Gibson Insurance Group

"The Risk Management Specialists"

Livestock 2017

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Inside this issue:

GIBSON INSURANCE GROUP

337 Highway 50 East
P.O. Box 795
Tipton, MO 65081

Phone: 660-433-6300
Fax: 660-433-6315

Find us on Facebook
@gibsoninsurancegroup

Turning Grass into Beef

This week I found myself on Highway 71 near Savanah, Missouri. As I pulled into the driveway of Byergo Angus LLC, I noticed a sign that we should all take to heart. The sign read "*Cows turn Grass into Beef!*" Those five words reminded me of how many times I have taken my pasture and forage program for granted.

The truth is that for most producers the biggest limiting factor on our operations is the amount of forage we can produce. The trouble is that none of us have a crystal ball to see from year to year for how much rain we will get.

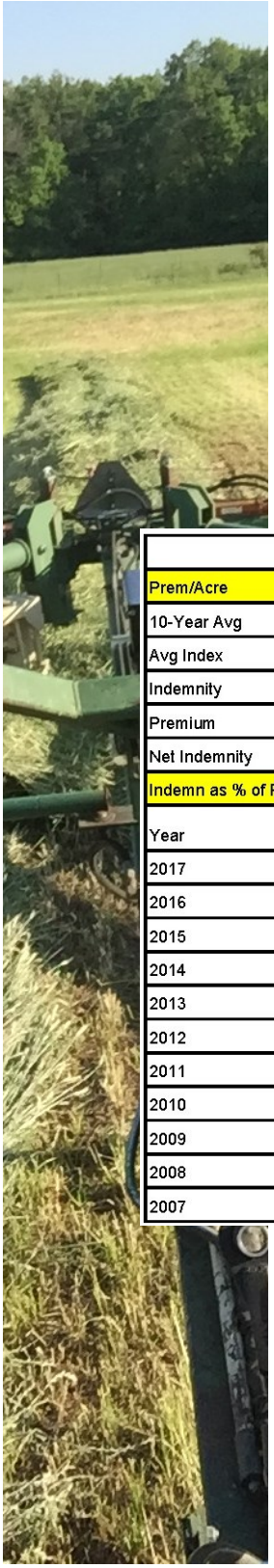
For the average year we can guess fairly close to what our stocking rates need to be. However, 2012 taught us what it is like to experience what happens when the rain just doesn't come.

Many of us found ourselves buying hay at exuberant prices, if we could find it at all. Some found ourselves in the position where we had to liquidate a portion of the breeding herd according to the feed that we had available.

Since the lessons of 2012, many professional cattlemen have enrolled in a risk management program called the Pasture, Rangeland and Forage program (PRF).

This program offered by the crop insurance industry is a highly subsidized product that protects producers against the lack of rainfall in their area. It insures that producers will receive 90% of their normal rainfall in any 60 day period that the producer picks. The cost of this product varies slightly depending on the months selected but will normally be in the range of $4 to $4.75 per acre annually. I have used

Turning Grass into Beef



this product on my operation since it became available and can honestly say that I would not consider going without it.

The strategies for using this product vary by producer depending on their operation's perceived risk. Let's look at three different operations and see how they use this product.

First is a producer from Randolph County. This producer has a cow-calf operation and chooses to cover his acres using 3 periods which cover all of the summer months; May/June, July/August, and September/October.

This Randolph County producer realizes that, without rain in these months, he will be feeding hay much earlier than normal. This could increase his costs of production if he was forced to find additional hay or feed. When visiting with him he stated that buying PRF coverage is the easiest management decision that he has ever made.

