Gibson Insurance Group

"The Risk Management

Crop Insurance 2018

Volume 18 Issue 2 July 2018

2018 Initial Price Guarantees

Corn	$3.96
Soybeans	$10.16
Wheat	$5.02

Harvest Price

Wheat	$5.01*

**Projected price as of 7/25*

Inside this issue:

GIBSON INSURANCE GROUP

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

660-433-6300
800-411-3972
gibsoninsurancegroup.com

Find us on Facebook
@gibsoninsurancegroup

Drought Stressed Corn for Silage

Recently the USDA has declared 45 counties in Missouri disaster areas due to dry conditions. Although this dry weather does not effect every area, it does cover a significant portion of Missouri.

The current drought conditions and the below average hay production this spring has created significant demand for alternative forage sources. Reports from over the area have fescue hay selling for $65 or more per big round bale. With these current prices, livestock producers are looking at the drought stressed corn crop as an attractive alternative for livestock feed.

This week, we have received several calls from corn producers who are considering marketing their crop as livestock feed. Silage is the preferred way to use corn in a livestock system but some producers are considering mowing and wet baling the crop where silage doesn't work in an operation.

OPTIONS

Baling Dry Corn

We feel baling the corn and feeding it is the least attractive option for livestock producers. Baling dry corn forage will be of a lesser feed value and may have greater nitrate problems than other forms of harvest. The nitrate level of the corn may fall as much as 50% during the ensiling process but when corn is baled dry it does not have the moisture to make the nitrates change chemically. In feeding the dry product in an open pasture as much as 50% waste will be incurred as a feeding loss because the cattle will not consume the dry stalks. They will pick through the leaves and leave the stalks as waste.

Livestock Grazing

Even if the corn is high in nitrate, this crop may be able to be grazed. The majority of the nitrate is in the lower 1 foot of the stalk as a general rule. Cattle turned into a corn field will eat the leaves and shucks first and will not consume the stalk into the ground until they are forced to it. This is the cheapest means of handling drought corn but field fencing and water supply may be a problem. It is also important to check with professionals prior to turning cattle into drought stressed crops.

Baling Wet Corn

Baling corn wet and then tubing the bales in plastic wrap is a good way to handle this feed. It captures enough moisture that the

Drought Stressed Corn for Silage (continued)

bales will ensile in the tube, the nitrate levels will drop, and the stalk becomes more palatable for livestock. Baling this product between 50 - 60% moisture will help capture the best feed value and ensure the ensiling process.

Cutting for Silage

This is by far the best choice IF you are set up to handle a bulk product like this. Corn silage should be cut in the 60 - 70% moisture range if using a bag or pit silo and slightly drier if using an upright silo. Pack the silage very well, the key to a successful ensiling process is an oxygen free environment. Research has shown that drought stricken corn can still have very similar feed value to well eared corn when put up in this manner. Like the ensiled bales, the nitrate level of the corn put in a silo properly could drop by half in the ensiling process.

Taking to Harvest

The last option is taking the corn to harvest. This in itself brings up additional problems with quality. Poor quality grain is hard to sell and never gets better in the bin. On the bright side this is the easiest option to adjust but we may miss some other marketing opportunities.

As you well know the test weight of this corn will be very low and will carry some significant discounts when marketed. Another problem that we will face is aflatoxin.

Drought conditions, hot weather, and stressed plants are all prime conditions for the growth of aflatoxin. **This must be identified prior to harvest as it is not covered under crop insurance once it goes into a bin.** Samples must be pulled from each harvested load by adjusters or test strips must be left in each field to be paid for this peril.

Just a reminder, aflatoxin is a fungus that is very toxic and is the strongest naturally occurring carcinogen known. It can cause severe liver damage in humans as well as farm animals that consume feed containing this toxin. Aflatoxin is passed freely through the milk of lactating dairy cattle to their offspring or to humans. If you harvest corn containing aflatoxin at over 100 parts per billion it may not be marketable except to salvage buyers and in some cases where levels are too high it is prohibited by law from transporting it across state lines. To give you an idea of how small this level is: 1 part per billion is similar to 1 bean in a railcar load of soybeans.

Please use caution when handling infected grain.

How does Crop Insurance work for this ?

You must notify our office of your intention to cut silage or destroy the crop BEFORE doing anything. We will then contact an adjuster to make a field appraisal. At that time they will instruct you as to what will be required of you. They may come at a later date to examine the field and come up with a estimated yield of what the field will produce. A final appraisal will be signed by the

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Drought Stressed Corn for Silage (continued)

producer. That yield will then be deducted from your guarantee and the claim will be processed.

