Crop Insurance 2023

Volume 23, Issue 2 March 2023

Gibson Insurance Group

"The Risk Management Specialists"

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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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Marketing with Crop Insurance

February has come and gone and the spring minimum guarantee prices for crop insurance have been set. The spring guarantee for corn is set at $5.91. This is a penny higher than last year. Soybeans are set at $13.76 per bushel. This is down 57 cents from last spring, but still a historically high guarantee price.

Today I had the opportunity to work with one of our producers, let's call him Joe, and help him look at his marketing plan for 2023. It was interesting to see how he planned to make sales through the year and to help him correct a few misconceptions he had about the revenue products.

Joe has a corn APH of 152 bu/acre and chooses to take 80% coverage level using the enterprise unit option. His budget indicates that he will have a variable cost of $674 per acre to plant and harvest corn (this is considerably more than last year).

Joe's goal is to make $225 per acre profit over his variable costs. His Revenue Protection (RP) policy guarantees Joe a minimum guarantee of $718.65 per acre (152 bu/ac x 80% level x $5.91= $718.65). Essentially what Joe has done is priced 80% of his 152 bu APH, 121 bushels, at $5.91 per bushel. This leaves him with the other 20% of his average production as unpriced. Using crop insurance alone as his marketing tool, Joe will be looking at a profit over variable costs of $44.65 per acre. This is much less than Joe's goal of $225 per acre profit. So what can we do, especially with the 20% of his potential production unprotected, and what are the next steps?

Joe has never used the futures market to lock in prices and has heard horror stories of margin calls that nearly broke some producers. He doesn't have the time nor the interest to watch the markets daily to constantly manage positions, but he does need to price the 20% of his crop at $5.91 to reach his revenue goal. Neither of us can predict the weather so we decided to continue to use his 10-year history of 152 bu/ac instead of manipulating yields to make numbers work.

We looked at the markets and both agreed a couple of things will likely happen over the next six months of the growing season. Every year, at some point, we will enter a "weather market" where we have production scares. This could be at planting, pollination, or even during harvest. During these times the market rallies and gives selling opportunities, either in the futures or actual cash markets, to producers willing to take advantage of these rallies. This will happen

2023
Initial Guarantee Prices

Corn - $5.91

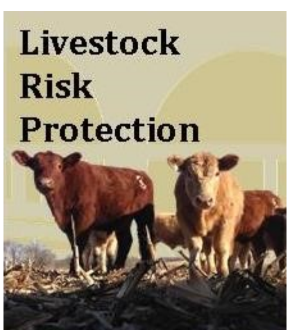
Soybeans - $13.76

Milo - $5.83

Wheat - $8.44

"If you do what you've always done, you'll always get what you've always got"

Ryan Olsen, Brock Report



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Marketing with Crop Insurance (cont.)

again in 2023.

On top of this we are in a very unstable geo-political climate. This too can cause market volatility where prices can move to the upside for little reason. The war in Ukraine is a prime example of this. Access to the Black Sea ports that Ukraine needs to easily ship their agricultural products to the rest of the world are very limited.

Joe's first thought was to price physical grain to cover the upper 20% of his expected production, but this opens risks as well. What would happen if we had a summer like 2012 and did not raise a crop in excess of his 121 bushel insurance guarantee? If this were the case Joe would have to actually buy grain on the open market to fill these contracts or pay the elevator the difference if the price rose substantially.

After looking at all the different marketing options and taking into consideration Joe's unwillingness to make possible margin calls we decided that PUT options may be the best tool for him to use to reach is revenue goals.

Options are not new, but they are something that many producers seldom, if ever, use. PUT options give Joe the right to sell his product at a given price at a set futures contract month.

Joe is watching for a rally in the DEC 23 corn price that will be above the $5.91 crop insurance guarantee plus the cost of purchasing a put option. When prices reach this goal he will be in a position to buy the PUT options to cover the unpriced portion of his expected production. This move alone will achieve his goal of $225/acre return over variable costs. (20% x 152 bu x $5.91 = $179.66.) Add $179.66 to his $44.65 from crop insurance and he will meet his goal of a $225/acre return over variable costs. If prices were to move higher he could exercise the PUT and cash in the time value remaining and reestablish his coverage at a higher floor price.

