**Spring is Here!**

A new year is upon us and the Garden State Crop Insurance Education Team would like to wish you and your family a safe and prosperous growing season. If at any time you have any questions or comments about crop insurance, feel free to contact us at 1-800-308-2449.

**Earliest Planting Dates for 2013**

<table>
<thead>
<tr>
<th>Crop</th>
<th>Earliest Planting Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORN</td>
<td>April 11</td>
</tr>
<tr>
<td>SOYBEANS</td>
<td>April 15</td>
</tr>
</tbody>
</table>

Crops must be planted after these dates to retain replanting payment protection. Acreage initially planted prior to this date may still be eligible for the remaining protection provided by the policy.

**LGM Sign-Up: April 26**

Funding for the Dairy Livestock Gross Margin (LGM) Program is readily available for the April sign-up period. The program is authorized in the lower 48 states, and with this widespread availability, funding will likely be quickly utilized. Dairy producers should give the LGM for dairy program consideration based on the extreme volatility in feed pricing alone. A policy could help to set a guaranteed margin and provide relief in an unstable environment.

If you feel that dairy LGM may benefit you, contact your crop insurance agent as soon as possible to get details for your farm and to take care of pre-enrollment issues. Sign ups will begin on Friday, April 26 and continue through April 27, if funds are not exhausted.
Projected Prices Set for Corn & Soybeans

Projected prices for crop year 2013 have been set and they are as follows:

<table>
<thead>
<tr>
<th>Crop</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn, grain</td>
<td>$5.65/bu</td>
</tr>
<tr>
<td>Corn, grain organic</td>
<td>$8.79/bu</td>
</tr>
<tr>
<td>Corn, silage</td>
<td>$50/ton</td>
</tr>
<tr>
<td>Corn, silage organic</td>
<td>$50/ton</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$12.87/bu</td>
</tr>
<tr>
<td>Soybeans organic</td>
<td>$19.81/bu</td>
</tr>
</tbody>
</table>

For producers who have purchased a 2013 crop insurance policy, the price election is used to determine the value of insurance protection. The price election is multiplied by the coverage level selected by the producer. If you have any crop insurance questions, contact the Garden State Crop Insurance Education Team at 1-800-308-2449.

Deadline for Reporting Protection (Yield) Data

The deadline for Reporting Protection (Yield) Data is April 29, 2013.

The foundation for your protection in most crop insurance policies is your actual yield history. It is critical that yields for each insurance unit of most 2012 spring planted crops are reported to your insurance agent before the April 29 deadline. Your required written records that support your reported yields for all years in the database for each farm are subject to review to assure accuracy. Also, notify your agent about any additional farms where you will be growing insured crops and do NOT have a yield history established.

The Fit Between Marketing and Crop Insurance

By John Berry, Penn State Extension

Risk is a part of any farming operation, whether it’s production, price, financial, legal, environmental, health or government policy. The focus here is marketing risk: the risk that prices will fluctuate.

We plant a crop expecting a harvest. When we harvest that crop, we expect to be paid. From our perspective, a rising commodity price is good. Declining prices, prices below break-even, and price uncertainty are not good. This is price risk.

Farmers have several tools available when contemplating managing price risk. The most common tools are cash grain contracts, futures contracts and option contracts. In addition, the most significant and basic opportunity for managing price risk is the proper use of a revenue-based crop insurance product. The concept behind managing price risk is to establish a “safety net” to minimize the potential for financial loss. But minimizing the potential for loss usually comes at a cost. If we desire a strategy to minimize losses, we must pay for our price risk management tools. Many farmers combine available tools to achieve a balanced approach to price risk management.

What is Basis?

The price we get for our grains when we deliver them to our normal, local buyers is based off the Chicago Mercantile Exchange (CME) price. The difference between the CME price and the local price is called basis. Basis is all about “where” and “when.”

\[
\text{Basis} = \text{Local Cash Price} - \text{Futures Price}
\]
&/or

\[
\text{Local Cash Price} = \text{Futures Price} + \text{Basis}
\]
The reason for understanding our local basis is that it is one signal telling us when to market a portion of our crop. I ask farmers to track local basis on at least a monthly schedule. Write it down and save this information. Over years we start to see a pattern of basis moves. When we are quoted a local price we need to check to see if the current basis is strong or weak (compared to normal for that month). A STRONG basis is suggesting the price offered is better than might otherwise be expected. A WEAK basis is signal from regular cash buyers that they really don’t want our grain at this time.