Once a final appraisal has been signed, the growing crop can be destroyed, grazed or cut for silage at the option of the producer. There is no charge or value held against the forage standing in field, it is the producers crop put to whatever alternate use they see fit other than to harvest for grain.

Silage or harvesting salvage corn is not for everyone, but it is important to look at the math.

Joe Farmer has a 125 bu APH and insures at 80% level.

His bushel guarantee is 100 bushels per acre times the minimum price of $3.96 per bushel or $396 per acre.

If his corn appraises at 10 bushel per acre he will be paid a minimum of $356.40 per acre.

If his corn made 6 ton of silage per acre at $50 per ton, he can add another $300 per acre.

With this scenario Joe Farmer will net $356.40 from his crop insurance and an additional $300 from silage for a total return of $656.40 per acre.

Value and Volume of Silage

According to an article written by Lester Vough, an extension forage crop specialist from Maryland, the value of drought stressed corn silage is nearly the same as well eared silage due to its higher protein and slightly lower TDN.

Iowa State and South Dakota Universities both have done research that shows the value of silage per ton should be 10 times the bushel price of corn. In other words if corn is selling for $6 per bushel then silage should be selling for $60 per ton. In our area, Central Missouri, $40 - 50 per ton seems to be the going rate. Ultimately prices will determined by geographic location and the demand from the dairy and beef industry.

If you are trying to guess the tonnage of silage for your fields, try this unscientific method. For every foot of plant height of barren (no ears) stalks figure 1 ton per acre. If your corn has little or no ears and is on average 6 foot tall then it should make 6 ton of silage per acre. The more ears and the more grain will increase tonnage considerably.

PRF
NOVEMBER 15
Sales Closing
Acreage Reporting Due

Nutrient Loss from Silage Harvesting

One of the concerns producers have when harvesting silage is how many nutrients are being taken from the land. According to a recent meeting regarding drought silage the following figures were presented.

For each ton of silage removed the following nutrients will be removed:

- *Nitrogen - 9.4 lbs*
- *Potash - 3.6 lbs*
- *Potassium - 9 lbs*

With the assumption that 0-46-0 is $630 per

Estimating Bushels per Acre / Corn

Based on 30" Row Spacing
30% moisture or less

Pick and husk all the **harvestable** ears in a row sample that is 17 1/2 feet long. Weigh the good ears and multiply by **14.3** to get the estimated bushels per acre.

This formula is not a valid calculation for crop insurance purposes but only intended for your use in yield estimation.

Nutrient Loss from Silage Harvesting (continued)

ton and 0-0-60 is $650 per ton and the corn produces 6 ton of silage per acre, $44.05 of fertilizer will be removed from the field. In other words, at these prices $7.33 of fertilizer must be replaced for every ton of silage taken off of your field.

Many producers worry about the amount of nitrogen that is being taken off. To me this is not an issue because nitrogen does not attach to soil particles and is very leachable. Even if we did not take the material off as silage we would still lose most of our nitrogen under normal winter conditions.

The best way to save this carry-over nitrogen is to plant a cover crop and tie it up in the plant over the winter. This can be done with various crops, including winter rye. If you are interested in cover crops there is a lot of material available and a lot of good research being done on this topic. I believe that in the near future, cover crops will be an integral part of most farms nutrient management plans.

Bushel Calculation Example

These samples were taken from one of our producer's fields. Using the method described above, we picked all the ears from 2 separate strips. Pictured at top are the ears collected from each strip and below is the harvestable ears from each sample. After weighing the good ears and doing the calculation, Sample 1 gave us an estimate of 15.3 bushel per acre and Sample 2 gave us an estimate of 10.7 bushel per acre. Keep in mind that this is just an estimate of what this particular field could bushel out. Quality issues were not factored in but there will most certainly be some.

Harvestable ears

Soybeans for Hay?

The current weather conditions around the 4 state area of Missouri, Kansas, Oklahoma, and Arkansas, have created a shortage of forage for livestock producers. As in 2012, livestock producers are actively looking for alternative forage options. We have been asked by some producers about the possibility of selling their drought stressed corn and/or soybean crops.

Even though we have seen a lot of corn that is hurting due to the dry weather, the soybean crop has been holding on pretty good for the most part.

The soybean is an amazing plant and handles drought stress very differently than does corn. It is said that soybeans can wait for a rain. In many cases this is true up to a point.

