

**Gibson Insurance
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*"The Risk Management
Specialists"*

IMPORTANT

Because of the differences in the way FSA and RMA view conservation compliance, we are suggesting that ALL people, including spouses, involved in your operation have separate 1026's signed and on file at your local FSA office.

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for 2017

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Crop Insurance 2017

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Happy New Year

As we turn the calendar to 2017, we look forward to the new opportunities and challenges that this new year will bring. How will these changes affect the economy, and what is in store for agriculture in 2017?

2016 was better to the agriculture sector than we had previously expected. The weather, as a whole, was uneventful in the US. Prices were supported by the severe drought in South America even though we had large stocks of grain to begin the year.

Though prices eroded somewhat last year, most of us raised enough bushels to offset this decrease in price. The biggest price declines came in the livestock sector, but even these losses were offset, in part, by the lower input costs of feed.

On November 8th most of us were surprised with the outcome of the Presidential Election. Regardless of your individual preference, a message for change was sent to Washington.

The market's reaction to this message was something that caught us off guard as well. On March 15th 2015 the Dow was at 18,140.44, by January 2016 this market had fallen to 15,988. November the 8th the market had climbed back up and was trading at 17,888.

Since the elections the market has quickly gained 2000 points, even before the administration changes hands. I am not a stock market expert by any means but, this move implies that businesses and investors are both welcoming the coming change, at least initially.

For now, I am excited about the reaction of the markets. However, as a student of the ag

economy, I realize that the financial markets and the ag markets are usually in adverse relationships to each other.

In the ag economy, we deal with world markets. The price of the commodities that we sell greatly depends on the value of the dollar and how it compares to the currency of the countries that are buying our products. This relationship can be seen by looking at the dollar index. This index, coupled with world production, are the biggest movers of agricultural commodity prices.

For the last 10 years this dollar index has spent the majority of the time in the 70's thus making agricultural commodities produced in this country very price competitive worldwide. At the end of 2014 we saw this index break in into the 80's and then into the 90's by 2015. Look at what the prices of most agriculture commodities here have done over that time. We have seen a steady downward decline in prices as the value of the dollar has risen. Last

year was a little bit of an exception to the rule. The drought in South America's grain belt seriously reduced their corn and soybean production which gave support to our commodity prices.

Today we are looking at a dollar index of 103. This is

important as we look into our crystal ball as to what to expect out of the markets for the next 12 months. Does this mean we are going to see markets fall in 2017? No, not necessarily. The prices of commodities still have to achieve a balance between production and the dollar index. The dollar index, like all indexes, is fluid. They go up and down depending on what is going on in the world economy. Production



MARCH 15

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



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Happy New Year (continued)

problems in other agriculture areas of the world will also affect the prices of agricultural commodities.

Today most agricultural commodities are in good supply. There is a very large supply of soybeans and wheat worldwide that we will need to work through. In a nutshell, I don't look for beans in the teens for 2017. I do think that the market does have more down side risk than upside potential at this point. With that being said, we do still have opportunities of increased prices due to weather events and production concerns both here and in the world.

USDA recently raised its estimates of the Brazilian corn crop by 3 million metric tonnes. If their current weather conditions continue the way they have, we could be looking at an earlier harvest than normal in this part of South America. If this is the case, we will likely see increased corn plantings. This crop will then be in direct competition with our already large corn supply that is entering the export market.

Worldwide wheat is also in large supply and much of this wheat is used as a feed grain. This abundant supply should also temper any moves higher in the corn market as corn will be replaced with wheat as a feed grain.

It is important to remember our historical price relationships. Soybeans historically run 2.5 times the price of corn. When this relationship gets out of balance it encourages producers to plant more of the other crop. Today this ratio is running at 2.63 with soybeans being priced higher than corn. At the close of today's market Dec17 corn was trading at \$3.86. If this relationship were to hold true corn should be at \$4.07. The question now becomes is corn underpriced on the board or are the beans overpriced.

This relationship will encourage the increased plantings of beans for the coming year. Industry estimates currently are at 87 million acre plantings for soybeans which is up about 4 million acres over last

year. Most of these acres are expected to come at corn's expense.

Honestly, it is a bit early to predict what planted acres will be in this country next year. This time period, from now through March, the markets will be buying and selling acres based on commodity prices until this balance is achieved.

The meat sector, on the other hand, will have its hands full trying to get a handle on growing inventories in the US. This market desperately needs continued exports and increased consumption overseas to thrive in 2017.

