

**Gibson Insurance
Group**

*"The Risk Management
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Upcoming Important Dates

September 1
Premium Billing for Spring
Crops and PRF
September 30
Sales Closing for fall crops and
Margin Protection
November 15
Sales Closing for Pasture,
Rangeland and Forage

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Maximizing Your
Acreage Potential

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Crop Insurance 2017

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New for 2018 - Margin Protection

For the first time in Missouri, Margin Protection (MP) will be added as a new crop insurance product in 2018 for corn and soybeans in selected counties. This program is different than the products that we are used to. This product protects the margin that a farmer might expect on his operation. This product can be bought at various levels up to 95% of the expected margin.

Sign up for this plan must be done prior to September 30, 2017.

I will be using this product on my farm on at least one of my crops planted in 2018.

It is important to know up front that this product does not give the same protection as your current revenue product. Revenue Protection (RP) calculates **your** farm's production history times the higher of the spring or the fall price then is multiplied by the level that you select.

Margin protection does not use your farms yield but rather uses the county average yield in which your farm is located. This yield, can be increased to 120% by adding the protection factor.

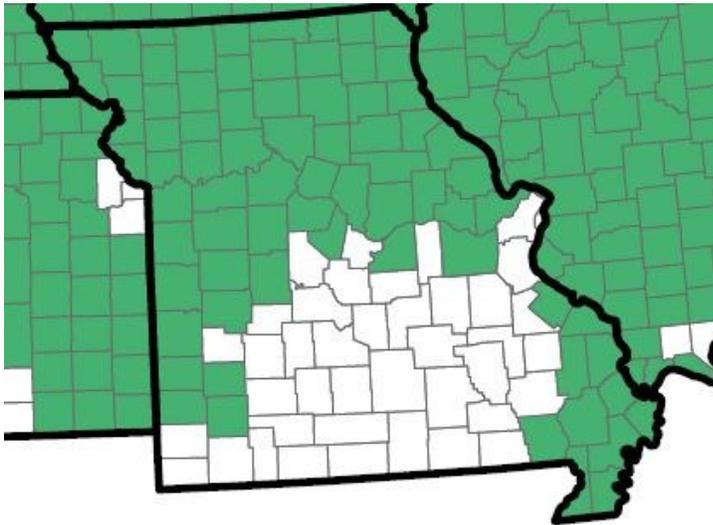
Unlike RP, the Margin Protection initial price for the 2018 crop year is set by averaging contracts starting Aug 15, 2017 through Sept 14, 2017. During this same time period, the expenses to produce a crop will also be calculated. These costs will include diesel, nitrogen, DAP, potash, interest and other costs.

With the expected revenues calculated the expected expenses will be subtracted and the result will be the margin that you will be able to cover at a level up to 95%.

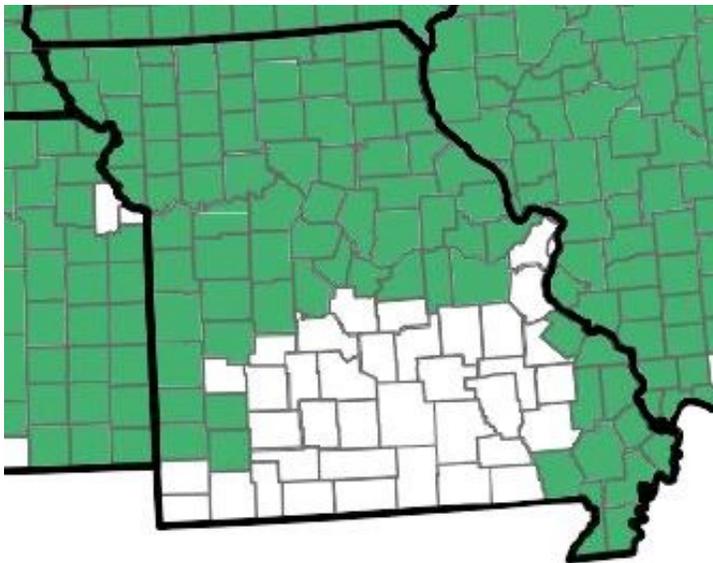
This program has a lot of good attributes that can help a producer.

