Crop Insurance 2020

Volume 20 Issue 4 October 2020

Gibson Insurance Group

"The Risk Management Specialists"

INITIAL PRICES

2021	Wheat	$5.60
2020	Corn	$3.88
2020	Beans	$9.17

Inside this issue:

Like Us on Facebook! 2
CFAP2 3
A Look at the Markets 4

Changes in Crop and Livestock Insurance 2021

Over the last several weeks there have been some significant changes to crop insurance that affect most areas in agriculture. All the changes are beneficial to producers.

The first change is the addition of the Quality Loss Option (QL). Quality Loss adjustment applies when grain quality is low. In the past, crop insurance used your quality adjusted yield in your APH. Now, with the QL option, the actual harvested bushels will be entered into your APH, in turn not lowering your APH due to a quality loss.

When would it be beneficial?

An example would be 2015: Many producers had high wheat yields, but the test weights were very low with high Don levels. This option will now allow you to use the harvested yield in your APH instead of the yield adjusted for quality issues, in turn helping **raise your APH**.

This option does not only go forward into the future but is goes back a few years to correct yields affected by a quality adjustment. This option works the same for all row crops that are grown in this area.

What does it cost?

There is no charge for adding this option to your crop insurance policy. The only increase in price would come from having a higher guarantee per acre. In all the quotes that we have ran, this cost is insignificant, running only cents per acre higher when a producer used the option. If the option is on the policy and the farmer never has had quality issues in the recent past the cost is nothing. We strongly suggest that every producer signup for this option.

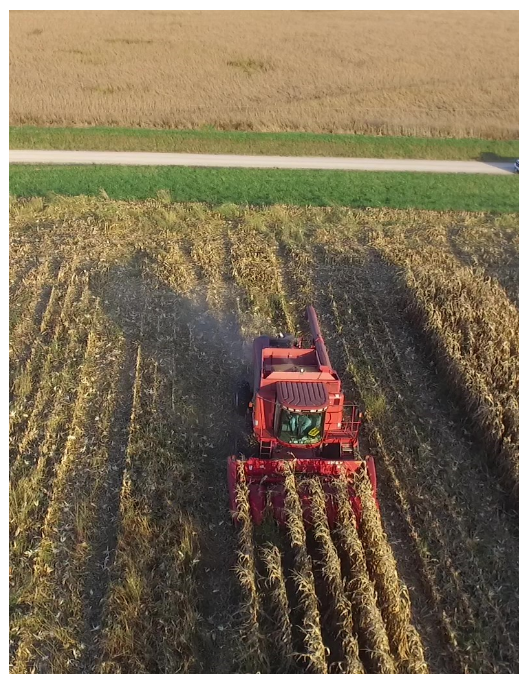
All producers should add this option.

There is no downside!

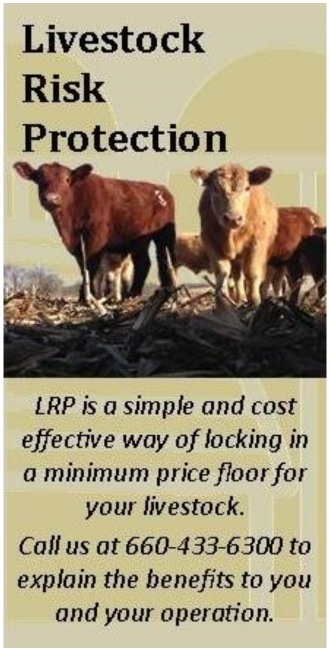
To add this option will take some action on the producer's part. Since it is a change to the policy, the producer will need to sign a policy change form with the QL added to his/her policy before a particular crop's sales closing date. Fall seeded crops are due now and spring seeded crops will be due in early spring (March 15 or February 28 depending on your state).

Enhance Coverage Option

The second change deals with another new product that will be released in November. The product will be called the Enhanced Coverage Option (ECO). This will allow a producer to insure county production to 95%. There are few details out on this program at this time, but we expect more in the next few weeks.



GIBSON INSURANCE GROUP
gibsoninsurancegroup.com
337 Highway 50 East
P.O. Box 795
Tipton, MO 65081
Phone: 660-433-6300
Fax: 660-433-6315
Find us on Facebook @gibsoninsurancegroup



PRF Deadline November 15

Changes in Crop and Livestock Insurance 2021 (continued)

Livestock Risk Protection

Several changes have been made to the LRP program this year which benefit producers.

