

RISK MANAGEMENT FOR NORTH DAKOTA FARMS

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Use of Multi-peril Crop Insurance
ACRE & SURE Programs

Custom Cab

**JOHNSON
FARMS**

Chris & Sue

WAHPETON • ND



FIELD PREPARATION



TYPICAL INFRASTRUCTURE



MARCH CORN HARVEST



GATHERING THE BOUNTY





THINGS DON'T ALWAYS GO AS PLANNED....







C&S FARMS, INC

- ✘ Started in 1973
- ✘ Consists of 3200 acres:
 - Corn 600 acres
 - Hard Red Spring Wheat 600 acres
 - Soybeans 2000 acres

HOW DO WE MANAGE RISK

- × Multiple Crops
- × currently raise Corn, Soybeans & Wheat
- × have raised Sugar beets, Oil & Confection Sunflowers, Dry Beans, Barley, Oats, Mini-pumpkins
- × Acreage spread over 35 miles, two counties, two states
- × Raise value-added seed soybeans
- × Sell commercial crops to nine different buyers
- × Use of futures & options
- × Limited use of Cash Forward Contracts
- × Sign up for Government ACRE and SURE programs
- × Extensive use of Crop Insurance
- × Multiple Lenders
- × Machinery Overcapacity
- × Raise Specialty Crops with Act of God Clauses only

EXTENSIVE USE OF CROP INSURANCE

- ✘ CRC or RA with harvest price option Multi-Peril
- ✘ 75% or higher level
- ✘ Preventive Plant (PP) 60% Option
- ✘ Buy up of PP to 70% on lower acreage and non-raised crops
- ✘ Individual Unit Structure not enterprise units
- ✘ Hail Insurance Comp II with 5% deductible @ \$100 an acre

WHY CROP INSURANCE?

- ✘ Our climate and location offers many ways to lose a crop
- ✘ Have lost yield to:
 - ✘ Wet, dry, hail, freeze spring & fall, wind.. spring, summer & fall, fire and combinations of the above in the same year!
- ✘ Have lost quality to:
 - ✘ Sprout damage, test weight, disease, low sugar content, mold, discoloration, low & high protein
- ✘ Since 1973 have only had two years without a claim
- ✘ Offers good value for relatively low premiums paid

YIELD VARIABILITY

Bohn Farm Wheat

1997	51
1998	6*
1999	32
2000	53
2001	39
2002	45
2003	67
2004	72
2005	11*
2007	13*
Ave	39
APH	44

*Yield adjusted

Spread top -bottom 66 bu

YIELD VARIABILITY

Herring Farm Corn

1996 125

1998 180

1999 166

2000 147

2002 118

2004 162

2005 206

2006 131

2007 134

2008 180

Ave 155

Spread Top-Bottom 88 bu

PREMIUM OPTIONS

- ✘ Corn Herring Farm
- ✘ 155 bu APH rev
- ✘ RA 75% w/ Harvest option \$42.78/acre 467
- ✘ RA 75% w/HO Enterprise \$16.50/acre 461
- ✘ RA 80% w/HO Enterprise \$28.42/acre 492

ACRE & SURE PROGRAMS

- ✘ Signed up for ACRE
- ✘ ...pros: gave up very little payments to collect a large one
- ✘ ...cons: gave up \$2/a in direct payments, lower loan rate thus lower LDP, state must have a loss
- ✘ SURE PROGRAM
- ✘ Complicated program but eventually you will qualify and receive a payment

WHY FORWARD CONTRACTING ADDS RISK

- ✘ Delivery...Delivery...Delivery
- ✘ The concept of “Zero”
- ✘ Buyers want the physical product not money
- ✘ Making the Grade
- ✘ Removes Flexibility
- ✘ Financial Condition of Buyer
- ✘ The early bird MAY get the worm but the second mouse ALWAYS gets the cheese!

THE END!!!

