

SPRING 2007

# NEWSLETTER

## Sales Closing- March 15, 2007

The sales closing deadline for the 2007 spring planted crop is **MARCH 15, 2007**. This is the final date you have to make any of the following changes to your current spring policy.

- Increase or change your current level of coverage.
- Insure a crop in another county.
- Upgrade your "catastrophic" policy to a buy up.
- Upgrade your MPCI Buy-up policy to a revenue product.

All policies are a continuous contract. Changes and cancellations must be done in writing by the sales closing deadline of **MARCH 15, 2007**.

## Which Dryland Crops to Plant?

Wow! We got moisture for a change!!!!!! Combine that with corn prices around \$4.00 Bu and the prospects for a decent year are looking better. With that comes many questions about what crops to plant this spring and how good of protection will your crop insurance provide. The revenue prices for corn, milo, and soybeans are all determined in the month of February on the December Chicago Corn Futures for corn and milo and the November Futures for soybeans. As of this writing the December Corn Futures are \$3.98 and soybeans are \$7.63. Typically the milo price will be about 90% of the corn, making it \$3.58 Bu. Keep in mind these are only estimates as we won't have an official CRC and RA price until the first of March. The MPCI price for silage sorghum has already been established at \$22.50 per ton. I looked at the coverage vs. the premium on all four crops using strictly T-Yields for Hodgeman County just to give you an idea of the possible net coverage we are looking at:

(cont'd on page 4)



*Ag Insurance Specialists*

**MAP**  
Inc.  
Midwest Ag Professionals, Inc.

SPRING 2007

## INSIDE THIS ISSUE

Sales Closing..... pg1

Which Dryland Crops to Plant? ..... pg1

Letter from the Agent ..... pg2

Corn Price History ..... pg2

Livestock Blizzard Insurance.... pg3

Livestock Risk Protection..... pg3

Record Keeping ..... pg4

Yield Management..... pg4

Story of the Cow Dealer..... pg4

Affiliated Agents:  
 Edna Stairrett- Jetmore, KS  
 Steve Schell- Syracuse, KS  
 Shirley Cantrell- Anthony, KS  
 Kay Schnittker- Pratt, KS

**MAP, Inc**  
 South Hwy 283  
 28236 SW KK Rd.  
 P.O. Box 307  
 Jetmore, Kansas 67854  
 Phone: 620.357.6390  
 Fax: 620.357.6384

**877.299.MAPS**

# Letter From The Agent

## Crop Insurance and Forward Pricing

I have been asked several times, "If I sell next year's corn, will insurance cover me?" Let's think this through a little. If you sell corn, Dec. 07, right now it is \$3.98, less the bases of about one cent, making it \$3.97 your price. OK, you sell for \$3.97 and next summer a drought comes again and you don't get a crop and the market goes up to \$4.50 and you have no corn. Remember that RA price is set during November by the CBT December contract so if corn goes up to \$4.50, the reason is that the CBT went up, which will cause the RA price to go up to match it, which will then cover the corn that you didn't raise. (Remember when getting paid by insurance, it is CBT price and not CBT less bases.)

If the price in Dec. 07 goes down to say \$2.00 and you don't have corn because of drought or some other cause and you have contracted for \$3.97, you can buy your contract back or buy some corn for around \$2.00 and deliver it on your \$3.97 contract, and you will be paid the spring RA price on loss bushels if the spring price is more than \$2.00. So, yes, insurance will cover you.

One of the services we offer is to provide you with the amount of bushels you have insured for whatever level of coverage you have by unit. You need to provide us with the acres and where you plan to plant them. You may want to raise your level of coverage and sell more bushels, which will allow you more profit.

\*Excerpt from [www.corn-beans.com](http://www.corn-beans.com)

Sincerely,  
*Mike Ochs*

## Corn Price History

This fall most of the conversations with agents have centered around the increase we are seeing in commodity prices for corn in the Midwest. Even though claims activity has been fairly light this fall, agents are talking to farmers about the potential for high grain prices for the 2007 crop year.

To the right is a little corn price history of the base price calculation for the March 15th sales closing date and the fall or harvest price calculation. As you can see on the chart, in the last 13 crop years the fall price has exceeded the base (spring) price several times. This is most likely more often than most of us would think. At the writing of this article the Revenue Assurance (RA) harvest price has not been officially calculated by the RMA, but we anticipate that the 2006 RA harvest price should be around \$3.56 per bushel.

We hope the 2006 crop year was a prosperous year for your farming operation.

YEAR	MPCI (APH)	BASE (Feb)	Harvest CRC (Oct)	Harvest RA (Nov)
2006	\$2.00	\$2.59	\$3.03	\$3.56
2005	\$2.20	\$2.32	\$2.02	\$1.93
2004	\$2.10	\$2.83	\$2.05	\$1.99
2003	\$2.20	\$2.42	\$2.26	\$2.37
2002	\$2.00	\$2.32	\$2.52	\$2.43
2001	\$2.05	\$2.46	\$2.08	\$2.05
2000	\$1.90	\$2.51	\$2.04	\$2.11
1999	\$2.10	\$2.40	\$2.01	\$1.96
1998	\$2.60	\$2.84	\$2.19	\$2.19
1997	\$2.45	\$2.59	\$2.81	\$2.62
1996	\$2.65	\$2.93	\$2.94	\$2.55
1995	\$2.25	\$2.57	\$3.23	\$3.28
1994	\$2.40	\$2.68	\$2.16	\$2.16

Corn- December CBOT contract daily settlement price average for the months of February, October and November.