	MAY-JUN		JUL-AUG		SEP-OCT	
Prem/Acre	$1.12		$1.32		$1.71	
10-Year Avg						
Avg Index	108		96.5		101.1	
Indemnity	$12.48		$41.38		$35.35	
Premium	$11.20		$13.20		$17.10	
Net Indemnity	$1.28		$28.18		$18.25	
Indemn as % of Prem	111%		313%		207%	
Year	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre
2017	115.3	$0.00	-		-	
2016	91.9	$0.00	135.6	$0.00	89.8	$0.08
2015	149.4	$0.00	117.2	$0.00	35.7	$10.99
2014	71.9	$3.56	112.6	$0.00	144.3	$0.00
2013	114.8	$0.00	27.1	$12.36	79.1	$2.21
2012	44.6	$8.92	25.2	$12.73	131.8	$0.00
2011	100.2	$0.00	41.9	$9.45	18.5	$14.48
2010	140.4	$0.00	162.0	$0.00	117.7	$0.00
2009	96.7	$0.00	119.5	$0.00	153.1	$0.00
2008	133.0	$0.00	190.0	$0.00	190.1	$0.00
2007	136.9	$0.00	55.2	$0.00	76.9	$2.65

Randolph County
10 Year Historical Analysis

"Looking back over the last 10 years this coverage has been essentially free. In the three periods that I cover I have collected more in losses than I have spent in premium." Pulling up the historical analysis we found this to be true as well. This product is highly subsidized by USDA, thus it is a very cost effective risk management tool.

The next producer raises no stock but produces hay for a living in Greene County near Springfield, Missouri. He has chosen to insure in only 2 periods. April/May and June/July are the months that he chose for his operation. The greatest amount of forage tonnage is usually produced in the spring so he decided that April/May was a period where rainfall was critical. The June/July period would cover the crops need for regrowth for later

	APR-MAY		JUN-JUL	
Prem/Acre	$6.35		7.86	
10-Year Avg				
Avg Index	115.2		116.7	
Indemnity	$63.92		$102.43	
Premium	$63.50		$78.60	
Net Indemnity	$0.42		$23.83	
Indemn as % of Prem	101%		130%	
Year	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre
2017	195.6	$0.00	--	
2016	80.1	$11.81	95.8	$0.00
2015	111.7	$0.00	125.8	$0.00
2014	78.6	$13.59	104.3	$0.00
2013	127.6	$0.00	147.8	$0.00
2012	57.7	$38.52	55.9	$40.66
2011	185.4	$0.00	52.5	$44.72
2010	131.8	$0.00	118.4	$0.00
2009	126.4	$0.00	135.8	$0.00
2008	149.9	$0.00	227.2	$0.00
2007	103.1	$0.00	123.4	$0.00

Greene County
10 Year Historical Analysis

Turning Grass into Beef

cuttings. Without rain in the June and July period the tonnage and quality of later cuttings would be down significantly. He told me that "the row-crop farmers have had crop insurance for years to protect their operations in the case of drought. Until now the cattle and hay producers have had nothing. My livelihood depends on precipitation to produce a hay crop. If rain is short so is the hay. This is even more important when cattle producers are short as well and the demand for hay goes up."

The last producer comes from South Central Missouri. His operations are in three different counties consisting of Ozark, Howell, and Texas. This older gentleman is a producer that I have grown to respect as he always has a different idea on how things work.

His operation is a cow-calf business that has different herds on different farms. He has had the PRF coverage for several years but chooses to cover each period of the year. He explained his reasoning by saying that "dry weather is the producers biggest enemy in the cattle business. If you don't have grass you can't have cows. Droughts just don't come and last for 30 or 60 days, that is dry weather. Droughts are what we had starting in 2011 and running all the way untill September 2012. Many of the losses we felt in 2012 were because of the lack of rainfall of the previous year. Therefore, I choose to protect all the periods and know that if we are below normal on rainfall for any of my covered periods I will be getting a payment to help cover the increased cost."

What we have looked at is three producers, in different areas of the state, all using the PRF tool differently. The one thing they all have in