This program was designed to protect producers against falling prices. With the Covid issues this year this product provided superior protection during the food chain disruption and packing house slowdowns.

In the past when a producer wanted to establish a price floor with LRP the premium had to be paid in advance. This year premiums are now due at the end of your coverage. This change allows producers to purchase coverage without having to ante up the premium first. If there is a loss, premiums will be deducted out loss payment first and any remaining balance will be paid to the producer.

The second change this year is that the premium subsidies have increased dramatically making the product an even better value. The subsidies have increased to 35% to 55%, depending on coverage level. This significant increase will encourage more producers to use these products rather than using put options.

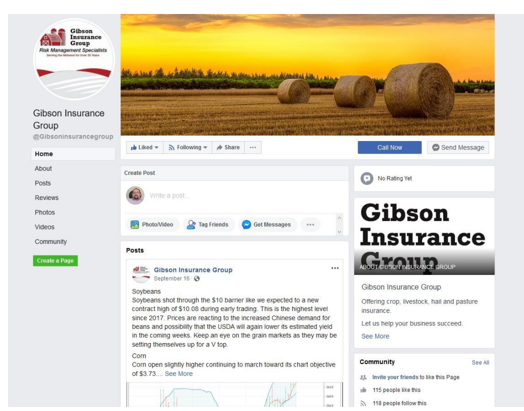
Liberalization of the rules were also made in the ownership requirement. Previously, a producer was required to keep the livestock until 30 days prior to the end of the contract. Today this has been expanded to 60 days. This change offers increased marketing flexibility to producers who choose to use this risk management tool.

For larger producers, another change was made to increase the number of head each producer can insure in a crop year. Currently, producers can insure up to 12,000 head of cattle per year.

These above changes should be of great interest to most producers in the central part of the country. Each change seems to have been well thought out and of benefit to producers at this critical time.

Like Us on Facebook!

Like the Gibson Insurance Group on Facebook to keep up to date with a variety of things! Receive information about important updates in the agriculture industry, your insurance policies, and our office. We post weekly marketing reports regarding livestock and crops. These reports give you an insight to pricing, market decisions, and where we think things are headed. Also enjoy interacting with us and other producers about how things are going on the farm. Like us to keep up on all of these things and more!



Coronavirus Food Assistance Program CFAP2

On September 17th the USDA announced there would be a $14 billion expansion made to the Coronavirus Food Assistance Program (CFAP). The program, called CFAP 2, is providing financial assistance to producers in effort to offset the effects of COVID-19 in the ag industry. Like the first set of payments made, this program is administered through the Farm Service Agency (FSA) and available to all farmers with eligible commodities.

Many of the same rules from the first set of payments are still applied to the second. The main rule being the payment limitation of $250,000 per legal entity. This is still a self- certification program, so no documentation is needed at the time of applying. However, applications are subject to review, so producers are encouraged to keep documentation on hand. Eligible commodities were expanded from the first set of payments to help encompass more specialty crop producers. Cattle, hogs, corn, soybeans, wheat, rice, and alfalfa are all commodities that are eligible for a payment. Unlike the first payment where you only received 80% upfront, you will receive 100% of your payment at the time of application being processed. Sign ups for CFAP 2 began on September 21 and close on December 21. We encourage all producers to sign up at your local FSA office as soon as possible to prevent possible delays.

<u>How will payments be calculated?</u>

Row Crops

Row crops are broken down into two categories: Price trigger commodities and flat rate crops. Crops that fall into the price trigger category suffered a 5% or greater national price decline and flat-rate are those that did not or don't have data available to calculate a price change.

Price trigger commodities consist of corn, soybeans, sorghum, and all classes of wheat. These payments will be calculated based off your 2020 planted acres, 2020 approved yield, a crop marketing percentage, and a crop-specific payment rate. This calculation is very specific to each producer because it is based off their planted acres and approved yield. Producers shouldn't need to provide this information to FSA as they already have it. We do recommend calling your local FSA before going to sign up to confirm they already have your information. If they do not have the needed information you can contact our office to obtain it.

Flat-rate crops consist of rice and alfalfa. Those crops are being paid $15 per acre for acres reported in 2020.

Important things to note about the row crop payment are prevent plant acres are not eligible, and forage sorghum, hay (except alfalfa), and other crops intended for grazing will not receive payment.

