



# Crop Insurance | NEWSLETTER

INSIDE THIS ISSUE | Lessening Tax Liability | Life Insurance | 2011 Life Insurance Options

## Upcoming Outlook Meetings

**11/30/2010**

Lakeville, MN

**12/07/2010**

North Mankato, MN

**12/01/2010**

Rochester, MN

**12/08/2010**

St. Cloud, MN

**12/03/2010**

Fulda, MN

**12/10/2010**

Menomonie, WI

**12/06/2010**

Fairmont, MN

Featuring guest speaker, Dr. David Kohl, Ag Economist.

**For more information or to register, please call 866-577-1831**

## Tips for Farmers in the Field

### PERSPECTIVES FROM AN INDUSTRY ANALYST



**Al Kluis**

President of Kluis Commodities

#### 1. Re-evaluate if you have a claim.

We've recently seen a huge rally in futures coupled with hail, flooding and other major causes of production loss. Those higher prices for December corn and November soybean futures will increase the revenue guarantee on CRC (Crop Revenue Coverage) and RA (Revenue Assurance) policies. If you have a production loss, you will be paid based on the higher fall price. It's important to keep track of your crop by enterprise unit and make your agent aware of a possible claim.

#### 2. Preplan now.

Many farmers had a profitable year. Consider locking in as many of your 2011 inputs as you can before the end of the year. Get a jump on putting together your crop and market plans at the same time.

Kluis Commodities is a regional brokerage commodity firm that publishes the Al Kluis Report, the Real Farmers Almanac and the Kluis Commodity Calendar. Alan also writes the "Your Profit" column for Successful Farming magazine.

## Crop Insurance News | Fall 2010

### Contributors:

**Al Kluis**, President of Kluis Commodities

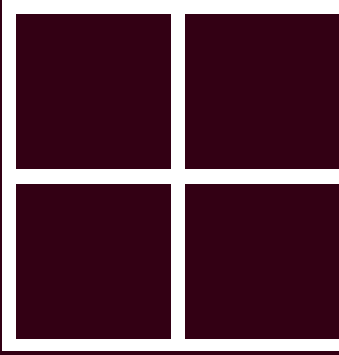
**Dan Goettl**, Lead Tax Consultant

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**www.AgStar.com**  
**866-577-1831**



## 'Tis the Season for Tax Planning



**Dan Goettl**  
Lead Tax Consultant

### LESSEN YOUR TAX LIABILITY BY MAPPING YOUR DEDUCTIONS BEFORE THE END OF THE YEAR

Right on the heels of harvest season comes the joy of tax planning. Since some codes change annually, here's AgStar's best advice for navigating this year's crop of tax regulations.

#### Claiming insurance proceeds now or later

Whacky mother nature sent farmers hail in the spring and flooding in the fall. As a result of this bad weather, you may have collected crop insurance proceeds. Crop insurance covers crop damage or the inability to plant due to drought, flooding, hail or other natural disasters. If you have a production loss, the tax code allows you to decide whether to claim income received from crop insurance proceeds in the 2010 tax year or in 2011. Note that proceeds based on a revenue loss are not eligible for deferral because they are not under the definition of a natural disaster.

In order to postpone reporting crop insurance proceeds until 2011, you must use the cash method of accounting and receive the proceeds in the same year the crops were damaged. You'll also have to show that under your normal marketing practices, you would have reported income from the sale of the damaged crop in 2011. You'll need to examine your financial situation to see if you want to declare this income now or defer it.

#### Offsetting tax liability by prepaying expenses

Maybe you didn't sell your entire crop in soggy 2009 and in 2010 you sold early at a good price, hence you've got a larger potential tax bill. You can offset some of that tax liability by making advance payments on your 2011 expenses and deducting them in 2010.

While most cash-basis farmers deduct expenses in the year they paid them, you can make advance payments for expenses not used until the following year. You may want to pay for 2011 feed, seed, fertilizer, lime, rent, fuels and supplies now and deduct those expenses in 2010.

#### There are specific rules you'll have to follow for prepaying.

- The advance payment must be nonrefundable, and not a deposit.

- Must be for a business purpose.
- Interest, insurance and real estate taxes don't qualify.

Please consult your tax advisor for other stipulations before prepaying anything with the intent of offsetting your tax liability.

