

**Gibson Insurance
Group**

*"The Risk Management
Specialists"*

MARCH 15

(February 28 Arkansas)

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



Find us on Facebook
@gibsoninsurancegroup



Crop Insurance 2021

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Early 2021 Market Thoughts

2021 is looking to be an outstanding year. We opened the year with great price rallies and renewed optimism for agricultural prices. It has been a long time since we were able to sell \$14 beans and \$5 corn. A recent survey listed producer optimism up 34% over last year. Most sectors of agriculture are benefiting in the markets. Yes, I know that cattle prices have eroded about 8% from a year ago, but there have been many opportunities for these producers to capture some significant profits for the coming year.

The January WASDE report was very bullish for the major grain commodities. When the report was released, corn futures jumped higher with nearby markets hitting the 25 cent limit. Days after the report, we traded with expanded limits of 40 cents.

What did the USDA say to make such a stir?

Corn

There were multiple surprises in this report. First, the USDA cut the planted acres of corn in 2020 by 60,000 acres. Then, they reduced the national yield by 3.8 bushels per acre from the November report. At the same time the USDA recorded a large disappearance of crop over the last quarter.

In all, the USDA came up with 629 million bushels less than most trade guesses.

Soybeans

At time of writing this, soybeans are up yet again with today posting a rally of 45.5 cents. Today, producers can move soybeans at over \$14. This is now the highest price for beans in 6.5 years. With the USDA trimming the ending stocks in this report, all eyes will be turning to South America to see if there is further dry conditions that could reduce harvest. We are

nearing the time of year when South America supplies start taking over exports to China. It will be interesting to see how their crops progress and see if Chinese demand slows at all.

Cattle

During the last quarter of 2020 cattle prices rose significantly. This gave producers the opportunity to establish some very attractive price floors for the coming year with the LRP products. Since December, the cattle markets have softened due to the increase in grain prices. This is especially true in the feeder cattle contracts. However, with that being said, these markets did not fall near as much as many people expected. Products are still moving off the shelf and our consumers seem to have a more static or inelastic demand when it comes to beef. When we listen to most analysis in the industry, there is considerable upside potential for the coming year.

Other commodities

Most other commodity prices have increased in the same nature as the agriculture sector. Since August, steel prices have doubled and lumber prices have remained high. The Corona Virus which caused labor reductions has been a big cause of these inflated prices. As the econ-



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.

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)

Early 2021 Market Thoughts (continued)

omy starts to build back to full employment, these price will surely stay inflated until our supply can be built back to a stable level. In the near future, machinery, autos, and building material may all see some increased pricing.

If the Feds let the economy work, these markets will stabilize. With intervention this trend could continue for a longer period of time. Generally, interest rates follow inflation. We have been blessed with low interest rates for sometime but these rates could begin to rise in 2021.

Decision Time - ARC or PLC

At this time last year, you probably heard us talking a lot about changes to the ARC and PLC programs. The Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs are administered by FSA as part of the Farm Bill. The 2018 Farm Bill allowed producers to update yields and make new elections in 2020. Something else the 2018 Farm Bill allows for is for producers to switch their elections from either program each year until 2023.

Making sure you are taking advantage of this new rule can help ensure you are adding an extra layer of protection to your operation. When making your selection between ARC and PLC there are a few things to consider. First, let's review the three election options you have.

ARC- County: This is best described as a revenue program that pays when county revenue guarantees are not met.

ARC- Individual: Similar to ARC County, but uses your farm's yields rather than the county. This program will generally only be used by a handful of producers in the river bottoms that take preventive plant on all acres of a farm number.

PLC: This program is best described as price protection. Anytime the market year average price falls below the reference prices a payment will be made.

