

FALL 2020 NEWSLETTER



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Important Dates to Remember:

Oct 31st: End of Insurance for wheat & dry beans

Nov 15th: End of insurance for sugar beets. Forage Acreage Reports due

Dec 1st: MPCI deferral payment due (Must be postmarked by Dec 1st)

Dec 10th: End of Insurance for corn & soybeans

Fall is in the air!

I think all of us are glad the heat of summer is behind us for the most part and we can enjoy the cooler dryer air outside. Fall is a great time of year, but for a lot of us, it is also extremely busy, so remember to be safe.

A few tips for everyone to remember.

Driving - Remember fall is harvest time and there will be lots of farm equipment running around day & night on the roads.

At highway speed you will come up on farm equipment faster than you think so slow down early and if you are going to pass do so with caution.

Remember farmers need to make wider turns to enter and exit field approaches so give them some room.

At Home – this is the time of year to do some maintenance outside our houses too.

Remember to look up before moving a ladder to clean gutters or trim trees. Always be aware of power lines in the area.

On the Water – Fall is a great time for fishing and hunting on our area lakes.

Remember to wear your life jacket and use a little extra caution as the water temps are going down and Hypothermia can set in quickly.

Sidewalks & Driveways – Falling leaves can pile up on sidewalks and driveways and if they get wet can become slippery. Be careful walking.

Smoke Alarm Batteries – Daylight savings time is coming, and it is a great time to change the batteries in all your smoke detectors and carbon monoxide detectors. It is also a great time to check your fire extinguishers and replace any that have expired.

Craig Schmeling

2020: The Year That Just Will Not End....

2020 has been quite the year on the farm. An early spring brought lots of hope and potential for having a bumper crop. As the summer progressed, hail events and excessive rain have diminished yield expectations in some areas. The July 11th storm was a bad one for those in the tract of the storm. Complete fields were wiped out. Excessive rains in areas in the weeks that followed did not help the situation either. As I write this article, more hail claims are coming in from the September 6th storm. For those that have dodged these weather events, the crops look very good. Saying this, I was told at a young age “not to count my chickens before they hatch”. If we have learned anything from 2020, it is to expect the unexpected.

As we push closer to harvest, crop prices have started to rebound. This will reduce your potential revenue claims. The spring price on corn was \$3.88 and soybeans was \$9.17. Currently, though not being tracked till October, the December corn futures are at \$3.58 and November soybeans are at \$9.68. Let us say you have a 190-bushel corn APH and you took 80% coverage. This equated to a \$589.76 per acre guarantee. With Revenue Protection, which most of our guys take, you get the higher of the spring revenue guarantee or the fall guarantee. Let us assume the fall price comes in at \$3.58. The fall guarantee would be \$544.16 per acre. ($190 \times 3.58 \times 80\% = \544.16). Your spring guarantee would be higher at \$589.76. You would then take that divided by the fall price to come with your bushel trigger. ($589.76 / \$3.58 = 164.73$ bushel). With soybeans, the price is currently higher. In our example, you would get the fall guarantee.

If you do have a claim or think you might have one, please let us know ASAP. Here are a few reminders if you have a claim.

Contact us within 72 hours of the initial discovery of damage. For a revenue claim, you have 45 days after the price is established to turn in a revenue loss. The end of the insurance period is the earlier of total destruction of the crop on the insured unit, or harvest of the unit, or December 10th for corn and soybeans and November 15th for sugar beets.

If you initially discover damage within 15 days of harvest or during harvest you *may* be required to leave representative samples of the unharvested crop for inspection by a crop insurance adjuster. The samples must be at least 10 feet wide and extend the entire length of each field in the unit. An optional unit will typically be an individual field within a section of land by separate ownership.

Keep records organized: In case of loss or APH audit the insured farmer must keep records separate for each unit. Enterprise unit coverage is common, and it combines the production of all fields of that crop in the county together. Optional units will be combined if the production is commingled, which often occurs when insured farmers get busy during harvest. No matter if you have enterprise or optional units, **KEEP YOUR RECORDS SEPERATE FOR EACH SECTION.**

It may be necessary to keep production separate for each farming practice, type of crop and variety depending on the crop being harvested and crop insurance coverage in place.

Measure old-crop grain: THIS IS EXTREMELY IMPORTANT! Production stored on the farm from previous years **must** be measured by a crop insurance adjuster prior to adding any new-crop bushels. For bushels stored on the farm and not at a loss, keep written records of bin markings, truckload identifications and/or combine monitor records in case of a future APH audit. This is a free service and should be utilized if you carryover old crop grain.

