



Ag Decision Maker

A Business Newsletter for Agriculture

Vol. 17, No. 1 www.extension.iastate.edu/agdm November 2012



Fall harvest prices and indemnity payments

by Steven D. Johnson, farm and ag business management specialist, Iowa State University Extension, (515) 957-5790, sdjohns@iastate.edu

The USDA Risk Management Agency (RMA) released the final fall harvest prices for revenue protection crop insurance policies on November 1. Those harvest prices are \$7.50 per bushel for corn and \$15.39 per bushel for soybeans.

The harvest price numbers are the final piece of information to determine potential indemnity payments for Revenue Protection crop insurance coverage. Iowa farmers chose Revenue

Protection on 92 percent of the insured corn acres and 91 percent of the insured soybean acres in 2012.

Many Iowa farms that suffered significant production losses in 2012 will receive indemnity payments over the next few months reflecting these harvest prices. Both the December corn futures price and the November soybean futures price have increased between the projected price (determined in February) and the harvest price (determined in October) periods.

Should a production shortfall occur, that loss would be compensated at the higher harvest price. Farmers that chose to insure their crops with a Yield Protection policy may also receive an indemnity payment for yield losses, but the loss will be paid at the February price level.

Many farmers use revenue protection coverage, along with pre-harvest marketing strategies, and commit a portion of their guaranteed bushels to delivery. This harvest price is critical if any lost production must be replaced at higher market prices for on-farm feeding or to fulfill delivery on a forward cash or hedge-to-arrive grain contract.

Shortfall of contracted bushels

Once farmers realize that they cannot deliver all the bushels they've contracted, they should

continued on page 2

Handbook updates
 For those of you subscribing to the handbook, the following new updates are included.
Table of Contents – A1-00 (1 page)
Supplemental Revenue Assistance – A1-44 (3 pages)
Deductible Livestock Costs for Adjusting 2012 Income Tax Returns – B1-15 (1 page)
 Please add these files to your handbook and remove the out-of-date material. *continued on page 6*

Inside . . .

- Farm employee management: getting the new employee off to a good start on day one Page 2
- Corn nitrogen rate calculator helps farmers determine fertilizer needs, protects environment Page 4
- Research briefs from the Department of Economics Page 4

Fall harvest prices & indemnity payments, continued from page 1

work with the grain merchandiser on a strategy to make up the shortfall in bushels or pay the replacement value of those bushels.

To illustrate how indemnity payments are determined, an example of Revenue Protection (RP) coverage for corn is featured.

2012 Revenue Protection (RP) Example:

A loss occurs when the bushels of corn produced for the unit fall below the production guarantee as a result of damage from a covered cause loss. This example assumes 175 bushels per acre APH yield, 75 percent coverage level and basic unit coverage.

175 bushels per acre X .75 = 131.3 bushel guarantee*

100 bushels per acre actually produced

131.3 bushels – 100 bushels = 31.3 per acre loss

31.3 per acre loss X \$7.50 per bushel (harvest price determined in October) = \$234.75 net indemnity*

* Figures shown on a per acre basis. Guarantees and losses are paid on a unit basis. See individual policy provisions.

Summary

As long as the farmer did not commit to delivery of more than the 131.3 bushels per acre, he or she should have adequate fund to make up the shortfall in bushels or pay the replacement value of those bushels.

Delaying settlement beyond early November leaves farmers in a speculative position for those bushels that they were unable to deliver. Should the futures price move even higher beyond this time frame, the replacement cost would increase. Regardless, the need to work with the grain merchandiser is critical should you fall short on contracted bushels.

Adapted from USDA RMA's 2012 COMMODITY INSURANCE FACT SHEET, Corn—Crop Revenue Coverage, January 2012.



Farm employee management: Getting the new employee off to a good start on day one

by Melissa O'Rourke, extension farm and agribusiness management specialist, 712-737-4230, morourke@iastate.edu

Farm employers spend a good deal of time carefully recruiting candidates, interviewing, checking references, evaluating and selecting a new employee.

All that effort can quickly go down the drain if an effort isn't made to get that new employee off to a good start on the very first day.

When the employment offer has been accepted, a start date should be agreed upon as soon as possible. Inform the employee of what will happen on the first day of work. Clearly communicate when he or she is expected to arrive.