Livestock

Livestock that will be receiving a CFAP 2 payment will be beef cattle, hogs, and sheep. For all of these you will report your highest inventory count between the dates of April 16 and August 31. Cattle producers will be paid $55 a head for all NON- breeding stock. These included breed heifers, baby calves, cattle on feed, and slaughter cattle.

The CFAP 2 payment sign ups are underway, so do not wait until the last minute to submit your application. Many FSA offices are now open by appointment or will meet with you outside. We encourage you to contact your local FSA office to find out the best way for you to complete your application.

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)

Price Triggered Crop Payment Chart

Commodity	Unit of Measure	Crop Marketing Percentage (%)	Payment Rate ($/Unit)
Barley	Bushel	63	$0.54
Corn	Bushel	40	$0.58
Cotton, Upland	Pound	46	$0.08
Sorghum	Bushel	55	$0.56
Soybeans	Bushel	54	$0.58
Sunflowers	Pound	44	$0.02
Wheat (All Classes)	Bushel	73	$0.54

Looking at the Markets

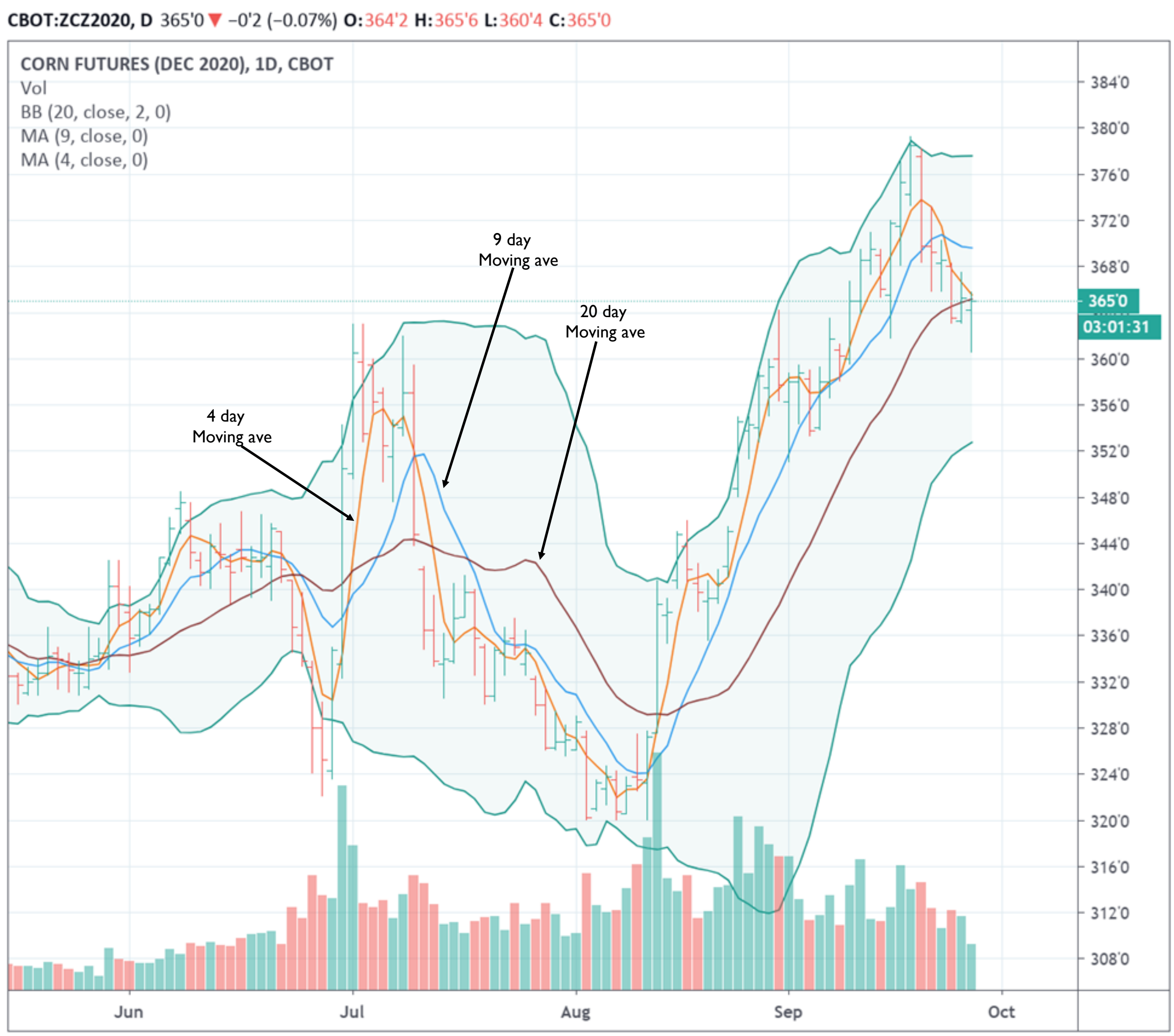
At the beginning of August, prices for most commodities were very depressing. Since then, all markets have rallied a significant amount for various reasons. However, we must remember that market prices are just a snapshot in time.

