

Risk Management Today

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The Latest on the Farm Bill

Deficit-reduction talks may delay writing the new farm bill



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HURRY UP AND WAIT

Every five years, Congress rewrites the farm bill. The current farm bill is slated to expire September 30, 2012. Normally, our congressional agriculture committees negotiate the farm bill over several months before presenting it for congressional and presidential approval.

If you've been following the tug-of-war in Washington, D.C. over our national budget and deficit, you know that this year is anything but normal.

WRAPPED UP IN THE DEFICIT-REDUCTION DISPUTE

An impasse in Congress about raising our nation's debt ceiling led to the creation of the Budget Control Act of 2011 in August. As a result, a 12-member bipartisan congressional Joint Committee on Deficit Reduction, also known as the Super Committee, is charged with identifying programs to slice the deficit by \$1.2 trillion to \$1.5 trillion over 10 years.

The Super Committee's recommendations on the proposed deficit-reduction package, which were due November 23, 2011, must pass an up or down vote in both the House and Senate, and then receive presidential approval before January 15, 2012.

THE NO COMPROMISE SCENARIO

If the Super Committee's process fails or it does not agree on at least \$1.2 trillion in reductions, a

procedure called sequestration kicks in, which forces automatic across-the-board cuts that will go into effect January 2, 2013. Those cuts would be divided between defense and non-defense programs. Some programs are exempt from sequestration. However, portions of the farm bill, including crop insurance, are on the list of programs that can possibly lose or experience reduced funding.

IMPLICATIONS FOR THE FARM BILL

So where will the farm bill reductions be focused? We know that significant congressional support exists around crop insurance as farmers' most important risk management tool. However, the farm bill baseline starts at a lower monetary level, plus it's uncertain what the Super Committee will propose and what sequestration may mandate.

On October 17, the four leaders of the U.S. House and Senate Agriculture Committees sent a letter to the Super Committee recommending a \$23 billion cut to mandatory spending within the agriculture committees' jurisdiction. The letter did not include specific recommendations for cuts, but did pledge to provide the Super Committee with details.

This significant step by the four agriculture leaders confirms that crafting the farm bill will be expedited due to the compressed

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Farm Bill

Continued from page 1

timeframe. If the Super Committee process is successful, portions or the entire farm bill will be affected by the process. If the aforementioned process is unsuccessful, agriculture committee leaders are up against the September 30, 2012 farm bill expiration.

It's important to note that in President Obama's "Living Within Our Means and Investing in the Future Plan" delivered on September 19, 2011, he recommended reducing crop insurance by \$8.3 billion over ten years.

Since 2008, crop insurance has been trimmed approximately \$12 billion from previous levels. In addition, 37 discretionary programs accounting for \$9 to \$10 billion in the current farm bill are not funded through 2012. This lower baseline and Washington's deficit-reduction mindset translate into less money available.

ON YOUR SIDE

Crop insurance protection needs to remain available for farmers and ranchers. AgStar will continue to collaborate with other Farm Credits and interested stakeholders to mitigate cuts that may adversely impact our clients. As always, we are committed to ensuring viable, quality insurance options for our clients.

STAY TUNED

As circumstances with the Super Committee recommendations progress, AgStar remains proactively engaged in the process. We'll continue to work with congressional leaders and other stakeholders to safeguard clients and their crop insurance risk management tools. ■

The situation on the Hill changes daily. The information in this article is based on the best data available at the time, given the fluid dynamics of the legislative process. And although plenty of changes are under way, the current farm bill remains in effect until September 30, 2012.

Dates to Remember

Revenue Protection Policies Harvest Price

Soybean Harvest Price: February average of November futures: \$13.49
October average of November futures: \$12.14
Since the soybean price is lower than the spring price, your bushel guarantee will increase, which could put you in a revenue loss.

Corn Harvest Price: February average of December futures: \$6.01
October average of December futures: \$6.32

Turn in a loss for corn and soybeans before December 10.

Accurate Records Assure Hassle-Free Claims

Report your production properly to validate your yield.