Soybean plants respond to stress by flipping their leaves over or in severe conditions the leaves will clamp together to protect the center of the leaf. During this period of drought stress soybeans will stop vegetative growth thus saving moisture and nutrient availability for the rest of the plant. At the same time root growth will be increased as the carbohydrates are shifted for the purpose of survival. When moisture is finally received the process will reverse and seed fill will continue.

The beans today still have good nutritional value. The protein content of bean plants today will still have levels around the 18% range with TDN values somewhere around 50. This might be compared to being similar to clover hay.

Beans contain a lot of challenges when it comes to harvesting for hay. If beans are cut and handled like a typical hay crop the results will be disappointing. The producer will find that during tedding and raking that most of the leaf material will be lost in the harvesting process. Porous bales full of stems will be left with a very diminished feed value that is still very susceptible to mold due to the porousness of the stem.

The best way to handle this crop if a producer is able, is to cut this crop as haylage and bag it or ensile it. This preserves the most nutrients and is the easiest way to keep the crop in good condition. Ensiled beans don't have the nitrate issues that corn has but also doesn't make near the tonnage either. The tonnage will not be as high as many people might guess thus making for some very expensive hay.

Personally I have never been a fan of harvesting drought stressed soybeans for hay. The reasoning behind this is the plants ability to overcome drought in late season and still produce a good crop.

It is true that during drought stress pods and flowers will abort from the plant. This process is reversed when moisture is received and many times the plant will continue to flower and set more pods even late into the growing season.

For the soybean producer the risk is to his potential revenue per acre. If a producer chooses to go ahead and sell his soybeans for hay we will submit a notice of loss. An adjuster will then either appraise the beans as they stand, basing the yield on the potential of the stand count or he will ask the producer to leave representative strips much like those left in the corn fields baled or chopped for silage. A producer could cost his operation over $300 per acre by cutting beans for hay at this time just on his crop insurance. It is impractical to think you can get $300 per acre from the sale of beans for hay.

The main reason that I will not consider cutting soybeans for hay is because of the chemical restrictions that are on many of the post emerge herbicides that we use when growing this crop. The cost of feed is irrelevant if it has negative effects on the livestock which will be consuming it. By using the hay or selling this product we must assume some liability by knowing what we sprayed on it and also the purchaser's intent of feeding it. If traces of these chemicals are found in milk or meat they will be traced to the source and I'm sure that will be costly to all parties involved.

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Protection from Drought

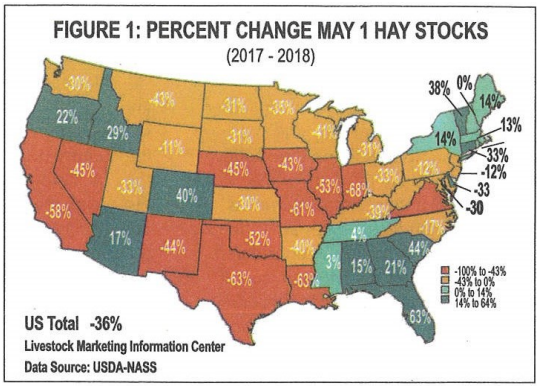
The long winter, cool spring, hot May, and the dry conditions since last fall have joined forces to make the perfect storm for livestock producers. Hay production is down and pasture conditions are deteriorating rapidly.

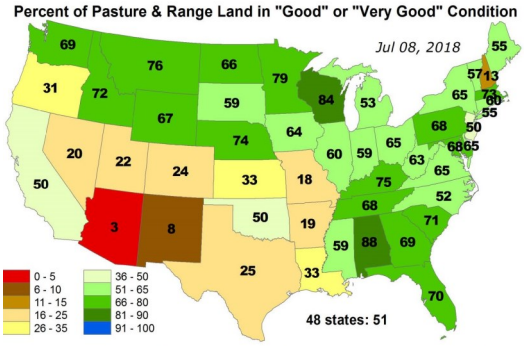
Missouri hay stocks are down 61% from last year. This is not just a Missouri problem as it is shared by many states in the region. Hay stocks in Texas are down 63%, Oklahoma 52%, and Kansas is down by 30%. A lot of producers are trying to gather enough hay to meet the bare minimum needed to go through the winter.

