

# Risky Business

A publication of Spartan Insurance Agency

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## Revenue Policies

**T**his year the Harvest Prices are lower for corn and higher for soybeans. If you have a revenue-based policy these prices and the harvested yields are used to determine loss payments. CRC and RA/HPO revenue guarantees are automatically increased if the harvest price is higher. RA without HPO will not have an increased guarantee at harvest if the price is higher.

- With a higher price at harvest, like soybeans this year, losses are paid only if there is a yield loss.
- A lower price at harvest, as is the case with corn, means the yield guarantee is increased to make up for the loss in revenue from the price decrease.

### LOSS PAYMENT EXAMPLE—CORN REVENUE POLICIES

	CRC	RA w/HPO
APH Average Yield (history)	140 bushel	140 bushel
Level of Coverage	75%	75%
Base Price	\$4.06	\$4.06
Guaranteed Revenue (APH x Level x Price)	\$426.30	\$426.30
Actual Yield at Harvest for 2007	90 bushel	90 bushel
Harvest Price	\$3.58	\$3.82
Harvest Revenue (Production x Harvest Price from CBOT)	\$322.2	\$343.8
Loss Payment Per Acre (Guaranteed Revenue—Harvest Revenue)	\$104.10/Acre (\$426.3 - \$322.2)	\$82.5/Acre (\$426.3 - \$343.8)

### BE SURE TO MEET THE DEADLINES

**December 10, 2007**—The end of the insurance period for spring crops was December 10. If you still have any spring crops in the field, please call your agent immediately!

**January 15**—Fruit acreage and production deadline.

**January 31**—AGR (Adjusted Gross Revenue) policy deadline.

**March 15**—Deadline to change, add or cancel coverage for spring crops. Call your agent for an appointment.

## GRP and GRIP Policies

**S**imply stated, the harvest revenue option has the same impact on the county-based policies as the individual revenue insurance policies. However, the losses for these policies cannot be determined until the yield figures from the National Ag Statistic Service (NASS) are complete. These numbers are not usually determined until early March. Any information you might hear regarding various counties triggering a loss, is purely speculation at this time. Losses cannot be determined until all information is calculated.

- A higher price at harvest increases the expected trigger revenue if the HRO endorsement is in place. Loss payments are made only **if** there is a yield loss in the county.

- Without the HRO option and a higher price, expected trigger revenue does not increase. Therefore, yield needed to trigger a loss payment must be lower.
- A lower price at harvest means that the county could have a normal yield and still have a potential loss.

Yields for GRIP and all county-based policies are not released until spring following harvest. If you are interested in knowing the 2007 expected yield for your county please visit our website at [www.spartancrop.com](http://www.spartancrop.com). Look for the link "County Expected Yields". Remember that these yields are determined by the surveys returned to Michigan Ag Statistics Services. If you receive a survey from them, please return it promptly.

### HARVEST PRICES SET

RA Corn is \$3.82, base price was \$4.06  
 CRC Corn is \$3.58, base price was \$4.06  
 GRIP Corn is \$3.58, base price was \$4.06  
 RA, CRC and GRIP price for Soybeans is \$9.75, base price was \$8.09

### Reminder to Wheat Producers

If you have a wheat policy—Do not tear up your wheat before contacting your agent first!

### DISASTER PROGRAM AVAILABLE

Subject to final rules for the program, the USDA Farm Service Agency's (FSA) CDP will provide benefits to farmers who suffered losses and carried crop insurance in 2005, 2006 and 2007. As long as the actual crop with the loss was planted or prevented from being planted before February 28, 2007. This includes prevented planted wheat. So, if you had crop insurance in 2005, 2006 and 2007, please check with your local FSA office to see if you qualify.



*Thank you for your business. We hope you have a wonderful Holiday Season!*

From the Spartan Insurance Staff

# The "NEW" Cost of Doing Business

STEVE BEIER, THE ANDERSONS

**A**s the dust settles on another harvest there is no question what the hot topic in the coffee shop has been. Have you checked out the cost of seed and fertilizer for next year's crop? Unbelievable! You gotta be kidding me. That can't be. There is no question that input costs for '08 are getting a lot of attention. The first reaction is one of disbelief. This is often followed by some form of emotion with rage being the most common. I say do what ever it takes to get the rage out of your system so that you can get back to making rational decisions.

The first step to a sound marketing plan is to determine your crop mix. Rotational considerations come first, followed by economic incentives, or new crop prices. This year, I probably need to throw in economic disincentives like input cost too. The second step is getting accurate estimates on your inputs. Don't go on what someone else says they are; get estimates from your suppliers on your costs. Then begin calculating bottom line profitability for all your enterprise choices. Next, begin to ask questions like, "am I going to be a low cost operator?" or am I going to "shoot

for the stars" and plant the high revenue enterprise. Both choices can be winners; it comes down to how they are managed.

