

**Gibson Insurance
Group**

*"The Risk Management
Specialists"*

**2019 Initial
Price Guarantees**

Corn \$4.00
Soybeans \$9.54
Milo \$3.94
Wheat \$5.72

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Crop Insurance 2019

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May 2019

2019 A Year to Remember

2019 will be a year that we all will remember for quite some time. Here it is only May and we have had enough drama with markets, weather, planting issues and politics to last us for several more years.

In the past we have always been able to trade the markets and come up with a marketing plan that had the possibility of turning a profit. With the large stocks on hand this year and the trade war dragging on I see little positive news for the rest of the year to help boost markets. This is a year that I don't know how to fight.

2019 might be the year that the producer who thinks outside the box might be the one that is the most successful. With cash prices around mid \$3 for corn and \$7 something soybeans there is little opportunity for the grain producer to show a profit on a cash grain operation.

What if we did something different? In 2018, going into winter the forage supplies were low and the weather was harsh. This has caused us to go into 2019 forage season with the lowest hay supply in modern history. Could there be an opportunity to plant and harvest forage crops rather than soybeans this year? This will depend greatly on your location, forage market and the density of livestock in your area.

As I continue to run budgets this year I see better opportunity to show decent profits by selling hay and forage crops than grain crops. Even in late April, grass hay was selling for \$130/ ton and corn stalks were still bringing \$60 per bale in some parts of the state.

According to extension research, it would be very practical to get 3-4 tons of dry matter of forage per acre in Missouri. On the as-fed basis, this could easily increase to by another 20%. Recently one of my producers shared with me his budgets for this year. He is planning to plant millet, hybrid sudan grass, and a few other summer annuals. He has spent some time and effort this spring to market this year's expected production to cattle producers in his area. With his dry hay sales he is projecting to gross \$600-\$700 per acre on his expected production. He will also have the option to market some of his production as silage as well.



In the past many of us have raised silage to be used in our own operations or for operations that were very close by. While silage is a great source of quality forage it also comes with its challenges. Like all commodities, handling and transportation costs can eat at profit margins and silage is no different. Even

2019 A Year to Remember (continued)



**Pasture,
Rangeland, and
Forage**

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

at modest distances it is hard to transport silage efficiently enough that it won't drastically affect your profit margin.

Dry hay on the other hand is much easier to handle and can be moved further distances much more cost effectively. In this area, producers generally use 5x6 big round bales which are the hardest to move. But only a short distance away we see that most producers are using the 4x4 round bales or the big 3x3 square bales. We all have seen the semi loads of hay on the highways. If you look closely you will

see that they are hauling either one of these two sizes of bales. Why? Because they are much easier to handle and they will fit on the trailers without being an oversized load. The best method of production would be to use the big square bales. These bales transport the best but, like any baled forage, would be better stored under roof to reduce loss.

Regardless how we handle forages the important point here is that selling forages this year may be a more profitable business than growing soybeans or corn this year.

PRF
NOVEMBER 15
Sales Closing
Acreage Reporting Due

Precision Ag and Crop Insurance

The use of precision technology and the data collected from it in agriculture has been steadily growing for the past decade or so. The amount of data that can be collected seems endless. Many of us ask ourselves, now that I have this data what can I do with it? How can I utilize it to make my operation more efficient? The data collected by this technology can be very useful for producers. It can be used for many things, from tractor diagnostics, for variable rate planting and fertilizer application, to

getting instant yield data from a combine during harvest. These practices can make operations more efficient and increase yields which can bring real value to an operation.

Here at Gibson Insurance Group we are wanting to bring you more value from your precision agriculture equipment by allowing you to use that data for crop insurance. We are working hard to be at the forefront with the relationship between these industries to help make your operation more efficient. With that said, we are thrilled to see the commitment that our partners have made and the progress that we have already seen.

Starting with 2019 plantings, you will now be able to use your precision planting data off your tractor's monitor to use for your Acreage Reporting. Using this data will save you time filling out your acreage report. It will also ensure that your acreage report is more accurate. For example: If the FSA CLU data says that your field is 40 acres, but you only plant 37.9 acres in that field, you will only take out insurance on those 37.9 acres. This will also make your yields more accurate because you are dividing your bushels over the 37.9 bushels that were actually planted and not the 40 acres your FSA CLU data says the field is.



Precision Ag and Crop Insurance (continued)

The process to utilize your planting data for acreage reporting is simple. We will need an email address from you to associate your policy with your email. Once we do, you will be able to register for an account. Once you complete planting, you export your planting data on a thumb drive and upload it into your account (we can help you with this if needed). Once completed, our maps will automatically populate with Crop, Plant Date, and Acres. When we have this information, we can then print a pre filled acreage report for you to verify its accuracy and sign.

