. We thought that we could increase the number of spring tillers by putting on a little extra nitrogen at green up to increase tiller development.

Winter progressed and we had very little snow cover to protect the wheat. This problem was compounded by the fact that the soil was much dryer than normal. The result was a little bit of winter kill. I had a noticeable amount of winter kill on a couple of fields but the remainder of the fields only had a slight amount.

As green up came we put on an additional 15 pounds of nitrogen per acre to help tiller development. This seemed to work well as our tiller count increased significantly after this application. This wheat crop didn't seem to be paying attention to the calendar this year. All year it has seemed to be a week or so behind where we would have expected it to be in its growth cycle.

April was a good month for the wheat crop with moisture and temperatures at near normal levels. As the flag leaf began to emerge we had not seen any disease pressure from fungal diseases but the rains seemed to set in and we were unable to get our fungicide applied with the airplane. By mid-May fungal diseases could be found in the fields but the severity has not been significant thus far.

The inability to spray fungicides this year has brought many of these diseases back to our attention. Before I started spraying fungicide on wheat, these diseases were a common occurrence. Over the past several years I have seen very little damage due to the timely application of fungicides. As the price of wheat has come down, producers will be more likely to skip the applications of fungicides. I honestly believe

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this is a mistake. I believe the reduction in yield, quality and test weight will more than offset the costs of these applications. In the future I will make every attempt to apply these to my growing wheat crop.

In scouting fields we have been able to identify at least 3 different fungal diseases that are starting to work on the flag leaf. Again, the problem is not severe at this point but could increase with continued wet weather.

The three diseases that we think that we have identified correctly are; Septoria, Tan Spot, and Stagonospora nordorum blotch. We looked closely for stem rust and stripe rust but none were found.

Septoria is a fungal disease that causes tan elongated lesions on the leaves. The center of the lesion will be light brown with a yellow outline around the infected area. Depending on the area that you are from, some farmers refer to this disease as speckled leaf blotch. Septoria can be controlled by selecting resistant varieties and also is controlled by foliar fungicides.

Tan spot was the next disease that we found. This disease looks similar to Septoria as it has a tan colored lesion with a yellow border. As the disease progresses the lesion will change to having a very dark spot in the center of it and can to cover large sections of the leaf. I expected to see Tan Spot this year as I planted wheat into wheat and soybean stubble left from the previous year. This disease can be controlled with a little bit of tillage and also with variety selection and fungicide application at the emergence of the flag leaf.

Stagonospora nodorum blotch is the final disease that we think we have identified correctly. It also has brown lesions that form in an irregular pattern across the leaf. Under the microscope we could identify very small honey colored fungal structures. This disease is difficult for us to diagnose in the field as it takes considerable magnification to see these fungal lesions. Like most all fungal diseases this disease can be controlled with fungicides that are readily available on the market today.

This year I feel like I have learned a lot about the two different varieties of wheat that I planted. The wheat that was bearded seems to be a lot more resistant to the fungal diseases that we found. The overall plant health seemed to be superior to the unbearded wheat. The unbearded variety, on the other hand, seemed to respond better to the early fertilizer application as it did a better job of tillering. It will end up being a finer plant with less leaf area than the other variety.

The unbearded wheat has more harvestable heads than the bearded wheat but the heads are smaller with less berries per head. The bearded wheat has big robust heads and will have considerably more straw left on the field after harvest. I expect the bearded variety to out yield the other wheat but only time and mother nature will tell how this will end up.

Spring 2015 Planting

As of May 24th, the majority of corn nationwide has been planted. Planting has progressed rapidly with an estimate of 92% being completed. Missouri has reported that 96% of corn being planted according to NASS data. The condition of corn is very good at this time with 62% of the crop reported as good and 12% reported as excellent.

Soybeans, nationwide, are being planted at a normal pace according to the 5-year average with 55% of the crop planted. However, Missouri is lagging behind this year planting with only 20% of the crop planted as of May 24th. This past month of wet weather has considerably slowed Missouri producers but the upcoming weeks forecast looks promising for returning to the fields and completing planting.