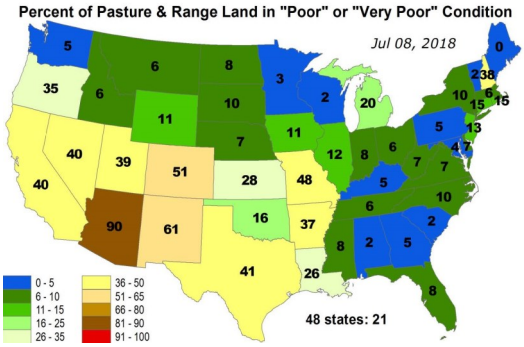
With hay inventories this low many producers are holding on to supplies that would normally be marketed thus the price of the forage available has increased significantly. Reports over the Central Missouri area have fescue hay selling for $65 or more per 5x6 bale. We would expect this number to go even higher if the current dry conditions continue to persist through the fall if you can find someone willing to sell.

My livestock operation is in same predicament as all of the other livestock operations around here. The winter was a long one. The cold wintery weather we had in April didn't allow my pastures and hay fields to grow like it would in a normal spring. I was also feeding hay till late April when normally the pastures are greening up and cows would rather chase the green grass. This used up all my carry over supply leaving me with no hay in storage.

To make matters worse, this spring, my hay production was less than half of what my fields would normally produce. Situations like what we are currently facing create this "perfect storm" where livestock producers are facing higher prices for forage and lower regional prices for livestock.







Source Climate Prediction Center / NOAA

Normally I would be down to three options and none of them are too appealing. One, I can go out in the open market and hope to find someone willing to sell hay. Two, I can hope that it will rain enough later this summer so I can possibly get a second cutting of hay off my fields. Finally three, sell part of my livestock herd to reduce the amount of forage needed for the winter.

For years I, like a lot of livestock producers, subscribed to the "wish and hope" method of managing financial risk on my operation. I *wished* it would rain and I *hoped* cattle prices didn't tank.

Since 2009 I have used a product that helps me mitigate the financial risk to my operation that dry conditions create. This product is a Pasture, Rangeland, and Forage (PRF). This is coverage that protects my operation from specific periods of dry weather. Anything less than 90% of the normal amount of rain will be a loss that is paid automatically with no need for an adjuster. It just shows up in my mailbox.

The coverage is relatively cheap at $5-6 per pasture acre. I can tailor the coverage to meet the rainfall needs for my operation. The most important thing is that it gives me is peace of mind. I had this coverage in 2012 and I made it through in good shape. I didn't have to sell any cattle that I wouldn't have normally. I was able to buy forage with the money paid to me from my PRF policy. In other words, my livestock operation was essentially as it was before the drought hit and that is all you can ask for with the protection given to me by my PRF coverage.

This product can benefit all livestock producers. Plentiful grass and plenty of clean fresh water that comes from rain is our cheapest source of feed. Contact this agency to have an agent explain how this product can help mitigate the risk to your operation from the lack of normal rainfall.

From Dean's Desk

Farm Bill Update

In recent weeks, both the House and Senate have passed their own versions of the farm bill. The differences between the two versions were due mainly to the work requirement placed on the food stamp program. The Senate version did not have these provisions. The House version did have a requirement that only certain persons were required to work or enter a job training program to receive these benefits.

This has ended up being a political hot button in Washington and has been divided along party lines. These two bills are currently in conference and a resolution should be hammered out prior to expiration of the current farm bill in two months.

The good news about both pieces of legislation is that it has not made major changes to the safety net that agricultural producers rely on. We do have to remember that this bill is not law yet and things can change while in conference.

Tariffs

Every producer is concerned with the recent actions that have caused prices of agricultural products to fall considerably since spring. These actions were taken by the administration to create free trade in the world. In many cases our products were taxed at high levels when exported to other countries while the products imported from that country were entering into our markets tax free. This is a practice that has gone on for many years and is now being addressed.

There are different points of view about this action on both sides but free trade is something that we have to protect to keep our economies healthy. As you already have seen, trade wars have a big impact on local prices. The tariffs imposed on the United States have been largely on ag products. The current administration has pledged support for the ag community and is working on programs to ease the pain of these tariffs.

On a recent radio program, US Agriculture Secretary Sonny Purdue was interviewed and stated that the administration was looking at the CCC program to help compensate farmers for losses caused by the trade war actions. This program has the ability to put up to 38 billion dollars into the ag economy. These funds would be more than enough to compensate producers for the current fall in prices.

Of all the commodities being hurt, pork and soybeans have been hit the hardest. The increased supply of pork in the market and it's decline in price will most likely put it in direct competition with beef for consumer's dollars. That may pull the beef market down as well. I don't have a clue on how producers could be compensated fairly in an economy where the substitution of product comes into effect.