If you are interested in using this new technology, please provide us your email by calling the office or emailing Chris@gibsoninsurancegroup.com. We will then be able to get you set up to utilize this for 2019 plantings.



Preventive Plant - What should we do?

Preventive plant or (PP) is one of my least favorite tools in the crop insurance policy. This program is greatly abused by many to try to take advantage of the system but it seldom works. In all reality it ends up costing the producer in the long run.

To claim PP on your operation you **must** turn in a claim to the office no later than 72 hours after the Late Planting Period ends in your county. Producers who wait until after this time to turn in PP claim may not be accepted for this coverage. When a PP claim is turned in it is not necessary to know the number of acres in question. The adjusters will work with the producer to total up the PP acres of the fields and wet spots. Sometimes producers run out of eligible acres and the adjuster will move PP to another crop and use some of its eligible acres to help the producer get the best benefits.

What is PP for?

Preventive plant is a tool that is used to give a percentage of the guarantee back to the farmer in times when planting is impossible. When taking PP, the important thing to remember is to use the option in a fashion that protects your APH history. All of your crop insurance guarantees are based from your yield history (APH). This history follows the farm for a minimum of 10 years and could be much longer depending on your rotation. This is why PP is a tool of last resort on my operation

If a producer is taking PP here are the best options.

- Take PP and claim 100% of PP payment and do not plant or harvest anything off this ground for the rest of the crop year
- Take PP and claim 100% of PP payment and plant the acreage to a cover crop as per the policy and not harvest this crop in any way until after November 1.

Neither of the above options will hurt your yield history. These are the only two options that I would consider on my operation.

Let's use corn as an example. Here is some examples of how it would work.

If I did not get all my corn planted due to insured causes here are my options:

Preventive Plant - What should we do? (continued)

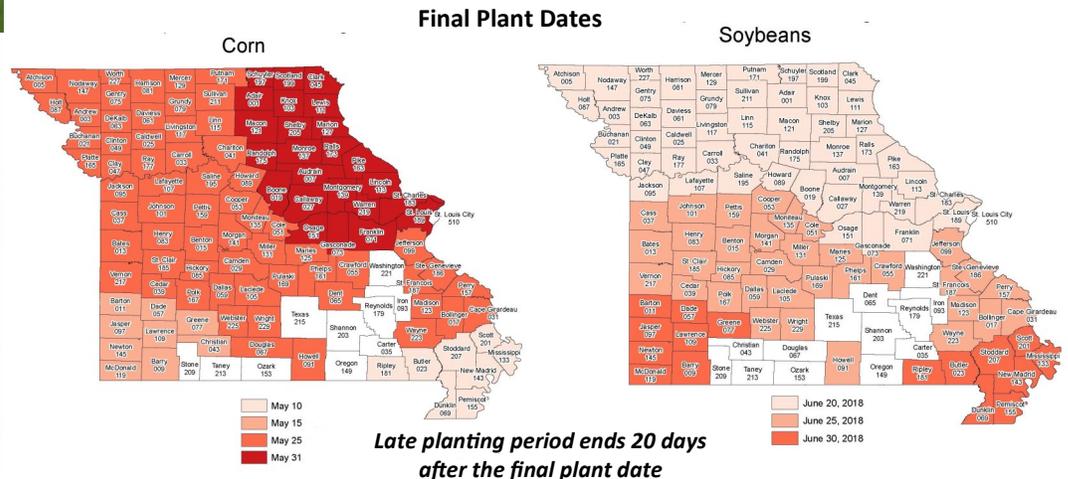
1. Make a claim for PP on the remaining acres and not plant any other crop on this ground for the rest of the growing season (Black Dirt). I would collect 55% of my corn guarantee (100% of PP payment) on those unplanted acres. By leaving the PP acres as "black dirt" and NOT planting another crop my APH history would not be affected by PP. ***good option***
2. Claim PP and switch to a second crop. In this example I would get 35% of my corn PP payment and plant these acres to soybeans and fully insure them as a second crop. This would hurt my corn APH.
3. Switch to soybeans or another crop and NOT claim PP. This would allow me to have full protection on my soybeans or other insurable crop and would protect my corn APH history. ***good option***
4. Claim PP on corn and plant a second crop which would be a forage crop. This would allow the producer to take a 35% PP payment and be able to plant the forage crop and then harvest it at any time. The corn APH will still be affected.
5. Claim PP on corn and take 100 % PP payment then plant a cover crop. This crop CAN NOT be harvest or grazed prior to November 1. This would have no affect on the producer's corn APH. ***good option***

***** Important Note*****

Do not plant the crop that was prevented from being planted as your second crop

We are all in the same shape when it comes to being low on forage. Many people have asked about taking PP payment of 35% on corn and then planting those acres to silage of some type. There may be a few examples where this would work but I would suggest against it in all but the most extreme cases. If this is an option that is chosen it is of great importance to visit with us about what crops can be planted and when harvesting will be allowed.