While it may seem fundamental to the employer, help the new employee by providing the answers to some basic questions common among new employees. Send the employee a letter by U.S. mail or an e-mail with the answers to what might seem like basic questions to the employer:

- (1) What should I wear? Provide guidelines on footwear, gloves or other appropriate attire. More and more, new farm employees do not have farm backgrounds and need guidance so that they arrive for the first day of work appropriately attired. Particularly in dairy and other livestock operations, there are biosecurity

Farm employee management: Getting the new employee off to a good start on day one, continued from page 2

guidelines and some attire may be provided. Inform the new employee that they will be trained on these biosecurity procedures. Do not assume that new employees know what they should wear to work.

- (2) Should I bring my lunch or snacks and beverages? Some farm work sites provide a noon meal or snacks and beverages. Others do not. Some groups of farm workers stop in town for lunch each day. Let that new employee know what the practice is at your farm and what he or she should bring to work.
- (3) Vehicles and parking questions: If the new employee is expected to have a vehicle to use in the position, this should have been communicated during the pre-employment process. Employees may wonder something as basic as where they are expected to park (or not park) at the farm site. Provide this information.
- (4) What documents should I bring on my first day of work? The new employee will complete a Form I-9, as well as other basic forms on the first day of work. Inform the new employee of what documents should be brought to work on the first day to assist in completing forms necessary for compliance with state and federal law. See the Checklist for Iowa Agricultural Employers on the Ag Decision Maker website for a list of those forms and links to instructions.
- (5) What should I not bring to work? If the employee is expected to have a cell phone, that should be communicated. Some employees may need to be instructed that electronic music devices cannot be used on the job. Likewise, if the farm is tobacco or smoke free, the new employee should be so instructed.
- (6) What will I do on my first day of work? Tell the new employee what he or she will do on the first day (or week) of work. Make sure that work hours (including break policies) have been clearly communicated. Provide

a general outline of initial orientation and training activities. This will decrease the new employee's apprehension or confusion and help to get the new employee off to a good start with a planned orientation program, as well as initial and ongoing training opportunities.

The new employee should be promptly greeted on the first day of work. Introduce the employee to other workers and family members. Nametags can be helpful to the new person, as it can be very confusing when meeting multiple people in the early days of employment. Immediately show the new worker the location of the restrooms and other break areas. Until the farm employer is certain that the new employee has been thoroughly trained in farm safety practices and procedures, the new employee should be accompanied by another person who is properly trained.

At the end of the first day, the new employee should be asked if there are any questions or concerns. Offer the new employee assurances about how the first day went and again offer information about what will happen in those early days on the new job. A future article will discuss guidelines for orientation and training programs.

Surveys show that employees find job satisfaction when they feel they are being treated with respect. Treat that new employee with respect from the very beginning, and the employment relationship will be off to a good start.

As always, feel free to contact me with any of your farm employee management questions.

Corn nitrogen rate calculator helps farmers determine fertilizer needs, protects environment

by *Dustin Vande Hoef, Iowa Department of Agriculture and Land Stewardship, 515-281-3375
Dustin.VandeHoef@Iowawagriculture.gov and Willy Klein, ISU Extension and Outreach, 515-294-0662,
wklein@iastate.edu*

Iowa State University Extension and Outreach and the Iowa Department of Agriculture and Land Stewardship recently highlighted the Corn Nitrogen Rate Calculator available to help farmers find the maximum return to nitrogen fertilizer applications and the most profitable application rate for their farm.

The Corn Nitrogen Rate Calculator can be found at <http://extension.agron.iastate.edu/soilfertility/nrate.aspx>. This online tool is rapidly updated to allow for changing hybrid genetics, rotations and climatic conditions. The Iowa database in the calculator was updated in 2012 with 2011 response data and now contains 214 trials for corn following soybean and 111 trials for corn following corn.

“Having adequate nitrogen available is critical for corn production, but given the high prices for fertilizer it is important farmers determine the right amount that is needed on their crops,” Iowa Secretary of Agriculture Bill Northey said. “Every farmer wants to make sure plants have the fertilizer they need while not over applying, so this calculator is a great tool.”

The calculator can be used for both corn and soybean rotations and corn-on-corn operations. It allows farmers to compare up to five price ratios – pricing options for nitrogen and corn. Farmers can reach out to their local fertilizer suppliers to find current fertilizer prices

The calculator then lets farmers determine the optimal rate of application based on up to four different corn prices.

“Nitrogen rates determined by the calculator are the total fertilization amounts for each rotation; there is no need to further adjust rate for previous crop,” said John Sawyer, soil fertility and nutrient management specialist with Iowa State University Extension and Outreach.

