

Acre Program of GREAT Importance (Cont.)

With this being said we have to determine the probability of prices being above these levels for the next year.

As we look at the markets today they are considerably below the levels reported by NASS. Our plantings this year are greater than was expected by the USDA and our usage is less than we would like due to the world economic situation. Therefore, I believe that the probability of having prices higher than the past two years is doubtful at best.

THIS IS THE FIRST PIECE OF THE PUZZLE AND IT FITS FAVORABLY INTO THE ACRE PROTECTION.

The second piece of the puzzle is both the state average yield and my farm average yield. NASS reports that the average yield for the state of Missouri is 49 bushels per acre for wheat. Corn was reported at 134 bushels per acre and 35 bushels per acre for soybeans.

My farms yield history as calculated by the Olympic average is 59 bushels/acre for wheat, 106 bushels/acre for corn and 41 for soybean.

Now my task is to determine the probability of having crop yields that significantly exceed those that I have had in the past five years. Weather is a factor that we cannot determine, however, we do know at this point and time what wheat has produced and we also know that both the corn and soybean crops are off to a late start. This is generally not a situation where we would expect significantly higher yields than average. State wide this situation is the same from the north to the south as a general rule.

Piece number two seems to fit as well as I think that probability of having a higher than average yield with the late plantings and early crop stress is small.

The third piece to this puzzle can only be found on your farm by farm number. The question is do I plant close to or more acres of crops than I have crop base. If this is the case this piece of the puzzle may work as well.

If a producer had a crop farm that had a large base and had converted this farm to pasture it would hurt them to enroll this program into Acre because this program uses planted acres in order to generate a payment. Conversely, if a producer plants more acres to crops than he has base acres they could stand to benefit from this program.



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In looking at my farm, it is all pasture but contains some crops. My level of farm payments is less than they have base acres. I have entered my data of my farm into this program. I estimate I lowered the prices expected for this year. For wheat I entered \$8.75 per bushel.

Piece number three is the farm number they have base.

The fourth piece of the puzzle is when a producer signs a contract. I have entered my data of my farm into this program. I estimate I lowered the prices expected for this year. For wheat I entered \$8.75 per bushel.

The FSA calculation is \$3784. This is a reduction in payment on the other hand.

In my particular case, the program will work well and pay considerably.

Not all operations will be described in one of my farms. I choose to wait and decide if my farm's productivity will be lost.

On JULY 21st at 7:00 pm to discuss the program will explain the program to your farm to see if you qualify for this program will be held.

This is an important meeting for you.

In looking at my farm I have three farm numbers that make up my operation. One farm is all pasture but contains several acres of base. If I were to sign this farm in the Acre Program my level of farm payments would go down. Therefore, this particular farm number will not be signed into ACRE. However, the other two farm numbers have more acres planted to crops than they have base acres. This indicates that they will be a good match for the ACRE program.

Piece number three fits as well. For the two farms that have more acres planted than they have base.

The fourth piece of this puzzle is to do a cost reward ratio if prices rally in future years. When a producer signs a farm into the Acre Program it must remain in this program until 2012. I have entered my data of my two farms in to the FSA calculator that I am considering enrolling into this program. I estimated the yield to be exactly the same as my previous history. However, I lowered the prices expected for farm commodities to levels that I thought would be in line for this year. For wheat I entered a price of \$5.25 per bushel. Corn I entered at \$3.36 and beans I entered \$8.75 per bushel.

The FSA calculator indicated that my DCP payment would be reduced from \$4731 to \$3784. This is a reduction of DCP payment of \$947 a year for the next four years. The Acre payment on the other hand would generate \$13,994 in the first year alone.

In my particular example the fourth piece of the puzzle fit perfectly. This program would work well and pay considerable dividends even if prices rose after the first year.

Not all operations will work this well and there will be farms that don't work at all as I described in one of my farms. However, it is important to address this decision this year. If you choose to wait and decide next year the markets may very well move against you and an opportunity will be lost.

On JULY 28th we will be holding a meeting at the Co-Mo meeting room at 7:00 pm to discuss the acre program. Daryl Raithel from the Moniteau FSA will explain the program and give producers an insight on how to evaluate your farm to see if you would benefit from this program. The next night, July 29th this program will be held a second time at the California City Hall.

This is an important decision and all operators are welcome tell your neighbors and come see us July 28th.

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