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MARCH 15

**(February 28)
(Arkansas)**

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

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**GIBSON
INSURANCE
GROUP**

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

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



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Crop Insurance 2019

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Market Thoughts

2018 saw grain prices erode to their lowest levels in several years. Going into 2019, we will have big supplies of grain and the continuing tariff standoff with China to contend with. Many of us are being challenged with cash flow issues. We have crops in the bins but so far most producers have been unwilling to send them to market due to the trade issues and the high basis. When all the news we hear is bad, it is not time to sell a crop as these factors have been built into the market.

In South America, Brazil is in the early stages of harvest. Their crop is considered to be big but not a record. Lack of rain at the end of the growing season has reduced production but they will still have a sizable crop. For the first time in history, Brazil has taken over a firm lead in worldwide soybean production. We have lost market share to this country that we will never fully recover. Political issues have helped them secure this position and without a disaster in that region they should hold this ground for the foreseeable future. They are still struggling with infrastructure issues but it is considerably better than it has been in the past. China, as well as other countries, have made huge investments in Brazil and this investment is starting to pay off with our tariff situation.

The United States still remains the leader in corn production worldwide. This is not likely to change in the near future. Our corn exports have been strong in 2018 and

will need to remain that way for 2019 to keep profitability in this country.

The good that can come out of low prices for grains is increased demand for fuel, feed, food or any other usage. At the beginning of the ethanol industry few people realized the potential of what we enjoy today. The same could happen to other grains as well.

Livestock prices have drifted lower throughout the year along with grain prices. This didn't allow most livestock producers to benefit from lower feed costs. The ones who did had very high basis costs for grain in their area. The producer that is diversified into both row crops and livestock is finding themselves in a better position this year. They have the ability to feed grain through their livestock instead of having to sell it into the market. Livestock has always been good from a cash flow perspective. When a flock of poultry or a



Market Thoughts (continued)



group of calves are started the producer generally has a good idea of when this group will be marketed thus giving them the income that can be used for other expenses.

In 2018, cattle numbers have seemed to level off a bit but both poultry and swine numbers have increased substantially. Exports of these proteins will be very important in the coming year to reduce increasing supplies.

China is having major disease issues in their pork complex. It is reported that these issues are widespread throughout the country and many animals are being culled to control this outbreak. This highlights the fact that in the United States, agriculture needs to be proactive in controlling the health of livestock.

This disruption in production should cause China to import large amounts of pork in the coming year or longer. China accounts for 53% of the world's consumption of pork as it is their protein of choice. They raise 50% of the world's pork but their production inefficiencies makes them unable to compete with much of the world. A good percentage of the pork that is raised in China is still done in the back yard setting. This type

of pork production is not nearly as cost effective as what we do in this country. It is also part of the problem that the country is having with African Swine fever (ASF). Instead of having central production facilities, the hogs are less concentrated making it much harder to identify, confine, and control the disease.

In the short term, ASF may cause China to increase imports of pork. Long term, it may cause the country to abandon much of these smaller operations in favor of larger operations that can have better health controls. This move to larger operations will also allow them to capture the efficiencies of scale that the larger pork exporting countries currently enjoy. This move, by itself, would be significant. In the United States the labor cost to produce a 100 pounds of pork runs between \$2-3. In China this labor cost is in excess of \$16 per 100 pounds of pork.

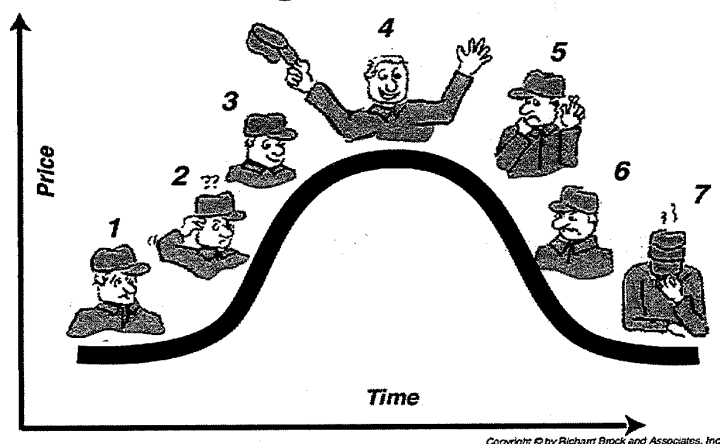
If the trade issues ever get resolved, the economic outlook for us looks promising. The question remains when this will be done and how long we in agriculture can wait. Like most producers, I am still optimistic about our markets in the future. Opportunities will arise in 2019 even though it looks bleak at the start. At this time of year, rarely are the markets at their highest points. We have to expect that they will rally as they have done in the past. Selling opportunities will be there for producers. China will still need grain. If the current crop conditions in South America persist, and if the tariff situation can get resolved, this could create conditions in which producers could market their grain. Some market analysts think we could realistically add a dollar to the soybean price if or when the tariff standoff gets resolved. When this will happen is anyone's guess. Agriculture is changing and there is more volatility in this business than ever before.