All of the grain markets have trended lower this spring. The market has been suppressed by this past year's big harvest and having excess grain throughout the country. This year's growing conditions and the new crop acres planted will affect the market more than the old crop supplies. The markets will be watching the weather and growing conditions for the next few months to see if we will be adding to our already burdensome supply, or whether there will be some sort of production challenges that could drive the markets higher.

In the last newsletter, we talked about how the value of the dollar affects the grain market. The first week of June was a prime example of how the value of the dollar influenced the grain market. Progress was made in Europe to help alleviate some of the current debt problems being experienced by Greece. This progress caused some money to leave the dollar, considered by most of the world to be a safe haven, and return to other currencies. This return to other currencies caused the dollar to drop in value and the price of grain to increase.

With this drop in the dollar we saw wheat increase $0.35, corn increase $0.12, and soybeans increase $0.17 all at the same time. I understand that no market move depends solely on one particular event. However, looking at the supply/demand news for the same time period, we see nothing bullish in the market that would cause the increase. In fact, the new supply news was actually bearish with Argentina raising its corn crop estimate to 25MMT and Brazil raising its soybean crop to 95.5MMT.

Much of the analysis that I have read suggest that the bear market that we have been in may be slowing somewhat due to all the negative news that has been built into these markets. Our biggest concern in the Midwest is the persistent wet weather that has been keeping beans in Missouri and Kansas from being planted in a normal time frame. Excellent growing conditions and political turmoil can still bring some downside risk. However, at this time most think that a sideways trend will develop over the next 30 days as we see how the new crop progresses and what future weather events we will face. If we have an excellent growing season nationwide, as we did last year, the markets could truly get ugly.

The livestock markets have continued to show exceptional strength. Feeder cattle have just ended a week with sharply higher prices. Hogs have rallied $10 in the last month. Both of these commodities are benefiting for lower grain and protein prices.

The poultry industry continues to be plagued with avian flu with several more cases reported this week. Normally warm weather will stop this disease but at this time, we continue to have more cases pop up.

To summarize, the price of commodities this time of year generally shifts to weather and political events. Keep informed on what it going on in the world news and a producer will be better able to understand what kind of factors affect the various markets.

Sales Closing November 15

Spring Prices

Farming the Future

All producers can tell stories about how they got started in farming. These stories are usually similar but differ only by the time of when they started. I love to hear these stories and can relate to most all of them. The most common theme to them all is that the producers all had a burning passion to be their own boss, a love of the business, an uncommonly high work ethic, and a moral character that was usually above average. These people were always self reliant but also willing to help another person or producer that was in need of assistance. The times have changed but the charter type remains the same.

Every year, I have had the opportunity to help producers who are new in the business to get started and help them develop management plans to insure their success in the years to come. This year, one particular individual comes to mind whom we will call Tom for this article.

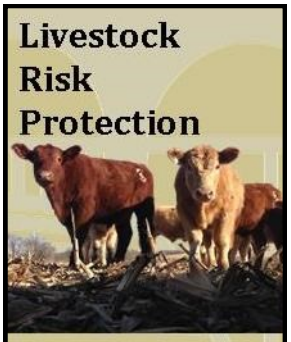
Tom is in his late twenties and is married with three young children. He was born and raised on the farm and has helped his father his entire life in the family livestock and crop operations. A few years ago, Tom started renting some pasture and row cropland on his own using his father's equipment to get started. Tom was also able to put together a nice cattle herd and did a good job of managing the livestock. In the past few years, Tom was also able to rent 500 acres of ground from a retiring neighbor in the local area on a multiple year cash lease.

Tom's operation was starting to bloom. Tom has a good job off the farm that is supporting his family allowing him to let the farming business pay for itself in its early years. Recently, this has worked very well. Grain prices were constantly rising, the cattle market was blasting thru historical levels, and Tom was making money in his farming operation.