\*Excerpt from RCIS

# Livestock Blizzard Insurance

## True Peace of Mind Protection

A true livestock producer doesn't consider their cattle as "contents." So why should their insurance? Our coverages specifically protect valuable livestock from an array of perils, including:

- Fire and Lightning/Smoke (other than smoke from smudging or industrial operations)
- Windstorm or Hail (excluding loss directly or indirectly contributed to or caused by extremes, ice (other than hail, snow or sleet)
- Smothering caused directly by a blizzard or snowstorm (excluding loss caused by or resulting from cold and temperature change or extremes)
- Explosion, Riots or Riot Attending Strike, Civil Commotion
- Falling Aircraft and Objects Falling from Aircraft
- Collapse of Bridges or Culverts
- Accidental Shooting (except by the insured, livestock owner or their employees).
- Drowning/Electrocution
- Attacked by Wild Animal or Dogs
- Building Collapse
- Collision with a Vehicle (not owned or operated by the insured or his employee and provided animal is not in the process of being transported).

## Livestock Risk Protection

Livestock Risk Protection (LRP) Feeder and Fed cattle provides revenue protection from a price decline during the policy coverage period. The protection from low prices is based on the Agricultural Marketing Service Five Area Weekly Weighted Average Direct Slaughter Cattle Report and CME Feeder Cattle Reported Index and CME Cattle Futures.

The policy does not protect against other perils such as mortality, disease, or any other cause of loss. LRP has limited underwriting amounts that require that all requests for coverage be approved by the Risk Management Agency (RMA) before coverage officially attaches.



To establish LRP coverage, an insured must first file an application for LRP insurance through their insurance agent. This application does not establish any right to coverage. It only establishes the ability to request coverage if appropriate underwriting amounts are available from RMA. After the application has been accepted, the

insured must file a Specific Coverage Endorsement (SCE) to establish actual insurance coverage.

### Insured's Options for Feeder Cattle

LRP is for Feeder cattle with weight ranging up to 900 lbs. The LRP feeder cattle policies covers steers, heifers, Brahman and dairy cattle. The insurance periods available range in approximately 30-day increments from 13-52 weeks. The maximum number of Feeder cattle that may be insured by any one entity in any one crop year is 2,000 head. (Only 1,000 head may be covered on a single SCE).

### Insured's Options for Fed Cattle

LRP is for Fed cattle that will grade select or higher and with a yield grade of 1 to 3, and to market for slaughter at 10 to 14 cwt at the end of the insurance period. The insurance periods available range in approximately 30-day increments from 13-52 weeks. The maximum number of Fed cattle that may be insured by any one entity in any one crop year is 4,000 head. (Only 2,000 head may be covered on a single SCE). This policy will cover both steers and heifers.

The coverage level on LRP ranges from 70%-95% of the expected ending value. The subsidy rate at all levels is 13%.

## Which Dryland Crops to Plant? (cont'd)

Crop	T-Yield	Level	Cov./Acre	Prem./acre	Net Cov./Acre
Dryland Corn	48.0 bu/ac	70%	\$133.73	\$11.23	\$122.50
Dryland Milo	49.0 bu/ac	70%	\$122.79	\$12.03	\$110.76
Dryland Soybeans	22.0 bu/ac	70%	\$117.50	\$8.88	\$108.62`
Dryland Silage Sorghum	4.0 tons/ac	70%	\$63.00	\$8.35	\$54.65

Again these figures are based on T-Yields only, if you don't have any past history for a particular crop on a section you will get the T-yield. If you do have previous years history, your yields will be based on that history for each field. Give us a call and we can run a detailed quote for your farm to show a close estimate of coverage and premiums for each field.

Note: The Dryland Silage Sorghum T-Yields for 2007 have been drastically reduced from last year. If you have any actual history your yields will probably be a lot better than the T-Yield.

## Record Keeping

A new RMA regulation...If you have \$100,000 loss in any crop you will be audited back three years, so be sure to keep all your production records. If you had anything appraised in those years we will have those records. It is a good idea to keep your records any way because you can be picked for an audit even if you didn't have a loss.



## Yield Adjustment

If you had a bad yield this year (or any other APH year), the insurance provisions allow us to apply Yield Adjustment (YA), and what that is, in case of a bad year, instead of using the bad yield we can use 60% of the "T" yield. The ramifications of that vary to the unit and how many years are in the database. The cost is only cents per acre and there is no cost when it is not used.

## Story of the Cow Dealer

A farmer had been ripped-off before by a local car dealer. One day, the car dealer told the farmer he was coming over to buy a cow. The farmer priced that cow with this invoice:

<u>Cow Invoice</u>	
Basic Cow	\$499.95
Shipping and Handling	\$35.75
Extra Stomach	\$79.25
Two Tone Exterior	\$142.10
Produce Storage Compartment	\$126.50
Heavy Duty Straw Chopper	\$189.60
High Output Drain System	\$149.20
Automatic Fly Swatter	\$88.50
Genuine Cowhide Upholstery	\$179.90
Deluxe Dual Horns	\$59.25
Automatic Fertilizer Attachment	\$339.40
4 x 4 Traction Drive Assembly	\$884.16
<b>FARMER'S SUGGESTED LIST PRICE</b>	<b>\$2,843.36</b>
Additional Farmer Markup & Fees	\$300.00
<b>TOTAL LIST PRICE</b>	<b>\$3,143.36</b>
(including options)	