With this year's unpredictable weather and lower prices, many farmers may be eligible for insurance claims. If you suspect you may have a loss, keeping clear records is a must.

Here's a quick review of production reporting:

1. Separate records by section.

Even if you elect enterprise units you should maintain records by section. This takes a little more effort, but it makes switching to an optional unit structure fairly easy down the road.

2. Follow acceptable recording methods.

Keeping factual production records is a requirement for crop insurance. Maintain load records or bin markings. You can also opt to take your crop to the elevator and weigh it before storing it back at the farm. If you're selling directly from the field, identify the unit on scale tickets.

3. Calibrate precision farming technologies.

Many new combines come equipped with GPS technologies and yield-mapping software that guide planting and harvesting. Before using your precision farming system, calibrate it to the manufacturer's requirements. Without this calibration, the resulting records are unacceptable in the event of a loss. A calibrated system will reflect all your production in a planting and harvesting summary report.

4. Measure silage and high-moisture corn.

If you chopped silage corn or high-moisture corn, you may have questions about reporting the yields on your production report. Your AgStar representative can help you calculate the production numbers.

"If you suspect you may have a loss, keeping clear records is a must."

5. Report a loss within 72 hours.

Keeping track of your production doesn't necessarily mean you have a claim, but it's a necessary step in validating any loss. The next step is turning in a claim. Corn and soybean claims must be submitted by December 10, 2011, even if you don't have your entire crop harvested by that date. Claims submission starts the appraisal process, which can be performed while the crop is still in the field. In-field appraisals serve as production records for claims purposes.

6. Think ahead.

As you finish up your harvest and start production reporting, remember to keep accurate unit records on the number of bushels. If you think you may have a claim, or still have crop in the fields on December 10, contact your AgStar representative right away.

Enjoy a safe and prosperous harvest! ■



by Brianna Coonrod
Associate Insurance
Specialist

The Three Cs of Claims Submissions

1. Consider

Just after harvesting each field or unit, consider if you could possibly have a loss based on production or revenue. Stop and ask yourself whether a unit is producing at its expected level, if it isn't, you must call AgStar within 72 hours of your initial discovery of damage, but no later than 15 days after the end of the insurance period. The end of the insurance period for corn and soybeans is December 10th.

2. Check

When the yield on a field or unit is borderline in terms of indicating a loss, check with your AgStar representative. We will help you determine if a loss should be submitted.

3. Call

If you think your production may not meet your production and/or revenue guarantees, call your AgStar representative to submit a notice of loss. Once a loss has been turned in, an adjuster will call you and set up a time to work your claim.

Even if you don't qualify for a loss, we'd rather cover the situation than find out later that we can't help you due to missed deadlines. At AgStar, we want to stay on top of the situation and give you the very best service possible.

Remember, you can call your AgStar representative with questions anytime at 877-566-1831. ■

by Chuck
Behrens
Sr. Insurance
Specialist





AgStar's Local Crop Insurance Meetings

Be on the lookout for information regarding our local crop insurance meetings coming up in January and February 2012. We'll be discussing in detail the issues and programs that affect your operation.

FCIC Board Approves APH Yield Option for Insured Corn and Soybeans in 14 States

WASHINGTON, September 23, 2011

The U.S. Department of Agriculture's (USDA) Federal Crop Insurance Corporation Board of Directors has approved the Trend-Adjusted Actual Production History (APH) Yield Option insurance plan for corn and soybeans to be available starting with the 2012 crop year for select states and counties.

The plan allows policyholders with qualifying APH databases in eligible counties to elect to have their APH yield adjusted based on their county's historical yield trend. APH yields are used to determine crop insurance coverage guarantees.

The Trend-Adjusted APH Yield Option is designed to improve accuracy of the estimate of future yields, and allows accurate coverage elections to be made against expected future crop production.