Since his first farming experience, I have worked with this young man and we had covered all of his variable costs in his operation with crop insurance and had enough money left over to cover some returns to land labor and management. Likewise, in his cattle operation, Tom used the Pasture Rangeland and Forage (PRF) program to cover his forage production and the Livestock Risk Protection (LRP) program to insure against price risk. Each of these programs worked well in making him a good risk management plan that would protect his investments against the perils of each enterprise.

Each year, Tom and I visited about markets and what could happen in the future. Tom had learned from his father how to be a good farmer; he could raise crops and livestock without any issue. What Tom didn't learn from his father is the management and marketing part of an operation. Like many producers who start farming with Dad they learn how to farm but do not learn and understand the importance of budgeting and marketing of the commodities they produce.

With the fall in grain markets, this year Tom is realizing that budgeting and marketing is of great importance. He has understood this for the last couple of years but he took no action since the markets seemed to give him profitable prices for the crops he was producing.



LRP is a simple and cost effective way of locking in a minimum price floor for your livestock.

Call us at 660-433-6300 to explain the benefits to you and your operation.

Farming the Future (continued from page 4)

This year, there is a good possibility that will not be the case and Tom is worrying that he may have to use some of his off farm income to support the farming operation.

I introduced Tom to the company that I use to market my crops and to monitor my cost on a field-to-field basis. The name of this company is AgYield.

AgYield is not a brokerage company but rather a consulting group that was started by a farming family in Illinois. These folks today still operate the farming operation as well as supply consulting and marketing services to producers involved in agriculture.

I pulled up my AgYield account and showed Tom how these services track my input costs, my cash sales and my contracted bushels for this marketing year on a field by field and a crop by crop basis. This information is very important to me as it works hand in hand with my crop insurance to help me develop a marketing plan that allows me to sell my crops at a consistently profitable level. In looking at the marketing that I have in place for the 2015-16 crop year I showed Tom that regardless what the price or yield was my crops will be covered at a profitable level.

In the past, I have done budgets and some forward contracting but generally waited until the end of the year at tax time to figure which crop and which fields made the most money. With this consulting service, I was able to show Tom a real time look at my operation. It reflected accurate up to date costs per acre for each different crop as well as cash sales, contracts and futures positions.

This service also provides a matrix based on my costs, what the return per acre I would be achieving based on different yields and different prices as they change though out the year. Both AgYield and I monitor this information and communicate when we both agree that an opportunity exists for us to price crops. I have listed the different places where I typically move cash grain to AgYield. They use this information on a daily basis to monitor prices at various elevators and terminals to keep me up to date on prices from one location. This makes looking at the markets much easier for me as I can get all the current bids from one location or with one phone call.

Recognizing the importance of this tool, Tom is in the process of signing up for this service. The cost of this program is about 4 dollars per acre. We entered Tom's information in to establish a matrix to see where his breakeven point would be. Currently, he has done no forward marketing in the cash or in the futures market. Below you can see the matrix that he is looking at for corn.

Look at the green area of this matrix. If the corn yield comes in at 117 bushels per acre Tom would have to get $4.35 per bushel for his corn to break even. At 96 bushels per acre, he would need about $5.35 for his corn to cover his expenses and rent.

Yield	Futures Price									
	3.25	3.60	3.95	4.35	4.70	5.05	5.40	5.80	6.15	6.50
54	-113.46	-113.46	-113.46	-94.53	-61.41	-28.28	4.85	42.71	75.84	108.97
65	-113.46	-113.46	-113.46	-94.53	-61.41	-28.28	4.85	42.71	75.84	108.97
75	-113.46	-113.46	-113.46	-94.53	-61.41	-28.28	4.85	42.71	75.84	108.97
86	-113.46	-113.46	-113.46	-94.53	-61.41	-28.28	4.85	42.71	75.84	108.97
96	-113.46	-113.46	-113.46	-88.66	-55.06	-21.46	12.14	50.54	84.14	117.74
107	-113.46	-113.46	-83.61	-40.81	-3.36	34.09	71.54	114.34	151.79	189.24
117	-113.46	-85.06	-44.11	2.69	43.64	84.59	125.54	172.34	213.29	254.24
128	-90.26	-45.46	-0.66	50.54	95.34	140.14	184.94	236.14	280.94	325.74
138	-57.76	-9.46	38.84	94.04	142.34	190.64	238.94	294.14	342.44	390.74
149	-22.01	30.14	82.29	141.89	194.04	246.19	298.34	357.94	410.09	462.24