	JAN-FEB		MAR-APR		MAY-JUNE		JUL-AUG		SEP-OCT		NOV-DEC	
Prem/Acre	$ 0.74		$ 0.70		$ 0.48		$ 0.71		$ 74.00		$ 0.69	
10-Year Avg												
Avg Index	105		121.9		110.8		117.2		123.5		114.8	
Indemnity	$8.49		$7.85		$5.38		$10.69		$7.98		$8.41	
Premium	$7.40		$7.00		$4.80		$7.10		$7.40		$6.90	
Net Indemnity	$1.09		$0.85		$0.58		$3.59		$0.58		$1.51	
Indemn as % of Prem	115%		112%		112%		151%		108%		122%	
Year	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre	Actual Index	Indem/ Acre
2017	85.5	$0.40	241.2	$0.00	128.8	$0.00						
2016	51.7	$3.42	83.7	$0.75	136.1	$0.00	168.3	$0.00	112.6	$0.00	44.5	$4.06
2015	75.2	$1.32	87.2	$0.33	132.3	$0.00	183.7	$0.00	34.7	$4.94	279.3	$0.00
2014	54.8	$3.14	74.7	$1.82	92.8	$0.00	50.7	$4.68	109.4	$0.00	75.8	$1.27
2013	160.3	$0.00	110.6	$0.00	108.8	$0.00	176.0	$0.00	57.6	$2.89	107.4	$0.00
2012	125.9	$0.00	82.0	$0.95	40.4	$4.43	77.5	$1.49	122.2	$0.00	56.6	$2.98
2011	83.2	$0.61	222.1	$0.00	121.8	$0.00	122.7	$0.00	88.3	$0.15	153.7	$0.00
2010	101.1	$0.00	83.8	$0.74	95.1	$0.00	55.2	$4.14	125.5	$0.00	56.1	$3.03
2009	99.9	$0.00	116.8	$0.00	160.5	$0.00	137.5	$0.00	291.4	$0.00	77.3	$1.13
2008	160.3	$0.00	295.8	$0.00	140.5	$0.00	162.2	$0.00	164.6	$0.00	93.9	$0.00
2007	137.1	$0.00	62.6	$3.26	79.4	$0.95	86.8	$0.38	108.6	$0.00	90.9	$0.00

Texas County
10 Year Historical Analysis

Turning Grass into Beef

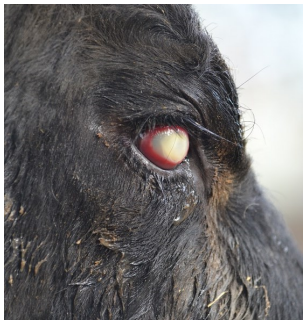
common is the fact that this coverage has been provided essentially without cost for the last ten years. The loss payments have been greater than the premiums over this time period. Keep in mind, there will be some years where there will be no payments, while, in other years, there will be payments that far exceed the costs of the coverage. I applaud the Risk Management Agency for subsidizing a product like PRF to give the cattle and hay producers similar coverage to what grain farmers have had for years.

Pinkeye

As I visit with producers across the country the subject of pinkeye in cattle seems to be coming up more in recent years than ever before. The outbreaks seem more severe and the resistance to the normal use of tetracyclines seems to be less effective in controlling this disease.

The economic costs of pinkeye are staggering nationwide. It is estimated that the cost in lack of production in the US is around 200 million dollars. In Missouri, this figure has been estimated at 18 million dollars. Tests have shown that animals with pinkeye tend to have 25-40 pound less weaning weight than non-affected animals. These figures alone are significant.

This year I have nearly 100 heifers in a background program that I am developing into cows. Keeping good eye health in a breeding herd is of upmost importance. I vaccinated these calves with the pinkeye vaccine when they first entered the lot and gave a booster to them again several weeks later. Even after the second round of vaccinations I still found an unacceptable number of breaks with pinkeye. Because this disease is so highly contagious, I gave the entire group a round of LA300. This antibiotic did only a marginal job of clearing up the problem. After a week, I had to pull several calves that showed no improvement and administered Zeprevo to clean up the remaining problems.



This has prompted me to research what is happening and how this problem can be handled differently. I have found that pinkeye can be caused by two different types of organisms.

The first and most common organism, Moraxella Bovis, is treated easily with long lasting tetracyclines. Prevention is done with the vaccines that we have used for a number of years with good results.

The new bug on the block is what I believe is causing our problems. This causative agent is Moraxella Bovoculi. This organism is resistant to the antibiotic treatments that most of us have used in the past. It also seems that the M. Bovis vaccine doesn't do an acceptable job in controlling this strain either.

Recently there has been a vaccine produced that controls Brovoculi. Veterinary professionals that I have

Pinkeye

talked to strongly suggest that producers with a history of pinkeye breaks add this additional vaccine to their cattle health program. From personal experience, I can attest that a preventive measure like this additional vaccine is much more cost effective than having to the handle and give additional antibiotic treatment to sick animals.