Be sure to visit with your FSO or Insurance Specialist to determine if this is a good fit for your farming operation. ■

Source: www.rma.usda.gov

FCIC Announces Conclusion of Pilot Biotechnology Endorsement Program

WASHINGTON, September 26, 2011

The Pilot Biotechnology Yield Endorsement (BE) and subsequent Biotechnology Endorsement (BE), approved by the Federal Crop Insurance Corporation Board of Directors (FCIC Board) starting with the 2008 crop year (CY), will no longer be in effect beginning with CY 2012.

The Pilot BE has provided a premium rate reduction to eligible producers that plant certain qualifying corn hybrids. The Pilot BE was approved through the 2011 crop year. After careful consideration, and in consultation with the pilot submitters, the FCIC Board has concluded the Pilot BE will terminate in the interest of program simplification. ■

Source: www.rma.usda.gov

Could You Reduce Your Life Insurance Premiums?

Life and health changes could signal a chance to re-evaluate your policy

by Joan Templin
Director of Insurance
Administration

If you took out a life insurance policy and then never looked at it again, you may be missing an opportunity to lower your premiums. And if you were denied a policy in the past, you may be eligible to receive one today. The fact is that your situation may have altered substantially over the years to make you a better life insurance candidate.

Premiums and policy acceptance are determined by a number of factors beyond your control, such as age and family health history. However, you can change other parts of your life and successfully manage some adverse health conditions.

Are you a good candidate to reapply for insurance and possibly lower your rate?

Maybe, if you've experienced significant changes in one or more of the following conditions:

- **Type 2 diabetes**
Prove that your adult-onset diabetes is now under control due to changes in diet, exercise and/or medications.
- **High blood pressure**
Show that your previously high blood pressure is now within acceptable ranges due to adjustments in diet, exercise, lifestyle and/or medications.
- **Sleep apnea**
Document your medical journey toward successfully managing your sleep apnea with the help of testing, medications and/or sleep aids.
- **Asthma**
Verify that medications and lifestyle have mitigated your chances of having an asthma attack.
- **Cancers**
If you applied when you were first diagnosed, your rates can go down when the cancer has been in remission for more than 12 months.
- **Cholesterol**
Certify that your previously high or low cholesterol level is now within the normal range.
- **Weight**
Whether you've lost or gained a significant amount of weight to enter a range that's normal for your height and age group, confirm that you've maintained that healthy weight for at least a year.
- **Lifestyle and occupation**
Are you drug and alcohol free? Have you given up pastimes that may be risky, such as international travel to underdeveloped countries or racecar driving? Have you recently retired or changed occupations? These changes may affect your policy premium.

Let's see if we can get you a better deal.

You may have had a number of conditions at the time you applied for insurance that drove your rate higher or led you to be denied coverage. You may now have these correctable issues under control so you can qualify for a lower rate or a first-time policy. Let's talk about your specific situation and see what AgStar can do for you. Call us today about your life insurance needs at 877-566-1831. ■





MANAGEMENT 101

The 80:20 Rule



by **Danny Klinefelter**
*Professor & Extension
Economist
Texas A&M University*

Also known as the Pareto Principle, this is one of the simplest management concepts to understand but one of the most difficult to implement. It's recognizing that 80 percent of our results are produced by 20 percent of our efforts. The reality isn't in the relationship being exactly 80:20 for every situation but the importance of understanding where you need to put your time and money to produce the greatest returns. The concept incorporates two of Stephen Covey's "7 Habits of Highly Effective People": 1) put first things first and 2) begin with the end in mind. Quality management pioneer Dr. Joseph Huran described the principle as "the vital few and the trivial many." Being successful isn't just about working smarter, not harder, but about working smarter on the right things.

Most people never achieve their long term

goals because they spend too much time and money doing second things first, i.e., what they like to do, what they know how to do, what is easiest to do, what can be completed most quickly and what is urgent.

The most successful managers have figured out what the most important 20 percent are, established priorities, then put most of their time and resources into doing those things first. As much as possible, the other 80 percent get delegated to someone else, outsourced or handled through an alliance with one or more other producers.

