



Spring 2017

Last year about this time many of you were scratching your heads trying to see if another crop besides cotton could pencil out a profit. Some bankers were telling you that planting cotton is “economic suicide”. They had good reasons to say that. The outlook was bleak for cotton. Prices were low. China had an abundance of cotton on hand in warehouses. The good news for many of you is an abundant crop has been harvested with better than expected prices being paid. It is nice to have those years when things actually go in a way that is profitable! Smile and enjoy it! We know all too often that is not the case. Now it is time to start the next year’s planning so you can build on what was hopefully a profitable year.

We do not have a lot of changes in the program for 2017 which is nice but we would like to remind you of several things.

Sales Closing

Sales closing for spring crops is March 15 for most of you or February 28 for cotton if you are in the far west part of Texas . Remember that if you want to add or remove options such as Enterprise Units, Yield Exclusions, SCO, or STAX, or any other options or change levels, make new policies or cancel old ones, or change levels of coverage... all of that in that long list

has to be done by sales closing.

Spring Production

We have sent out the production worksheets for your spring crops so that production can be entered when we run quotes for you. We realize that many of you still have cotton at the gin and do not have yields yet. When you get the production, fill out those forms, then send those and the 503 cards and/ or bale listings to us. **If you have production from more than one unit on a bale listing or settlement sheet and the break needs to be marked showing which loads or bales belong to which unit, *you have to be the one which marks it.*** We, as agents, are no longer able to make that mark and label for you. So please be sure that the production is marked by you before we get it. Keep in mind that if this production is correctly marked between units, when policies are audited then separate units will not be taken away. ***If production is commingled then you run the risk of having Enterprise Units taken out and having to pay more premium for the previous years.***

Canola

This may seem a long time off but this needs to be addressed now because it will be too late to do that in the next newsletter. If you want to plant canola in the fall, the sales closing date for that is August 31. For most of you, unless you are in Wichita or Moore Counties in Texas or several of

the ones in Oklahoma, to insure canola, you have to have us submit a Written Agreement to RMA. We will need you to give us a list of what you will be doing to the land, where you will sell the crop, dates that everything will be done, where you will plant the crop... and several other things. It usually takes a while to put this together. If we can start on this at least by early to mid July, we can submit this to RMA to see if they will grant you insurance for canola in your county. Several of you have expressed an interest in this, so this is what needs to be done to have a chance to insure canola.

Short Rate

Remember that wheat needs to be short rated either by March 1 or March 15, depending upon the county in which the wheat is located. ***If you want to short rate only parts of a field, we need a map showing where in the field the insured acres are located.*** RMA is requiring that now. It does not have to be exact, but a close approximation is needed. We will scan that in with your short rate form. This is important also if you want to have acres adjusted to build your yield if you are not harvesting the crop.

Payment Plans

Once in a while cash flow is tight and you cannot pay your MPCI premium on time. The premium has to be paid by the sales closing date of the following year. If you are ever caught in this bind, come and see us several weeks before that deadline. If you can make a decent down payment and make payments on a monthly schedule, you may be able to work out a payment plan with the company so you can continue to keep your insurance for the next year. This plan has

to be in place at least 10 days before the deadline so start on it even earlier. ***Be careful... be warned*** ...that when you set up the schedule, payments cannot arrive at the company even one day late. RMA is very strict about this. You need to know that this is an option you can use as a last resort but RMA is very strict about late payments. You have to perfectly abide by the letter of the contract. There is no grace in that.

Production Cost Insurance

**This is still pending approval from Texas Department of Insurance before it can be sold in Texas.*

This private policy is now available to farmers in the US. It has been used in Canada as their main policy to provide protection for farm income. PCI is designed for farmers who have good records of inputs and expenses.

Production Cost Insurance (PCI) is a simple concept that gives the insured the ability to cover both the fixed and variable expenses of their operations.