The best news we could have for this market is a growing world economy with continued growth in the middle class sector, especially in Asia and specifically China. This is a group of people who have continued increasing their consumption of proteins, especially the more valuable cuts, as their income increases.

Looking forward to 2017, there will be a push to get rid of a lot of regulations that have affected our industry. I wouldn't be surprised to see the Waters of the US (WOTUS) rulings and other regulations to be scaled back. Government spending will likely decrease for most programs with the change in administration. This will affect all of us in one way or another. The important thing we need to remember is that change is not always bad and as new challenges appear new opportunities will follow. This too will hold true for the agricultural sector of the economy.



Broadcast Soybeans - Final Report

You may remember from our previous newsletter, this past summer we experimented with planting soybeans by a broadcast method. Harvest is over, the beans have been sold, and it is time to review the results of our little experiment. These results are not exactly what we expected but they are accurate.

As you may remember, our initial hypothesis was that broadcast soybeans would work but we should expect to find a considerable yield drag for using this method of planting. We thought a high percentage of the seed would not germinate due to: damage to the actual seed due to broadcasting, poor seed to soil contact, and the variability of depths of seed incorporation. We were fully expecting that 50 % of the seed we planted would be lost to one form of damage or another.

We planted the broadcast field at 180,000 seeds per acre with the hope of getting a plant count of at least 85,000 viable plants per acre. With a plant count of 85,000, we were confident that this practice could achieve near normal yields. We chose not to use any equipment or methods that differ from the way most farmers would, in order to achieve similar results. Since we used a fertilizer buggy to spread the seed we had serious concerns about the evenness of spread that could be achieved.

We chose two different fields in our operation to use in this test. Both of these fields were cover cropped with a wheat and oat mixture that was removed the first of May by baling. Both fields were sprayed using the same chemistry on the same days to keep as many variables the same as possible. The fertility of both of these fields was similar and the pH of the soils were identical according to soil tests. The control field in this test is more productive than our test field. The control field has deeper soil and less slope making it more productive than the test field. The test field has some rock and portions of clay making it less productive. Both fields are well drained so that there was no issue of stand-

ing water.

The control field was cultivated with a field cultivator using one pass and then was planted using a John Deere no-till drill. The population was set and tested at 168,000 seeds per acre. This field was planted at seed depth of $1\frac{1}{4}$ " at a speed of 4.5-5mph in order to keep a uniform planting depth.

The test field was planted within 24 hours of the first field by broadcasting the soybeans and then incorporated into the soil using various methods. Attention was paid to the broadcasting rate of the seed and adjustments were made to minimize seed damage and to get an even seeding rate. This field was planted using a seed population of 188,000 seeds per acre. The hulu-hoop method of measuring seed population was used multiple times to determine that our seeding rate was set accurately.

Three different incorporation methods were used in the broadcast field to test which method was better.

1. Part of the field was cultivated using a field cultivator at a depth of 2". The soybeans were broadcast and then were covered using a phoenix rolling harrow set at its most aggressive setting.

2. In a second part of the field we ran 2 passes with a field cultivator at a depth of 3". This seedbed was very fine, smooth, and void of any clods. The beans were broadcast on to this plot then incorporated with the phoenix harrow on the most aggressive setting. After running the harrow we were concerned with the high number of soybeans still laying uncovered on top of the ground. We choose to run the harrow a second time over this test area. The results of the second pass seemed to reduce the seed on top considerably.

3. In a third part of the field we broadcast the soybeans on undisturbed ground and then incorporated the seed with one pass of the field cultivator set at a depth of 2". This



Broadcast Soybeans - Final Report (continued)



Broadcast Plant



Broadcast Plant



Conventional Plants

ground after incorporation was the roughest of the three methods but when evaluating the seed depth, we found that this method had a more consistent seed placement than the other methods of incorporation. Since this soil did not work up as fine as the other tests we thought we might have trouble with seed soil contact. However, within a few days it was evident that this was not an issue.

Our observations

The control field emerged very evenly as would be expected of any field that was planted by conventional means. Population counts were taken and replicated across the field with a total average plant emergence of just slightly over 150,000 plants per acre.