ARC or PLC



Reference Prices:
Wheat: \$5.50
Corn: \$3.70
Soybeans: \$8.40

Looking at the current marketing conditions, we believe it may be hard for average prices to fall below the prices listed above to trigger a PLC payment. For ARC- Individual, we only recommend this if you are going to preventive plant an entire farm number. Thus, leaving ARC- County as what we feel most producers are leaning towards. This would pay out if the actual county crop revenue is less than the guarantee for each covered commodity. These elections are made on a crop by crop basis, so you could potentially select a different program for each crop. However, we feel the consensus for 2021 is ARC-CO on all crops.

An important reminder is to enroll any new ground you might have picked up in the past year for ARC or PLC. As another general reminder, if payments are triggered, you will see payments in October of the following year (ie. 2020 year pays in October of 2021). To make election changes for the 2021 you must contact FSA and have paperwork completed by March 15.

Byproducts as Feed Sources

Have been you considering using by-products in your feed rations?

In the last two months all grains have significantly increased in price. Many producers are again looking to the by-product market to see what they can substitute in their rations to bring costs of gain to the lowest possible level.

There are around 150 different by-products sold in the United States for livestock feed. Each of these vary greatly in price, nutritional value, and availability. It is important when considering a by-product to check on its consistent availability, at least for the time you have a group of animals on feed.

My operation has had a history of feeding by-products when grain prices are high. Over the years we have had some good success and also some train wrecks due to over feeding what was considered a cheap commodity.

The most important step when considering a ration change is to evaluate what you have on hand. Test all hay or silage to see what nutrient values they have on the dry matter basis. When this is done we can calculate what the animal unit will consume and determine what nutrient levels are short in the diet.

Currently, we are working with a cow ration. These are fall calving cows that are lactating at their peak level. They are getting silage and hay, but their current diet is a little lower in crude protein and energy than we would like. The body condition score of the cow herd is between 4.5-5, but beginning to drop due lactation pressure on the cows. Now is the time to correct the diet so we



don't lose condition as we progress into winter.

We are looking at several by-products to add to the diet to boost our deficiencies. Last week we obtained 2 loads of rejected wheat flour. This flour will be added to the diet in the correct proportions to increase needed energy in the diet. Working with a nutritionist, we will be able to determine the appropriate and safe levels to raise our energy needs.

There are several different products that we can use to raise the protein levels, but we need to evaluate each on the cost per pound of crude protein. Corn and soybean oil meal, DDG's and many others will be considered on a cost basis to build a low cost ration.

When visiting with your nutritionist, quiz them on what products are available. Gluten feed, soyhulls, hominy, DDG's, gin trash, cotton seed, cotton seed by-products, peanut skins, and breeding mix are just a few that are available.

When comparing by-products to grain or commercial supplements compare the cost of energy per pound and the cost of protein per pound. A producer may find that a cheap by-product may be cheap for a reason. Do not purchase a commodity because it is cheap. Purchase a commodity if it has value. Then remember it is an ingredient and is not a complete feed. Most wrecks happen when a producer uses too much of a product that has adverse effects on health at a high inclusion rate.

Just as your pickup needs the proper amount of fuel, oil and DEF to operate correctly, the livestock operation needs diets concentrated with enough protein, energy, and minerals to keep the animal performing. As long as the diet is palatable, cows seldom care where these ingredients come from.



THE STATEMENTS CONTAINED IN THIS PAMPHLET ARE FOR INFORMATIONAL PURPOSES ONLY AND DO NOT CONSTITUTE AN INTERPRETATION OF THE TERMS AND CONDITIONS OF ANY INSURANCE POLICY. NOTHING CONTAINED HEREIN WAIVES, VARIES OR ALTERS ANY TERM OR CONDITION OF ANY INSURANCE POLICY. ELIGIBILITY FOR COVERAGE, ENTITLEMENT TO AN INDEMNITY AND LIABILITY FOR PREMIUM MAY VARY. PLEASE REVIEW YOUR INSURANCE POLICY TO DETERMINE WHICH TERMS AND CONDITIONS ARE APPLICABLE TO YOU

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 Non-Discrimination Policy
 The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

A New Frontier - Income Tax for Farmers & Ranchers – Ten things you must know for 2021 By Bobby Medlin, CPA

2021 promises to be an interesting time in the agriculture tax world. In the last year or so, tax law changes have been included in:

The SECURE Act - (Dec 2019)

The FFCRA - (March 2020)

The CARES Act - (March 2020)

The PPPFA - (June 2020)

The CAA - (December 2020)

What does this all mean for the Ag producer? You need to seek the advice of professionals who understand Ag production as well as income taxes. Many provisions apply to various sectors of the US economy including agriculture.