- By establishing an initial price in the previous fall producers will get an additional 5 months of price protection at the critical time when they are making financial plans for the up coming season.
- The costs of inputs are also set in this formula to figure expected costs. However if the costs of these increase between fall through the end of April the higher of these expenses will be used to protect the producer against rising input costs.
- This program is also beneficial to producers who have risk that is somewhat different to the average farm in the county. For example, a producer who has irrigated land or river bottom may not have the same risk of drought affecting yields that farms in the hills might have.
- With the harvest price option the harvest price for Margin Protection is figured the same way as with RP. If the price is higher in the fall a higher revenue will be calculated for the producer.
- This product may work well for the producer that does a good job of marketing the production that they

New for 2018 - Margin Protection



Green denotes counties eligible for Margin Protection - Corn



Green denotes counties eligible for Margin Protection - Soybeans
Please note Soybeans only crop eligible in Morgan, Cole, and Gasconade counties



produce. MP will generally always have a higher per acre guarantee than other types of crop insurance.

Most producers over the last few years have gone to enterprise units to capture the big premium discounts that this structure offers. Margin Protection goes a step further by includ-

ing all the farms in a county to establish a yield. These yields are calculated by the USDA and are posted each year. Because of the way this product works you may raise a full crop on your farm and still receive substantial payments based on the county yield and price. However the reverse may also be possible.

Lets look at an example for Cooper county corn and beans to see how this product compares on my farm.

Corn Margin protection

Projected Price	\$4.09
Expected Yield	140.1
Expected \$/acre	573.01
120% factor	653.23
Expected crop costs	281.17
Coverage level	95%
Margin Trigger	339.39
Premium cost/acre	56.63

In this example using Cooper county data, the corn yield was expected to be 140 and the price is \$4.09 as of today. This leaves expected revenue at \$573.01. I have chosen the max coverage factor of 120% which increases our coverage /acre to \$653.23 / acre.

After expenses are removed I should expect at least 339.39 of margin per acre. The premium cost for this is \$56.63 per acre.

Lets assume that in 2018 Cooper county corn yields come in at 120 bu/ac and the price at harvest is \$4.00

Actual County Yield	120
x Price	\$4.00
Actual Revenue	\$480
- Costs	281
Actual Margin	\$199

Margin Trigger	\$339.39
- Actual Margin	199.00
Loss Payment	\$140.61/ac

New for 2018 - Margin Protection (continued)

With this example, you can see how fast this product compensates a producer for even shallow losses.

The theory behind Margin Protection is that it guarantees profits on an operation. All producers have different costs, these will range from the price paid for land, to equipment expense, as well as, other costs that are incurred. Margin Protection takes the major variable expenses used to produce a crop and subtracts this number from the expected revenue on a county wide basis. This lets the producer have the ability to insure up to 95% of his expected margin.

It is not a new concept to have area wide plans in the industry but this is the first time that we have had the opportunity to insure margin in Missouri.

The maps on the preceding page show the counties (highlighted in green) in Missouri where these products are available.

Even though this product has a lot of good points there are some downsides as well.

- First, this product will cost more than the products most of us have



been used to. In Cooper County we are expecting the premium for corn to cost about \$55.00 per acre for the top level coverage containing the 120% factor. For this premium we will be expecting revenues of \$653.23 per acre

- MP has no replant or prevent planting offered as part of the policy.
- Because this is an Area plan, a producer may have poor yields on his farm but the county may have good yields making the producer ineligible for a loss.

This week, Matt from our office, created a ten year spread sheet that compared my farm to the county average. I was surprised at how closely my yields compared to the county yields. For the last four years my corn yields have been very good. Likewise, for those same four years the county yield has greatly exceeded the counties expected yield. Going back over the last 10 years, even in loss years like 2012, my actual and the county's yields were reasonably close.

Because of this correlation, I have chosen to cover my 2018 corn with the MP policy. I will not change my soybean coverage because if, for some reason, we have a late spring and can't get the corn planted I will convert these acres to soybeans.

