Loan Deficiency Payments

By: Steve Beier, The Andersons

Loan Deficiency Payments also known as LDP's have become a substantial part of your corn and soybean revenue stream in recent years. There are several issues this year that you need to concern yourself with in order to maximize your LDP dollars.

LDP payments as structured in the original Farm Bill have a total payment limitation of $75,000 per FSA farm entity. With low commodity prices, LDP payments have increased dramatically in the last few years. Last year, many farmers were at risk of maxing out their payments until special Congressional legislation doubled the cap to $150,000. This special exemption was only applicable to 1999-2000 crop year. Currently, there is new legislation pending to increase the cap again this year. You need to contact your representatives, so they support not only a payment limitation increase for this year, but through the life of the “Freedom to Farm” legislation, which expires in 2002.

A second area of LDP slippage is in how it is calculated. The Posted County Price, which drives your LDP payment, is based off of the higher of two terminal values in every county. For the majority of our draw area, the two terminal markets used for corn and soybeans are Toledo and Cincinnati. My concern is that southern Ohio will complete harvest very early this year. Once the crop is put away basis values will snap back from depressed harvest glut values and push the Cincinnati terminal values higher. The net effect will be a smaller LDP than what you could have received if it were based off of the Toledo terminal value. Keep a daily diary of your posted county price so that you know what terminal value your LDP is based off of. To avoid this lower LDP scenario, one solution is to harvest your corn and soybeans as early as possible and apply for your LDP immediately. Any LDP gains must be offset by the additional cost of conditioning wetter harvested grain.

Although maximizing your LDP is a step in the right direction, ultimately it's the sum of your cash sale and LDP that will determine whether you beat the loan price. So, if you do take your LDP at harvest the question remains when do you sell the grain. For those who have on farm storage, I would suggest selling the grain in a deferred delivery month at a premium to current harvest values at the same time to take your LDP. This will result in a revenue stream that exceeds loan price. For production you cannot store, I would suggest selling and locking in the LDP at the same time, avoiding the “redeem and dream” syndrome.

Due to the weather conditions and possible losses this year, it is important you keep track of your production by unit. Detailed records will help get your claim paid faster.
Changes for Wheat 2001 Policies

There have been a few changes for the 2001 wheat policies. If you have any questions regarding your policy or coverage, please call your agent. Any changes to your existing policy, including cancellations, must be made by September 30, 2000. However, if you do not make any changes, your policy coverage and levels will remain the same.

General Changes – all policies:
- Poor yields (that are less than 60% of County average) will be replaced with 60% of County average.
- The administrative fee for Additional coverage will be $30 per Crop/County.
- The amount of the subsidy from the Government has been increased – so the premiums will be lower.

CAT Changes – Fees Increased:
The administrative fee for the catastrophic risk protection level of coverage (CAT) has increased to $100 per Crop/County. So, if you have CAT coverage, call us and see if there is coverage that will be a better deal for the same premium.

The table below gives a comparison of 2000 and 2001 premiums for CRC (revenue coverage) and MPCI (production coverage). As you can see there are some substantial decreases in premiums, over 30% in some counties. We hope you will take the opportunity to lock in a higher coverage for the same or less premium you paid last year.

<table>
<thead>
<tr>
<th>County</th>
<th>2000 MPCI 65%</th>
<th>2001 MPCI 65%</th>
<th>2000 MPCI 75%</th>
<th>2001 MPCI 75%</th>
<th>2000 CRC 65%</th>
<th>2001 CRC 65%</th>
<th>2000 CRC 75%</th>
<th>2001 CRC 75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinton</td>
<td>$2.20</td>
<td>$1.84</td>
<td>$5.12</td>
<td>$3.59</td>
<td>$3.44</td>
<td>$2.85</td>
<td>$7.54</td>
<td>$5.53</td>
</tr>
<tr>
<td>Gratiot</td>
<td>$3.38</td>
<td>$2.67</td>
<td>$7.64</td>
<td>$5.19</td>
<td>$5.01</td>
<td>$3.61</td>
<td>$10.62</td>
<td>$7.61</td>
</tr>
<tr>
<td>Huron</td>
<td>$3.33</td>
<td>$2.64</td>
<td>$7.81</td>
<td>$5.15</td>
<td>$4.94</td>
<td>$3.88</td>
<td>$10.81</td>
<td>$7.56</td>
</tr>
<tr>
<td>Lenawee</td>
<td>$2.36</td>
<td>$2.04</td>
<td>$5.53</td>
<td>$3.97</td>
<td>$3.67</td>
<td>$3.10</td>
<td>$8.03</td>
<td>$6.03</td>
</tr>
<tr>
<td>Saginaw</td>
<td>$3.81</td>
<td>$3.01</td>
<td>$8.38</td>
<td>$5.86</td>
<td>$5.57</td>
<td>$4.35</td>
<td>$12.06</td>
<td>$8.47</td>
</tr>
<tr>
<td>Sanilac</td>
<td>$3.60</td>
<td>$2.86</td>
<td>$8.86</td>
<td>$5.57</td>
<td>$5.30</td>
<td>$4.16</td>
<td>$11.48</td>
<td>$8.09</td>
</tr>
</tbody>
</table>

