

Gibson Insurance Group

"The Risk Management Specialists"

**2023
Initial Price
Wheat
\$8.45**

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Crop Insurance 2022

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Transporting Grain



While traveling across the Midwest it is not uncommon to see elevators with mountains of grain on the ground. Have you ever wondered just how many bushels are in these piles? The elevator in the above picture from the first of December still had four piles on the ground, accounting for 1.3 million bushels per pile.

To move this quantity of grain is a major task. It brings to the forefront just how important our transportation and infrastructure is in this country. 2022 has brought many challenges in commodity transportation with

the low river levels, pending rail strikes, and high diesel prices.

Basis varies greatly due to the costs of transportation from the place of production to the end user. All this corn pictured came in on trucks from farmers operations. Each pile would be made up by 1,445 semi-truck loads of 900 bushels each.

The manager of this elevator stated their procedure was to load this grain on 108 grain car trains to ship to the rivers or ports. Each rail car that you see go by holds 4000 bushel of grain and a 108 train car shipment

TEXT ALERTS

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Contact our office if you have any questions.

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)

Transporting Grain (continued)

would hold 432,000 bu.

When this grain is delivered to the river system, each barge will carry 58,333 bushels and a fifteen-barge tow would represent 875,000 bushels. As you would expect, the greater the capacity of a transportation system the less expensive it is per bushel to move grain especially over long distances.

The photo below shows a 108-train car being loaded. This process will take about 6 hours. Its destination will be the state of Washington where the cargo will be loaded on a ship for overseas transport.

Supply chain issues are of great importance to all the economy. This is especially true in agriculture. With the lower capacity of the river system this year, we are even more dependent on rail.

If a rail strike ever were to happen this could bring the ag industry and the food supply chain to a grinding halt. The rail system handles about 30% by weight of all

US cargo. Such a strike would cost the US economy as much as \$2 billion per day.

Any kind of disruption of the supply system, be it either by rail, waterway, or truck affects not only the raw materials leaving a region but also materials coming in. Much of the fertilizer, chemicals, and other inputs needed for agriculture have to be moved from where they are made or brought in from ports to the farm belt.

The transportation system is extremely important to agriculture and consumers alike. When issues like we have had this year arise it makes us mindful of how interconnected transportation and agriculture are.



Beef Marketing

Beef markets –What to expect.

Drought and higher feed prices have caused producers to send more livestock to slaughter over the past year. In 2023 our beef supply will be reduced by 5.6%. This is the largest reduction in annual supply for the last 36 years.

Shorter supplies usually mean higher prices. This is positive news for the start of 2023. Demand has remained strong for beef with consumers continuing to purchase beef even at higher prices. Retailers, suppliers, as well as restaurants give us a little more detail. Consumer purchases are leaning toward the cheaper cuts of meat at the current time. Ground beef and chucks are moving easier and at higher prices than normal compared to the more expensive cuts. This indicates that consumers are becoming more price conscious and are protecting the food budget. When this happens we need to keep in mind that the consumer can also start substituting other protein products to replace beef on the dinner table. Both pork and poultry supplies are expected higher in 2023. This increased supply will reduce the costs of these proteins and may very well hamper beef demand to an extent.

We must keep in mind the problem that the poultry producers are having with avian influenza. This virus can wipe out thousands of birds at a time thus disrupting the poultry supplies. This virus doesn't seem to be going away and experts are suggesting that it is mutating to different forms. This seems as it is going to be a continuous problem for the poul-

try industry for some time.

Beef Marketing Strategy

I believe prices could be stronger in the first quarter of 2023.

Today we could put a \$186.14/cwt floor under background steers for April using LRP. The cost of doing this is a little over \$4/cwt. If a producer were to do this, they could guarantee a return over variable cost of nearly \$250/head and have unlimited upside if the prices are higher in April. By using this approach, the cost of insurance is the highest.

On my operation we are going to handle this a little different and cut the costs of this coverage on these steers. If I back the coverage to \$180.14/cwt the premium will reduce by almost 50% for putting a floor price under these cattle. Even by reducing this coverage I could still guarantee a profit of \$232.00/head after variable costs.

My hope will be never to collect on this LRP policy. Not collecting would mean that the markets have increased in price between now and April and only spent \$2.20/cwt to protect my already good profits.

What could happen to bring cattle markets down? Even with shorter supplies we could always have world political problems, disease outbreaks, embargos, and recession fears, among other things. It is always a good management decision to protect substantial profits. Our only decision is how much risk are we willing to accept and what should we pass on.



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.

Report Ag Crimes

in Missouri

(888) 484-8477
(TIPS)

Livestock & Farm Protection

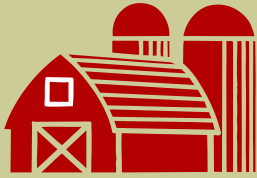
MARCH 15

Is the last day to either obtain a policy or make changes to your present insurance policy for Spring Crops

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Crop Insurance 2022



***Merry Christmas from everyone at
Gibson Insurance Group!***

We thank you for your business and wish you a happy and prosperous 2023!



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