Crop Insurance 2022

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Gibson Insurance Group

"The Risk Management Specialists"

December 1

Is the last day to either obtain PRF policy or make changes to your existing insurance policy

Inside this issue:

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Aflatoxin

During years like this where some areas were very hot and dry, we tend see diminished gain quality. Aflatoxin is just one of the toxins that can be present in grain when a crop goes through these types of conditions. Even though aflatoxin is the most damaging and harmful to animals there are other mycotoxins that can be present as well. Thus, we recommend the complete battery of testing be done prior to putting the grain in a bin. The testing is done by the Missouri Department of Agriculture at their approved facilities with a cost of $70 per sample. Crop adjusters will gather the sample from your farm and take it to the closest facility. If the test comes back positive, the adjuster will explain the options and give suggestions on how to handle this problem.

What is Aflatoxin?

Aflatoxin is fungus that is very toxic. It is the strongest natural occurring carcinogen that we know of. Consuming grain that contains this can cause severe liver damage in humans, as well as in livestock. This toxin is freely passed through milk to offspring, thus effecting newborn animals as well as adults. It only takes a small amount. To put it in perspective, 1ppb would be like 1 corn grain in a rail carload of corn.

Corn with aflatoxin over 100ppb may not be marketable to anyone other than salvage buyers in some cases. With high enough levels of aflatoxin, there are laws in place that prohibit this affected grain from crossing state lines. Contaminated corn can be fed in limited amount or blended out for feeding specific groups of livestock. However, it is always best to consult a nutrition expert about your options before feeding. If you have further questions regarding feeding corn with toxins, please contact our office for resources provided by the University of Missouri Extension.

If you have any questions or concerns regarding the quality of your corn, please contact our office immediately.

Table 1. Maximum acceptable levels of aflatoxins in corn used for food and feed, as established by the Food and Drug Administration (parts per billion).

Corn commodity	Maximum acceptable level of aflatoxins
Products intended for food use by humans	20 ppb
Feed for dairy animals or immature animals (including immature poultry)	20 ppb
Feed for which the intended use is not known	20 ppb
Feed for breeding beef cattle, breeding swine or mature poultry (e.g., laying hens)	100 ppb
Feed for finishing swine (i.e., 100 lb. or more)	200 ppb
Feed for finishing beef cattle (i.e., feedlot cattle)	300 ppb

Reprinted from MU Guide - Agricultural Corn University of Missouri Extension

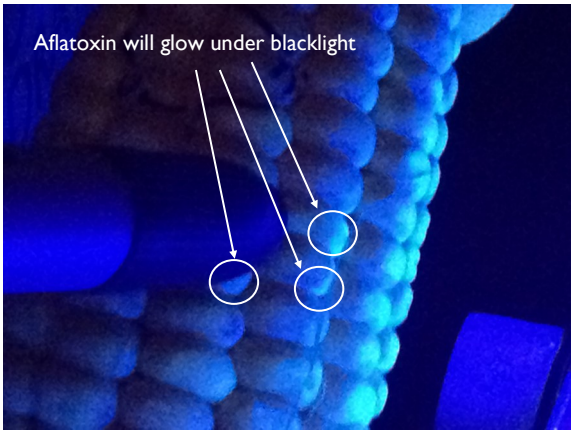
INITIAL GUARANTEE PRICES

22 Corn - $5.90
22 Soybeans - $14.33
22 Grain Sorghum - $5.88

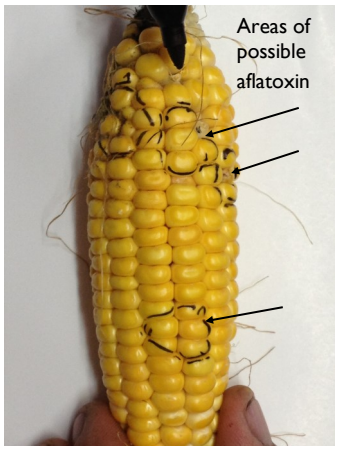
23 Wheat - $8.44

HARVEST PRICES
Prices set November 1 For Corn, Soybean, Grain Sorghum

Aflatoxin under Blacklight



Same ear from a local field this year



This was an example of an ear of corn that we had looked at in the office under a blacklight. Areas of possible aflatoxin contamination should glow under the blacklight. Notice how , in the light of day, it is pretty hard to notice the contamination.

TEXT ALERTS

Receive time sensitive and important information

Sign up today on the "Contact Us" page at gibson insurance group.com

Contact our office if you have any questions.