**CRC Pays!!**

Due to the weather problems, below average yields in part of our state, and low prices, CRC might be the right option for your operation.

**CRC Will Pay Like This:**
Assumptions:
- 130 bu Normal Corn Yield Average
- $1.85 CBOT Harvest Price Coverage (CRC)
- 75% Coverage Level
- 110 Average Harvested Yield
- 1,000 Acres of Corn

**Did You Know...**
If you had marketed your guaranteed bushels of 97,500 at $2.25, then you would have a marketing gain of $73,125. Would you have marketed 75% of your crop without an insurance guarantee? This could be your profit!!

<table>
<thead>
<tr>
<th>Guarantee</th>
<th>Loss Payment with MPCI</th>
<th>Loss Payment with CRC</th>
<th>Loss Payment with CRC/CRC+</th>
</tr>
</thead>
<tbody>
<tr>
<td>97,500 bu.</td>
<td>$244,725</td>
<td>$278,850</td>
<td></td>
</tr>
<tr>
<td>110,000 bu.</td>
<td>$203,000</td>
<td>110,000 bu.</td>
<td>$203,500</td>
</tr>
<tr>
<td>$41,225</td>
<td></td>
<td>$75,350</td>
<td></td>
</tr>
</tbody>
</table>

If you have questions about your specific policy or have questions regarding CRC, please call us at 1-800-888-2767 for the agent in your area.
CRC Policies
If you have a CRC Policy - Report your yields to us as soon as you finish harvest! This will allow us to be ready to process a loss, if you have one, depending on your yields and final CBOT prices. The CBOT harvest price for soys will be known November 1, and the price for corn will be known December 1.

Rapid Return Losses
If your entire crop is commercially sold or stored and your claim is under $10,000 per unit, you can use the rapid return method and your claim can be paid within 48 hours.

CRC Winter Wheat Harvest Price Announced:
The CRC Harvest price for winter wheat from the Chicago Board of Trade (CBOT) is $2.42. This is the price that will be used to figure CRC losses.

Claims Flow Chart

Farmer Calls Spartan to report a possible claim

↓

Adjuster will contact the farmer to get specific information on the possible loss

↓

Farmer completes harvest

↓

Adjuster completes the claim using actual production and/or appraised production

↓

Claim is audited and paid

2001 Fall MPCI Established Prices

<table>
<thead>
<tr>
<th>Crop</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$2.80/bu</td>
</tr>
<tr>
<td>Oats</td>
<td>$1.12/bu</td>
</tr>
<tr>
<td>Barley</td>
<td>$1.60/bu</td>
</tr>
<tr>
<td>Rye</td>
<td>$2.40/bu</td>
</tr>
</tbody>
</table>

2001 CRC Base Wheat Price $2.97

Billings

You probably have already received a bill directly from the company. This premium is due October 1. If not paid by November 1 – a finance charge will be assessed then and every month thereafter, until paid. If NOT paid by March 15, 2001, you will not be eligible for 2001 coverage.