- ◆ This is done by creating a product that insures the factors that drive revenue on the farm.
 - ⇒ Yield
 - ⇒ Price
 - ⇒ Variable Expenses (seed, fertilizer, chemical)
- ◆ PCI insures the gross margin of the farming operation by analyzing revenue and expenses.
- ◆ Revenue (Yield x Price) – Expenses = Gross Margin

One of the selling points of this is that sometimes as conditions change, the crop needs increased inputs. This policy extends more coverage for the Variable Expenses listed above. If you have to put out more fertilizer because of extra

rain or you have to add a pesticide trip to take care of insects, then the input coverage increases. PCI adds liability to cover those extra expenses.

PCI is a whole farm insurance policy but it does not cover livestock or small grains grazed by livestock. You will have to provide 5 years of financial records from your CPA or accountant. Losses will require converting your records to accrual rather than cash accounting. PCI can be used with or without MPCl coverage.

To get a better handle on the concept go online to <https://www.youtube.com/watch?v=O8nbBjUZozo> or Google production cost insurance. Remember this video is made for the Canadian farmers. Our version does not cover price decline but if any of the insured perils (very similar to MPCl) happen then the decline in price becomes part of the equation to determine revenue.

If you are interested in this, we have separate applications and permission forms which allow Global Ag Risk Solutions to obtain the needed financial information from your accountant. The quoting process is different from what you are accustomed to having with MPCl. The policy is written by Armtech Insurance Services. Global Ag Risk Systems (GARS) is a service provider which provides underwriting services for PCI. Once you get your quote back, you are not locked into the policy. You can choose not to take it.

If you have a loss then some of the loss can be paid up front before the end of the year with the remaining loss being paid after the year is over.

Whole Farm Revenue Protection

This is the MPCl subsidized program which insures the total revenue of the farm based upon the last five years Schedule F tax forms with the immediate preceding year not being included. These records will be sent to RMA and they will determine what is to be counted as income. This is probably best written on farms which do not have a normal MPCl program available to them but it can be used on all crops and livestock farms. Any losses will be paid no later than 60 days after the insured crop year tax forms have been submitted to the IRS.

If you want more information on this product, give us a call.

Livestock Risk Protection

An underused product which we have is LRP. If you have calves or feedlot cattle and you do not feel comfortable with using the futures markets, LRP can offer you a price floor or price insurance for your cattle or even sheep. This policy allows you to purchase price coverage on the exact number of livestock at the weight you think they will be when ready to sell. It has a specific end date which is used to determine the loss. When you sell your livestock is not used to determine the loss. When prices dropped on cattle last year, this certainly helped to cushion the hard drop in prices for those who had this protection.

Hail Insurance

As always hail insurance is part of your risk management program. If you have a good crop going and have Enterprise Units, you must seriously look at buying hail insurance to minimize loss due to hail. We will send out cards with rates when we have that available.



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TO:

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Meetings and Meals!!!!

We enjoy visiting with you. We enjoy feeding you and we want to help you understand what is happening with your crop insurance policy. We have found that producers who come to our meetings normally have a better understanding of what their policy will and will not do. It makes for much better communication and relationships. We have also found that normally the farmers that come to our meetings leave with a full stomach. Please take note and come to one of the meetings listed below so that you can get your three E's... Education, Eating and Enjoyment! Bring a friend if they are interested in crop insurance as well. An RSVP would be nice but if you forget to do that, *come anyway!*

<u>City</u>	<u>Location</u>	<u>Date</u>	<u>Time</u>
Abilene	Joe Allen's	Tuesday Feb 21	6PM
Fabens	Cattleman's	Tuesday Feb 28	6PM
Anthony	To be determined		
Erick, OK	Community Center	Friday March 3	Noon
Lowake	Lowake Steak House	Tuesday March 7	Noon
Rochester	Webfoot	Tuesday March 7	6PM-
Stamford	Bunkhouse	Wednesday March 8	Noon