Specify load information: Maintain a ledger by crop and record the loads of production by unit and field number, and date of harvest; identify the truck or wagon used to transport the grain to the storage structure and the estimated volume of each load.

Evidence of delivery: Production delivered to a commercial elevator or processor will require evidence of the delivery amount. Individual load tickets alone will not suffice, but a load summary and/or settlement sheet is required for verification of 100% of the production delivered, not just the insured farmer's share.

Individual load tickets may be needed in addition to the summary and/or settlement sheets and can include specifics such as the farm identification. Have available written third party verification or settlement of a claim as much as possible.

If you feed livestock: In the event production must be fed prior to a claim being worked by the adjuster, the insured farmer is responsible for maintaining detailed records. That is a formal, consistent, written record system of fed production and you need to have the records available at the time the claim is prepared.

Keep in touch: Cooperate with Dave or I and the adjuster in an investigation or settlement of a claim. If there is any chance that you might have a claim, call, and turn in a claim. It is always better to be safe than sorry.

Hail damage fields: If you had an adjuster out and they deferred your hail claim until fall, please contact us or them prior to harvest. They need to reevaluate the hail damage. Hail damage never goes away and will never be less damage than the first time the adjuster looked at your field.

Finally: Many of you bought up your coverage this year to higher levels of insurance. Higher MPC1 or add on products like RPP, RAMP, GAP and BAND. With these products adding onto your guarantee and the drop-in corn prices, losses might occur without you thinking you have a loss. Please contact us ASAP after harvest so we can do a check on your loss situation.

Matt Melberg

Finding Farms Profits in These Tough Financial Times

With the markets for corn and soybeans below the cost of production and a big crop outlook it makes a farmer nervous to see the banker. A plan put together early with marketing, cost control, risk management and production goals will be more important than any before.

Corn and soybeans usually have a time each year that can be profitable. Projecting your cost of production is the starting point to knowing your breakeven and then how and when to market. Gathering your variable input costs and building your analysis is first. Next, potential restructuring debt using the lower interest being offered is a way to reduce costs and can lower your fixed costs. Building a plan and going over it with your banker will be important. Get ahead of the rush.

Last winter the basis on corn got to a positive number in the southern part of Minnesota. Breaking the marketing into parts, price, and basis and where to deliver is something to be considered. What is the carry in the market and does my storage capacity meet my marketing plan and my ability to deliver? This big crop will tax our storage capacity and selling and the crop coverage and re-owning it may be profitable. Using the CCC loan program can also be used to lower the carrying cost of the grain and the proceed pay down debt and the operating loan.

In the past 5 years an advance marketing plan has beat the hold and price later. If you trust your MPC and you should, then the bushels you are guaranteed can be forward marketed to a profitable price level. If you have done your homework again understanding your cost of production, then a safe plan can be put in place to make a profit.

The use of crop insurance with revenue protection is the safety net to provide you the protection should a crop disaster in the U.S.A. happen. If markets go up and you need to buy bushels to fill contracted grain the revenue with fall harvest price will do the job. I know this is the scary part of forward marketing. This has become the most important part of making profits these past years. The additional revenue products like RPP, Band or RAMP offer a higher coverage and allow for more grain to be forwarded marketed.

The earlier you plan and put your numbers together the more time you will have to advance market the crop. Your banker has time now and can be proactive in helping you rather than in the late spring when so many folders are stacked on his or her desk.

We offer breakeven analysis planning and will help to get you to a cost of production number you can use in your planning. We specialize in risk management and understand the products. Do not be afraid to stop in and visit.

David Larson

2020 Hail Claims and Status Update

The 2020 crop year has seen its mix of too much water in some areas, not enough water in others and areas that have been hit extremely hard by hail. This year many of our producers have either a Comp2+ policy or a BXS10iP. Both work wonderful and have a competitive price point. The average IPA (insurance per acre) for our agency is 250 dollars on corn and 150 dollars on soybeans. The cost of these policies usually gravitates around a bushel to a bushel and a half per crop.

Sweet Corn and Peas are another crop that we cover heavily with Hail products. An endorsement that has worked well out of our book of business is Canning Reject Coverage. This allows you to collect if you should have issues with the canning company not taking the crop due to hail. We sell canning crops under a Comp2+ policy because it starts paying so quickly and shallow loss is something that is common in canning crop varieties. When looking into how to better cover your canning crops in 2021, a good hail policy with the right endorsements can go along way for your protection plan and cover margins.

Buffalo Lake, Fernando, Stewart and Brownton were areas devastated by hail this season. Having a good hail policy on top of your MPCl reinforces the need to cover gaps in your protection plan. With short markets and a good crop coming, covering not just the bottom line but getting yourself into a manageable level of profit can keep your operation running and maintaining accordingly. Hail is a peril that is hard to predict but easy to get wiped out by, below are pictures illustrating the damage around the area. 2021 would be a good time to consider a hail policy if you have not before.