The broadcast field's emergence was very uneven. Shallow plants popped up very rapidly while seeds that were incorporated deeper took a longer time to come up. This was so pronounced that we decided to visit this field each Thursday and take plant counts across the field to see if this was going to be an issue. The plant counts increased for about three weeks before leveling off. The different size of plants in the stand was very noticeable especially when the plants were very young. As time went on the stand seemed to even and an average plant count varied somewhat throughout the field. When all of the sampling was tallied, we ended up with an average plant count of just over 140,000 plants per acre.

With method 1, we found that the bean seed varied in depth in the top 2 inches of the soil. There were a few beans on top of the ground but most were covered. Due to the inconsistency of seed depth throughout the test area we had uneven emergence. Initially, this caused us to have grave concerns whether this practice would work.

Method 2 used the most tillage. By using this method, we had trouble getting the beans deep enough into the soil. The

ground was worked so fine that the majority of the seed seemed to want to stay in the upper 1/3 of the seed bed. It was common to see some seed on top of the ground as you walked this area of the test although the percentage was not so high that it was a concern. This test area did emerge faster than the others due to the shallower depth of incorporation but, like test 1, this population increased for about 3 weeks.

The best population and results came from method 3 where soybeans were spread on top of the ground and were incorporated with one pass of the field cultivator. The incorporation depth averaged a depth of 1 1/2" and seemed to be very consistent for this means of incorporation. This broadcast seed was very hard to find but after a few days of germination the plant could be found and traced back to its original planting depth. On test three these beans seemed to emerge very evenly and the numbers of plants changed only slightly over the next 3 weeks.

There were some challenges when it came to weed control in both the conventional and the broadcast fields. The pre-emerge chemical was sprayed and rainfall was not received to activate this chemical for a long period of time. This let the first flush of weeds come with little control. Both the conventional fields and the broadcast fields experienced this problem. Liberty was applied to both fields and our weed problem was totally eliminated. The broadcast field canopied a few days faster than the conventional planted field but neither an advantage nor disadvantage was noticed as far as weed control was concerned. These fields stayed clean through the rest of the growing season.

By the time that both fields started to flower the stands in both fields were very similar. As flowering progressed we began to notice differences in the plants in the broadcast field from the conventional field. Even though the plant populations were essentially the same, and both fields planted within 24 hours of each other, the broadcast beans seemed to be bushing out much more than

Broadcast Soybeans - Final Report (continued)

the conventionally planted crop. We have re-printed pictures of a sample plant from both fields from the September newsletter on page 4. We have also included a mature broadcast plant for comparison. This plant structure difference became even more pronounced as the plant matured and we do not have a definitive answer as to why this happened. One thing that we considered is that the broadcast plants were more evenly distributed on the ground and were better able to capture sunlight as compared to the conventionally planted field. The actual plant population was within 10,000 plants per acre but this small of variance should not have been noticeable.

Both fields of beans seemed to mature at the same time dropping leaves and drying down at similar rates. These beans were a 4.9 maturity and harvesting had a few more issues than normal. The beans of fields were dry but the plant stalk remained green causing this crop to be a little difficult to thresh. Because the conditions of threshing were tough, we had to slow the combine land speed to make the plants feed through in an even manner. There was no difference in threshing between the conventional and the broadcast beans and both fields were harvested within a 48 hour period.

We watched the harvest losses on both of these fields to make sure there was no difference between the fields. The crop was loaded directly onto a truck and delivered to ADM in St. Louis separately. Both fields were dry and within tenths of each other on moisture. The conventional field ended up with a yield of 56.4 bushels per acre. The broadcast field ended up at 61.1 bushels per acre.

From midseason on, we expected these results to be similar but we did not expect the broadcast field to out yield the conventional field. Remember, the broadcast field had thinner soils than control field.

In our mind the difference in the two fields can only be explained by the way the plants in the broadcast field bushed out. We have yet to decided why this happened, but the fact is, it did and there was a yield bump because of it.

Our idea behind this test was to see if broadcasting beans was a practice that could be employed without economic shortfalls. Our test, at least for this year, proved that this practice was equal to conventionally planted beans. We learned a lot about broadcasting soybeans over the past season and the challenges that have to be overcome. We understand that the results may not be the same every year but this practice is something that does have some merit.

Our intention in 2017 is to replicate this study within the same field. We are also are going to evaluate yields based on row widths in the conventionally planted beans

We hope that you have found this test as interesting to follow as it was for us to do. The results are not what we expected. There are several things that we cannot explain. We are sure that many of you have thought about different factors that we might have missed. If you have any comments or conclusions based on this test we would like to hear from you.