As you sell cattle this year, pay attention to the economic loss that your operations have had due to Pinkeye.

- Are blue eyes being cut out and discounted in the ring?
- Are these discounted animals as big as the rest of the herd?

The sale ring doesn't lie and I feel that we as beef producers need to maximize the value of every animal that exits our operations.

Low Stress Cattle Weaning

With the veterinarian feed directive being implemented additives such as AS-700, chlortetracycline, and tylosin will no longer be used on a regular basis. These drugs were effective in fighting off pathogens during the stressful times of weaning. They also continued to give a level of protection as they were generally fed to livestock over a long period of time. Today the challenge for producers is how to maintain animal health with out the use of these commonly used products.

Stress

Stress is a major factor in reducing an animals ability to fight off illness. The more stress an animal has and the longer the duration of this stress the weaker the immune system becomes to combat these issues. Therefore producers are looking at different ways to reduce stress on the animals especially during the critical times of weaning. Lets look at some of these practices and see how we might implement them on our operations.

Vaccination Programs

We are all aware of the importance of building a good immunity program in our calves but many producers wait too late to get the best effects from the vaccinations that we administer. One thought is to work calves early around 3 months of age then turn them back with the cows. These calves would then be given boosters 4 weeks prior to weaning. By using a program like this the calves immunity will be built prior to the weaning stresses.

Introduction to Feed

Four weeks prior to weaning, it will pay dividends to start creep feeding calves. This practice will train the calves to come to the bunk to eat. At weaning these claves will be familiar with their receiving diet thus reducing one of the stressors. It is important not to overlook nutrition during this time. Weaning / receiving rations need to take into account that the calves feed intake will be reduced during weaning thus, special attention should be placed on quality feeds during this period. The use of probiotics and prebiotics may also be introduced at this time to help prepare the calf's rumen for weaning. Without the use of antibiotics at this time some studies have shown the importance of

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)

Low Stress Cattle Weaning

stimulating the good bugs in the rumen to bolster the animals natural immune system.

Fence Line Weaning

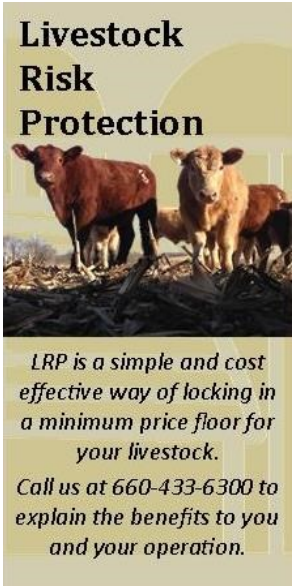
The practice of fence line weaning has shown to greatly reduce the stress on both the cows and calves during this time. Ideally the cows and calves will be moved to a new pasture at least one week prior to the separation of the cows. During this week the calves will become familiar with the location of water and feed. During the separation process, the cows should be removed leaving the calves in the familiar pasture. The cows will be moved to the adjoining pasture separating the calves by the fence. This sharing of a fence line will reduce the stress on both the cows and calves. Fences in this location need to be good and constructed in such a way that keep the calves from trying to nurse the cows through the fence. By using this method, bawling and walking of the pens, by both, will be greatly reduced.

For producers who purchase calves, it is important to get calves that have been through a good vaccination program and are used to eating feed prior to coming to their operation. If at all possible, purchase cattle off the farm. This will eliminate the stress encountered at the sale barn. Once a calf enters the livestock auction it becomes exposed to cattle from a number of operations. Thus increasing the possible exposure to a number of different pathogens. Stress occurs in the sale barn during loading, sorting, and penning that could reduce the calf's immune system making it more susceptible to disease.

Most times it is difficult to source cattle off the farm. So when cattle are purchased from auctions, it is important to keep them in small groups and not comingle them with a larger group for several days. This will give these cattle the ability to become accustomed to their new surroundings. During this time, the producer will also have time to evaluate the health of the purchased animals and treat any illnesses prior to incorporating them into the larger group.