Farming the Future (continued from page 5)

Yield	Futures Price									
	7.20	7.65	8.10	8.55	9.00	9.45	9.90	10.35	10.80	11.20
20	-59.41	-59.41	-59.41	-59.41	-59.41	-59.41	-53.63	-38.30	-22.98	-9.36
26	-59.41	-59.41	-59.41	-59.41	-59.41	-59.41	-53.63	-38.30	-22.98	-9.36
31	-59.41	-59.41	-59.41	-59.41	-59.41	-59.41	-53.63	-38.30	-22.98	-9.36
37	-59.41	-59.41	-59.41	-59.41	-57.72	-41.07	-24.42	-7.77	8.88	23.68
42	-59.41	-59.41	-50.52	-31.62	-12.72	6.18	25.08	43.98	62.88	79.68
48	-45.12	-23.52	-1.92	19.68	41.28	62.88	84.48	106.08	127.68	146.88
53	-9.12	14.73	38.58	62.43	86.28	110.13	133.98	157.83	181.68	202.88
59	34.08	60.63	87.18	113.73	140.28	166.83	193.38	219.93	246.48	270.08
64	70.08	98.88	127.68	156.48	185.28	214.08	242.88	271.68	300.48	326.08
70	113.28	144.78	176.28	207.78	239.28	270.78	302.28	333.78	365.28	393.28

The bean matrix works the same way. Looking at his soybean matrix, we see that without any marketing positions. Tom would need to get a 42-bushel yield and a price of $9.45 in order to breakeven.

Now that we have seen and understood the matrix of both crops, it is time for Tom to call the strategists at AgYield for a strategy session. Together they will make goals using all the tools available to change the profit picture for Tom. Remember, that this is not a brokerage firm. They will build a plan based on Tom's comfort level only using the tools that work for Tom. I am comfortable with the commodity markets and use both the futures and options market in my plan, others may not want to go this route and use other tools to guarantee profitable prices.

This session is where the rubber meets the road. Clients have unlimited access to data, markets, and the professionals at AgYield to now execute the plans that they have come up with.

In this article we have talked about a young producer. This information is powerful and can help any agricultural commodities producer. Ask yourself. What is the breakeven price for the commodities that I am producing this year at various yield levels? Where should I be pricing this year's crop? What kind of plan do I have in place to guarantee a profit regardless what the weather and prices do?

I think that all producers could benefit from this service. If you are interested, feel free to contact me here at the office or contact Jim McCanlies @AgYield (281)750-5466.

Rain, Rain.....

As this spring progressed, we would have periods of time when fields worked well and planting was done. However, since the first of May, these periods have been quite limited. Until last week, I was hopeful that we would be able to get all the crops planted before the late planting period began. Since Mother Nature does what she wants to do, the forecast changed and the chance of this happening has literally been washed away.

It has been several years since we have had the widespread planting issues like we have this year so again we will have to address the issues of flooding of planted acres, planting in the late planting period, and Preventive

Rain, Rain..... (continued from page 6)

Planting (PP).