Open Claims: (unpaid) will not stop the finance charge, the premium is still due. If the premium is not paid at the time the claim is paid, the premium will be deducted from the claim check.
Sugar Beet PIK Program

If you decided to bid the Sugar Beet PIK program, please be aware of the following:

1. You must contact your agent and let him know that you will be destroying acres, (how many would be helpful).
2. An appraisal by an insurance adjuster will be done to determine the yield to use for insurance purposes (yield history, loss, etc.)
3. Premium is still due on any PIK beet acres.
4. If you destroy the beets before an appraisal is done we will treat the acres as "ghost acres." In some cases this will affect your insurance yield average.
5. Replanted or torn-up beets do not qualify for PIK payment.
6. Be patient with the appraisal timelines. A large number of growers may take advantage of this.

- Commodity Prices are low, again.
- Crop yields are poor this year.
- You wanted crop insurance rates to be lower—they are now!
- So...Is this the time to increase or sign up for crop insurance? Take control over some of the risk, protect your investment, and call Spartan at 1-800-888-2767

Nursery Crop Insurance Also Applies To Greenhouse Crops

By Elliot Alfredson, Agent/MCN
Spartan Insurance Agency, LLC

In our last newsletter, we discussed the insurance coverage available to nursery stock growers. As you will recall, nursery stock could be insured as field grown or containerized. In this article, we'll emphasize the containerized stock and more specifically, those grown in greenhouses.

Many growers of annuals, perennials, ornamental plants and other plants that may not be winter hardy, might not be aware that since they provide adequate winter protection for these plants in Michigan, Multi-Peril Insurance is available to them and is government subsidized. There are a couple of prerequisites to coverage. First of all, you must be a wholesale grower of these plants. Secondly, the plants must be grown in approved, standardized containers, and lastly, you'll need to provide the agent with a list of plants you sell by container size and price.

The perils covered include: Disease and insect infestations for which no effective control measure exists, adverse weather conditions, wildlife damage, failure of irrigation supply, and delay in marketability and value of the plants due to these other factors. If you are a new purchaser of Multi-Peril crop insurance, you can buy this coverage until May 31, 2001. If you carried the insurance last year and would like to make changes to the policy, you must do so by September 30, 2000. The Catastrophic (CAT) level administrative fee for the 2001 season will be $100.

For those growers who bought the CAT Policy last year—we discussed that Spartan would hold a meeting with the Risk Management Agency (RMA) to discuss possible changes to the policy provisions. This meeting was held on September 8, 2000. The RMA gathered ideas from the growers that they felt could make the policy better meet the needs of greenhouse growers. Spartan will continue to work with the RMA so that these changes might be available for the fall of 2001 crop year.

Multi-Peril crop insurance is a good tool for greenhouse crop growers to reduce risk in their operations. Spartan Insurance Agency, LLC has led the way to improve the coverage available to greenhouse growers and will continue to monitor the progress being made at the Federal level to make this the coverage of choice for your valuable inventory of plants.

If you would like more information about Multi-Peril Crop Insurance for your Nursery of Greenhouse, contact Elliot Alfredson at Spartan Insurance, 1-800-381-9997.
Spartan Insurance Agency L.L.C. awarded $3,000 in college scholarships to 7 students studying agriculture in the year 2000. The recipients of this year's scholarships are: Megan Hirschman, Daniel Kiesling, Ryan Robinson, Kendra Butters, Kara Butters, Jeannine Grobbl and James Byrum.

Megan Hirschman, of Ithaca, is the daughter of Matt and Becky Hirschman. She is attending Michigan State University, majoring in Ag Communications and Agribusiness. Megan has been very involved in 4-H, FFA, student council, cheerleading, sports and other youth groups. She feels the main issue affecting agriculture today is the availability of farmland. Megan plans to pursue a career in Ag communications and would like to work with the public to inform them about agriculture.

Daniel Kiesling, son of Dean and Linda Kiesling of Laingsburg, also received a Spartan scholarship. Dan was very involved in 4-H, sports and FFA. He was active in FFA on a local, regional level and is currently serving as State FFA president. Dan is currently attending MSU, after graduation he plans to continue in graduate study with marketing or ag economics. He feels the biggest issue facing agriculture today is the use of biotechnology.

