



"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



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@gibsoninsurancegroup



Crop Insurance 2023

Volume 23, Issue 1

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New for 2023

From the FFA Creed "I believe in the future of agriculture..."

2023 is an exciting time in agriculture. We are seeing higher commodity prices and more opportunity than any other time in history. With these increased prices also has come increased input costs. Fertilizer, machinery, chemical, and fuels costs have all increased.

Crop insurance prices don't automatically increase because the rest of the economy is seeing inflationary pressure. Premiums vary by county and are based on county loss ratios and cropland classifications. However, they are also directly affected by the guarantee price of the commodities and volatility of those markets during the discovery period. In 2022, the expected spring price for corn was set at \$5.90 and soybeans at \$14.33. This was calculated using the respective closes of CME's DEC22 corn and NOV22 soybean contracts for the month of February.

For 2023, the DEC23 corn contract is trading at \$5.98 and the NOV23 soybean contract is at \$13.93. Regardless of where the market is today the rates will be set in the month of February as explained above.

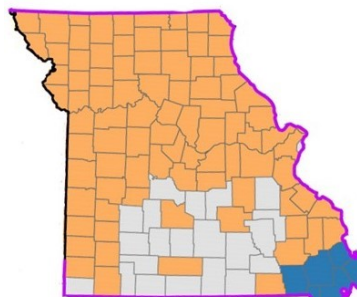
There are many things that could affect the markets between now and the end of February. The relationship between price of corn and soybeans has historically been at 2.5:1 ratio. In other words, the price of soybeans is expected to be 2.5 times the price of corn. In the spring, the industry tries to buy acres between corn and

soybeans to get to this ratio. If corn is too high traders will bid up the price of soybeans, or vice versa, to offset this difference to get the needed production for the coming year. If you look at the current spread, you will notice that beans are underpriced compared to corn at this time. This is expected to adjust as spring approaches. With the current market situation, I would guess there to be little change in premiums for 2023.

2023 Crop Insurance Changes

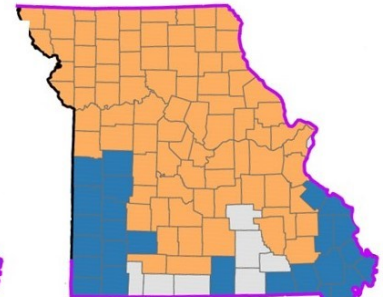
There are some changes in the USDA programs that will benefit producers for 2023.

With the dry conditions of 2022 many producers again recognized the need to have wheat in their operations. This fall we saw increased wheat plantings. Producers who take advantage of planting a **double crop** (i.e. soybeans or grain sorghum) after wheat now have the **ability to obtain insurance** on that crop. This procedure has been available by written agreement in the past if the producer had 3 years of double crop records. Now, you can apply for insurance if you have none or less than 3 years of double crop history. This is a huge benefit for producers needing to expand their production of



Double Crop Grain Sorghum Availability

By Written Agreement with no production history



Double Crop Soybean Availability

No Written Agreement Needed

New for 2023 (cont.)

feed grains or oilseeds in their operation. This change still falls under the first crop second rules, which may limit total losses between the 1st and 2nd crop until enough double cropping history has been obtained.

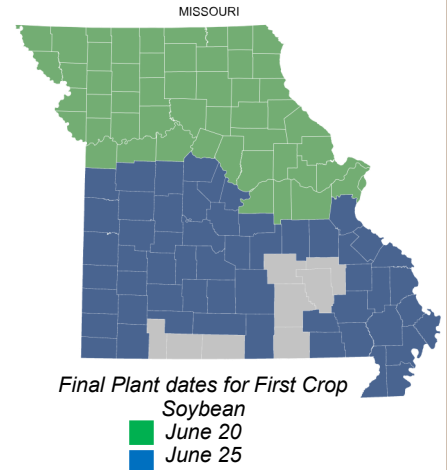
Our office is very experienced with this procedure and will help you tailor the program to fit the needs of your operation. If you are considering insuring your double crops, it is important to contact us early as there is important paperwork to be filed by March 15th.

RMA has also adjusted the initial plant date for soybeans through the state of Missouri. The **initial plant date is now April 15th for every county**. The final plant date for double crop soybeans has also been adjusted. The **final plant date for full coverage is now July 5th** whether you are in a county with actuarials or insure your soybeans via written agreement.