If we tried to include everything here, it would take a few trucks to deliver the 10,000 or so pages to your mailboxes. Instead, here are the top ten things you need to know as an Ag producer in early 2021:

Paycheck Protection Program (PPP) loans may have just become available to you.

The CAA expanded PPP loan availability to Schedule F farmers who did not already receive the maximum \$20,833 per owner. If you did not receive a PPP loan, or have received a PPP loan and do not have it forgiven yet, you may still be eligible for more relief. The CAA allows you to use gross receipts on Schedule F to calculate your loan amount, regardless of your profit or loss. You have until March 31, 2021, to apply at a bank for the increased benefit.

PPP 2nd draw loans could be available to your operation. If your operation experience a 25% or more decrease in revenues during any quarter of 2020 as compared to the same quarter in 2019, you are eligible for a 2nd draw PPP loan. This is a different loan than your first PPP loan and is available once you have received forgiveness of your first PPP loan. You have until March 31, 2021, to apply. If you have not received a first PPP loan, see # 1 above.

PPP loan forgiveness is tax free – in the CARES Act Congress specified the forgiveness would not be taxable. It didn't take long for IRS to say "Not so fast!" Buried in tax regulations is a provision whereby expenses paid for with tax-free income are not deductible, in effect creating a tax hit for the PPP borrower. It took until the last week of December for Congress to pass legislation in the CAA making an exception for PPP loan forgiveness. The expenses you pay to obtain PPP loan forgiveness are now deductible.

Economic Injury Disaster Loan (EIDL) advances up to \$10,000 no longer must be subtracted from your PPP loan advance (or your PPP loan forgiveness if you had already obtained a PPP loan when you received your EIDL advance). SBA has been instructed to create procedures to make you whole if your EIDL advance has already reduced the benefit of your PPP loan. See your PPP lender for more information.

Family Leave Credit – may apply to you, even if you do not have employees. For 2020 and part of 2021, there are credits for employers and self-employed individuals to help offset the cost of required paid leave related to COVID-19. The credit for farmers and ranchers, and other self-employed individuals, for their own leave will be claimed on the 2020 and 2021 income tax returns. Credit for leave you were required to pay to employees will be claimed on Form 941 or Form 943. More information about the credits and the paid leave is on the summary at https://www.dol.gov/sites/dolgov/files/WHD/posters/FFCRA_Poster_WH1422_Non-Federal.pdf

Employee Retention Credits (ERCs) may be available for your operation. As contained in the CARES Act, beginning March 12, 2020, an eligible employer can receive a credit of up to 50% of the first \$10,000 in wages paid to

nonfamily member employees during the period from March 12 to December 31, 2020. Initially, a recipient of a PPP loan was ineligible for an ERC. The CAA in late December, removed this restriction. If you are otherwise eligible for an ERC, having a PPP loan will not make you ineligible for an ERC.

Furthermore, the CAA expanded the ERC through June 30, 2021, and increased the credit to 70% of wages paid to each nonfamily member employer per quarter for the first and second quarters of 2021.

So what makes you eligible? There are two ways to become eligible for an ERC. You must have a decrease in revenues in a quarter of 2020 as compared to the same quarter in 2019. Do the comparison on a quarter by quarter basis. Once eligible, you are eligible through the quarter in 2020 in which your revenues reach 80% of the revenues in the same quarter of 2019.

For 2021, eligibility is reached by having a 20% decrease in revenue in a quarter of 2021 as compared to a quarter in 2019.