Each producer has their own strengths and tolerance for risk. Joe is comfortable using PUTS for the first time as he can see what the costs are upfront. Some of us, myself included, will continue to hedge our production using the futures market. This is because we have the time or the interest to stay in touch with the market daily and enjoy the excitement of marketing.

Ben Brown - University of Missouri Extension

The way we have always done things and the way grandpa farmed may no longer be adequate in today's business environment. Today we have more tools than ever to help producers remain profitable. In 2023 Gibson Insurance Group will be partnering with Ben Brown of the University of Missouri to help interested producers learn more about marketing and preparing a market plan. This program will cover all grains and livestock and will be dictated by what each participant wants.

We are hoping to get feedback from producers on the type of learning environment you would prefer. Once this is established we will get a group together for an informational meeting and proceed from there. If you would be interested in learning more or participating in the class, please contact us at 660-433-6300. We hope to hear from many of you!

Market Thoughts

The USDA Ag Forum is estimating a huge increase in corn acres for 2023 with a prediction of 91 million acres compared to 88.6 million last year. USDA is also predicting an average yield of 181.5 bushels per acre. This is almost a 5% increase over last year's yield of 173.3 bushels per acre. These numbers could push our stocks to use ratio to nearly 13%. With this high of a stocks to use ratio we could very well be looking at the mid $4 dollar range for corn at harvest.

We all know that these are only estimates and many things can change between now and planting time. If we have great weather nationwide this estimate could be on the low side due to the price relationship between corn and soybeans. If we have planting delays this number may be just a little on the high side. Regardless of whichever scenario we look at we understand that the probability of lower prices for corn will likely come to pass in 2023.

Each year we have challenges arise that give us marketing opportunities. Weather markets will play a role sometime this year as it has always done in the past. For the second year in a row the Argentina corn crop has been met with some challenging weather issues that could lower their second crop production, which is a positive for our corn markets. In fact, the USDA's March WASDE report is estimating that 2023 Argentinian corn production could drop from 47 MMT to 40 MMT, equating to about a 20% drop.

Soybean acreage on the other hand, is estimated to remain constant at 87.5 million acres. Yes, Brazil did have a record crop and that will weigh on the market, but the problems that Argentina has had will mitigate at least a portion of this increase in production. There is also positive news about the uses of soybeans in the production of biofuels that has been in the forefront of the news lately. It is predicted that the stocks to use ratio for soybeans will increase to 7.4%, which is a 2% increase over last year. This should equate to a price of around $13.30 per bushel. Again it is early and many things can change throughout the year.

The geo-political environment we are currently living in is the 500-pound gorilla in these markets. So far, Ukrainian ports and export facilities have been relatively undamaged by Russian attacks. As this conflict continues it is very possible that Russia will start targeting these places to interrupt Ukraine's ability to export it's agricultural goods. If and when this occurs the price of grains will likely start to spike giving producer's here an opportunity to again lock in higher floor prices for their 2023 production.

Producers that still have old crop in storage will be looking to take advantage of these challenges to sell whenever the markets rally throughout 2023 prior to new crop harvest.

The livestock markets look to be on track to having another banner year. With the easing of grain prices and the shortage of cattle, we are seeing the future markets at very high levels. It is amazing to note that there has been little pull back in demand for beef even at these higher prices. The outlook currently remains good for 2023. The only downside to this market is increased production from the pork and poultry sectors which will compete with beef for the consumer dollar. This could potentially put a damper on beef demand and beef cash prices.

All in all, 2023 should remain a profitable year in agriculture even with the increased input prices. Our growing season is just beginning and there is a lot of time left before the 2023 crop is in the bin. Many things can change and opportunities can pop up anytime. I encourage all producers to keep an eye on the markets and take advantage of all marketing opportunities as they arise.