Trends and Seasonal Patterns

From watching more than 22 years of farm commodity price levels, we see a definite seasonal pattern. This makes some sense. The buyers of our grains are most at risk of not getting sufficient supply for the coming year during the late winter and early spring months. Depending on price levels, farmers are making decisions on what to plant during this time frame. To entice sufficient planting, and thus the upcoming harvest, potential prices tend to be highest for corn and soybeans from February to June. Once the crop is in the ground, risk for end users is minimized and mostly dependent on weather events. Understanding this seasonal pattern and following current prices is one method to get signals from the market on when to take the current price offer.

Government Programs

Current Farm Bill commodity price support programs are complex and require more space than we have here to get a complete understanding of their applications. Farm Service Agency personnel can help farmers understand and utilize these opportunities.

Crop Insurance

Crop insurance, particularly revenue-based (RP) crop insurance products, allow farmers to protect a specific revenue for a crop. For a detailed discussion from the experts, visit the USDA Risk Management Agency (RMA) website at www.rma.usda.gov. Here you’ll find fact sheets, policy updates and a list of crop insurance agents selling insurance in your county.

My interpretation of how RP Crop Insurance fits nicely with a pre-harvest marketing plan goes something like this:

- Individual farmers understand and can articulate the costs of production for their various enterprises. For example, my math tells me it will cost $5 for every bushel of corn harvested on my imaginary farm this coming fall. To get this number I include all costs. These costs include out-of-pocket cash (seed, fertilizer, fuel, pest and weed control, etc.), plus accounting costs such as depreciation, plus the costs for those things I gave up in order to be a farmer (what I could make if I worked in town). If we only use cash costs, the number is closer to $4. However, $4 does not fully account for the true expenses incurred.
- Using my historical production records I calculate the cost per acre to grow a crop (corn in this example.) Let’s say my expected production is 140 bushels per acre. This gives a cost of $700 per acre.
- Working with a knowledgeable and effective crop insurance agent, we review various crop insurance products and explore how they might be used to mitigate some of our farm risks. In this example, I will use RP insurance at an 85% coverage level. Using the spring 2013 announced projected price of $5.65, my APH of 140 bushels combined with an 85% coverage level; this crop insurance product gives a revenue guarantee of $672.35 per acre.
- This revenue guarantee would be adjusted upwards should the harvest price exceed the spring projected price. This is the feature of RP crop insurance that fits nicely with an appropriate early season grain marketing strategy.
- The typical reason farmers tell me why they do not market grains early is they do not want the risk of a crop disaster that would not give them adequate harvest to cover their early season commitments. The Revenue Guarantee of RP crop insurance is intended to provide adequate income to offset the costs of any bushels needed from the open market to cover these early season contracts.

To me, capturing expected price premiums available early in the growing season seem to make understanding the workings of crop insurance worth the time and trouble.

Remember, price risk management is the goal.
Livestock Gross Margin (LGM) for Dairy

Livestock Gross Margin (LGM) for dairy is an insurance program that provides protection against unexpected declines in the gross margin of a dairy operation. The market value of milk (gross revenue) minus feed costs (variable cost) equals gross margin. This expected value is calculated based on the futures prices of milk (Chicago Class III) and feed (corn and soybean meal) based on the futures market of the Chicago Mercantile Exchange. Unlike crop insurance where the majority of revenue risk exists with production, the risk with LGM dairy lies predominately with price of milk and feed. This program does not set a support price on milk nor does it consider variable costs beyond feed. Instead, LGM for dairy strictly covers the difference between the expected gross margin and the actual gross margin. Other causes of revenue loss such as production loss, damage to livestock, livestock death, etc. are not covered. LGM for dairy is a risk management tool for dairymen to help them remain sustainable.

To participate in the LGM for dairy program, expected prices would be determined for both feed and milk in the futures market. The next step would be to determine how many cwt of milk are to be insured. Once this is determined, the gross margin guarantee is established and then at month’s end, the actual prices of milk and feed are determined. Actual gross margin may then be calculated to determine if an indemnity payment is owed.

Any amount of milk may be insured assuming that specified amount can in fact be produced. The limit of milk that can be covered in a year is 240,000 cwt.

Premiums are determined using a premium calculator program based on the amount of milk insured, expected gross margins for each period, and deductibles. Producers may select deductible levels between $0 and $2.00 per hundredweight of milk in $0.10 increments.

An application must be completed and filed while funds remain available but not later than the sales closing date of the initial insurance period for which coverage is requested. Coverage for the milk described in the application will not be provided unless the insurance company receives and accepts a completed application and a target marketing report, premium is paid in full, and the insurance company sends the producer a written summary of insurance. Coverage begins one full month following the sales closing date of the policy. In the eleven months in an insurance policy, ten months are insured because the month following sign up is not covered.

To participate in the LGM for dairy program, consult your crop insurance agent.