

The Farmer's "Market"



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Message from the President

ALAN HOSKINS

Inflation has been a trumpeted subject over the past few years and rightfully so. All of us can think of so many ways it has negatively affected both our business, and personal bottom lines.

Insurance costs, however, have outpaced the overall inflation rate. For example, homeowners' insurance premiums in the state of Nebraska are up 60% over the most recent 5-year period. Farmers and ranchers in all areas of the country are experiencing significant increases in the cost of their business-related coverages as well. One of the contributing factors is the rise in re-insurance rates paid by the carriers from whom we purchase our farm, ranch and personal coverages.

In my August 2021, article for this newsletter, I referenced the importance of reviewing your coverage due to the rapid increase in equipment values. As a potential cost savings measure, I am again urging farmers and ranchers to have discussions with their agents regarding insurance levels for these items. Having this conversation will also allow the producer to better determine how their respective insurance company reviews equipment values to ensure adequate coverage is in place based upon today's market.

Over the past few months, auction values have been declining relative to the highest dollar items used by producers. Late model combines and higher-horsepower tractors have been the primary driver of this trend. I fully realize not all farms and ranches utilize newer items. However, given the significant value of equipment utilized by most operations, understanding how current equipment values equate to present coverage levels might yield an expense reduction in this area.

This may also be a good time to determine if better possibilities are available to you as a business and homeowner. Please note, "I did not say - cheaper alternatives". A superior option, depending upon your personal and business financial condition, could be adjusting deductible rates, coverage levels or other coverages to assist in balancing your risk management and premiums. It could also mean soliciting bids from other carriers. I want to take this opportunity to acknowledge the valuable role your current insurance agent may play in helping you manage risk. These individuals are, in many cases, trusted advisors for your operation. As such, I am not suggesting you consider only price in your decision, as saving pennies could result in dollars lost. A great, long-term insurance relationship can be an asset when a loss occurs. I encourage you to utilize the relationships you have built in managing profitability in these challenging economic times.



Drought Conditions Impacting Crop Insurance Costs

By Cassidy Walter
Successful Farming

Cotton farmers across the High Plains and Rolling Plains of Texas fight the rain, wind, and blowing sand of spring to get the crop in the ground and watch it grow. But too often lately they are watching it wither.

"We aren't used to having a rotation of both crops being hard each year," says Sutton Page, a cotton and wheat farmer from Jones County, Texas. "What's normal in a dry year is having either a bad wheat crop or a tough cotton crop, but having multiple years, back-to-back, where conditions don't allow for much profit in either crop operation makes it tough."

Extreme weather, such as the drought in Texas, is not just wearing on the spirit of American farmers. It is also leading to more crop insurance claims and increased cost for the taxpayer, insurance provider, and farmer. A Stanford University study published in 2021 analyzed the impact of warming temperatures on the cost of crop insurance from 1991 to 2017, and found it contributed to more than 19% of the \$141 billion in losses covered by the federal program in that time frame.

In addition to farming, Page is an independent insurance agent. In his area, he has seen premiums go up in recent years, he says, but it hasn't become untenable for farmers yet.

"If you're filing claims every single year, as a producer, you are going to get to a point where it's not feasible to take out 70% of your APH [average production history] to make it work; you may only take 50%," he says, explaining this would be an extreme scenario and most farmers strive to harvest a crop when they can to maintain a strong APH.

"When you do have a year like we had last year...that's when you want your APH to be as healthy as possible," Page says.

However, he has noticed the cost of hail coverage where he farms has more than doubled in the past decade. Hail

coverage is not federally subsidized.

"It gets harder and harder to sell it, and it's hard for me to buy it, personally," he says. "But if I have a really good wheat crop out there, I'm going to buy it."

Furthermore, rising costs are making it more difficult for some farmers in high-risk areas to obtain coverage at all, experts say.

"When the insurance company can't get enough premium, the farmer has a hard time getting insurance because nobody wants to write it in the area that they're in," says Peter Johnson, executive vice president of Alliant Insurance Services, a specialty brokerage firm that offers crop insurance.

Multi-peril crop insurance premiums, which are federally subsidized, are set each year by the USDA Risk Management Agency, but Johnson cites a two-year lag in the premiums keeping up with actual costs.

"We are required by law to provide premium stability to producers and cannot increase premium rates by more than 20% from year to year," says a USDA spokesperson. "This means there are instances where we can update the premium rate to its target in one year and in other cases it may take longer."

Insurance providers operating in an area cannot legally deny coverage to a farmer, but Jim Korin, president of NAU Country Insurance, says he has heard rumors of providers pulling out of areas because the cost of the risk is too high.

"That is not something we've done at NAU Country," he says. "In fact, we've expanded our writings to make sure we take care of those farmers."

As a nationwide company, NAU Country can stay profitable when there is prolonged drought in Texas, for example, because other areas of the country do better and make up for the loss.