Lastly, T-Yields (county average yields) for corn have increased in almost every county in

Missouri. Why is this important? T-Yields are used in your APH calculations whenever your actual harvested yields are below 60% of the county T-Yield. They are also used in calculating yield guarantees for new breaking ground, new producers, and if you begin farming in a new county.

While some of these changes may seem minor they are a good sign that RMA is moving in the right direction. If you are questioning how these rules directly affect your operation, give us a call today.



INITIAL GUARANTEE PRICES

Spring prices are set on Feb. 28 reflecting the average close in the month of February.

Corn - Set by the CBOT Dec Contract
Soybeans - Set by the CBOT Nov Contract
Grain Sorghum - Based on the CBOT Dec Corn Contract

Starting the Next Generation

Bringing the next generation into agriculture

FFA Creed “with a faith not born of words but of deeds.”

Do you have key employees or family members that you would like to help enter the ag field? When is the right time to involve them in the operation rather than just be manual labor?

Every young person that grows up on a farm enjoys the mechanical parts of production agriculture. Planting, harvesting, and smelling the fresh turned soil are all fond memories that we each enjoyed. Many times, this is

where we stop sharing with the next generation or key employee. We short-change them by not letting them participate in the marketing or management decision of your agriculture operations.

The USDA and RMA have developed programs in the recent years that assist young producers with the transition. Improvements such as Beginning Farmer Rancher, increased county T-Yields and the expansion of the double crop program. What are ways we can help young people take advantage of these opportunities?

Hay supply has been short in our area this year, so it would be a natural progression to allow a key person to partner with you to plant an annual forage. The farmer could supply the equipment and the land in exchange for labor and marketing of the forage crop. This helps the key person learn the economics and management of an operation firsthand. They not only provide labor and capital, but also enjoy the financial returns from partic-



Starting the Next Generation (cont.)

icipating in an operation they can call their own. I have done this with my family as they became interested in farming.

If you are not in the livestock area this same approach can work equally as well with row crop. It was never plausible to carve out fields or provide a rental situation, so using the double cropping provisions seemed like the best option. I provided the equipment and the acres to be double cropped and my son provided the labor, fuel, repairs, and other input costs to plant and harvest a crop. This became a separate venture where my son was able to gain experience making management and marketing decisions.

By doing this, three things happened. First, he learned there was much more to farming than driving a tractor. He learned the costs of inputs, management chal-

lenges, and the returns that are associated with production ag. Secondly, he was also exposed to working with FSA programs and the need to use risk management products like crop insurance. Lastly, he developed his own yield history that can serve him in the future. Both he and I benefited in learning from each other.

This is the year we should begin allowing the next generation to start the process of taking more ownership. With the new opportunities presented by USDA and RMA now is the time for young people to become involved in production agriculture. As current landowners and farmers we possess a unique ability to be the catalyst they need to get started.

Cattle Business

The cattle industry has many moving parts that can give mixed signals as to the direction of the market.

This past week cattle slaughter numbers were 7% higher than a year ago as packers are trying to work through the holiday backlog. Even though this number is high, supplies are expected to be down 6.5% for 2023.

Between now and April it is estimated that fed cattle numbers will be 4.7% lower than a year ago. Currently, the market is in the \$156 range, which is over 12% higher from this time last year. The short supply is well known, so we have to assume that these prices have been built into the futures market.

The issue that we are all dealing with is the higher costs of grain and the shortage of hay. US hay stocks are at the lowest level since 1974, thus increasing the costs to most producers.

Feeder cattle markets are currently at \$180. This market will remain closely tied to the grain markets. Stockers being held for grazing have to contend with the continued drought in the west, which should pressure spring prices to an extent.

Many progressive backgrounders have

worked with nutritionists to develop low-cost rations that mainly use by-products rather than whole grains. Recently, we have seen a substantial savings in the cost of gain using these commodities. While it may seem that byproducts are the answer to a cheaper feed source, they come with challenges. The biggest issues being storage, access, and handling. To help overcome these issues you have to keep an open mind to the timing and availability the markets have to offer. A lot of times when you hear byproducts you thinking of DDGs and brewers grain, but there are many other options out there (ie. coffee grounds, flour, corn syrup). These types of by-products are typically from a non-traditional market, therefore it requires much patience and thinking outside of the box. Sometimes the most cost effective byproduct will catch you by surprise. You have to be diligent in researching these markets looking for best options that fit into your feeding program. This trend will continue in the future as producers are seeing savings of up to 30% on their feed bills without a decrease in performance.