Cattle Cycles

The July USDA cattle report confirms that we are currently in the liquidation phase of the cattle cycle. Cattle cycles generally run ten years from peak to peak, but all can vary. To date, we have reduced approximately 7% of our breeding herd. In past cycles that could have indicated a bottom, however with current economic conditions and the western states in a multiyear drought, this cycle's reduction could be more significant. Some analysts believe that we still have considerable breeding stock reductions ahead of us.

Cow-calf producers are really in the grass business. Grass and hay account for the majority of inputs in these operations. Inflation prices and drought have caused massive increases in the costs of raising livestock. What can we do? Every producer must evaluate their operation, especially their hay and grass supplies to see if additional stocking rates are possible. Being a contrarian and building herd numbers when the industry is retracting can pay big dividends. Currently, some producers are looking at commodities and by-products to see if using these can extend their feed supplies enough to make additional stocking feasible.

If the current liquidation phase lasts another 7-10% the demand for heifers and young cows will eventually increase. This will pay big dividends for those who have the feed and ability to increase numbers now. This cattle cycle is a little different than the cycles of the past. Today, we are reducing numbers due to drought and not due to economic profitability. The returns for cow-calf operations are still very good and is projected to continue for the next few years.

We are seeing consumer patterns change. The demand for ground beef is currently very high, as consumers seem to be shifting from the more expensive cuts of meat to the ones that are more economical. We are likely to see the consumer shift protein products as well. Many believe there will be a reduction in beef consumption and an increase in poultry consumption. Last month we saw those

Cattle Cycles (continued)

shifts start. In addition to product substitution, we also saw consumers increasing their purchases to the less expensive fast-food chains and away from the grocery store. This change from a protein rich diet to a carbohydrate-based diet is not in the best health interest of our nation, but the wallet will dictate what most consumers will do. The biggest fear the industry should have is the impact of this change on young families. When a child is raised on beef and other protein rich food sources their tendency is to make the same purchases as an adult. If this switch happens in their formative years, the fear is that these future consumers will tend to prefer a carbohydrate-based diet as adults.

While there will always be ebbs and flows to the cattle cycle and beef demand, producers who can find opportunities to increase stocking rates in these times may find themselves in the economic driver seat in the future. The pendulum effect of any market is it to overreact and shift too far both in the liquidation phase and the rebuilding phase of the cattle cycle. As producers, our goal should be to keep stocking rates as high as possible and take advantage of this over-reaction while keeping a more constant beef supply for the American consumer.

LRP— Potential Benefit to Your Operation

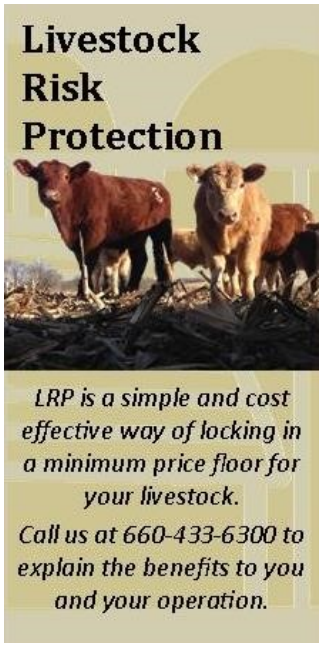
This year has seen a dramatic increase in the usage of the Livestock Risk Protection program by producers. You surely have seen articles about it in ag magazines, heard about it from podcasters like Corbitt Wall, or been to livestock meetings where speakers have mentioned it as a risk management tool. From July 2021 to June 2022 there have been an estimated 8.9 million head insured in the United States. In Missouri alone there have been 67,390 head of cattle covered generating $2.4 million in loss payments.

The Livestock Risk Protection (LRP) program can be described as a subsidized put option protecting the price of cattle against a general market downturn. LRP coverages are based on the CME Futures Market and sold on a per head basis. Coverage prices and premiums change daily based on the current market conditions and are calculated based on the animal's expected ending weight per hundred. Contracts are purchased based on the time frame the producer plans to market their cattle ranging from 13 to 52 weeks. Once the coverage has reached the contract ending date, the coverage price is compared against the Feeder Cattle Index for that day. If the selected coverage price is higher than the Index, the LRP coverage pays the difference.

Besides the increased volatility in the livestock markets, what else has fueled the increase in LRP usage? Beginning in July of 2020, USDA made several improvements and modifications to the program that were very beneficial. One important change made was increasing the minimum subsidy levels from 13% to 35%. This makes the program much more cost effective for producers to add this risk management tool as part of their operation.