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)



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As little as 5 years ago cover cropping in Missouri was still in its infancy. This practice has now become more accepted and producers are getting quite creative with the mixtures of cover they are using. Initially, when this practice was adopted, most producers would plant a single crop to be used as a cover. The purpose of this crop varied based on what issue the farmer deemed as most important. This practice created a monoculture in the soil where certain microbes flourished while others remained unused or inactive.

Today, as producers have become more experienced with this practice, we are seeing diverse mixtures of cover crops being planted at one time to maximize the benefits of cover cropping. Scavenging unused nutrients from the soils and increasing microbial activity are now playing an important role. This practice can greatly improve soil health and provide the extra benefit of producing forage that can be used in a livestock operation.

Cover cropping in partnership with a livestock operation is an excellent way to maximize a producer's dollars. The typical out-of-pocket expense to plant and grow cover crops is in the neighborhood of \$30 per acre. Without the use of livestock in the mix this expense has to go against the crop budget and the benefits achieved have to exceed the expense of the cover crops.

With the incorporation of livestock into this scenario the expense and benefits can



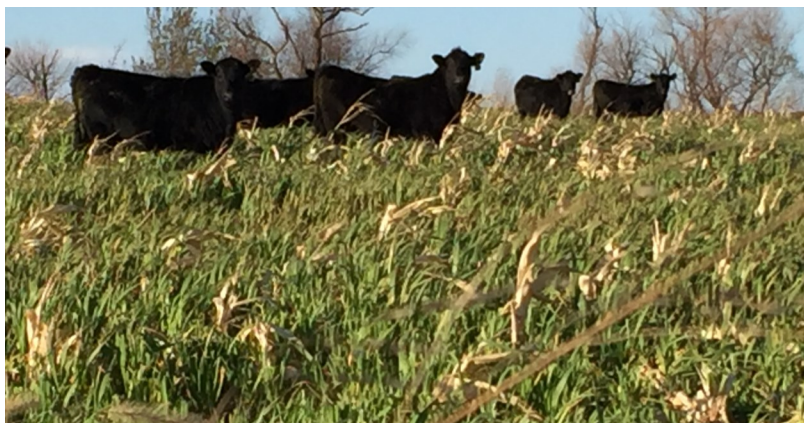
be divided between both operations. From my own experience, I have found that cover crops have consistently given my operation an additional 80-105 days of grazing on high quality forage.

In 2016, the last of my cover crops were drilled on September 25th. A mixture of wheat, turnips, radishes and kale were drilled after the corn harvest. On October 30th cattle were introduced onto the cover slowly to prevent bloat.

By November 5th these cattle were confined to cover crops only and have remained there to the present time without the need to supplement any hay. Cover crops will grow very fast in the early fall and produce a lot of good forage. Cattle becoming very loose is always a sign of a very proteinacious feed.

A producer will notice that cattle selectively graze cover crops depending on the stage of growth each different crop is in. The first crop that was consumed this year was the wheat and the corn fodder that remained from the harvest.

By November 8th, the turnips and other brassicas had over taken the wheat and became the cattle's preference. Turnips are high in protein and very digestible. When the cattle start on these brassicas the weight gains are extremely good. It is not uncommon for 5 weight calves to gain 2.5 lbs per-head per-day on cover crops without further supplementation. When background cattle are bringing \$125/cwt you can easily see how these crops can quickly add to the bottom line. At the same time, as these



Cover Cropping (continued)

cattle are gaining weight, the soil is being built through microbial action and cattle are depositing these nutrients back into the soil in the form of manure and urine. Therefore it becomes a win-win situation for the producer.

December 18th the turnips had been killed by freeze but there is still a lot of forage to be gleaned from the field. The cattle will continue consuming these tops and will also pull the bulbs from the ground and consume that as well.

This spring, when the wheat breaks dormancy, there will be at least another 30 days of grazing prior to the planting of



soybeans on this ground.

A final savings comes to the cattle producer when they calculate the amount of hay that has been saved.

Generally hay produced in the state is only marginal when it comes to quality and quite inferior to the nutrition supplied by cover crops. My operation figures @ \$25 per ton machine cost for baling hay. This coupled with any return on the land makes hay a very expensive commodity to produce for the nutritional value it produces.

There are challenges when it comes to grazing cover crops. The main one would be fencing and having water available in each area where cattle are to be placed. Compaction will also remain a concern unless careful management is used to pull these cattle off when the ground conditions are wet or mechanical tillage will have to be used to address this problem.