#### Capitalizing on higher limits for deductions

New for 2010 and 2011, you can write off up to \$500,000 in capital purchases that have a life of 15 years or less. This applies to equipment, vehicles, breeding livestock, single-purpose buildings (hog barns, greenhouses, etc.), tiling and fencing.

#### Bonus depreciation for 2010 only

2010 may be the year to plow funds back into your business. Retroactive to January 1, 2010, you can immediately write off half of your investment in building multi-purpose structures and machine sheds and spread the rest of the depreciation over 20 years. For example, on a \$100,000 investment, \$50,000 is deductible right away and the remaining \$50,000 must be depreciated over 20 years.

If you spring for more than \$500,000 in new capital purchases in 2010, you can immediately write off the first \$500,000 and 50 percent of the rest. That means on a million dollars worth of purchases, you can deduct \$500,000 and half of the remaining \$500,000, for a total deduction of \$750,000. This is another way to beef up your deductions in 2010.

Note that these bonus depreciation options are in effect for 2010 only. If you plan on erecting a farm structure or making substantial capital purchases, consider investing in them before the end of 2010 to take advantage of this additional tax benefit.

#### Yes, it's complicated

Who said farming was easy? Let AgStar help. Talk to our pros at 1-866-577-1831 or your tax planner ASAP to see what you can do now to lessen your tax bill next April.

### Important due dates

November 15: Second half of MN farmers' property taxes

December 15: 4th quarter corporate estimated income tax payments

# Life Insurance Isn't for You - It's For your Family

**FARMING REMAINS THE NATION'S MOST DANGEROUS JOB.  
IS YOUR FAMILY PROTECTED?**

Did you experience any close calls on your farm this fall? Unfortunately, injuries, accidents and even fatalities are all too common in farming and livestock operations. In fact, the accidental death rate among agricultural workers tops those of all other occupations, including mining and construction, according to the U.S. Department of Labor.

Now that harvest season is nearly over, this is the time to re-examine your farm's safety procedures and take a hard look at protecting your family financially. Adequate life insurance can go a long way toward making you feel more comfortable and confident as you plan next year's plantings.

Life insurance isn't intended for you – but for your family. With low-cost AgStar term life insurance, you'll know that your farm will stay in the family, and won't be sold in a hurry to cover outstanding debts. Insurance provides cash in the form of a death benefit, which can help your family make loan payments, meet daily living expenses, support children, cover estate taxes, plus pay medical bills and funeral expenses. If you're one of many farmers who don't carry life insurance, you're not alone. Most farmers remain uninsured or under insured. However, if you've known one family in this situation who has had a tragic accident, you've seen the financial hardship that follows.

The question is how much life insurance do your loved ones need? AgStar can help you take stock of your current financial situation – your expenses as well as your savings, investments and retirement accounts. Then, we can run comparison quotes to secure the most cost-effective term policy for your age, health status and financial need.

For a no-obligation insurance analysis, please call your local AgStar office or 1-866-577-1831 and ask for our life insurance specialist. He or she will be happy to sit down with you and talk about your needs.

## Joan Templin

Director Insurance Administration

Families are more secure and financially prepared when they have adequate coverage in place.





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## New for 2011:

The Federal Government will establish a price in February based on December futures for corn and November futures for soybeans. That single price will apply to either the bushel plan or the revenue program.



**Mike Crowley**  
Senior Risk  
Management Executive

## Looking Forward to Your 2011 Insurance Options

Welcome to the end of another year in the field – and the start of a new one. To help you plan ahead, you should expect a visit from your AgStar Financial Services Officer (FSO) or Insurance Specialist this winter to discuss your 2011 crop insurance needs. As in years past, you and your FSO or Insurance Specialist will take a look at your updated numbers indicating proven yield for 2010.

Although the bushel coverage has not changed, the revenue program has been simplified into a single combo policy for 2011. Your 2011 insurance will automatically reflect your current plan, whether it's bushel coverage or the revenue program. The last day to change your 2011 coverage is March 15.

If you have any immediate questions about tallying your final 2010 yield report or about the 2011 crop insurance options, your FSO or Insurance Specialist is always available to help. After all, we're here to streamline the office end of your business so you can focus on the field.