Flooded planted acres

This week it is predicted that certain rivers in our trade area will come out and flood the primary and even the secondary bottoms due to this tropical storm front moving inland. If these rivers flood your ground it will be time to turn in a notice of loss on your planted crops. Last week we had a producer inquire about what he should do with corn that was completely submerged. The answer at the time was nothing. When the water goes down the damage will have to be assessed and decisions will need to be made. Is it practical to replant corn this late? Do you fail the corn acres and plant beans on the ground? With water still standing on the fields this is probably not an option. We will help guide you through these tough decisions and explain how each decision will affect your operation and which decision will help you maximize the return to your farm.

Planting in the late planting period

The late planting period for soybeans lasts for 25 days after initial planting date. During this period a farmer can still plant soybeans but his guarantee is reduced 1% per day on the actual acres he plants for each day in the late planting period.

When we enter this late planting period, record keeping becomes critically important as the guarantee changes each day. As an example if a producer planted 100 acres in the late planting period and reported that he finished planting 20 days into the late planting period his crop guarantee would be reduced on all 100 acres by 20%. However if he reported planting 90 of these acres on the first day of the late planting period he would have a reduction of only 1% on these acres and a 20% reduction on the final 10 acres that he reported planting 20 days into the late planting period.

Preventive Planting (PP)

I called producers today and I realized that there are substantial acres that have not been planted in a large part of Missouri. In the extreme western part of the state, there are counties that have very few if any beans in the ground. These farmers have already notified the FSA offices and our office that there will be PP corn and as of June 20 many acres of PP soybeans will also be entered into the system.

Preventive planting is a tool that we use in a risk management plan. It is never something that we want to use recklessly. There are some downfalls and repercussions for using PP in certain instances. Let's take a look at the 3 options available to a producer when PP for corn is being considered. They are:

- Take PP on corn, receive 60% of his guarantee, and let his land lay fallow or plant and approved cover crop that can't be harvested or grazed until November 1. You will pay 100% of the premium for the crop.

Option 1

Averge Approved Yield	110.3 bu
Coverage Level	*80%
Guarantee BU/Acre	88.24
Spring Price	*$4.15
Dollar/Acre Guarantee	$366.20
Prev Plant percentage	*60%
Gross Payment/Acre	$219.72
Less Premium (estimated)	-21.48
Net Payment (estimated)	**$198.24**

- Take PP on corn, receive **35% of the PP payment** and after the late planting period for corn plant to another crop and insure for 100% of the guarantee for that crop. You will pay 35% of the premium for the corn and your APH will be affected.

Option 2*

Averge Approved Yield	110.3 bu
Coverage Level	*80%
Guarantee BU/Acre	88.24
Spring Price	*$4.15
Dollar/Acre Guarantee	$366.20
Prev Plant percentage	*60%
Gross Payment/Acre	$219.72
Less Premium (estimated)	-21.48
Net Dollars/Acre (estimated)	$198.24
Prev Plant Payment percentage	*35%
Net Payment (estimated)	**$69.38**

- Not plant corn and simply change intentions to another insurable crop.

There are so many differences between farming operations that it is impossible to make a blanket recommen-

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Rain, Rain ..... (continued from page 7)

dation that would fit all producers.

It is important to call the office if you will be entering the late planting period or may have to take the preventive planting provisions. We will be able to help you walk through the different scenarios on your operation to see what works best for you. This is very important if you have no crop planted in one county and some crop planted in another county. Communication is essential to make this program work well for your operation.

As a young man starting out farming in 1980 I know the stresses that the weather can put on a producer. I remember my mother giving me advice to never let the weather control my day. Great advice but it is very hard to follow.

I know that this is no consolation to the stresses that most operations are having right now but I must admit, I would much rather deal with a flood than a drought. A flood is like a massive heart attack. You feel really sick for a short time then it is over. I have always looked at a drought as like a terminal illness. The crops get worse and worse over a long period of time and you watch them die a slow death and with them go a bit of our spirit.

On the bright side the year is not over, we don't as of yet have a disaster. What we have now are some challenges that we can face together and still hopefully have a profitable year. Remember 2012, that was a year filled with adversity, but with a good risk management plan, it was probably one of the most profitable years in history for most producers in this area.

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