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Where are you?

7 Stages of Marketing



Straight Talk About Crop Insurance

Crop insurance is the most important and most effective risk management tool we have in our tool box. The newest farm bill has again provided continued support for this program with relatively few changes. The reason this program works so well is because of the premium subsidies provided from the USDA. Depending on the elected coverage level, these subsidies can run over 50%. Even at an 85% coverage level these subsidies are significant making the purchase of crop coverage an affordable and cost effective tool to cover costs. Without the support of the USDA these programs would be much less attractive and much less affordable.

Crop insurance allows producers to protect both yield and price for their crops. The addition of the harvest price option, which all of our customers have, allows producers to always get the higher of either the spring or fall price to establish their guarantees.

How should crop insurance be used in an operation? In my opinion this product should be used and purchased to cover the variable costs of production on an operation. In most cases this is done by purchasing the 75%-80% level of coverage depending on the crop and the operation. If a producer has a higher debt load or a lower tolerance of risk even the 85% level is sometimes chosen.

This product does not replace the need to have and execute a marketing plan. In this industry there are all sorts of products available that can give the producer an extra 10% coverage or 50 cents per bushel. In every case, these extra products come at a price that is seldom advantageous to the producer.

Any time a product is sold over the 85% coverage level the product is not being subsidized. The insurance company will be charging the producer the full premium for the option while also building in considera-

ble profits in case the markets move against them. In short, these are seldom a good buy for the producer yet many people in this industry will push them in hopes of increasing their profits or commissions. I wish there was a magic product that we could offer that would guarantee that each and every one of you could make big profits every year. The problem is that this does not exist. If anyone tells you otherwise be cautious.

I know that marketing any commodity whether it be grain or livestock is not the favored job of most producers. We have all heard horror stories about margin calls and other unforeseen problems when producers try to market on their own. The problem is that most of us have not taken the time to educate ourselves on what products, outside of insurance, are available and how they can work for our operations. It is very possible to add significant income to the bottom line without having to buy expensive products or put an operation into a high risk position.

We have contacted the University Extension, a couple different brokerage companies, and some grain companies to all work together to provide producers with some educational information that will help you do a better job of mar-

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Livestock & Farm Protection

8 Steps to a Successful Marketing Plan

1. *Establish realistic goals*
2. *Identify your decision making environment*
3. *Identify your beliefs*
4. *Develop a price outlook*
5. *Consider cost of production*
6. *Consider risk-bearing ability*
7. *Avoid emotional decisions*
8. *Don't let ego get in the way*

Richard Brock
"Grain Trading—Basics of Fundamental and Technical Analysis"



Straight Talk About Crop Insurance (continued)

“Don’t listen to what the news says is happening. Learn to listen to what the news says should be happening, then see how prices respond to that news. That is how you can use the news in a beneficial way.”

Scott W. Stewart
“New Times, New Rules
Take Control of Your Farm
Marketing”

keting your commodities.

My goal is to keep this very simple. We need to understand hedging, using puts and calls or contracts. We need to know how these products work and what risks are involved.

We also need to look at cash grain strategies. What is a basis contract? What would happen if I don’t raise enough grain to fill my contract? We should also explore if there are other outlets, other than the ones that we are currently using, to sell our grain or livestock that could increase the amount we receive for our products. Looking at historical markets are also important. Which months tend

to have the highest prices? What months generally have the lows?

If these short series of meetings are something that might interest you please contact us. We are in the planning stages right now about the subjects we would like to cover. These will not be sales meetings. These will be informational and educational programs designed to help producers with limited or no knowledge about these marketing tools. I encourage you to participate with us in these meetings and together we can all learn some new ideas and strategies.



Feeding Cattle in Winter Conditions

Last week’s storm that dropped a foot of snow across the area made for some additional management concerns for beef producers. Moisture, cold temperatures and winds all effect the beef cow’s energy requirements. This is why producers always like to see cows go into the winter with a body score between 5 and 6. With this score, cows are able to compensate for short spells of bad weather without a producer having to supplement the diet

during these periods of bad weather. If there are cows that don’t meet this score they should be separated and feed separately to get them to this level rather than let them enter the winter in a lesser condition.

We can add all the additional forage that a cow will eat and sometimes never fulfill their nutritional needs. In cas-

es like this we should seriously consider adding additional energy in some form whether it be range cubes or additional feed. This is especially critical in the post calving and early breeding seasons when the animal’s nutritional needs are at a high level.