Corn

DEC 20 corn on August 1 was $3.20 per bushel, by mid-September this market had rallied over 50 cents to hit a high just short of $3.80. This increase was due to many different factors. The wind storms in the north damaged several acres thus reducing expected yield, China was aggressively buying corn and dry weather was reducing yield on a weekly basis.

Today, we are looking at a few different scenarios. Harvest has begun with great weather. This is allowing us to be slightly above the 5 year average with harvest progress. Harvest pressure tends to weigh on prices this time of year.

Last Monday, the uptrend in this market was broken and the nearby trend headed lower. Basis in parts of the area were under some pressure, but other areas where corn prospects were not as good, basis actually increased to some extent.



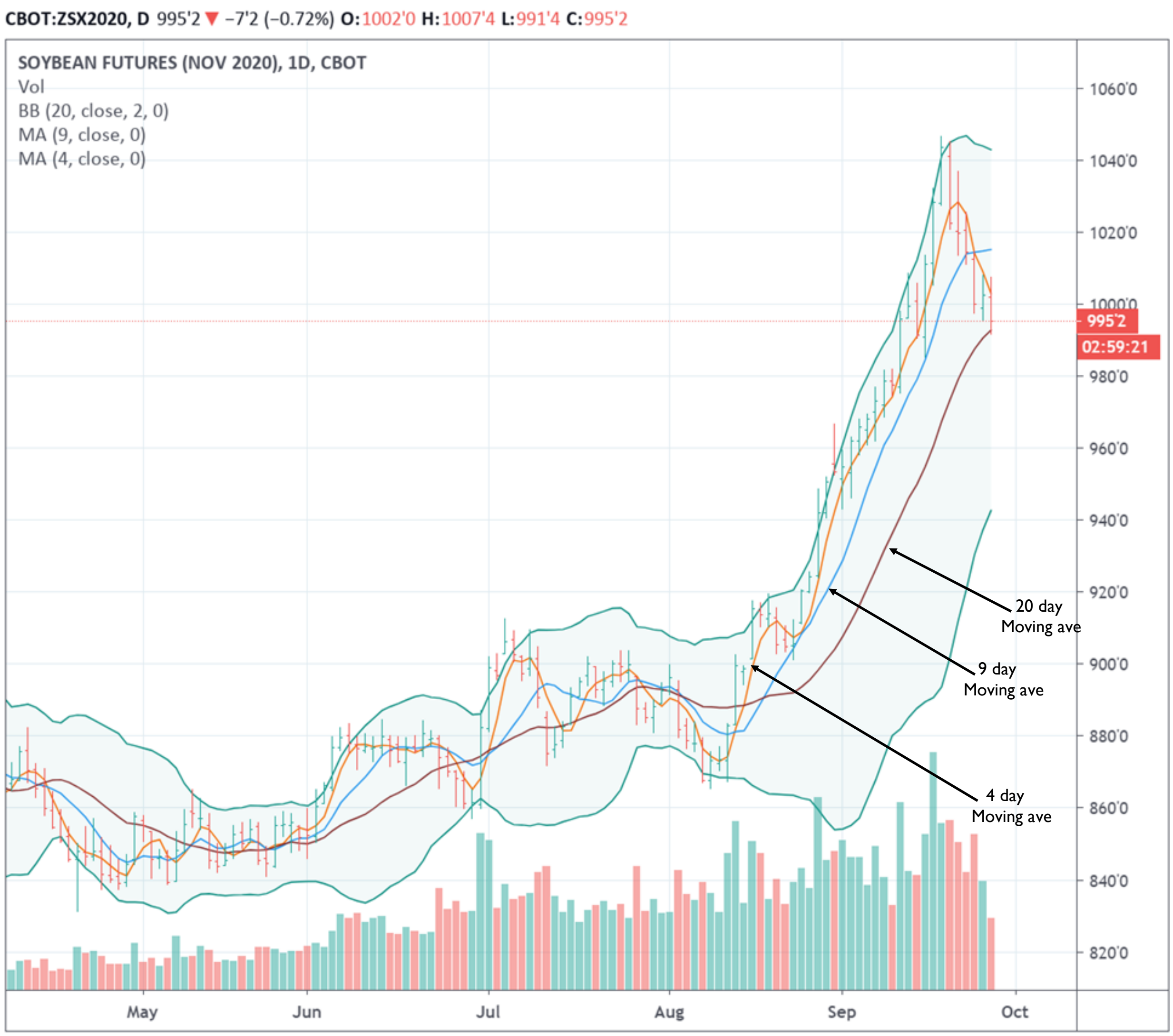
Looking at the Markets (continued)