The other way to become eligible for an ERC is if your business was the subject of a government-mandated shutdown or partial shutdown. If this was the case, wages paid during the shutdown order are eligible to be used to receive an ERC. As of publication date of this newsletter, we are awaiting updated IRS guidance for more information. See <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act> for the latest information.

ERCs are claimed on Forms 941 or Form 943 and can be claimed on an amended Form 941 or Form 943.

Coronavirus Food Assistance Program (CFAP) payments are considered a disaster payment under Missouri tax law and are allowed as an Ag Disaster subtraction on your Missouri income tax return. This will eliminate Missouri income tax for 2020 for many producers. More information can be found at https://dor.mo.gov/faq/personal/agricultural_disaster.php

Child Tax Credit & Earned Income Credit (CTC & EIC) for 2020 can be calculated using 2019 earned income, if your 2019 earned income is higher than your 2020 earned income. The CTC and EIC can amount to more than five figures of tax refunds for farmers, ranchers, and other self-employed individuals with certain levels of income. On your 2020 tax return, you will want to compare your CTC and EIC for 2020 using 2020 earned income with your CTC and EIC using 2019 earned income.

Changes to Individual Retirement Accounts (IRAs) – beginning for the 2020 tax year, individuals otherwise eligible to make IRA or Roth IRA contributions will not be prohibited from making the contributions solely because of obtaining age 70 & ½. If you have enough earned income and aren't otherwise restricted from making contributions due to income levels, age is no longer a factor for determining contributions to make.

Beginning with individuals who reach age 70 & ½ during 2020 and in future years, you no longer have to take Required Minimum Distributions (RMDs) from your traditional IRAs until April 1st of the year after you reach age 72. Keep in mind if you wait until the year after you reach age 72 and take that first RMD from your IRA by April 1, you will still be required to take the next RMD by December 31 of that same year, which would double up income from IRA distributions that first year. However, Qualified Charitable Distributions (QCDs) of up to \$100,000 per year can still begin on the date you reach age 70 & ½. If you have not used a QCD, and are charitable minded, you should ask your tax professional for more information.

50% limit on Business Meal Deduction is suspended for meals provided by restaurants in 2021 and 2022. Code Section 274(n)(2) provides some exceptions to the 50% limit on business meals deductions, however the CAA creates another exception. Food and beverages purchased from a restaurant for business purposes in 2021 and 2022 are now fully deductible. There is no requirement the food or beverage be consumed in a restaurant to be fully deductible. Be sure to record the business purpose for the meals and who you were with in order to secure the deduction. And consider buying from the local restaurant rather than the grocery store when providing meals for farm employees, farm business, and associates.

Bobby Medlin CPA is the founder of Bobby Medlin CPA Group, an organization committed to providing strategic tax, business, financial, and accounting services and advice to Agribusinesses and their owners.

Partnership with Farmers Edge

Gibson Insurance has partnered with Farmers Edge to bring additional value to our customers. In spending time with producers, we at Gibson Insurance have realized precision agriculture will be the way of the future and is already being implemented in many operations. The question we have asked ourselves and producers is “How can we utilize all this information to not only help in crop insurance, but improve the farming operation as a whole?” In talking with Farmers Edge, we believe they have developed the tools to help utilize all the technology you have on your farm to make your farm more profitable. Because of this partnership, Farmers Edge is offering all Gibson Insurance customers a one year free trial of their products.

What is Farmers Edge and how can they benefit your operation?

Farmers Edge is a technology company that offers a variety of services to benefit agricultural producers. I have used their products on my farm for a couple of years now and have nothing but good things to say about the services they provide.

Satellite Imagery

My first experience with this technology was looking at satellite imagery of my fields. In this imagery I could see places in a wheat field that had reduced stands due to winter kill. When this was spotted, we were able to address these areas in the spring with extra applications of fertilizer to cause increased tillering. By doing this, we were able to correct a problem mid-year and increase the overall yield of our wheat. This same technology works for corn and beans as well. Insect damage, disease pressure, drainage problems and fertility problems can all be identified and corrected using these vegetative

indexes. This information can be given to your agronomist or co-op to help you correct the issues at hand.