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"

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Livestock & Farm Protection

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Missouri Agricultural Lenders Express Mixed Feelings on Land Values

MU Extension - Agricultural Business and Policy Team
Ben Brown

When asked, producers- with a smile and a laugh- will likely say their lender is the most pessimistic within their circle of advisors- well at least outside university economists. Lenders are as a group cautious because extending loans comes with extrinsic risks even the most well-established farming operations might not be able to control. Highlighting these risks and identifying solutions are two objectives of MU Extension's annual Agricultural Lender Seminars. For decades, MU Extension has provided learning opportunities about the economy for the state's agricultural lenders. A team of University of Missouri economists specializing in markets, policy, and finance blanketed the state during November and December covering topics such as interest rates, inflation, commodity markets, and inputs. The Missouri Department of Agriculture's Missouri Agricultural and Small Business Development Authority (MASBDA) and the Farm Service Agency (FSA) partnered to provide educational information on their programs. Throughout the program, lenders had an opportunity to share their expectations for the year ahead.

Expectations on the US Macroeconomy

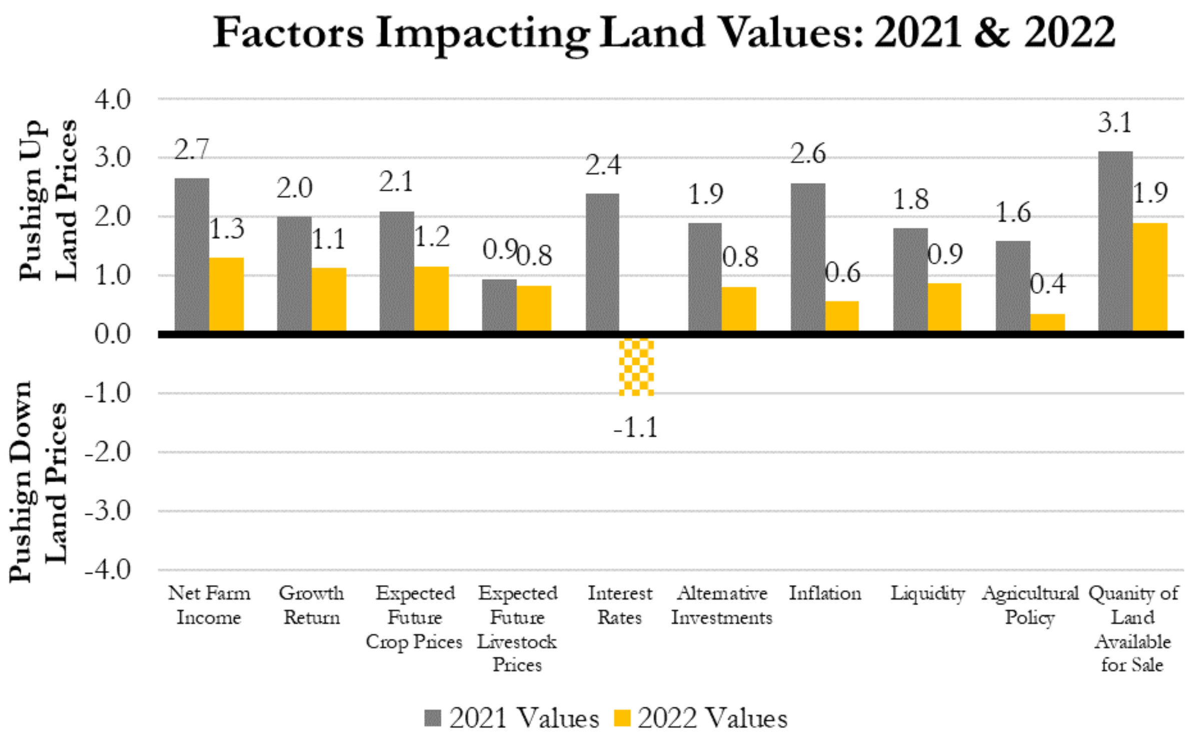
The Federal Open Market Committee raised the federal funds rate seven times in 2022 to a benchmark range of 4.25%-4.50% to control price inflation. While relatively low in historical measures, lenders expressed their concern the increasing interest rate environment might have on asset values like land and operating accounts. Roughly 80% of the assets represented on a producer's balance sheet are attributed to land values. Lenders were asked three related questions on their perceptions of monetary policy. Current forecasts by the US Federal Reserve as of November 1 were provided for reference. Most participants expected the consumer price index to exceed 4.2% from October 2022 to October 2023, unemployment would remain below 4.4% in 2023, and the Federal Funds rate would exceed 4.75% on October 31, 2023. "Key to this discussion is how rates for land ownership are influenced by short term Federal Funds rates" said Joe Horner, MU Extension Specialist.