Continues to page 5

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"

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.

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

Non-Discrimination Statement
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

Budgeting for 2023

After selling corn in the mid to high \$6 range and beans north of \$14.50, 2022 has left us wondering what to expect for 2023. This month many of us will be purchasing inputs for the coming year so the appropriate question is what will our break even prices be for 2023? We know that inputs have increased considerably. So, now is the time to run enterprise analysis to see what will likely work for 2023.

For this exercise I used the Purdue University spreadsheet and modified it with data that closely fits most producers in Missouri. Your figures will differ from this example, so feel free to add your numbers to the spreadsheet to closely reflect your farm.

Visit gibsoninsurancegroup.com for a copy of the spreadsheet.

<https://ag.purdue.edu/commercialag/home/resource/2022/10/crop-budget-spreadsheet/>

2023 Budget Estimates

		Rotation Rotation Winter DC Corn Soybeans Wheat Soybeans					
		Unit	Price / Unit				
Production and Revenue							
Yield	bushels		120.0	125.0	45.0	71.00	30.00
Harvest future prices	\$/bu		\$5.98	\$6.15	\$13.55	\$8.12	\$13.55
Basis	\$/bu		\$0.30	\$0.30	\$0.25	-\$0.35	\$0.25
Cash price			\$6.28	\$6.45	\$13.80	\$7.77	\$13.80
Government Payment							
ARC/PLC	\$/acre		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crop Insurance							
Indemnity payments	\$/acre		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Costs							
Fertilizer and Lime							
Units/acre							
Anhydrous ammonia	units/acre		200.0	170.0			
Urea 46-0-0	units/acre					100.0	
Monoammonium phos-	units/acre						
10-34-0 starter	units/acre		50.0	50.0			
(DAP) 18-46-0	units/acre		89.1	97.1	86.1	94.9	61.1
Potash	units/acre		109.3	114.3	161.7	80.8	124.3
Sulfur	units/acre						
Lime	units/acre		720.0	600.0		261.9	
Manure	units/acre						
\$/unit \$/ton \$/lb. \$/acre \$/acre \$/acre \$/acre							
Anhydrous ammonia		\$1,423.33	0.712	\$142.33	\$120.98		
Urea 46-0-0		829.33	0.415				41.47
Monoammonium phos-							
10-34-0 starter		677.00	0.339	16.93	16.93		
(DAP) 18-46-0		953.75	0.477	42.49	46.30	41.06	45.26
Potash		873.11	0.437	47.72	49.90	70.59	35.27
Sulfur							
Lime		19.00	0.010	6.84	5.70		2.49
Manure							
Total Fertilizer Cost	\$/acre		\$256.30	\$239.81	\$111.65	\$124.48	\$83.40

Budgeting for 2023 (cont.)

Don't be automatically alarmed when these budgets show a negative return in the end.

We have made the assumption that corn will bring \$6.45 and beans will be \$13.80. This may not be the fact at all. By using these conservative prices we did see consistent income over variable costs.

Overhead costs can vary greatly for each farm.

- ◆ What is the rental rate or the value you will use for the land? We choose \$150.00 /acre for this example.
- ◆ Equipment ownership costs were calculated at \$921,900 / 1000 acres of crop planted.
- ◆ Overhead costs can be reduced by spreading machinery out over more acres in the form of custom work. This is especially true if you have extra harvest equipment or earth moving equipment on your operation.
- ◆ Hired and family labor was also included

2023 Budget Estimates

Crop machinery

Crop machinery investment
Interest rate on machinery
Useful life of machinery

Units	
\$/acre	\$480
percent	8.0%
years	7

Labor

Operator labor
Family labor
Hired labor

\$/acre	\$23.00
\$/acre	\$0.00
\$/acre	\$17.00

Land

Rotation Corn
Rotation Soybeans
Winter Wheat
DC Soybeans

\$/acre	\$150.00
\$/acre	\$150.00
\$/acre	\$75.00
\$/acre	\$75.00

Cattle Business (cont. from page 3)

With these market changes our thoughts are starting to shift when it comes to using LRP to establish a minimum floor on feeder cattle. Sixty days ago, we thought the shortage in cattle numbers provided some upside potential in the market. Because of this we floored cattle a couple of dollars under the market to save on costs. This turned out to be the correct thing to do as the cattle markets were trending higher.