Looking at the chart on the previous page, we can see the movement of the market. On the chart we see that the 4 day has crossed the 9 day signaling that this market is running out of steam. This might be a good pricing opportunity for a producer to look at if it fits in their marketing plan.

Soybeans

During the same time frame soybeans have also had an impressive rally. From memory, I believe there were 14-15 days in a row where beans finished higher. This market has gone up $1.80 per bushel during this period taking out some contract highs. The soybean rally was primarily fueled by aggressive Chinese buying. The commodity funds jumped into this market and took some extremely long (buy) positions while at the same time the commercial traders took some very short (sell) positions. Typically when the Commitment of Traders report shows this type of positioning, the market moves one way or the other very fast.

Last week this market started to break lower therefore we do believe that this will be the direction of the market in the short-term. On September 24th, the charts signaled that this market advance may be over. Producers selling at this level were definitely at profitable levels. Beans above $10.00 is a good thing but we also have to remember to add on the CFAP payments on top of our marketing price. With these added together the bean prices look very attractive.



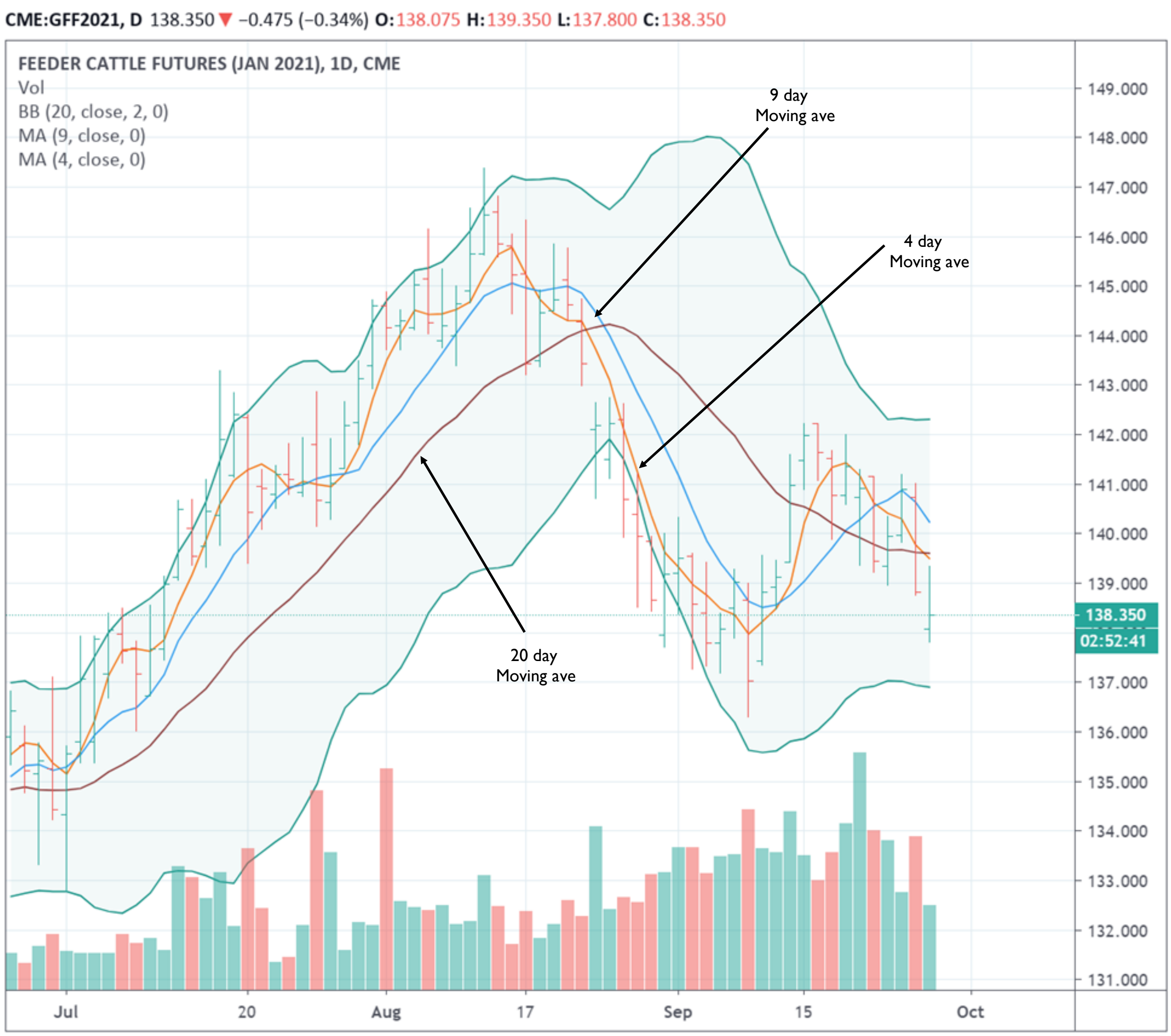
Looking at the Markets (continued)