I know the temptations that many producers have of wanting to stretch the rules when it comes to preventive planting. If you have a question about your operation, call and lets discuss it prior to making the wrong move.



Replant FAQ's

With the wet conditions we have all experienced this spring, getting the crop in the ground has been troublesome. If the crop has been planted, all of this precipitation has caused many of us to question if we need to replant. Below are some commonly asked questions about replant.

Q: How does replant work with my crop insurance policy?

A: Crop insurance pays for every acre replanted after you meet the "20/20" rule. You must have to replant at least twenty acres of a crop in a unit or twenty percent of that unit. For example: If Bob planted 70 acres of corn in a unit, he must have to replant fourteen acres to be compensated for replanting.

Note: if you have the additional replant option on your policy, there is no limitation on the number of acres needed to qualify to replant.

Q: When do I need to call to let you know I need to replant?

A: If you are scouting fields and you think there is at all a chance you may need to replant, give us a call so we can enter a replant notice on your behalf. An adjuster will then contact you to go over how to proceed. Please wait to hear from an adjuster before replanting. If the crop ends up coming up and looking great, we can always close a replant claim.

The simple answer to this question: the sooner, the better.

Q: What does replant pay?

A: This amount varies by crop. The calculations for each crop stay the same from year to year.

*Corn - Eight times the spring price guarantee (\$4.00): **\$32.00/acre***

*Soybeans – Three times the spring price guarantee (9.54): **\$28.62/acre***

*Grain Sorghum – Seven times the spring price guarantee (3.94): **\$27.58/acre***

Q: When does it pay?

A: Replant payments are made once the producer submits their acreage report and we input the report to the appropriate AIP.

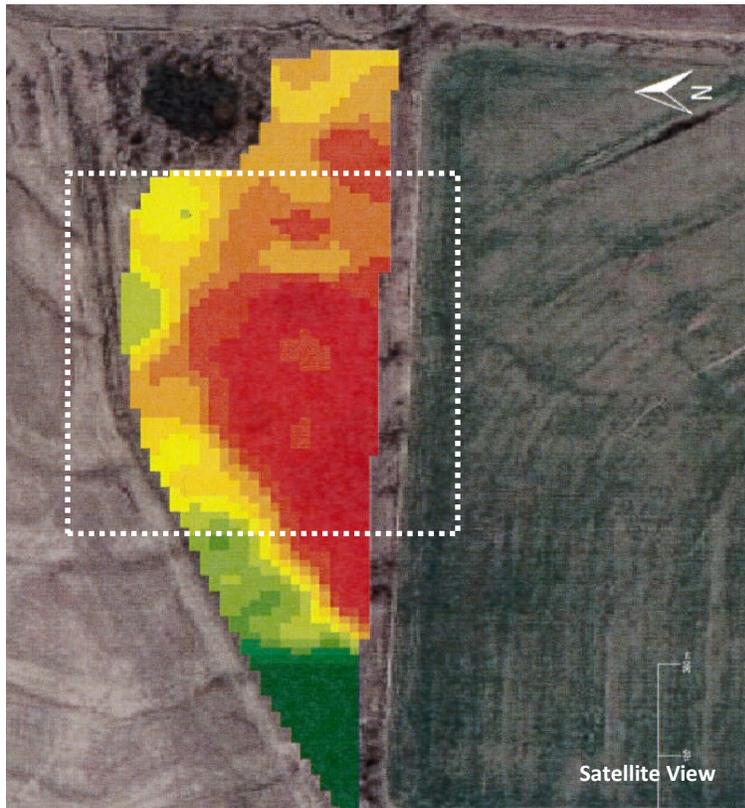
Q: Does my replant payment go towards any premiums due?

A: No replant payments are paid directly to the producer.

As always, we are here to help you with your risk management needs. If you ever have any questions feel free to call your agent or the office.



Technology in Agriculture



The amount of precision agriculture applications and advanced technologies available to the farming industry today is amazing. I found that the amount of information that is available is beyond belief and the costs to obtain this information are minimal.