There are numerous things that we can do as producers to limit the stress on cattle during this critical time. The important point to remember is that stress weakens the immune system. Without the use of feed grade antibiotics, it is important to do an even better job of making the calves transition as easy as possible. Good management and attention paid to vaccination programs will reduce the number of head moved to the sick pen, paying good returns to the producer.

PRF
NOVEMBER 15
Sales Closing
Acreage Reporting Due



Three Legged Stool

I often think the cattle business is like trying to balance yourself on a three legged stool when the legs are of different length. One leg being the cow-calf producer, the second leg being the backgrounder, and third leg being the cattle finisher. Most of times at least one, sometimes two, of these three segments are making money. The entire cattle business is seldom making money at the same time.

Most people who were finishing cattle in 2015 and 2016 will remember selling cattle at losses from $100 - $500 per head. At the same time, backgrounders and cow calf producers were at historical profit margins. This

Three Legged Stool

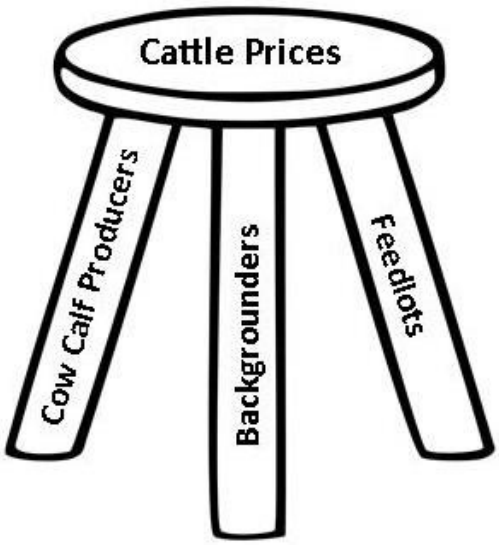
was probably the greatest price imbalance that I can remember. This was the perfect storm of low cattle numbers and high grain prices.

Anytime a producer starts a group of cattle there is risk. Risk of weather, health issues, and prices are all variables that producers have to juggle. Price risk is the most devastating and also the easiest to control.

In 2015 and 2016 the people who were feeding cattle had the choice to protect themselves from the downturn we saw in cattle prices. There were opportunities in most of these groups of cattle to pencil in decent profits while these cattle were on feed.

The same was true for both the cow-calf producers and the backgrounders. When calf prices were extremely high, producers had the opportunity to go out into the future and lock in these profits but few did.

The Livestock Risk Protection (LRP) program was the perfect tool to protect producer's profits during these times. This program does only one thing, it protects producer against falling prices in the cattle market. It is done on a per head basis and is subsidized at a rate of 13%. Therefore, it is affordable to producers.

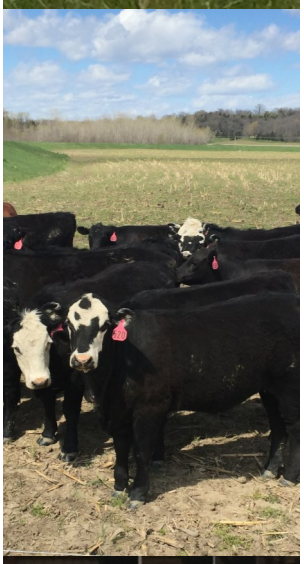


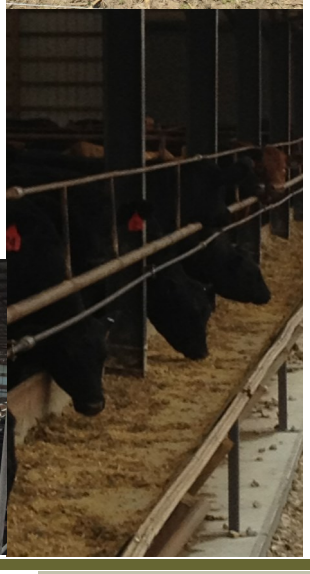
It is important in any business to produce a reasonable profit. To do this a producer can transfer the price risk to the LRP program and put a price floor under his cattle. By doing this, he can still take advantage of the market if prices for his cattle increase. On the other hand, if prices fall he has guaranteed a floor where prices cannot go lower. With this product there is unlimited upside price potential with no downside price risk.