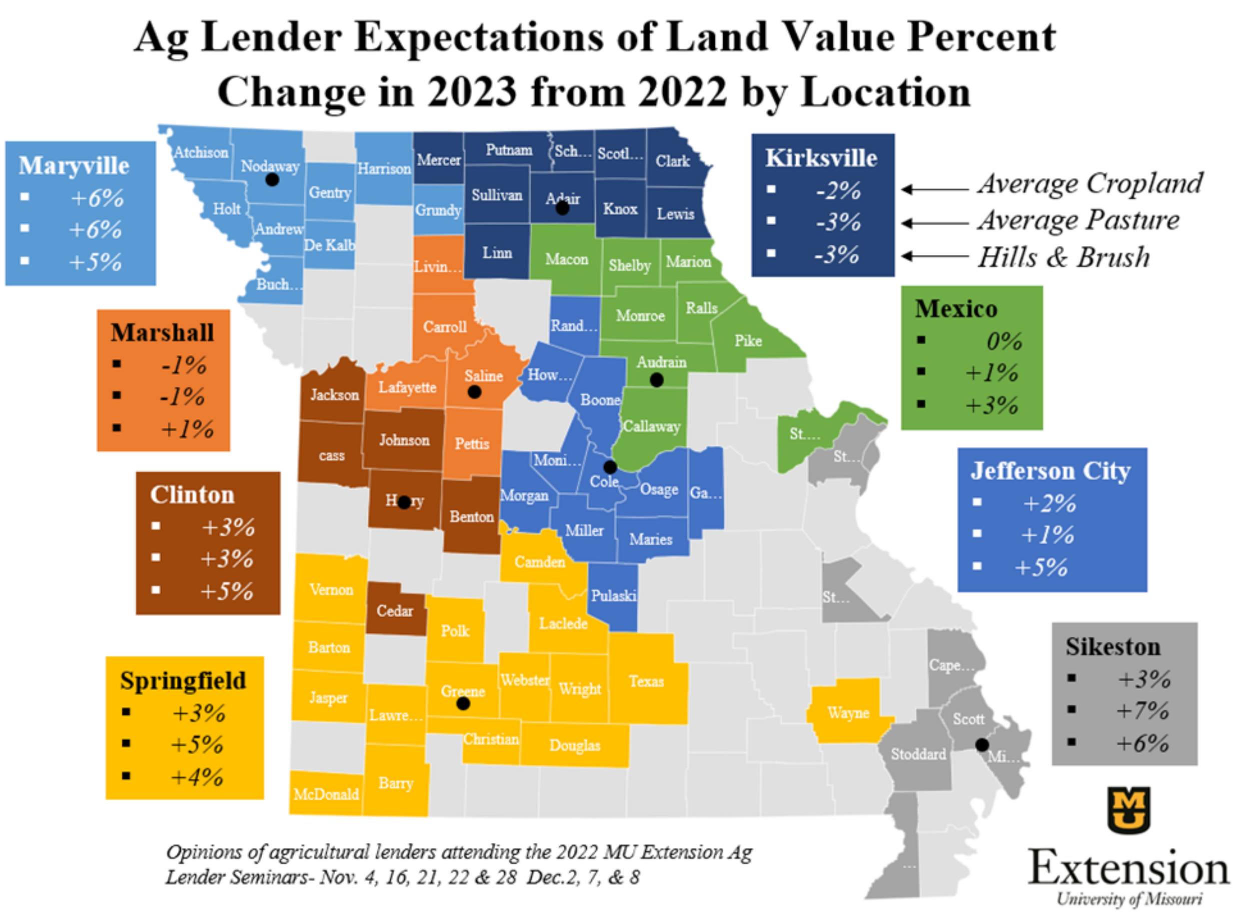
Expectations on Agricultural Markets

Agricultural markets made abrupt moves in 2022 following the invasion of Ukraine, dryness in the western corn belt, potential rail strikes, and low water burdening river transportation. Lenders were asked 7 questions related to their expectations of certain agricultural markets. Current forecasts by the Chicago Mercantile Exchange as of November 1 were provided for reference. Lenders were largely unified in expectation of oil prices above $84 per barrel on June 1, 2023, national average retail anhydrous prices higher in April 2023 compared to October 2022, and feeder cattle prices above $200 per hundredweight on average during October 2023. Missouri lenders indicated they expect 2023 corn prices at harvest below $6.24 per bushel, Missouri producers planted below 630,000 wheat acres last fall, and corn exports out of the Black Sea Region will below 70% of normal. "If looking only at the supply side of cattle markets, it is not difficult to see feeder cattle prices moving higher" said MU Ag Economist Scott Brown "but supply is only one part of determining cattle prices".