This MP policy will increase the dollars of coverage per acre on my farm for a cost that is acceptable for the amount of coverage that is provided.

This is a new product that producers have not heard about yet so I'm sure that there will be many questions. Please feel free to contact us to see if this will work in your operation. If there is considerable interest we will be holding evening meetings to go over this product and how it will effect different operations.

IMPORTANT

If your farming entity has changed from last year either by death, divorce, or business type you must notify the office for a policy change immediately. Failure to do so could have serious implications for your crop coverage.

If you are unsure that your policy(s) correctly identify your entity type please contact the office as soon as possible.

(This also includes any SBI's listed on your policy)

WHEAT CANOLA BARLEY PRODUCTION DUE NOW

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Harvest 2017

Harvest FYI

Any leftover 2016 production in on-farm storage? - Call the office before adding new production



Any potential revenue losses must be reported within 45 days after harvest of the crop or the release of Fall prices



If you will not finish harvest before December 10 please call the office



Failure to do any of the preceding could jeopardize any potential loss claims

With harvest starting in the next few weeks, most of us are looking forward to another year of bin bursting crops. The harvest of 2016 saw the best yields that I have seen in the 37 years that I have been farming. This year the corn may not have quite the yield as last year, but it is surely not far behind. Even though, the conditions in Central Missouri are very good this is not the case in all locations.

Last week, as I was traveling through Northern Missouri I noticed that the crop conditions there were visibly worse than areas further south. From Maryville thru St. Joseph, Missouri the crops were dry and corn yields have been reduced due to lack of precipitation. Traveling further east the crops seem to get a lot better. The southwestern part of the state has had more than its share of moisture for the year. During the first week of August thousands of acres were destroyed by flooding alone. Corn in southwestern Missouri looks great where it was planted early and was not affected by flooding. I think that this area, as well, will see some top corn yields.

Soybeans over the entire state are now in their critical growing period.

The timely rains of the last few weeks have added countless bushels to the crop. Seldom do we experience an August with as cool of temperatures and as much rainfall as we have seen this year.

Last week, I was in double crop soybean fields that were above waist tall and have measured a first crop soybean plant that was 5'2" tall. Of course, this is the exception and not the rule but the prospects of a bumper soybean crop looks very promising as well at this time.

The August USDA Crop Progress report reflects the current crop conditions nationwide. The Dakotas, parts of Iowa, and a few other places have had some growing issues. However, nationwide the USDA sees the corn crop only slightly down from last year estimating the yield at 169.5 bushels per acre. If the final harvest numbers don't change from this current estimate, the corn crop will be the second highest yield in history just behind the 174.6 bushel yield reported last year.

The USDA estimated the August soybean crop at 49.4 bushels per acre. If this number holds true, this crop will also fall in place as the second highest yield in history.



Harvest 2017 (continued)

We all know that the USDA reports are only estimates. By August the corn crop is mature enough that they can get fairly accurate figures. Soybeans, however, can add additional yield with continued rains for quite some time into the fall. We have to remember these reports are just a reflection of what they are seeing at this time. Over the last several years the USDA has had a tendency to underestimate soybean production on this report. Regardless, for most people in the Midwest, we are going to have good crops coming this fall.

Many times with good crops comes a fall in price. This spring your RP policy set the price for corn at \$3.96 and the price for soybeans at \$10.19. Since then, the futures price for these commodities have dropped significantly. The large carryover numbers reported in USDA's last report could cause the price of grain crops to erode even further as harvest results become known.



Because the prices have fallen so much going into harvest we may see a situation where a producer will harvest more bushels than his guarantee and still receive a loss payment due to the decline in crop prices. It is imperative

that producers keep track of their production and turn these figures into us as soon as possible. We can then check to see if there is a loss payment coming to the operation. **There is only a short window after harvest to turn in losses for decreased revenue.** We all need to be proactive and report this production as soon as possible.

Are you still holding grain from last year in your bins?

If so, it is important that we have an adjuster measure the remaining grain before you put this years crop on top of last year's in your grain bins. If you find yourself carrying last year's grain over, please contact us as soon as possible so we can send adjusters out to measure the remainder of last years production prior to the start of harvest.