We have all heard the term “hay burner”. This refers to the times when cows are stressed by cold and wet weather and require additional feed in order to stay warm. The feed that does the best job of fueling body heat is hay or forage. In times of high stress, cows will increase their hay consumption substantially in order to deal with wet and cold conditions. While grain or grain concentrates will provide the same energy as forage it does not supply the same amount of boost when it comes to fueling body temperature.

This year with short supplies of hay and hay that is lacking in nutritional value, many producers are finding themselves



Feeding Cattle in Winter Conditions (continued)

needing to add some energy to their cow ration. Tubs are the convenient choice for some producers. These contain 20-40% protein and supply minerals and energy to the diet as well. The main issue with using tubs is that over a long period of time they can become costly in comparison to a grain protein supplementation program.

Hand feeding cows is not without its issues either. When a producer chooses to use this method they are committing to additional labor and additional equipment, troughs, cake feeders, self-feeders and grinder mixers, etc., that they might not otherwise need.

For my operation I have made the decision to make this investment and commitment. Mixing my own feed gives me the flexibility to adjust the ration as conditions dictate. I feed DDG's and ground feed wheat on a daily basis in order to augment the nutritional needs of my cow herd. I feed them what they need not what they want. By making my own ration, I have the ability to add Bovatec or another ionophore to help our cows digest the lower quality forages that we are feeding them.

A couple of weeks ago we were "blessed" with a foot of snow creating wet and cold conditions. About a week after the snow hit, Mother Nature gave us both considerable rain and windy conditions. These are the types of conditions that really affect a cow's energy requirements. This caused us to look at our supplementation program and increase the levels of nutrients considerably.

A cow is comfortable at 32 degrees when she is dry and out of the wind. Any wind at this temperature will make the air temperature even colder and the animal will need additional nutrients to fight the cold. If it is 32 degrees but the reported wind chill is 20, we would need to add 1% of

additional nutrients for each degree it was below 32 degrees. In this example, the animal's energy requirements would increase by 12%. It is important that producers don't radically change rations on a daily basis based on that day's weather condition. Instead, when significant weather events are about to occur or are in the process, a producer should gradually increase the energy supplied to the stock to offset these additional nutritional needs.

Cold weather is easier for livestock to handle than wet weather. When an animal's hair coat is wet and they do not have access to shelter, the critical temperature raises from 32 to 59 degrees. With these wet conditions the nutrients needs double. That means that the nutritional needs of the animal increase by 2% for each degree it is below the critical temperature of 59.

The other day it was 32 degrees and raining. The reported wind chill was 19 degrees. A miserable day for livestock as well as all of us having to work in it. To figure the energy needs of the cows we would take the critical temperature of 59 degrees and subtract the wind chill of 19 this would leave 40 degrees. Taking into account that when the hair coat is wet we need to add 2% of energy for each degree it is below the critical temperature, the cow's energy needs would have increased 80%.

Both Oklahoma State and Nebraska Extension have very good information available on the web concerning beef nutrition. Additional information on feeding cattle in cold weather can be found at your local University Extension office or by contacting one of their beef cattle specialists.

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)

March 15 is the deadline for spring crops

(February 28 is the deadline for Arkansas)

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Opportunity for the Small Beef Producer by Jared Royer Cattle Visions

I'm guilty. I've said it myself. "I'm just a small beef producer. I can't compete with the big boys." Many of us feel this way at times and fear creeps into what may happen in the future. Several of you remember the transition and change in the swine industry. So, what about the Beef Industry? How do we fit in and how do we compete?

There are plenty of uncertainties, but we can depend on one thing for certain.... CHANGE! Change comes faster than ever before with technology and rapid/immediate communication. Ideas and vision can be put into action almost immediately. In some ways rapid change creates anxiety, but in other ways it creates opportunity.

At Cattle Visions, we believe the "small" beef producer has more opportunity than ever before. With the advancement of genetic testing, information processing/transfer, and communication, your genetics can be proven and disseminated throughout the beef industry. No more as a seedstock producer do you need to feel frustrated when you raise that outlier bull or heifer knowing you can't be seen or heard. No more as a commercial producer do you need to feel frustrated when not capturing the value from the investment you've made in genetics, health, and traceability of your calves. The opportunity exists for independent beef producers to profitably develop, share, promote and advance their beef cattle through teamwork. At Cattle Visions, we exist to create that opportunity for you.

Some have asked, "Is this for real"? Here are a few analogies to think about. Many of us witnessed Walmart moving into small towns, drying up small business, and making suppliers give huge price concessions for shelf space. We didn't see what could be done for small businesses to compete. Then Amazon happened. Now any independent business or individual with a product or service has a system and a voice to make the consumer aware of the value they bring to market. The small business can compete.