Missouri Land Values

While attendees were relatively pessimistic about crop markets and high input costs, they were mixed about Missouri cropland values. Forty-four percent of attendees anticipate cropland values to increase in 2023 and twenty-eight percent anticipate land values to maintain current values. Similarly, forty-four percent expect pastureland values to increase while twenty-seven percent anticipate no change from 2022. Multiple factors impact land markets at any given moment. Outside factors such as interest expense and expected farm income exist factors including quantity of land on the market, location, characteristics of the bidders, development pressure, and built-up liquidity. Forty-four percent of attendees anticipate no change in the volume of land on the market compared to 2022 with twenty-two percent anticipating more land on the market and thirty-four percent anticipating less. Lenders were asked to provide their assumed 2023 farm ownership loan rate- ninety percent of responses fell between seven and eight percent. "It generally takes one to two years before we start to see higher interest rates impact land values, but even then, other factors are offsetting the increases in rates" said MU Ag Economist Ben Brown. Lenders seemed to agree. All ten factors impacting land values asked in 2021 and 2022 were down this year compared to last. Nine of the ten were viewed as supporting land values, with the lone factor pushing down land values- higher interest rates.


Factors Impacting Land Values: 2021 & 2022
Pushign Up Land Prices
Pushign Down Land Prices
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
-4.0
2.7
1.3
2.0
1.1
2.1
1.2
0.9
0.8
2.4
-1.1
1.9
0.8
2.6
0.6
1.8
0.9
1.6
0.4
3.1
1.9
Net Farm Income
Growth Return
Expected Future Crop Prices
Expected Future Livestock Prices
Interest Rates
Alternative Investments
Inflation
Liquidity
Agricultural Policy
Quanity of Land Available for Sale
2021 Values
2022 Values


Ag Lender Expectations of Land Value Percent Change in 2023 from 2022 by Location
Maryville
+6%
+6%
+5%
Kirksville
-2%
-3%
-3%
Average Cropland
Average Pasture
Hills & Brush
Marshall
-1%
-1%
+1%
Mexico
0%
+1%
+3%
Clinton
+3%
+3%
+5%
Jefferson City
+2%
+1%
+5%
Springfield
+3%
+5%
+4%
Sikeston
+3%
+7%
+6%
Opinions of agricultural lenders attending the 2022 MU Extension Ag Lender Seminars- Nov. 4, 16, 21, 22 & 28 Dec.2, 7, & 8
Extension
University of Missouri

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Contact our office if you have any questions.

Precision Ag

The use of precision technology in agriculture and the data collected from it has been steadily growing for the past decade or so. The amount of data that can be collected seems endless. Many of us ask ourselves, now that I have this data what can I do with it? How can I utilize it to make my operation more efficient? The data collected by this technology can be very useful for producers. It can be used for many things, from tractor diagnostics, variable rate planting and fertilizer application, to getting instant yield data from a combine during harvest. These practices can make operations more efficient and increase yields bringing real value to an operation.

Here at Gibson Insurance Group, we have opportunities to make your precision agriculture equipment useful by using the data for crop insurance.

In the past few years we have been asking producers to report their planted acres using their monitor from their tractor. This can ensure your acreage report is the most accurate. For example: If the FSA CLU data says your field is 40 acres, but you only plant 37.9 acres in that field, you will only take out insurance on those 37.9 acres. This will make your yields more accurate because you are dividing your bushels over the 37.9 bushels that were planted and not the 40 acres your FSA CLU data says the field is. While the saving in premium may seem small, it does add up and saving money in a time of high inputs can be crucial.