Most of the damage due to hail has been deferred to harvest, while some of the 100 percent loss areas have already seen full payments from both hail and MPCl policies. If you have any questions regarding your deferrals or payments, please consult your insurance professional. Harvest is near and adjusters will be working with policy holders accordingly.

Matt Larson



Identifying Grain Bin Hazards

When one thinks of grain bin hazards, entrapment most often is the first thing that comes to mind- and with good reason. It takes less than five seconds to become helplessly trapped in flowing grain and less than thirty seconds to become fully engulfed.

Grain bin hazards are not limited to entrapment or engulfment. Other, equally hazardous situations include augers, bin collapses, power take offs (PTO's) fires and explosions, electrical components and even ladders.

Identifying and understanding bin hazards is vital to ensuring safety, with the possible Covid restrictions on school children there may be more children at home helping on the farm, make sure they are aware of the hazards.

Flowing Grain - Entrapment is the most often identified hazard and cause of injury when working with flowing grain. Like quicksand, flowing grain will pull a 165-pound man down to waist level in seconds and bury him in less than a minute. Most experts agree that once you have grain above your knees, there is almost no chance of escape without assistance.

Crusted Grain – Lie bridged grain, crusted grain is often caused by high moisture content. But instead of forming a grain bridge, the grain sticks to the bin walls. If a worker enters the bin to break the grain free, the grain can “avalanche” and completely engulf and suffocate the worker, Using a large pole from outside the bin is the best and safest way to break up the grain.

Augers - Grain bin augers present serious entanglement and amputation hazards. When proper precautions are not followed, workers are exposed to serious injury or death. Grain bin augers include reclaim augers, sweep augers, fill augers and stirring augers. Never enter a bin when an auger is running.

Bin Collapses - Some reclaim augers utilize multiple sumps, a main sump in the center of a bin and auxiliary sumps between the center and the wall of the bin. Bins should always be emptied using only the main sump until the grain is lowered to a level where it can no longer flow to the main sump by gravity, at that point auxiliary sumps can be used starting with the one closest to the center and working out.

Ladders - Although injuries from slips and falls are not always as severe as injuries involving augers or PTO's significant injuries can occur when a person falls from a bin ladder. As with all ladders remember to try and maintain three points of contact, one hand and two feet or two feet and one hand.

Andy Rostberg

It Takes a Village

You have heard it before when we talk about raising a family - It Takes a Village. Families rely on aunts, uncles, grandparents, friends, and teachers to raise their children. It makes sense, we all have experiences that are worth teaching, time that can be spent showing support, and when we help each other out we are all better off. If we take this same premise and apply it to your farm operation we can start to improve and grow in a far greater way than if you try to go through the journey on your own. So, who should be in your village?

Every farm operation shares some very basic needs that the right people in your village should be satisfying. My four basic need areas are production, marketing, finance, and insurance. You may add another area or two to this list, but I don't think you can remove any of them and be successful.

Production - maximizing your yield potential in a cost-effective manner should be your goal here. Making sure your seed and fertilizer plans make sense in a world where dollars have limitations and tough choices must be made should be a goal of yours and your providers. Take a step back and make sure every dollar spent has a purpose and is being spent exactly where you will get the best return. Do your advisers have your bottom line in mind? They should.

Marketing - creating an agile plan that you are comfortable with is essential to maximizing the return on your crop. You don't need to know everything about marketing. You need an expert in your village that understands your risk profile and is willing to work in your best interest. Creating a plan that is always looking ahead will help you reach both near and long-term goals.

Finance - establishing a relationship with a banker that truly understands the farm sector as a whole and your individual operation will alleviate so much stress from your shoulders. Farm finance is 180 degrees different than other commercial financing. Your banker should understand the very long term horizons of the farm world. Downturns can last years, and the highly profitable cycles can be short lived. Margins are slim in farming and your lender must understand the sector.

Insurance - protection for your operation must come from a trustworthy source. Asset protection, liability coverage, and of course, crop insurance are all pieces of a complex puzzle that will save your operation when the "what if" happens. And from what I can tell, it looks like the "what if" events are coming more frequently. Your provider should be proactive, have multiple options, and provide new recommendations that make you think. They should help you avoid the trap of "this is how we have always done it".

Bottom line, fill your village with experts in their fields that will provide you with the best advice in a timely manner. You need to be able to trust them, talk openly with them, and rely on them when it matters most. If you can do that, your village will help you raise your operation into the farm of your dreams.

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