As recent as 2013, to be a cab driver in New York City, you needed a medallion valued at \$1.3 million per medallion (medallions are issued by the city to control the number of cab drivers). In 2018, medallions were worth just \$160,000. Why? The advent of ride-hailing apps like Uber have allowed anyone with transportation to compete. The individual car owner can compete.

With AirB&B, the average home owner can compete with large hotel chains. Air B&B makes the individual's home available for rent to virtually the whole world. Prior to this system and technology, how would the individual home owner have a voice among the big hotel chains? The rapid change and improvement in technology has given every individual an opportunity to compete.

Hopefully at this point you are asking, "Is this something I can do in the Beef Industry?" It is, and it won't cost you more money! It will cut your expenses and increase your revenue long term. It may require a change of habits and traditions, an increase in teamwork, data collection and information sharing to participate. Our system will allow seedstock producers to prove and promote their genetics by working with their commercial producers. Commercial producers will share in the value of the genetics they prove by helping their seedstock supplier collect data. Cattle Visions will take the proven data on the genetics and make it available to all in the beef industry. No more will the best beef genetics be monopolized and controlled by a few large genetic/semen companies. Independent beef producers will prove and own the genetics that move the beef industry forward.

Opportunity for the Small Beef Producer by Jared Royer Cattle Visions

You may ask, "Is this something you will help me with"? That is why we exist at Cattle Visions. If you have interest in learning more, please contact me at jared@cattlevisions.com or call our office at 866-356-4565. We look forward to helping you take advantage of this opportunity. Don't let fear keep you from leading the change!

Remember.... We don't create our futures. We create our habits. Our habits create our futures! Let's create habits in 2019 that create the future you want.



Farming the Way Grandpa Did

It is fun to think about the way the previous generations farmed the lands we do today. In just my short life time we have seen changes that we could not have imagined even 20 years ago. Hanging on my office wall is a 4 horse hitch that was used by my parents when they first started farming. I like to think back on the stories of them using an "A" John Deere and an "H" Farmall to plant and harvest the crops. Below my shop still sets the first combine that I remember on the farm, an old Massey Harris with a 6' head that was powered with a Wisconsin engine.

My how times have changed. Over 15% of all the land planted in this country today is done with some type of precision agriculture. Why is the industry moving this way? It is really a simple matter of economics. With input prices remaining fairly steady, including seed, fertilizer, fuel, land, chemicals, and commodity prices remaining low, this boom in technology will help make farming more efficient and in-turn, more profitable.

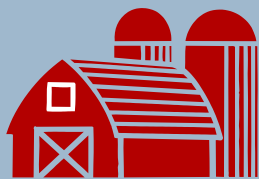
This all started in the 1990's with the emergence of GPS guidance for tractors. This allowed producers to eliminate overlapping of applications of seed, chemicals, and fertilizers. Then as the precision technology evolved, there was the introduction of variable rate application. There is a

tremendous amount of data available to producers that break individual fields down into specific areas of need based on soil types, nutrient availability, and even prediction of insect and weed pressures. This has allowed producers to accurately apply seed rates, nutrient application, and chemicals using the actual field data collected for each specific field in their operation.

The crop insurance industry is adapting to these new technologies just like producers are. Today we can use the planting data to completely fill a producer's acreage report with just a simple download of his planting data. The actual planted acres are much more accurate when they are taken from this system. There are many times that producers are over or under insured because the acres that are reported are based on FSA maps or data of a field rather than what was actually planted.

A situation arose recently on some river bottom





**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 2019

Farming the Way Grandpa Did (continued)

farmland where a producer had to plant around some wet areas in the field. Initially we did not think this would have reduced the planted acres very much but in reality it turned out to be a significant difference. By using the producer's precision data, it both reduced the acres that he paid premium on while at the same time increased the yields per acre on the production report thus giving him a higher guarantee.

Currently the crop insurance industry has not used these new technologies for loss adjusting. There are still issues to be ironed out involving, among other things, complex calibration rules for harvest machinery that must be followed. Meanwhile, accurate harvest records are still important. With these records we can help producers break out yields by fields

and sub-units depending on their needs.

Our agency, as well as our parent companies, are all committed to adopting these new technologies in order to better serve the ag community. This agency is currently in the process of setting up a data center at our office that will help producers store and manage the data that they collect on their operation regardless of the type of system that they use. This is just the first step of what is coming in the future.

Just like Grandpa's farm, this industry will change rapidly. With anything new, there will be a learning curve to handling and managing all this data. To remain top producers we will need grasp these new technologies and learn to reap the rewards that the data can provide.



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