Another important change is that there is no upfront cost for the coverage. Premiums are due after the coverage end date. Previously when a producer had obtained coverage, premium was due within 14 days of placement. With this change, if a producer has a loss greater than the premium, there is no actual out of pocket expense for the coverage.

USDA has also allowed producers to cover more cattle per contract and more total cattle per year. They are also allowing producers to place coverage on unborn cattle. Now you can sell your cattle 60 days prior to your contract end date, as compared to the 30 days it was before. This allows pro-



Upcoming Important Dates

OCTOBER 31

Harvest Prices set for Corn/Milo
(CBOT DEC)

Harvest Price set for Soybeans
(CBOT NOV)

FINAL PLANT date for Wheat
(Counties above the Missouri River)

NOVEMBER 15

Production Reporting Deadline for Fall Crops (Wheat / Barley)

FINAL PLANT date for Wheat
(Counties below the Missouri River)

DECEMBER 1

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

DECEMBER 10

Last day to report any bushel/revenue losses

LRP— Potential Benefit to Your Operation (continued)

ducers more flexibility while utilizing the program.

New for the 2023 crop year, LRP contracts generating loss payments will require the producer to show proof of ownership. Sales receipts or detailed vet records are a couple of examples of what will be accepted.

We offer tools that livestock producers can utilize to see how LRP can best serve their operation. The first is the LRP calculator. We encourage backgrounding and stocker operators to use the LRP calculator on our website. By answering a few simple questions, the calculator will give producers an idea of their break-even price and if there are any potential profits to be had based on the coverage levels available that day.

The other tool that we offer is a daily text alert containing a link with the LRP prices available for that day. The page contains coverage options for both feeder and fed cattle along with the last weeks settled cash prices from the Feeder Cattle Index.

These tools are free and easy to use. Many livestock producers find them helpful in making an informed decision about purchasing LRP. LRP is a simple program to use and very easy to obtain the coverage. LRP gives you the peace of mind that you don't have to time the market. As we have seen over the past year the cattle markets can easily be affected by things within and outside of the ag industry. LRP is a safety net that can protect your operation from general market uncertainty. Contact our office to learn how LRP can benefit your operation.

Maximizing Your Fertilizer Inputs

Whether you are a cow calf producer making your living of grass or a row crop farmer we all have a similar concern- fertilizer prices.

Fertilizer prices have increase by nearly 100% in the last two years. This rise is due to a multiple reasons. Rapidly increasing input costs, the disruption of supplies caused by political sanctions and export restrictions, and world unrest regarding the war in Ukraine.

Natural gas is the main ingredient needed to produce ammonia. With Europe being concerned about stock piling gas for heating fuel for the coming winter, much of the natural gas needed to produce ammonia has been diverted from the production of fertilizer to insure ample supplies for winter.

Russia is a major exporter of fertilizer for the world. Currently Russia exports about 16% of the world's urea and about 12% of the MAP and DAP used globally. We can't underestimate the importance of these supplies that come from that part of the world. Even though there are supplies produced in other parts of the world, it is impossible for the other nations to ramp up production fast enough to offset the coming shortages.

Today, we are seeing urea prices surpass the all-time highs set back in 2008. Phosphate and potash nearing record levels, as well. China, India, United States, and Brazil

Maximizing Your Fertilizer Inputs (continued)

are the largest consumers of fertilizer and in that order. Brazil and the United States are the two largest importers of fertilizer. A shortage of fertilizer just between the US and Brazil could considerably reduce world food supplies and create a worldwide food shortage. Now is an important time for governments to reduce regulatory burdens encouraging domestic companies to produce more product to avoid these shortages.

With the increasing cost of fertilizer, it is more important than ever to utilize soil testing to know exactly what each field needs. I try to soil test at least a portion of my row crop and pasture acres every year. I believe this is particularly important as many of us are using more and more manure or poultry litter in our crop operations. With this practice, it is possible to get the P and K out of balance and potentially do more harm than good. Since I have spread a lot of litter in the past, I thought that this year would be a great opportunity to do a thorough job of testing fields. The results were not surprising.

My soils have increased levels of organic matter and phosphorus. The potash on the other hand needed to be addressed with chemical fertilizer to bring it back in line. The bigger surprise was the amount of lime some fields needed. This year with the high prices of fertilizer and the uncertainty of availability, liming becomes even more important to get the benefits of the nutrients available in the soil. Most producers try to test all fields every 3-4 years, but sometimes time constraints prevent us from looking at this important nutrient.

