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# Preparing for 2017

Winter Newsletter December 29, 2016  
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As we wrap up 2016 and look ahead to 2017, I am excited for the year ahead. There are many reasons for my optimism/enthusiasm. Could be that Ohio State is in the college football playoff; or that enhancements to our DecisionMaxx profitability website will help you even better; or that hail rates in general are declining and other risk enhancement tools are evolving; or that the 2016 election is over (and for agriculture there were some key victories).

I will give a brief political overview from an agriculture/crop insurance perspective. Once the dust settled from the November election, it appears that agriculture and crop insurance should be cautiously optimistic going into the 2017/2018 Farm Bill debate. Re-elected were House Ag Chairman Mike Conaway and ranking member Collin Peterson. Both are longtime friends of agriculture and crop insurance and are expected to keep their house ag positions and steer us thru the next Farm Bill. On the senate side, both chairman Pat Roberts and ranking member Debbie Stabenow should be back to chair their respective Senate Ag positions. All 4 members are experienced and provide solid Ag leadership and knowledge. As we begin discussion on the new farm bill, that experience and leadership should be invaluable.

I am equally excited about the enhancements to DecisionMaxx. We understand that risk management doesn't end with purchasing a crop insurance policy. Profitability, margin management, and **Decision Maxx** understanding how marketing positions and sales effect your bottom line are imperative as we navigate this tough farm economic time. Our DecisionMaxx website – exclusively for Williamson Insurance clients – is a great tool to help your operation.

Buckeye football, steady Ag leadership, DecisionMaxx – take your pick. All have me excited for a great 2017! Go Bucks!!

- Jason Williamson

**Decision Maxx Update**

Decision Maxx is undergoing several enhancements making this powerful tool even more visual and user friendly.

1. The profitability matrix will now have a hover feature for each grid box summarizing revenue from crop insurance, marketed grain and unsold bushels.
2. We have added an expenses worksheet that quickly summarizes fixed costs on a per acre basis. Variable expenses can be entered on a per crop basis. Once completed, your annual cash flow needs per crop and overall are summarized for you. This information will be stored so you can review or edit this page each time you log in.
3. The farm list page will be updated to allow you to enter harvested production on a per farm basis. Decision Maxx then provides a total summary of bushels harvested for the whole operation.

Remember, the information entered in Decision Maxx is only accessible by you. Williamson Insurance Agency cannot view your data. Please call your agent with any questions regarding Decision Maxx.

**Price Flex**

Price Flex is a private product that has been around for several years. We have seen more interest, especially in soybeans, over the last 2 months. As a reminder, Price Flex allows you to potentially lock in a higher base price than the standard February base price for crop insurance. This product allows you to buy full month or half month intervals to have the potential to replace your February base price. It has to be purchased 10 days ahead of that particular period ending. You can buy any full month or half month intervals from now until August. The final sales closing for Price Flex is March 15th. Contact your agent for more details.



**REMINDER:** All changes to your policy must be made by **March 15th.**

# 2017 Key Changes and Reminders

## Corn Prevent Plant Change to RP and YP Policies

Previously, the basic policy included prevent plant coverage that was 60% of the unit's revenue guarantee. For 2017, this coverage has been reduced from 60% to 55% of the unit's revenue guarantee. You may still purchase affordably priced endorsement(s) which add either 5% or 10% more prevent plant coverage to the base policy.

## Conservation Compliance and Entity Changes

To be eligible for 2017 Premium Support, a producer must:

1. Have a signed AD-1026 on file with FSA on or before **June 1st, 2016 (not a typo!)**
2. Be in compliance with the Highly Erodible Land Conservation (HELC) and the Wetland Conservation (WC) provisions



If you or your entity began farming after **June 1st, 2016**, you must:

1. Sign a conservation compliance certification statement by the earliest acreage reporting date
2. Beneficiaries of a "Transfer of Coverage" from one person to another that began farming after **June 1st, 2016** must sign a conservation compliance certification statement no later than 60 days after the transfer occurred.

**Bottom Line:** Be sure you had an AD-1026 on file with FSA. **If you are changing entities from an individual to another entity type (LLC, Corporation, Partnership, etc) notify your agent immediately so the proper conservation compliance paperwork can be completed timely.** If you are found to be out of conservation compliance, the policy is still in effect but there will be no premium support in place.

## Replant Change for RP and YP

In the past, if you chose to switch a failed corn field to soybeans, you could have the corn appraised and then switch to beans after June 5<sup>th</sup>. If there was a claim to be paid on the corn, it would be settled off of the adjustors appraisal. **New policy language for 2017 states that you must now try to replant the first planted crop through the late planting period.** For corn, this would mean you must replant this field to corn through June 30<sup>th</sup>, before the adjustor can put a final yield on the field and you could plant to another crop.

**Popcorn:** The final plant date for popcorn is May 31<sup>st</sup>. Popcorn does not have a late plant period. After May 31<sup>st</sup>, you would have the option of completing an appraisal and switching the field to another crop.

## Chemical Drift

With the perceived higher risk of chemical drift potential in 2017, we have received a few questions regarding crop insurance and chemical drift damage. This is a reminder that crop insurance **does not** cover crop damage caused by chemical drift or chemical misapplication.

# Additional Topics to Discuss with Your Agent for 2017

## RAMP and Ag Armour – Private products from FMH and Great American

These products are similar in the concept of how they work. In effect, you would buy a band of coverage that can be stacked on top of your current crop insurance policy allowing you to insure yield and or revenue up to 95% of your actual production history. These products have been available in previous years but have been significantly improved for the 2017 crop year. Early indications of premium quotes for these products do look very attractive and worth consideration. These programs will be offered on a first come first serve basis. If you are interested in insuring a greater percentage of bushels or revenue in 2017, contact your agent immediately to learn more about these products.



## Production Cost Insurance (PCI)

PCI was developed by Global Ag Risk Solutions and has been widely available in Canada for the last 7 years. It has recently been featured in several farm magazines and was offered on a limited basis in the U.S. in 2016. It is a non-subsidized insurance product based on your farm's long term financial performance. Coverage amounts are determined on your farm's 5 year gross margin (gross revenue from grain sales – inputs of seed, fertilizer, and chemicals).

- Example:**
- Step 1:** Determine your Average Gross Revenue (across all commodities) and Average Input Costs (seed, chemicals, fertilizer)  
Average Gross Revenue = \$600/acre    Average Input Costs = \$250/acre
  - Step 2:** Subtract your Input Costs from your Gross Revenue to determine your Gross Margin  
\$600 Gross Revenue—\$250 Input costs = \$350 Gross Margin
  - Step 3:** Figure the coverage level you are going to insure  
Your level of coverage is 75%.
  - Step 4:** Multiply your level of coverage by your Gross Margin  
\$350 gross margin x 75% coverage = \$262
  - Step 5:** Add Input Costs and covered Gross Margin  
\$250 input costs + \$262 gross margin = \$512

This policy will cover the \$250 cost of your inputs plus \$262 of your gross margin for a total of \$512 of coverage an acre. Should you choose to invest more inputs in a crop through the growing season, the additional cost of those inputs will be added to the insurance coverage per acre. It is designed to give the farmer insurance coverage to cover additional investment in the crop to go for maximum yield. PCI can be used as a standalone insurance policy or in conjunction with a multi-peril policy.