It's important to recognize that every person and every business has different strengths and weaknesses. The first question is, do you really know what yours are? Very few people are able to be totally objective or brutally honest with themselves. Many businesses don't have a



Moving the Billing Date Up Six Weeks

How the shift in government accounting affects your farm

For the first time in recent memory, the U.S. government has mandated a significant change in the crop insurance billing due date. Starting in the 2012 reinsurance year, multi-peril crop insurance premium for crops planted in spring 2012 will likely be billed August 15, 2012. In previous years, the premium was due October 1.

The shift is attributed to perceived budgeting advantages that will be realized by the federal government. By moving the billing date, the government can shift revenues to an earlier calendar year, which should result in significant cost savings to the government.

For farmers, the change signals a need to be prepared for an earlier payment. The insurance companies are likely to begin accruing interest on October 1 instead of November 1. You may also need to modify your accounting systems to accommodate the earlier deadline.

Your AgStar representative can answer any questions concerning how the billing date movement may affect your operation. Just give him or her a call at 877-566-1831 for more information. ■



by Tim Verbrugge
Sr. Risk Management
Executive

good enough accounting system to actually know how different parts of the business or different people are performing. Even if you have the information, how do you compare to your leading competitors? Success is relative, not absolute, and the bar is continuously being raised.

When you get to the point where you can identify and can prioritize activities based on those that produce the greatest results, you can focus on finding ways to capitalize on your strengths and compensate for your weaknesses. Challenge anything could be wasting time, effort or resources. Too much of what we do is a result of habits developed over time or even passed down through generations. Remember, the best companies spend as much time analyzing what they need to stop doing as they do analyzing new opportunities.

Two of the most frequent rationalizations or excuses I hear for continuing to do things the way they're currently being done are: 1) this is a one or two person operation and we have to do it all, i.e., there is no one to delegate to and 2) the tasks required to accomplish what I'm suggesting are too big to deal with. In response

to the first, I come back to the need to establish priorities, plan, consider alternatives, recognize seasonal bottlenecks and prepare ahead of time, develop a better information system and recognize that fierce independence can be both a strength and a weakness. To the second, the secret to getting ahead is getting started. The secret to getting started is to break a complex, overwhelming task into small manageable tasks, then starting on the first one. ■

"Most people never achieve their long term goals because they spend too much time and money doing second things first."



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AgStar 2012 Outlook Meetings

OPPORTUNITIES AND CHALLENGES IN THE YEAR AHEAD

AgStar Financial Services announces our annual management and education seminars. Join us as we take a look at the agricultural opportunities and challenges facing producers in 2012.

Each seminar begins at 8:30 a.m. with guest registration and ends at 2:30 p.m. A continental breakfast and lunch will be served at each seminar.

AgStar is proud to welcome Ag Economist Dr. David Kohl as our featured speaker.

You and your spouse or guest are invited to attend AgStar's 2012 Outlook Meetings. There is no cost to attend; however, pre-registration is appreciated!

Please call 866-577-1831 to register.

| DATE | LOCATION | CITY |
|------------|---|---------------|
| 12/9/2011 | Stout Ale House 1501 North Broadway | Menomonie, WI |
| 12/12/2011 | International Event Center 9333 Airport View Drive SW | Rochester, MN |
| 12/13/2011 | Holiday Inn 1201 Torgerson Drive | Fairmont, MN |
| 12/14/2011 | Community Center 106 Front Street | Fulda, MN |
| 12/15/2011 | Verizon Wireless Center 1 Civic Center Plaza | Mankato, MN |
| 12/16/2011 | Holiday Inn 75 South 37th Avenue | St. Cloud, MN |

OUTLOOK MEETING AGENDA

- 8:30 a.m. **Registration**
- 9:00 a.m. **Welcome**
2012 Farm Bill
Roger Bernard, Agriculture Policy Analyst
Changes in Crop Insurance: What You Need to Know
Risk Management Officer, AgStar
- 11:30 a.m. **Lunch**
The Economic Outlook for 2012
Dr. David Kohl, Ag Economist
- 2:30 p.m. **Meeting Concludes**