Regardless of whether we use manure or chemical fertilizer, lime on fields helps keep the soil pH in proper balance for optimum plant growth. Without the proper pH, the plant is not able to take up the other needed nutrients that are available in the soil. Acidity of the soil can also adversely affect how well our chemicals work for weed control. This will end up costing us additional money and trips over the field to keep weed pressures under control.

This year most of the fields tested needed at least 450 of ENM. Depending on where you get your lime this could amount to about 1.5 tons per acre. I had a couple of fields that were recently broken out of pasture that needed over 1200 of ENM or about 3 ton of lime per acre. Even though these grew good wheat this spring, the soybeans would have suffered a 15% yield reduction at this level. At 40 bushel per acre soybeans, a 15% reduction in yield would equal 6 bushels per acre. With beans at $14.00 at harvest time, liming the field would have made me about $84 per acre. This would amount to around a 200% return on the liming investment.

Soybeans do the best when the pH is between 5.6 - 7. Corn, milo, and wheat can all tolerate a more acidic soil than beans. The range for these grass crops is from a pH of 5 - 7.2. Since we don't lime every year, I try to bring the soil pH to 7 which is a good range for all the row crops.

Pasture and hay ground is probably the most neglected of all the crops when it comes to liming. We generally calculate our fertilizer needs based on the stocking rate or the amount of hay we have taken off in the previous year. Many of us haven't taken time to soil test our pastures and this could be costing us productivity and, in turn, dollars. Pure grass stands can tolerate lower pH's, but if we try to inter-seed clovers or other legumes into these pastures we will have poor results if the ground needs liming. Red clover, sweet clover, and alfalfa all need soil pH's over 6 for optimum growth.

If you don't soil test yourself, it is important to talk to your fertilizer dealer and get them to test your fields. Lime is an inexpensive input that can pay big returns for row crop, pasture, and hay acres.

PRF
DECEMBER 1
Sales Closing
Acreage Reporting Due

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)

From Simple Project to Profitable Business

There have been many changes in livestock production over the last 20 –30 years. The most notable change has been the movement to raise livestock in buildings. It started with poultry, moved on to swine, then cattle, and now sheep and goats. It's a change driven by sky rocketing land prices or where land is a limited resource. Confinement agriculture can be utilized by both large and small operators.

Confinement production has its pros and cons. This style of production allows the producer to have more control over their variables of production, like weather and predators. Animal nutrition can be more easily monitored, leading to better weight gain and feed conversion. It also allows for more of a year-round production model.

There are some drawbacks to confinement production. Overhead costs are usually higher. Feed costs tend to be higher because you will be using harvested feedstuffs, be it hay or grain. There is also the additional investment in buildings and equipment. While animal health is usually better in confinement, diseases can also spread more rapidly because of the close proximity. Proper management of ventilation and sanitation is also critical.

Most of the time producers make a conscious decision to use this type of livestock production to start with, but sometimes they just evolve in to, just like one of our producers did. For Kory and Adrianna James, what started out a few years ago as a little project of 10 ewes for their daughter and as a "way to mow the grass" has now grown to 450 ewes that don't "mow any grass".

The James' operation already included cattle and chickens, so when they sold that first set of lambs and made a little money, it got them thinking this could be an added way to diversify their livestock operation. While growing sheep was something new to Kory, it wasn't new to his wife, Adrianna. Adrianna's family is from Australia and her grandfather maintained a flock of 4,500 ewes. This gave them access to knowledge that was invaluable.

For the first couple of years, the sheep grazed with cattle which worked, but it raised concerns that their operation's grazing capacity would eventually suffer. Since they were growing their sheep flock, Kory and Adrianna had two options. One, obtain more land through purchase or rent, or two, put their sheep under roof in a more controlled environment. They opted for the latter as they were worried about predators, especially coyotes and eagles, preying on the ewes and lambs.

The plan was to buy a hoop building to house the sheep. They purchased it and waited for it to be delivered. It was delayed by months and Kory couldn't wait any longer. His solution was to find an old poultry barn and with very little modification use it to house his sheep. The hoop building? It finally came and now he uses it to wean calves in.