Today we are leaning toward the highest floor that we can establish. The reason for this is that the Feds continue to raise interest rates that directly lower the consumers disposable income. When this happens the consumer generally starts stretching the food dollar by substitution of products. We have already seen this start to happen over the last few months. The second option is that the consumer may choose cheaper cuts of beef or may

even switch to buying more pork or chicken.

The feeder cattle market is still good as most producers can establish good profits depending on their feed programs. What we are now looking at is to establish the most profit possible in this market to eliminate the chance of falling prices as these economic factors work themselves out. This may be a time when you will choose to maximize profits for a few dollars extra.

Are you unsure of what to do?

My agents and myself are well versed in these programs and in knowing how to fit them to meet your needs. We use these programs on our own cattle that we raise and can explain our strategies to see how they can benefit your operation.

TEXT ALERTS

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NEW

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Contact our office if you have any questions.

Initial Wheat Price Guarantee

\$8.45

IMPORTANT

ARC or PLC

Election for the 2023 crop year

**Deadline
March 15**

Contact your local Farm Service Agency office

Budgeting for 2023 (cont.)

Crop Cost & Return Guide

	Crops			
	Corn	Sbean	Wheat	DC
Expected yield per acre	125.00	45.00	71.00	30.00
Harvest price	\$6.45	\$13.80	\$7.77	\$13.80
Crop revenue	806.25	621.00	551.67	414.00
Government payments	0.00	0.00	0.00	0.00
Crop insurance indemnity payments	0.00	0.00	0.00	0.00
Total revenue	\$806.25	\$621.00	\$551.67	\$414.00
Less variable costs				
Fertilizer	\$239.81	\$111.65	\$124.48	\$83.40
Seed	124.27	74.17	44.00	85.58
Chemicals	119.00	75.00	45.00	65.00
Dryer fuel	35.50	0.00	0.00	0.00
Machinery fuel @ \$4.82	35.67	21.69	21.69	15.42
Machinery repairs	34.00	29.00	29.00	24.00
Hauling	12.50	4.50	7.10	3.00
Crop insurance	25.00	18.00	11.00	11.00
General insurance	8.00	8.00	6.00	6.00
Miscellaneous	10.00	10.00	3.00	3.00
Interest	30.78	17.06	13.94	14.95
Total variable cost	\$674.52	\$369.07	\$305.22	\$311.35
Contribution margin				
<u>(revenue - variable costs) per acre</u>	<u>\$131.73</u>	<u>\$251.93</u>	<u>\$246.45</u>	<u>\$102.65</u>
Less overhead costs				
Machinery ownership	92.19	92.19	92.19	0.00
Operator and family labor	23.00	23.00	23.00	0.00
Hired labor	17.00	17.00	17.00	0.00
Land	150.00	150.00	75.00	75.00
Total overhead cost	\$132.19	\$282.19	\$207.19	\$75.00
Total costs	\$956.72	\$651.26	\$512.41	\$386.35
Earnings (or losses)	\$150.47	\$30.26	\$39.26	\$27.65

Both product prices and input prices may have significantly changed since these estimates were prepared.

This calculation helps us find out breakeven costs for each crop per bushel. This helps us easily identify when to start marking our crops with the increased input coming this year.

In the past, \$6.50 corn would seem like a great price but for 2023 this may only bring \$75 over our variable costs and leave little to the overhead expenses of labor and machinery.

This budget reflects the same scenario that we have seen for the last few years where the wheat and double crop bean enterprise has the highest return.

When you enter your own numbers on this spread sheet you can find where are break even prices are. This will allow you to easily identify profitable sales opportunities. More and more producers are using budgeting tools in conjunction with crop insurance to ensure profitable operations.

Just like in 2022, 2023 will again be a challenging year even with grain prices on the rise. By using budgeting tools with realistic number you will have a fighting chance at having a profitable 2023.