Feeder Cattle

The current trend in the feeder cattle market is lower. The volatility of the market has decreased in the last few trading days but the trend is still down. Currently we are trading below the 20 day moving average and are coming into the time of year where historically markets tend to be weaker.

September's Cattle on Feed report showed placements in August at 109% of a year ago. This may weigh on the market in the next week. One thing to remember is that when a report comes out the industry trades the news, however, this report seldom drives the direction of the market. Many times we have seen downward markets right after the report then upward movement in weeks following the report.

We have had a lot of producers place LRP coverage in recent weeks to protect themselves against falling prices. They found a place where they were establishing good profits and placed a floor or minimum price in the market. This leaves them open to upside potential in the markets but does away with the downside price risk. Producers in the feeder and fat cattle markets are mindful of what the "China" virus did a few months ago to prices. If it were to happen again and we had to close or limit our slaughtering capacity we would be silly to expect a different price reaction. Therefore, many of these producers are taking a proactive approach and establishing a floor with the LRP protection.

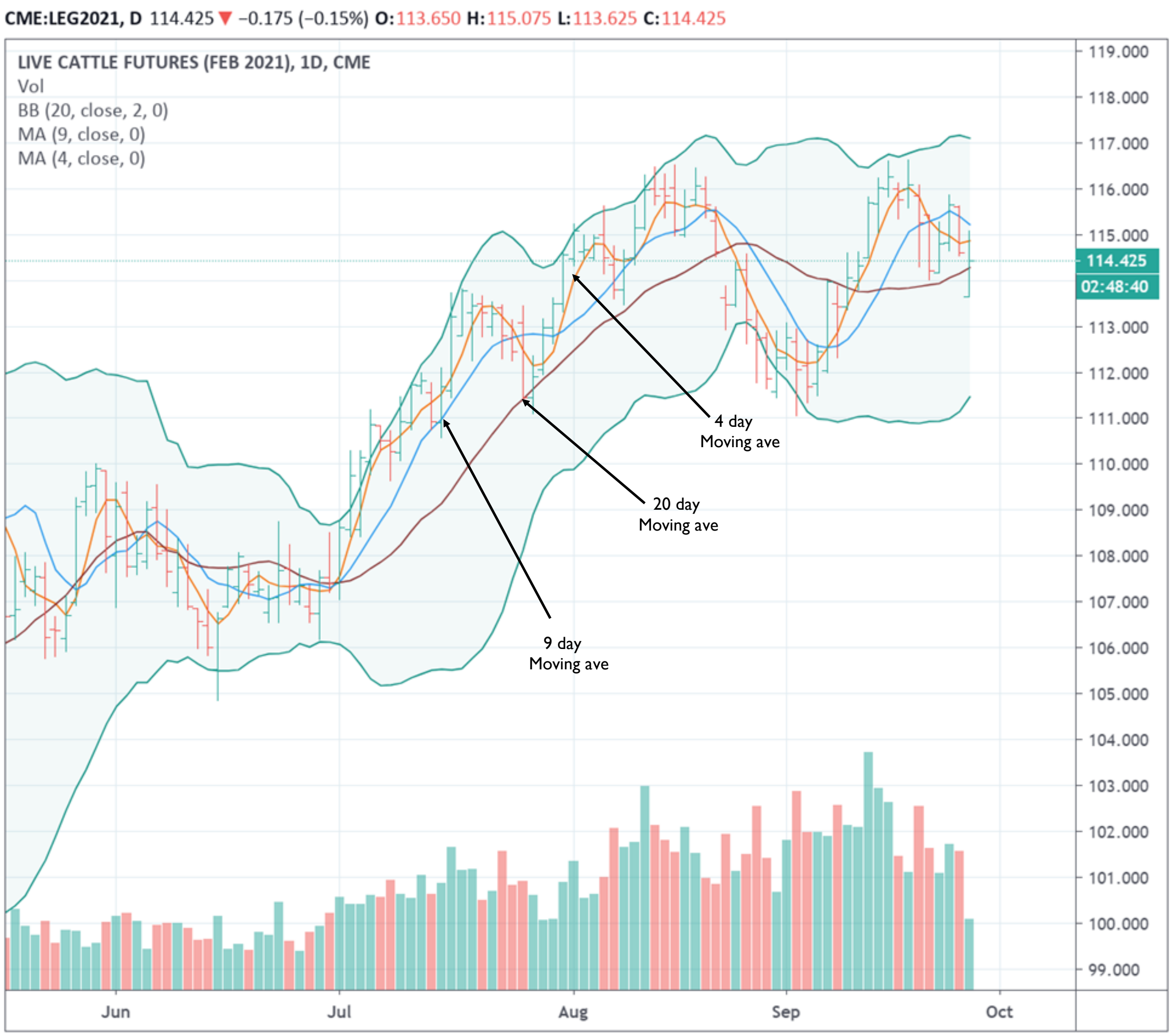


Looking at the Markets (continued)

Live Cattle

This market has held up well in recent weeks. The trend is sideways and could remain fairly steady through the fourth quarter due to the supplies of market ready cattle. According to the Cattle on Feed report, in the first quarter of 2021 there will be a higher number of cattle ready for slaughter.