Kory and Adrianna's sheep operation can be likened to a cow-calf operation. The ewes will lamb, those lambs will be weaned off, brought to sale weight of about 60 pounds, and sold. Sheep will naturally cycle once a year, which is usually between mid-August through mid-January, and have one or two lambs. The current under roof set up allows them to have the ewes cycle 3 times over a 2-year span. Sheep have a 150-day gestation period and birth the lambs weighing 7-12 pounds. It will take an additional 30 days after weaning for the lambs to get to their target selling weight of 60 pounds. By utilizing ewes that are predisposed to have multiple (2 or 3) lambs each time, they have upped their lamb to ewe ratio from 1.8 to 2.1 in the last year. At this pace they are looking to wean off around 900 lambs every cycle.

From Simple Project to Profitable Business

The James' have their barn set up with pens, made of cattle panels, that are 14 feet by 85 feet that run along both sides of the barn. Each pen will hold about 40 –50 families (mom and lambs) giving them 25 square feet per family. Each pen serves multiple purposes: pregnant ewes, ewes being bred, ewes to rest after weaning, and to hold the weaned lambs. Each pen has a dry-erase board on it where Adrianna keeps track of all the pertinent information of the animals in that specific pen. There is an alleyway down the middle that provides easy access for feeding and movement of the sheep. At the end of the barn is a working alleyway. Kory said that sheep are creatures of habit and once they have been moved down to the working area a couple of times all he has to do is open the pen gate and they will move there on their own. On the alleyway side of each pen are feed bunks made of 10-inch drainpipe cut in half attached to the pen. Initially, the feed bunks were on the outside of the pen, but there were issues of sheep getting their head stuck in the wire panels, so they are now on the inside. They also have homemade mineral feeders and creep feeders in each pen that are made of the same drainpipe.

Bedding in the pens consist of a little bit of hay. After about 8 months they will clean the bedding out of the pen and pile it up. It then composts for bit allowing the hay to break down into a product that can be spread evenly. In the past Kory has done testing on the bedding material and said it comes out around 30-40-40. When we visited the barn a couple of weeks ago, the bedding in all the pens was dry and there was no smell. The natural air flow in the barn helps keep the moisture from building up so there hasn't been a need for fans to help keep bedding dry. The side walls of the barn still have curtains, so when the weather gets colder or if rain comes inside, they'll just roll up the curtains. There is no heating source in the barn, but the waters, which are in each pen, rarely freeze up.

Kory and Adrianna figure it costs them 63 cents per ewe per day in feed. This includes about 2 pounds of triticale silage and 2 pounds of corn silage per day for each ewe. They also have free choice mineral and hay available. Nutrition is probably the most important thing for the sheep, especially in the last month of gestation and the first 30-45 days of lactation. While they work with a local vet as health questions arise, their overall vet costs are usually minimal. When receiving a new animal, they are blood sampled for any diseases and quarantined for about a month before they are integrated into the flock. Kory does trim the hooves regularly because they don't wear down enough being in a barn. When it comes to castrating the rams at weaning, it is not something they practice. They have found that the majority of lamb buyers seek out uncastrated males to purchase for meat.

When it comes to buying breeding rams the going rate is between $900-$1000. Much like in cattle, they are best kept around 4 to 5 years. Kory and Adrianna synchronize their ewes to prepare them for breeding and then turns 3 rams with 40 ewes to catch that breeding cycle. In the most recent breeding cycle, 29 of 57 ewes were bred within the first 24 hours.

Currently, the weaned lambs are sold at local auction markets. Lambs a year ago were going for as much as $240 per head, but the market has since dropped down to about $150. They hope that in the future there will be better ways to market his lambs.

Kory advice for anyone interested in sheep production is to work on a sheep farm for at least 6 months to see if they like it before just jumping in or marry a very dedicated and hardworking wife. They recommend educating yourself

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From Simple Project to Profitable Business

someway on sheep production to help with the learning curve of starting something new. Minnesota West Community & Technical College offers a program on sheep production that can be taken completely online. Adrianna is currently taking this class to help further their knowledge in sheep production.

Kory and Adrianna have ideas for the future to help expand their operation. They would like to maintain a flock of 600 ewes, which would bring their barn to max capacity. They are also considering keeping their lambs up to slaughter weight of 150 pounds. While this adds time and risk, they feel it could pay off and really benefit the expansion of his operation. If RMA were to reinstate the LRP program for lambs, Kory knows the price protection offered would provide extra defensive against the risk of keeping the lambs to slaughter weight and make him feel more comfortable with added time and expenses.

Like all businesses, production agriculture is always evolving. Producers continue to find new, innovative ways to raise livestock and become more efficient in doing so. Kory and Adrianna James' operation is just one example of this. So, what started out as just a "way to mow the grass" has now become a successful business opportunity.

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