AFALATOXIN

Southeast Missouri and Northwest Missouri may be places that we should check closely for aflatoxin. Because these crops were weather stressed, they will have a higher chance of being affected. Although, I don't expect any problems this year, I can't rule out the possibility of isolated problems in a given area.

IF your crop was drought stressed have the elevator test a sample as you start harvesting to see if any problems might exist. Notify our office with the first indication of aflatoxin as we have certain procedures that must be followed in order to be paid a loss. It is imperative that we have adjusters pull official samples to verify aflatoxin prior to this grain being put into a bin. **Once the grain is binned this potential loss can no longer be worked.**

Being proactive and following these few steps could save a lot of time and money as we go into harvest 2017.



SPRING PRICES

Corn - \$3.96
 Soybeans - \$10.19
 Grain Sorghum - \$3.72

HARVEST PRICES
 (Prices set November 1)

Corn - TBD*
 Soybeans - TBD**
 Grain Sorghum - TBD@

*Dec17 CORN is averaged daily from Oct 1 thru Oct 31
 **Nov17 SBEAN is averaged daily from Oct 1 thru Oct 31
 @Based on ending Corn price

**Come See Us at
 Ozark
 Fall
 FarmFest**

**October 6-8
 Empire Fairgrounds
 Springfield, MO**

Pasture, Rangeland, and Forage

**YOU CAN'T CONTROL
THE WEATHER
BUT
YOU CAN BE PREPARED
FOR IT!**



PRF

NOVEMBER 15

Sales Closing
Acreage Reporting Due

Cover Crop — Maximizing Your Acreage Potential

The corn crop in Missouri is pushing toward maturity. The lush green plants have begun being replaced by the more drab green and brown tones of late summer. Now is the time to start considering whether or not we wish to use cover crops to capture nutrients in the soil as well as the other benefits that they provide.

On August 17th, I finished checking my corn fields and have noticed that the plants are starting to mature. Dent is occurring and more sunlight is starting to penetrate to the ground under the plant. The last several years I have used this time period to fly on the brassicas seed that I will be using as part of my cover crop rotation. This year I will use a mixture of purple top turnips, rape seed, and forage radishes in the aerial applications.

My operation depends on cover crops as a high quality forage source for my livestock. By aerial broadcasting these crops prior to harvest I have been able to establish very good stands before harvest begins. Once the crop is harvested I will follow with a drill and plant the cereal crop that I will be using.

I have tried planting turnips and radishes at the same time as my cover crop wheat with only marginal results. It seems the wheat has a tendency to

crowd out the brassicas plants when they are planted together at the same time. When a split planting method is used, the turnips or whatever brassicas that I am using are established enough to compete well with the cereal crops.

There is only a limited amount of time in the fall for the turnips and radishes to do their jobs. It is my intent that these crops capture and hold the remaining nitrogen that is left in the soil reducing nitrogen losses from over wintering. The benefits from planting radishes will increase as well during early planting. Since radishes penetrate deep into the soil profile, the longer this plant has to grow, the more benefit it can have in reducing compaction.

Both of these plants produce high quality forage for cattle but neither are extremely palatable in their early stages of growth. As these plants mature they become the preferred forage choice for livestock grazing the fields.

Wheat is the cereal crop that I will be planting into the turnips this year as soon as the corn is harvested. Wheat is less expensive to plant than cereal rye and has similar benefits when it comes to capturing nutrients and holding the soil. Wheat has the benefits of greater palatability and a higher nutri-



Cover Crop — Maximizing Your Acreage Potential (Continued)

tional value for livestock.

As this cover crop combination becomes established I should be able to utilize four different grazing periods when cattle are turned out onto the cover crop field for grazing.

The initial grazing period could be relatively short depending on the amount of corn acreage. It is important to graze the corn stalks as quickly as possible after harvest to get the greatest nutritional value from them. The fodder and any missed grain left behind after harvesting of the crop will be the first choice of the cattle. The newly planted wheat will be just coming up and the turnips will not be very palatable at this stage of it's growth cycle.