While it has become more challenging

to find coverage in some areas, Johnson notes Alliant has not had a client go without because other insurance providers "step up."

"The concern is if the trend continues, the approved insurance providers that are willing to step up may reach capacity and there could be limited insurability," he says.

Korin expects the Risk Management Agency to raise rates over the next couple of years, which he says will help the situation, although it still makes things harder for the farmer. He also says widespread participation is key to program affordability.

"The more crops, the more farmers you cover, the better chance you have of long-term success," he says. "This is a taxpayer-funded program, and for the program to succeed, we have to include all the farmers we possibly can, and the pooling concept of insurance will make the rate more affordable."

While the changing climate has posed challenges for all involved, sources agree the program is worth maintaining.

"I don't know of any cotton producer right now that does not take out any federal crop insurance," says Page. "In the past, probably 20 years ago, I knew some guys. If they felt like it was going to be a wet year, they didn't take it out. It's not a risk nowadays that a farmer can take."

Korin says his company has hosted visitors from many countries looking to learn from the success of U.S. crop insurance.

"We're truly the envy of the world, and it's because our government decided in the '30s, '40s, and '50s that a safe and affordable food [supply] was part of our national security," he says. "Think about the COVID years, when you went to the grocery stores and there wasn't anything on the shelves. If that had happened for lengths of time, six months, a year at a time, there would be outright chaos."

HARVEST SEASON IS HERE

Autumn Harvest Soup Recipe



Ingredients

- 1 medium gala apple, diced into bite size pieces
- 3 medium carrots, diced into bite size pieces
- 1 large butternut squash - about 6-8 cups worth, diced and peeled into bite size pieces
- 1 medium yellow onion, diced
- 3 cloves garlic, minced
- 4 cups chicken stock
- 2 tbsp salted butter
- 1/2 cup pure pumpkin puree
- 1/2 tsp smoked paprika
- 1/4 tsp cinnamon
- Salt and pepper to taste
- Fresh Herbs (sage, rosemary or parsley works!) + extra pepper to garnish

Instructions

1. Begin by preparing all of your ingredients. Peel the butternut squash and then dice it into bite size pieces. You should have about 6-8 cups worth of butternut squash.
2. Dice the 1 yellow onion, the gala apple and the 3 medium carrots in bite size pieces about the same size. Mince the 3 cloves of garlic as well.
3. Add the 2 tbsp salted butter to a large pot. Let it melt and then add in the 1 yellow onion followed by the 3 carrots and 1 gala apple. Let that cook for 3-4 minutes. Then, add in the 3 cloves minced garlic and let it cook for 1 minute or so.
4. Add in the 6-8 cups of butternut squash and 4 cups chicken broth. Let it come to a boil and then reduce to simmer - let simmer for about 30 minutes or so. Add in 1/2 cup of pumpkin puree and use an immersion blender or heat safe blender to blend it up.
5. Add the 1/4 tsp cinnamon, 1/2 tsp smoked paprika, a hefty pinch of salt and crack of pepper and mix in. Taste and adjust seasoning if needed.

ENJOY!

USDA Says Corn And Soy Stocks Up 29% Year-Over-Year

By Cassidy Walter
Successful Farming

This morning the USDA released the September Grain Stocks report.

The USDA report pegged U.S. old-crop corn stocks as of Sept. 1, 2024, at 1.76 billion bushels, up 29% from a year ago but below the trade's expectation of 1.845 billion bushels.

For old-crop soybeans, the USDA reported stocks at 342 million bushels, also up 29% from Sept. 1, 2023, but below the trade's expectation of 349 million bushels.

The USDA said U.S. wheat stocks as of Sept. 1, 2024, were at 1.986 billion bushels, above the trade's expectation of 1.982 billion bushels

and up 12% from a year ago.

The USDA also released the Small Grains 2024 Summary today. In this report the agency pegged wheat production for 2024 at 1.971 billion bushels. This was below the trade expectation of 1.975 billion bushels but up 9% from a year ago.

Al Kluis, managing director of Kluis Commodity Advisors, called the Grain Stocks report neutral for wheat, mildly positive for soybeans, and positive for corn. The Small Grains 2024 Summary was also neutral for wheat, he added.

"The key would be to see December corn close over \$4.20, which looks quite likely at this time," he said.

Kluis also noted that after today's initial impact, the Grain Stocks report will not be as important to the markets as South American weather.

"There's still some concern about if the rain that is in the forecast about a week from now will actually develop," he said. "We've had a lot of 7- to 10-day forecasts for rain in central and northern Brazil, and then 7 to 10 days later, it doesn't rain."

Understanding Your Business... From The Ground Up

MOVING IRON PODCAST

In this episode of the Moving Iron Podcast, Alan Hoskins, President & National Sales Director of American Farm Mortgage, along with host, Casey Seymour, talk about the ag equipment market, insurance coverage, and more.

Simply open camera on your smart phone and hover over QR code. A link will pop up that will take you directly to the VIDEO or PODCAST.

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