As both the row-crop operator and the cattlemen continue to recognize these benefits, combined with the current economics of farming, cover cropping will continue to grow in the foreseeable future.

Important Change in Replanting Rules for 2017

When a crop is planted and needs to be replanted, the same crop must be replanted until the end of the late planting period in order to qualify for replanting payments. For 2017, the rules will prohibit switching crops within the late planting period.

If a producer needs to replant a small percentage of a crop within the late planting period, they will be able to switch crops and revise the acreage report but they must insure the second crop planted.

This rule is for 2017. There is already considerable speculation that this rule will

change again for 2018.

In most cases this is positive change for producers. The only exception would be if an entire crop is wiped out.

Eliminating the first crop-second crop provisions during the late planting period will simplify the crop insurance process for most producers.

If you have any questions about this change please call us and we can explain this process in detail and how it would affect your operation.

From Dean's Desk

Senate Bill 641 makes certain loss income tax exempt

If you have received a loss payment from the Livestock Risk Protection plan (price protection) or the Pasture Rangeland Forage program since 01-01-2014 you will be able to exempt these payments from your Missouri income tax.

Certain other FSA and conservation payments received after 01-01-2014 also may be exempt from income tax as well. The largest of these will likely be the livestock forage disaster program. It will be important to visit with your tax preparer and bring this new law to their attention.

Eligible Crop Insurance Programs

PRF

LRP

Annual Forage Program

LGM

Eligible FSA Programs

Livestock Forage Disaster

Livestock Indemnity

ELAP

Emergency Conservation Program

NAP



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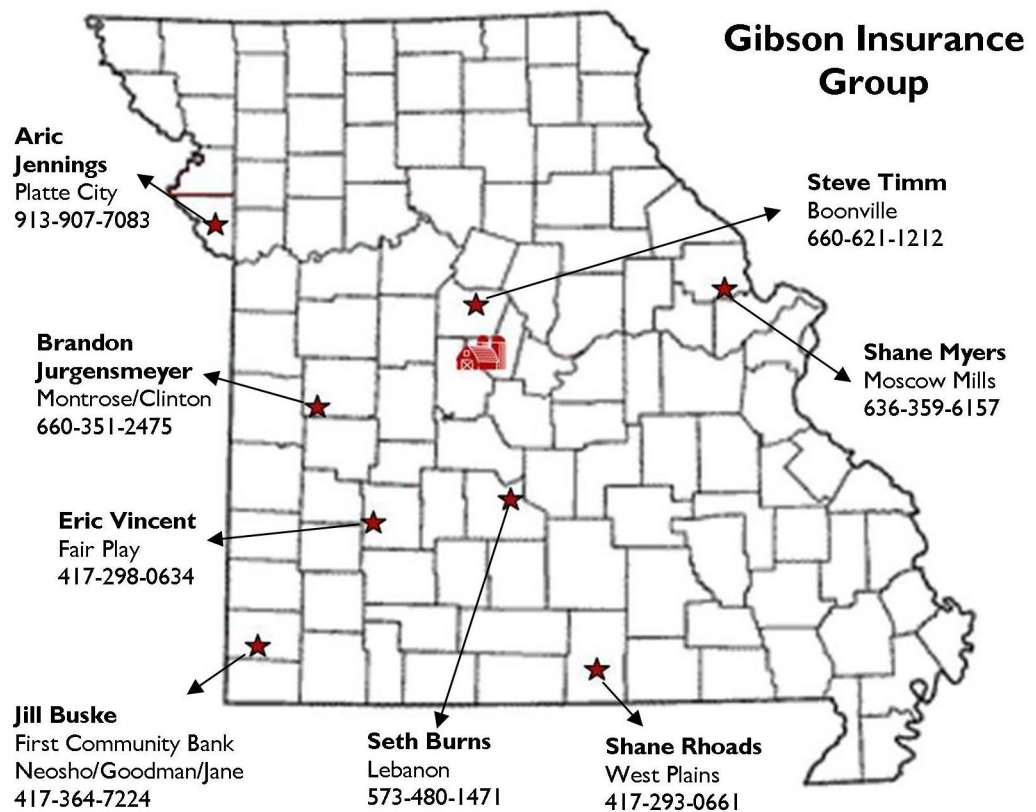
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Crop Insurance 2017



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