Collecting these planted acres for crop insurance can be done in multiple ways. We have the technology to connect to both John Deere Operations Center and Climate View to pull plantings from the cloud and insert those plantings into our mapping systems. If you do not subscribe to the cloud-based programs, we can also pull the planting information off the monitor using a flash drive. The most simplistic way is to record the planted acres from the monitor in some type of planting book once each field is completed and use those planted acres to fill out your acreage report. Each of these options will provide us with more accurate information to give you the best coverage this upcoming year.

If you are interested in utilizing your precision equipment for crop insurance but are not sure where to start, please give our office a call. We will be happy to assist you through the process of utilizing this data to your benefit.

Replant FAQ's

Every spring during planting season it's always the hope of producers that Mother Nature will provide perfect growing conditions. Temperatures that aren't too hot or too cold. Rains that come gently just when our crops need it. But we know that's not how it works. After planting if Mother Nature doesn't cooperate it can cause conditions in which producers may need to replant all or part of their crop. Below are some commonly asked questions about replant.

Q: How does replant work with my crop insurance policy?

A: Crop insurance pays for every acre replanted after you meet the "20/20" rule. You must have to plant at least twenty acres of a crop in a unit or twenty percent of that unit. For example: If Bob planted 70 acres of corn in a unit, he must replant 14 acres to be compensated for replanting.

> *Note: If you have the additional replant option on your policy, there is no limitation on the number of acres needed to qualify to replant.*

Q: When do I need to call to let you know I need to replant?

A: If you are scouting fields and you think there is at all a chance you may need to replant, give us a call so we can enter a replant notice on your behalf. An adjuster will then contact you to go over how to proceed. Please wait to hear from an adjuster before replanting. If the crop ends up coming up and looking great, we can always close a replant claim.

The simple answer to this question: the sooner, the better.

Q: What does replant pay?

A: This amount varies by crop. The calculations for each crop stay the same from year to year.

> *Corn - Eight times the spring price guarantee ($5.91):* ***$47.28/acre***
> *Soybeans – Three times the spring price guarantee ($13.76):* ***$41.28/acre***
> *Grain Sorghum – Seven times the spring price guarantee ($5.84):* ***$40.88/acre***

Note: If you have the additional replant option on your policy, you will get paid the above prices plus the extra price option you elected.

Q: When does it pay?

A: Replant payments are made once the producer submits their acreage report and we input the report to the appropriate AIP.

As always, we are here to help you with your risk management needs. If you ever have any questions feel free to call your agent or the office.

GIBSON INSURANCE GROUP

"The Risk Management Specialists"

Main Office

Dean Gibson
Chris Lynch
Brian Huhmann
Maria Birdsong
Carol Kliethermes
Cheri Cranford

660-433-6300

800-411-3972

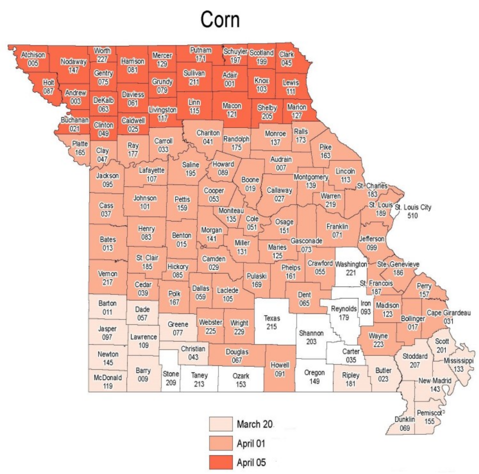
gibsoninsurancegroup.com

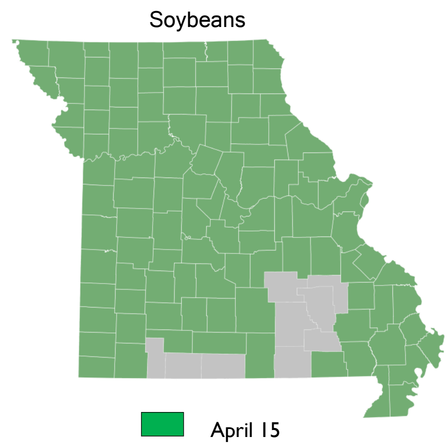
Crop Insurance 2023

Important Reminders

- If you are going to be farming new ground or breaking out any grass contact our office ASAP.
- If you need to replant, contact our office prior to doing so.
- July 15– Acreage Reporting Deadline

Initial Planting Dates





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