Ryan Robinson, from Akron, MI is the son of Eugene and Barbara Robinson and also attending Michigan State in crops and soil science. Ryan was extremely involved in local, state and National FFA and received several awards. Ryan was also involved in band, student activities and sports. Ryan feels the 3 major issues effecting agriculture are farmland preservation, market prices and genetically modified organisms.
Kendra and Kara Butters are the daughters of Randy and Brenda Butters of Homer, MI. Both students are attending Michigan State University in Agriscience Education. Kendra and Kara were both 4.0 students in high school, involved in Band, FFA, National Honors Society, 4-H and Church. Kara was also the treasurer for the National FFA. Kendra feels changes in technology; commodity prices and urban sprawl will all affect the future of agriculture. Kara also feels urban sprawl and technology such as global positioning and biotechnology will mold the future of agriculture.

Jeannine Grobbel, daughter of Gerald and Lynne Grobbel of Richmond, MI was also one of this year's recipients. Jeannine graduated high school with a 4.00 and is now attending Michigan State University. At MSU, she has been involved with the Meats Judging team, Block and Bridle Club and CANR Ambassador. Previously, Jeannine was involved in National Honor Society, band and 4-H. She received many county and state 4-H awards. Genetically modified organisms are one of the issues facing agriculture that she feels will affect the ag industry in the future. She plans to attend graduate school after completing her undergraduate classes at MSU.

James Byrum, of Onondaga, MI is the son of Jim and Dianne Bryum. Jim feels the primary issues that will affect the future of agriculture are profitability, credit availability and collaboration with the end users and producers of commodities, especially the genetic materials. Jim is presently attending Lansing Community College and later plans to attend Michigan State University in agricultural engineering. He is currently involved in LAMP (Lansing Area Manufacturing Partnership) and the Leslie Antique Tractor club.

All of the students received a scholarship from Spartan Insurance Agency L.L.C. Scott Crumbaugh said “We had a lot of very qualified applications for our scholarships this year. It is exciting to see so many bright and talented students pursuing degrees in agricultural fields. The agricultural industry is going to be challenging in the future, but there is always opportunity for success. All the recipients of our scholarships this year have the background and experience to be successful. We appreciate their efforts and wish them the best in school and their future endeavors.” Congratulations to all the 2000 scholarship winners. The deadline for the 2001 Scholarships is April 1, 2001. If you would like a scholarship application, call Spartan Insurance Agency at 1-800-888-2767.
Marketing Corner
From MAC - Middleton

As we are approaching another harvest season it makes me wonder how many scenarios can we have to channel our grain? Since harvest is only around the corner we don’t have many options left; Minimum price contracts, Delayed Price, or for the fortunate ones a forward contract to apply to.

It appears we are looking at a substantial corn crop this fall topping 10+ billion bushels. This is an enormous amount of corn to use up at the current usage rate. If we can increase our exports and usage over the next year and with the help of a few weather scenarios, we may just be able to spark a brighter picture for 2001. As you are harvesting your grain this fall try to keep in mind some planting projections for the following year and get a plan together to capture some of these higher prices that we have seen a year or so out. There are several new marketing alternatives that will allow you upside protection and several new tools to follow seasonal trends as well as the standard forward cash contract and basis contract.

There are several conflicting reports concerning the condition of the soybean crop in the U.S. I feel that the whole story won’t surface until the January crop report. The downside of this picture is “Will it pay to hold your soybeans in Delayed Price and gamble on them?” That will be a decision that each producer will have to answer going into harvest.

Storage will be another hurdle to get over this year. On farm, everyone that has it will utilize storage. Commercial storage rates will likely be higher this year due to the board spread at the CBOT. Going into this fall there will be several hurdles to overcome once again.

Visit Spartan On-Line at www.spartancrop.com

Any grower who may exceed your $75,000 LDP total limitation, please call your FSA Office for further details.

“Obstacles are what you see when you take your eyes off your goals.”
Quote from An Apple A Day, Motivational Food for Thought

“When we give it our all we can live with ourselves – regardless of the results.”
Quote from An Apple A Day, Motivational Food for Thought
Important Deadlines

September 30 – Final date to sign up or change 2001 Wheat policies

September 30 – Deadline for Nursery changers on existing policies

October 1 – All Spring premiums are due. If not paid by November 1, finance charges will be assessed

October 20 – Final plant date for wheat (Plantings after this date are not insurable)

November 15 – Final date to report wheat acreage—please call ASAP

November 20 – Final closing date for barley, grapes, apples and peaches

Report your Spring Crop production as soon as possible

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