When cattle are rotated back the second time, the established wheat will be the plant of choice. This new growth will be very proteinaceous and is an excellent feed source for mature animals as well as stockers.

A heavy frost will signal the time when the turnips become the most palatable. By this time the bulbs will be fully developed and the plants will have put on a great deal of foliage above the ground. When the cattle start consuming the turnips, the foliage will be consumed first. After a majority of the foliage has been consumed, the animals will use their noses to push the bulbs out of the

ground and consume them as well. Nutritional analysis show that these turnips contain about 30% protein as well as providing energy to the livestock. With any luck this forage could last the livestock into late winter or even early spring depending on stocking rate.

Spring will come and wheat will come out of dormancy and again become a great livestock feed. This wheat could be grazed until planting operations start or until plant elongation occurs.

The most serious down side to grazing cover crops is compaction. Wet conditions will increase compaction with cattle grazing on these fields. It will be important to monitor field conditions and remove animals when these conditions began to occur.

Over the past several years many producers have incorporated methods of planting and grazing cover crops either for their own operations or sold to other livestock operations. What might have began as a fad is now important parts of many producer operations. The economics of grazing cover crops have been very positive for those diversified producers who have opportunities to do so.

September 30

Is the last day to either obtain a policy or make changes to your present insurance policy for fall seeded crops

Livestock Risk Protection



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.





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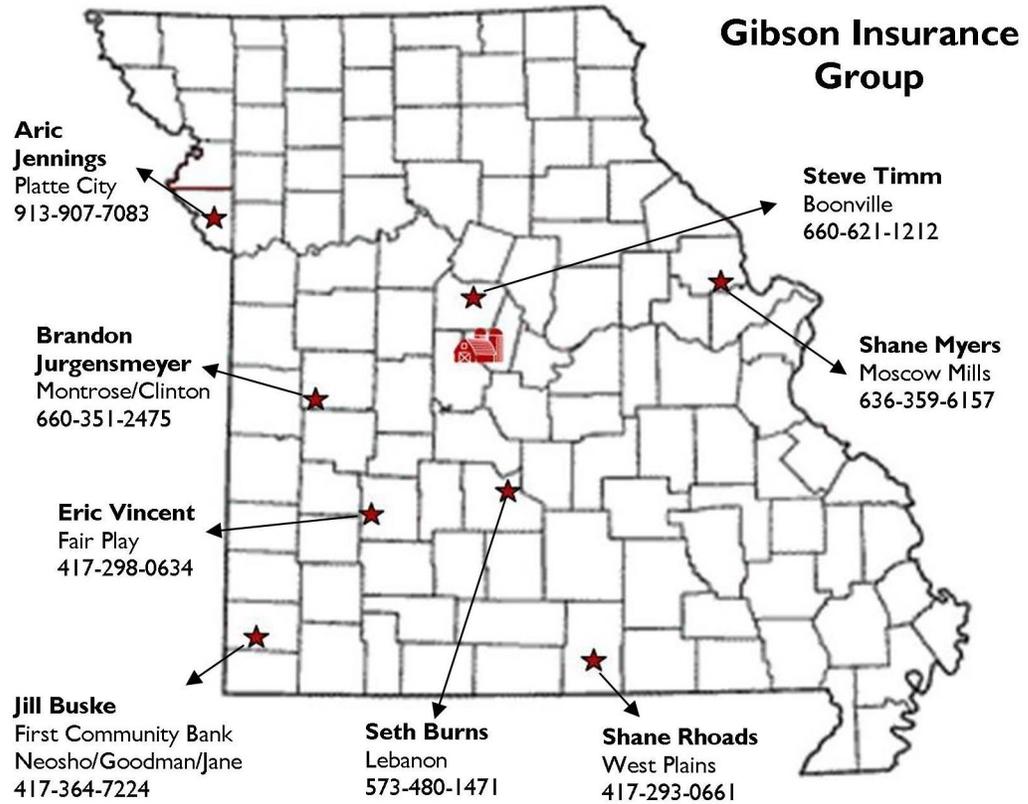
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Crop Insurance 2017



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