Record Keeping System

Farm Command is the name of the app/computer program Farmers Edge uses to gather all the data and present it to you in an easy to use interface. One of the benefits of the app is that it can keep all your records for each field, ie. Crop Variety, Plant Date, Acres Planted, and Variable Costs per field (Seed, Fertilizer, Fungicide etc.). During harvest, yield is measured by field and the grain’s destination is recorded. No longer do I have to remember, after the fact, which bin or elevator grain from each field went to. This has been especially helpful on share-cropped ground and gives the landlord confidence their grain was not mixed with other farms. After harvest, when the grain is sold, Farm Command will even develop profit maps from each field based on expenses, yield, and sales price for that crop.

Can Plugs

These are devices that hook to your equipment that record field operations and equipment diagnostics in real time. They do not change any information on your monitors but do record this information for your record keeping system. When it comes to planting it records real acres planted in a field, not just the acres listed on the FSA maps. FSA maps may include wet spots, ditches, or maybe the field borders are just a little different than what you really plant. This information from your precision equipment can greatly improve the accuracy of your insurance coverage.

In 2020, we had one producer use this planting data and found he had been insuring over 100 acres more than he planted each year. Not only did he find instant savings on

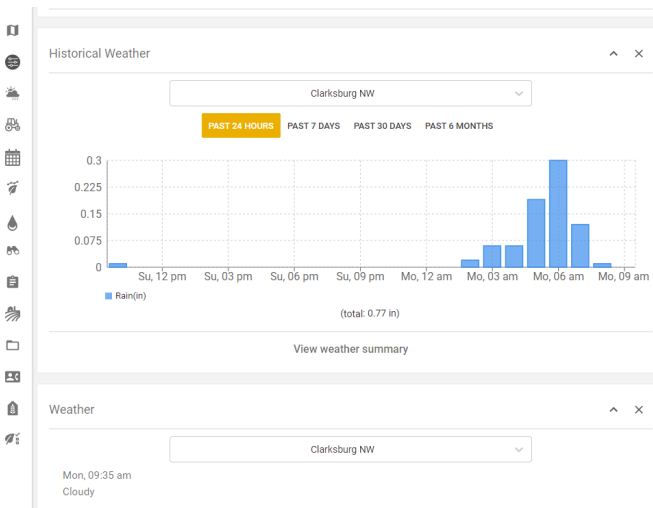
his crop insurance policy, but his yields are also far more accurate. This is very important as crop insurance is based on your past yield history. Insuring more acres than what are actually planted will bring your per acre yield down for your future crop insurance guarantees.

Weather Stations

Farmers Edge provides weather stations for producers to have real time weather information for your farm right at your fingertips. These stations record rainfall, temperature, wind, humidity, growing degree days and much more. All of this information can greatly help



Vegetative Map Example



2 Equipment, 0 Canplugs, 1 Farms

Forecast for Clarksburg NW

	Mon 11 am	Mon 12 pm	Mon 1 pm	Mon 2 pm	Mon 3 pm	Mon 4 pm	Mon 5 pm	Mon 6 pm	Mon 7 pm
Temp:	35.6 °F	35.6 °F	37.4 °F	37.4 °F	37.4 °F	39.2 °F	39.2 °F	39.2 °F	39.2 °F
Feels like:	24.8	24.8	26.6	28.4	28.4	30.2	32	32	33
RH:	94%	93%	90%	90%	91%	90%	88%	87%	86
PDP:	18%	18%	18%	38%	39%	40%	51%	49%	47
Amount:	0 in	0 in	0 in	0 in	0.01 in	0 in	0.01 in	0.01 in	0 in
Precip:	Precip	Precip	Precip	Rain	Rain	Rain	Rain	Rain	Ra

Weather Data Example

all operations, like helping to plan when to apply fungicides so they will do the most good for the crop.