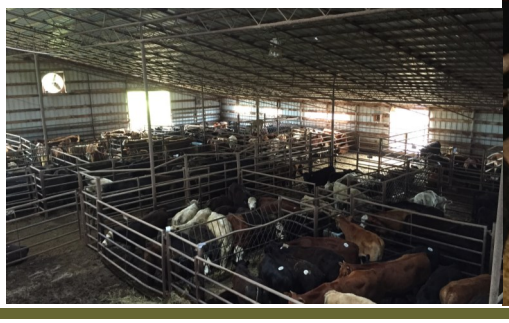
With as much capital as it takes to run a cattle operation today more and more producers are using LRP to take the price risk out of their operations. It is simple and easy to do. Producers must answer the following four questions in order to see how this program works.

1. What weight of cattle are you going to be selling?
2. What weight and price were they when you started?
3. What do you expect the cattle to gain per day?
4. What is your cost per pound of gain?

After answering these four questions, I would encourage you to call our office. We would be glad to show you what kinds of profits could be expected in your operation and how easy it is to eliminate the risk of a falling market .







GIBSON
INSURANCE
GROUP

"The Risk Management Specialists"

Main Office

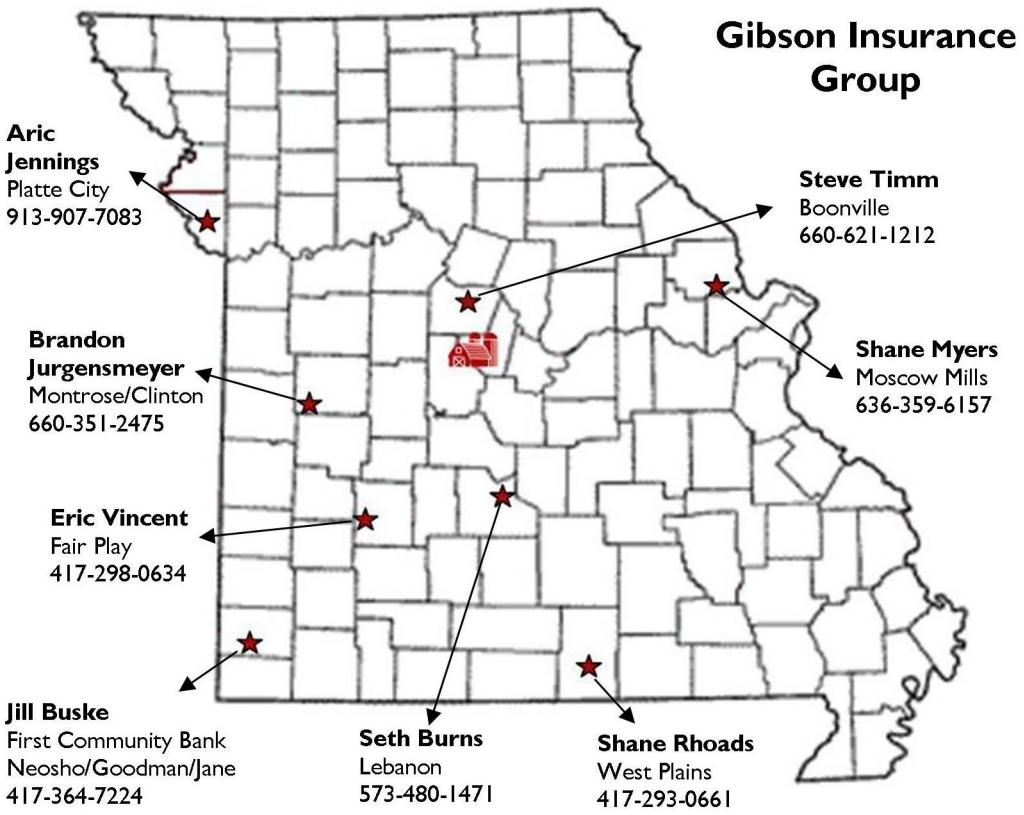
Dean Gibson
Brian Huhmann
Matt Rowell
Chris Lynch
Andrew Huhmann

660-433-6300

800-411-3972

gibsoninsurancegroup.com

Crop Insurance 2017



GIBSON INSURANCE GROUP, INC.
P.O. BOX 795
TIPTON, MO 65081