Looking at the chart we do see the 4 day below the 9 day line. Yet both are above of the 20 day moving average. There could be some weakness in the near term due to the Cattle on Feed report but it is thought that this damage will be at a minimum. In this market producers are also establishing price floors with LRP to keep current inventory at these profitable levels. Demand in the beef market has remained very good despite the wild fluctuations in retail prices.



The comments on these markets are the opinions of Dean Gibson and not intended to be used as marketing advice. We think that it is important to express what we are seeing in the market as we try to watch these every day. The information that we talked about in this article is what I use to make marketing decisions on my farm. It is important to have a marketing plan. This information is not intended to be suggestions for your operation.

I hope that you will look at this as an educational tool only and not to be used as marketing advice.

GIBSON
INSURANCE
GROUP

"The Risk Management Specialists"

Main Office

Dean Gibson
Brian Huhmann
Matt Rowell
Chris Lynch
Maria Birdsong
Travis Roling

660-433-6300

800-411-3972

gibsoninsurancegroup.com

Crop Insurance 2020

UPCOMING IMPORTANT DATES

October 31 - Harvest Price set for Corn/Grain Sorghum (CBOT DEC contract)

October 31 - Harvest Price set for Soybeans (CBOT NOV contract)

October 31 - FINAL PLANT date for Wheat (counties above the Missouri River)

November 15 - Production Reporting Deadline for Fall Crops (Wheat/Barley)

November 15 - FINAL PLANT date for Wheat
(counties below the Missouri River)

November 15 - SALES CLOSING / ACREAGE REPORTING deadline PRF
(last date to get coverage, change coverage, add coverage, or cancel)

November 30 - Acreage Reporting Deadline for Fall Crops (Wheat/Barley)

December 10 - End of the Insurance Period for Spring Crops
*(*All bushel and/or revenue losses **MUST** be reported by December 10*)*

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