If you do your own spraying, this service is very valuable also. With these days of increased litigation an operator needs to have a record of wind speed, temperature inversions, as well as the data required by the government when spraying. These weather stations will record all this information in real time and can be accessed on the app.

Soil Testing

Soil testing is one thing that most of us overlook at times. Although it is not included in the trial offer, soil testing can be added for each field at a very minimal cost. After these tests, an agronomist will develop recommendations based on your target yields. Then you can go to your supplier of choice and purchase the needed nutrients.

What is the cost?

For the trial, this program is free for one year to let producers see, feel, and touch this technology on their operations. After the first year a producer may cancel altogether or pick a plan that gives them the information they would like to keep getting each year. Prices vary based on services chosen but there are several packages that range from \$1.5 - \$6 per acre depending on the information needed.

The Farmers Edge program supplies more information than the average producer will use. Therefore, you can see what benefits you and use that information. In my operation I have seen all the features but have only used the ones that are of interest to me and they

may be very different than those used by other producers.

It is important to remember, when working with Farmers Edge, all the information they collect is yours. They will not share this information with anyone without your approval. You may share data with whoever you want because this information is owned by the farmer.

If you are at all interested in these services, contact our office and we will have a Farmers Edge representative contact you with this introductory offer. There will be no pressure to sign up, but they can educate you much better than I can on the products and services offered. This is a great opportunity to see how precision agriculture can further benefit your operation.



Soil Map Example



**GIBSON
INSURANCE
GROUP**

"The Risk Management Specialists"

Main Office

Dean Gibson
Chris Lynch
Brian Huhmann
Matt Rowell
Maria Birdsong
Seth Gibson

660-433-6300

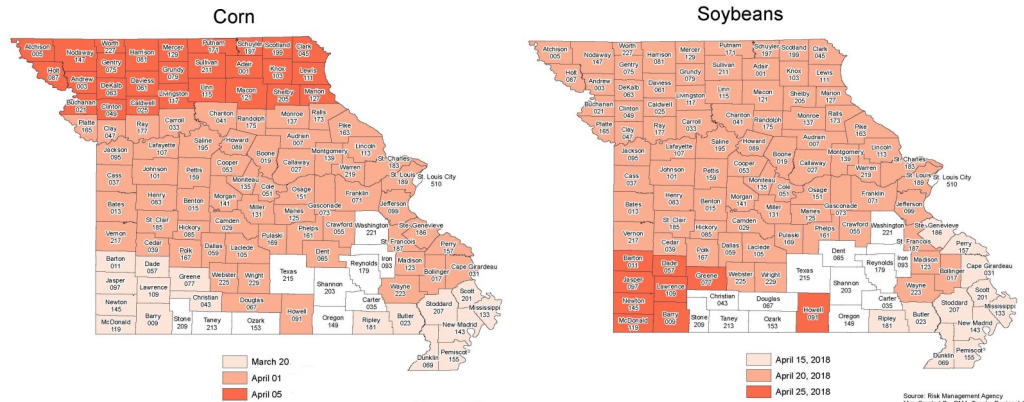
800-411-3972

gibsoninsurancegroup.com

Crop Insurance 2021

Important Dates and Reminders

1. Crop Insurance and FSA Quality Loss: To add the Quality Loss option to your crop insurance policy please sign and return your MPCII policy change form by March 15th. If you believe you have had quality issues in the past 3 years be sure to contact your local FSA to apply for their new quality loss program also.
2. Price Discovery for Crop Insurance Coverage: This period runs from February 1 to February 28 to determine the initial spring coverage price. Prices are based on the average of the CME's November soybean and December corn contracts.
3. New Break/ CRP: If you plan to break out grass or CRP this upcoming year please let our office know as soon as possible.
4. Deadline to make changes to your 2021 crop insurance policy is March 15. This includes coverage levels, entity changes, or any other policy changes.
5. ARC/PLC elections at FSA are due by March 15th.
6. Initial Plant Dates



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