This spring I decided to use my farm to take a peek into the future with some of the technologies that are available. With the harsh winter and wet spring this year I was certain that there was going to be some challenges with the wheat crop. I was concerned with tillering as well as winter kill and disease pressures. Working with my contacts in the crop insurance industry, I learned that each day there are 14 satellites orbiting the earth collecting all kinds of raw data from fields like mine. These satellites, using technologies that I cannot even begin to explain, are constantly collecting data on crops, moisture, soil temperature, plant diseases, and a multitude of other factors that affect agriculture production.

On April 19th we pulled the data collected on this day on my wheat fields to help make management decisions on my farm. What we learned from the data was astounding. The first technology that we used was NDVI (Normalized Difference Vegetation Index). This is a vegetative indices that that shows how the crop is progressing in the field this year as compared to the last 5 years on this given date. When the map was first presented I thought it just looked like another yield map. After being educated a little, I realized the importance of data in front of me. This information clearly showed to me which fields had problems with winter kill and also which fields needed a shot of nitrogen to encourage tillering.

As a test to validate the data that this technology gave us, we flew a problem field we had identified with a drone. We then had adjusters come to the field and make physical appraisals of crop to see if

Technology in Agriculture *(continued)*

the information that the technology had given us was accurate. This experiment turned out to be a resounding success. The information that we had learned from the satellite was confirmed with the drone and by adjusters on the ground.

I was able to use the information collected to top dress my wheat at different rates based on the amount of plant population and nitrogen needs. My crop insurance was also able to identify the areas of winter kill as part of any potential loss that my crop may suffer.

With my corn and soybean crops this year I will be using the data from these satellite technologies to follow them through this growing season. Hopefully identifying prob-



lems or concerns much faster than I normally would.

Meanwhile, I am working with an agronomist to learn what else is available. Later this spring we are going to be flying a high speed drone over wheat fields to identify what, if any, diseases are present and to what extent. These drones are capable of scouting 500 acres in a single flight and do better job than we could ever do on foot

Hopefully in the near term we will have the access to all this high tech information on our desk top here at the office. It is my hope that we will be able to monitor my own farm or any of our producer's farms to identify problems that can be addressed. This program is still in the development stage but from the sneak peek that we have seen it will be of great benefit to our producers.

So far I've just mentioned what technology that I have used on my crop acres but I am amazed at what is going on in the livestock industry. They now have UAV's (Unmanned Aerial Vehicle "drone") that can detect estrus in cattle that it flies over and it can also identify parasites in cattle and treat them right then. We are truly living in a fast changing world in agriculture.

Livestock Program Improved

Starting July 1, 2019 USDA's Risk Management Agency is greatly improving their livestock price protection program. This risk management tool is called Livestock Risk Protection (LRP). When using this product, producers can protect their livestock operations against falling commodity prices. In the past this product has been subsidized by the USDA at 13% but starting July 1 of this year these subsidies will increase to 20 - 35% depending on coverage level.

Also effective July 1, the daily head limits for coverage and the yearly limits for total head

covered per entity will be significantly increased for feeder cattle, fed cattle, and swine. These increased limits will better reflect today's producers and their operations. Producers will be able to cover up to 3,000 head of feeder cattle per one SCE and 6,000 per year, 3,000 head of fed cattle per one SCE and 6,000 per year, and 20,000 hogs per one SCE and 75,000 head per year.

LRP works very similar to a PUT option. When this product is purchased it puts a

Livestock Risk Protection

LRP is a simple and cost effective way of locking in a minimum price floor for your livestock.

Call us at 660-433-6300 to explain the benefits to you and your operation.

Attention RCIS Policyholders

RCIS has updated their producer portal to allow policyholders to:

- View and print their maps right from their computer
- View and print various documents
- Digitally sign claim documents

To sign up go to RCIS.com

If you have any questions or need help please call the office.

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Crop Insurance 2019

Livestock Program Improved (continued)

floor price under the chosen commodity to protect the producer against the market going below that price. However, if the market goes higher the farmer can take advantage of that move as well.

While a PUT option and LRP are similar there are also some important differences. LRP premiums, beginning July 1, are subsidized from 20 -35%. The LRP program protects producers on a per head basis (1 to 3000 head depending on the group) while PUT options are only sold in 50,000 pound

contracts. This "custom" feature allows smaller producers the ability to tailor their protection to what fits their size of operation.

These changes are positive moves for animal agriculture. Each year we see more and more producers using these programs to insure profits on their farms. These programs are probably the most popular with the younger and more progressive producers who can't afford to gamble with the markets.



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