Within the new world order there is one fundamental change. The "floor price" that is provided by the government farm program (loan + counter cyclical payment + direct payment) no longer will cover your costs as it once did. Historically, these payments netted a producer around \$ 2.75 a bushel or something very close to a lot of producers' cost of production. With the higher costs of inputs, the old floor price for many is

below their cost of production for both corn and beans.

Of course "The Market" is currently offering unprecedented opportunity. The challenge is how you take this money off the table and when. But first, you must get past the emotional realism of the "NEW" cost of doing business. Start offsetting some of your risk by locking in a percentage of your estimated production at good profits. Then consider covering your remaining production with either an option strategy and/or a crop insurance revenue policy (yield plus price = revenue insurance).

## Did it Pay to have the Harvest Price endorsed policy?

*There are a couple things to consider with that question.*

1. Have you aggressively forward contracted your crop? We believe that the Harvest Price endorsed revenue policies are the best tools available for forward contracting grain to be sold. If you have the tendency to forward contract, we are encouraging you to protect your positions with a Harvest Price endorsed policy.
2. Do you depend on your crop for feed for livestock? A higher price at harvest and a reduced yield means that you will have to purchase higher priced feed. The Harvest Price endorsed policies may give you the extra cash to offset these increased costs.
3. Do you typically sell most of your crop at harvest cash prices? Without the Harvest Price endorsed policies, if you have yield losses and the price is higher at harvest, your trigger yield will be lower than you expected. You would then be paid for fewer bushels on a yield loss. That results in less harvest cash revenue returned to you.

### PROTECT YOUR INVESTMENT IN 2008

#### **2008 is looking to be a year with high input costs.**

Make sure your marketing strategies will cover all your costs and profit margin, if possible. In a year of cost cutting, be cautious not to cut crop insurance protection. Don't forget the worry of the 2007 drought. Make sure you have the coverage that you need to sleep well at night. If you are forward contracting, make sure your policy covers the bushels that you intend to contract. Know your options and cover your risks. Take the time to meet with your agent now or early in 2008. It's time well spent to go over your policy and know your options. If you prefer, your agent will come out to your farm, just call.

Your policy will automatically renew at the same level you had in 2007. If you want to make a change you need to meet with your agent. Be sure to focus on risk management for 2008, which includes crop insurance protection.

### **YIELD INFORMATION:**

If you have not reported your 2007 harvest yields yet—please do so immediately!  
**If you have—Thank you!**

## ANNIE'S PROJECT

**W**omen play an important role in many farming operations. Annie's project is a 6 session class to be held at Ohio State University. The goals of the class are to help women to develop their management and decision-making skills to work in the complex world of agriculture. The mission of Annie's Project is "to empower farm women to be better business partners through networks and by managing and organizing critical information."

The 2008 class will run for 6 consecutive Thursdays, starting February 7, through March 13 and the cost is \$60. The class covers personality tendencies, family communication, business basics, goal setting, financial information and record keeping, crop insurance, NRCS and FSA programs and marketing basics. The 2008 classes are offered in the following Ohio counties: Ashland, Ashtabula, Auglaize, Defiance, Erie and Wood.

For a complete schedule of classes and specific topics, registration and additional information please contact Barbara Rohrs or Bruce Clevenger, OSU Extension Educators at (419) 782-4771 or (800) 745-4771 or e-mail at [rohr.3@osu.edu](mailto:rohr.3@osu.edu) or [clevenger.10@osu.edu](mailto:clevenger.10@osu.edu)

## REMINDER:

### Lending Options Are Available

**I**f you need additional financing or just want to check out another source, remember to call your Spartan Insurance agent regarding Financial Edge. We have operating loans available at competitive rates. Terms are designed for your individual needs. So, as you enter into 2008 and find you need additional financing, call Spartan for more information. The loan specialist is Chris Shellenbarger, (517) 749-8928.

This opportunity is available

through Pro Partners, a national agricultural financing company. Spartan started the loan program in September. There have been several loans written and the program is going well. The loans are designed to be a simple, easy and fast loan process with limited information requirements for loans under \$100,000. Loans over \$100,000 are also available. Loans can be secured or unsecured and your CROP INSURANCE policy can be used for collateral.

VISIT US ONLINE AT:

**[www.spartancrop.com](http://www.spartancrop.com)**

You can also reach us by phone at (800) 888-2767.

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