Farm Estate Planning – Back to the Future is Now

Seven Steps to Take Before Time Runs Out

Bobby Medlin, CPA

Family farming operations are a vital part of America; more than at any point in history.

Will your family's operation survive for future generations or will challenges transferring ownership to family members be the end of the legacy you have worked hard to create?

Recent and upcoming changes in tax law both provide a window of opportunity for farmers and a threat to survival for family farms. The 2017 Tax Cuts and Jobs Act (TCJA) temporarily doubled the basic estate tax exclusion from \$5 million to \$10 million per person. The exclusion has since been indexed for inflation and currently stands at \$12.92 million. While this may seem like plenty of cushion for many operations, time may be running out to take advantage of this increased flexibility in planning.

First, the increased exclusion sunsets at the end of 2025 and reverts to one-half these increased amounts. Using the increased exclusion does not actually require dying and having an estate. Many strategies exist for immediate transfer of ownership stakes in your operation prior to the end of 2025. The ability to transfer ownership via gifts to family members, including at a discounted usage of the exclusion amount, can leverage the benefit of the expanded exclusion amount.

Second, recently-proposed legislation, if enacted by Congress, would accelerate the end of favorable TCJA provisions. While proposed legislation isn't law, it often signifies what will soon become law and should not be ignored by the ag sector. Don't be lulled to inaction by thinking estate taxes will not be a factor to the survival of your family farm.

Equally as important as taking advantage of planning windows that could soon close, is planning ahead to avoid tax disasters which you cannot see yourself.

There is no one-size-fits-all solution to family farm survival. What steps should be taken now to protect your future generations? Steps you can take to keep from running out of time include:

1. Accept it is better to plan ahead now rather than to "let them worry about it when I die".
2. Have intentional, open communication with members of your family about your farm's future.
3. Keep excellent financial records, including annual comparative financial statements and an accounting system kept up to date monthly.
4. Have an annual, pre-tax time review with your tax preparer each fall to develop strategies which make sense for your operation with respect to current laws and current year farming results.
5. Assemble a planning team consisting of an estate-planning attorney, a CPA familiar with agriculture and with estate planning, your banker, and a financial planner.
6. Set planning goals and timelines to create urgency and priority for your assembled team
7. Involve your family members in the six steps above.

TCJA provisions are temporary, and extensive while they last. The expanded basic exclusion amount is only one aspect of planning. Beyond the scope of this article are numerous facets of tax law which you can only benefit from by intentionally pursuing, before time runs out.

Bobby Medlin, CPA is a Moniteau County farmer and the founder of Bobby Medlin CPA Group. Bobby Medlin CPA Group is comprised of a team of professionals which provides tax planning, accounting services, estate planning, and consulting services to businesses and their owners, with an emphasis in agriculture.



**GIBSON
INSURANCE
GROUP**

"The Risk Management Specialists"

Main Office

Dean Gibson
Chris Lynch
Brian Huhmann
Maria Birdsong
Carol Kliethermes

660-433-6300

800-411-3972

gibsoninsurancegroup.com

Crop Insurance 2023

Spring To-Do Checklist

To ensure your crop policy is ready for spring planting, please review the below checklist to make sure you are being properly protected this year. As a reminder, all changes must be made by March 15th.

- ◇ Have you reviewed your coverage levels for the upcoming year?
This includes your coverage per acre and bushel guarantee.
- ◇ Do you have enough coverage, either bushels or dollars, for the coming year?
- ◇ Have you reviewed the crop insurance options available to see how they could benefit your operation?
- ◇ Have you signed up for our text alerts to receive up to date important information regarding replant, plant dates, acreage reporting deadlines and more?

If you answered no to any of these items please contact our office before March 15 so we can assist you in completing these items.

- ◇ Are you breaking out any new ground that has previously not been cropped?
- ◇ Is any ground in your farming operation changing?
Are you gaining new acreage? Are you farming in a new county? Have you lost any acreage from prior years?
- ◇ Have there been any entity changes to your policy and/or farming operation?

If you answered yes to any of these items please contact our office before March 15 make the proper changes to your policy.



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

Gibson Insurance Customer Appreciation Supper and Meeting

Monday, February 13, 2023

Tipton Latham Bank

5:30 p.m.

Call the office for more information.