Sawyer reminds farmers they should also wait until soil temperatures remain below 50° F before applying anhydrous ammonia (NH3) fertilizer this fall. A statewide real-time soil temperature data map is maintained by ISU Extension and Outreach at <http://extension.agron.iastate.edu/NPKnowledge/> and can be used by ag retailers and farmers to determine when fall nitrogen applications are appropriate.

Research briefs from the Department of Economics

Streamlined access to data reflects change at ICIP

Open access to data on the Internet doesn't always mean that it's easy to find. That's why Liesl Eathington, director of the Iowa Community Indicators Program (ICIP), has worked to streamline what she now offers on a revamped website found at www.icip.iastate.edu.

ICIP, housed in the Department of Economics at Iowa State University, provides data resources to the general public as a means for understanding

regional economic and demographic change. The center also provides data and analysis services that help inform local decision making, policy development and strategic planning processes.

The new site coincides with an official name change to ICIP, formerly called the Regional Economics & Community Analysis Program (ReCAP). Says Eathington, “Both of these changes reflect an effort to speed up the search process for people seeking community-level indicators for a variety of purposes.”

Research briefs from the Department of Economics, continued from page 4

ICIP's new site is easier for users to navigate, makes frequently requested items more prominent and hones in on a smaller range of offerings. "As more data is available on more sites, there's less need for us to try to do everything," she says. "We want to try to help people locate things quickly and to put things into formats that are easy to understand."

Construction of the site is not complete, and the addition of an expanded reference section with help and other resources is yet to come. "It's challenging to make the site keep up with the demands that people have and the amounts and types of data that are available," she says.

Eathington appreciates feedback on these changes and is receptive to any direct questions through a phone call or e-mail. "You can waste hours searching for something," she admits. "With ICIP, there's a person behind the site who is happy to answer your questions."

ICIP is a coordinating agency in the State Data Center of Iowa network, part of a federal-state cooperative program providing census data and expertise to local data users. It is supported by the ISU Department of Economics, ISU Department of Sociology and ISU Extension and Outreach Community and Economic Development.

Dan Otto retires

Dan Otto, professor, extension economist and associate program director of ISU Extension and Outreach Community and Economic Development, retired at the beginning of November after 32 years with the department. "I've enjoyed the people in the department and appreciate the caliber of the programs and the respect and acknowledgment that we receive," he said.

Otto plans to pursue hobbies and interests such as biking, traveling, cooking and history. He and his wife, Fran Antonovitz, formerly with the ISU Department of Economics, will continue to reside in Ames, but will enjoy part of their year in

Florida. View photos of Otto's retirement reception at <http://gallery.econ.iastate.edu/gallery/dan-otto-retirement-reception-102512>.

Recent publication by Hennessy and Jensen

David Hennessy, Helen Jensen, and Fengxia Dong's article, "Factors determining milk quality and implications for production structure under somatic cell count standard modification," was recently accepted for publication in the November issue of the Journal of Dairy Science, and has been selected as a highlighted article of the month. It will be available for viewing in November at <http://www.journalofdairyscience.org/>.

Hayes participates in U.S.-China agricultural investment group

Dermot Hayes, professor of economics and finance and the Pioneer Chair in Agribusiness at Iowa State University, is participating in a recent collaboration, supported by The Chicago Council on Global Affairs and The Paulson Institute, designed to discuss opportunities and constraints in U.S.-China agriculture-related cross-investment, examine successes and failures and explore potential investment models. Learn more about this work at http://www.thechicagocouncil.org/files/About_Us/Press_Releases/FY13_Releases/121015.aspx.

USDA funds department's ag co-op work

Keri Jacobs, Georgeanne Artz and Kevin Kimle of the Department of Economics were recent recipients of a \$175,000 grant from the USDA to fund their work in agricultural cooperatives as part of the Iowa Alliance for Cooperative Business Development (IACBD).

Updates, continued from page 1

Internet Updates

The following information files have been added or updated on www.extension.iastate.edu/agdm.

Selected Alternative Agricultural Financial Benchmarks – C3-65 (4 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15

Returns for Farrow-to-Finish – B1-30

Returns for Weaned Pigs – B1-33

Returns for Steer Calves – B1-35

Returns for Yearling Steers – B1-35

... and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W,

Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and November 30, 1914, in cooperation with the U.S. Department of Agriculture. Cathann A. Kress, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

Permission to copy

Permission is given to reprint ISU Extension and Outreach materials contained in this publication via copy machine or other copy technology, so long as the source (Ag Decision Maker Iowa State University Extension and Outreach) is clearly identifiable and the appropriate author is properly credited.