The question becomes how will this program be delivered? When will the producers receive the payments and will it be equitable to all commodities that are affected by these tariffs? This program will likely be very complicated and may take some time to roll out. However, it is my hope that the short term pain will be worth the gain of free access to world markets.

Like all producers, I will be waiting to see how this plays out. Our ability to grow inexpensive food in this country is unsurpassed by any nation in the world. By having free trade, our markets should respond positively for the foreseeable future.

Livestock Price Protection

With the current fall in grain prices, cattle producers are being able to show some higher profits in the feedlots. Prices have held much better than I had expected on both the feeders and the fats. I would strongly suggest looking at the LRP program for cattle. I feel that this market may have considerable down side risk depending on the weakness of the pork market and the supplies of cattle later on in the year. Remember, this program only sets a floor on the price of livestock and leaves all upside price potential open for the producer to take advantage of.

With current weather conditions and volatility in the commodity markets, this program offers producers an opportunity to lock in a very attractive floor price for their cattle marketings.

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"The Risk Management Specialists"

Main Office

Dean Gibson
Brian Huhmann
Matt Rowell
Chris Lynch
Andrew Huhmann

660-433-6300

800-411-3972

gibsoninsurancegroup.com

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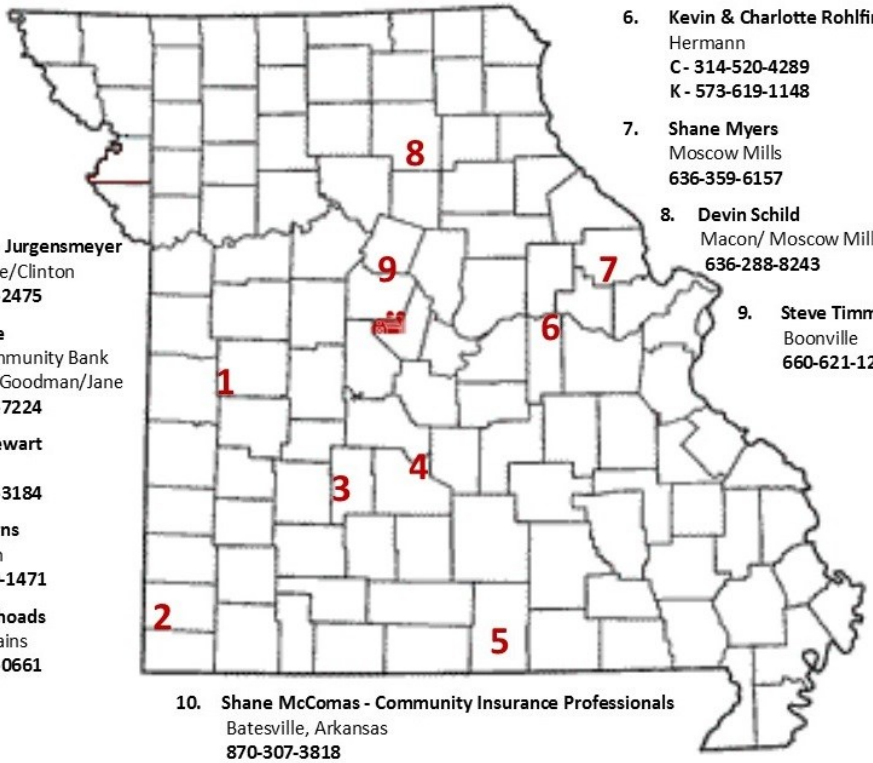

1. **Brandon Jurgensmeyer**
   Montrose/Clinton
   660-351-2475
2. **Jill Buske**
   First Community Bank
   Neosho/Goodman/Jane
   417-364-7224
3. **Katie Stewart**
   Buffalo
   417-839-3184
4. **Seth Burns**
   Lebanon
   573-480-1471
5. **Shane Rhoads**
   West Plains
   417-293-0661
6. **Kevin & Charlotte Rohlfing**
   Hermann
   C - 314-520-4289
   K - 573-619-1148
7. **Shane Myers**
   Moscow Mills
   636-359-6157
8. **Devin Schild**
   Macon/ Moscow Mills
   636-288-8243
9. **Steve Timm**
   Boonville
   660-621-1212
10. **Shane McComas - Community Insurance Professionals**
    Batesville, Arkansas
    870-307-3818

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