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How to price silage and insurance coverage during periods of drought

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Leasing issues and rental rates for 2013, continued from page 2

pation, USDA payments, landlord liens and many other topics. AgDM File C2-19 shows an example form for terminating a lease.

The CALT website also provides a list of New Iowa Legislation Impacting Rural Landowners and Agricultural Businesses (Effective July 1, 2012). There are a couple of new legal issues that may be of interest. They deal with premise liability, mechanics liens, and fracking, as well as several unresolved issues such as changing the fence law.

The resources listed above and more are available on the Ag Decision Maker 2012 Leasing page. Also included on this page is information on the 2012 Iowa State University Extension leasing meetings being held in August.

How to price silage and insurance coverage during periods of drought

by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu

Corn that has suffered severe drought damage is sometimes harvested as silage instead of as grain. Questions often arise about how to arrive at a fair price for standing crops such as corn silage when there are no widely quoted market prices.

Pricing drought-damaged silage

Corn silage can still have significant feed value if harvested at the right stage. See the article "Alternatives for Drought-damaged Corn—Grain Crop or Forage" for harvesting recommendations. Any damaged acres that are covered by crop insurance should be viewed by an adjustor and released by the insurance company before harvesting takes place.

Grain producers may be willing to sell corn standing in the field to be harvested by the livestock producer or a custom operator. The buyer and the seller must agree on a selling price. The seller would need to receive a price that would give at least as good a return as could be received from harvesting the corn as grain. The buyer would need to pay a price that would not exceed the feeding value of the corn. Within that range the price can be negotiated.

One ton of normal, mature standing corn silage at 60 to 70 percent moisture can be valued at about eight times the price of a bushel of corn. For a $6 corn price, a ton of silage would be worth about $48 per ton. However, drought-stressed corn may have only 5 bushels of grain per ton of silage instead of the normal 6 to 7 bushels. A value of about six times the price of corn would more appropriate. For silage with little grain content, a factor of five times the price of corn can be used.

If the crop is sold after being harvested and transported, those costs must be added to that value, typically $5 to $10 per ton, depending on whether it is done by a custom operator or the buyer, and the distance it is hauled. A buyer would only consider the variable costs for harvesting and hauling, whereas a custom operator would need to recover fixed costs, as well.

An electronic spreadsheet for estimating a value for corn silage, for both the buyer and the seller, is available from Ag Decision Maker.

Insurance coverage for drought-damaged crops

Nearly 90 percent of the corn and soybean acres in Iowa are covered by multiple peril crop insurance. Drought damage is an insurable loss under these policies. Producers should consult with their crop insurance agents before harvesting or destroying any drought-damaged crops, however.

The agent will notify a certified crop adjustor to appraise the insured crops. Keep in mind that when damage is widespread, adjustors cannot be everywhere at once. The adjustor may declare

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the crop a complete loss. If it has significant yield potential, it can be left and harvested in the fall. If the producer elects to harvest it early, as silage, check strips can be left to verify the actual yield achieved. In any case, the acres must be released by the insurance company before the crop can be harvested early or destroyed.

Any insurance indemnity payments will be settled based on actual harvested production over the entire insurance unit. Fields declared a complete loss will be combined with any harvested acres in the same insurance unit to calculate the final yield. Yield losses are equal to the farm's historical yield times the level of guarantee purchased, minus the actual yield.

Ninety percent of the insured acres in Iowa are covered by Revenue Protection insurance policies in 2012. Yield losses will be paid at a rate equal to the average CME futures price during the month of October, if it exceeds the average February price of $5.68 for corn (December contract) or $12.55 for soybeans (November contract).

Following harvest, the usual evidence of actual production should be collected and submitted to the crop insurance agent as soon as possible if it appears that a payment is likely, but not later than 15 days after the end of the insurance period, which is Dec. 10 for corn and soybeans in Iowa. If a producer has a history of selling more than half the crop in the tax year following harvest, reporting of crop insurance proceeds can be deferred to the next tax year.

More information about crop insurance policies and procedures can be found on the Ag Decision Maker website.

Jacobs takes on new role in cooperatives

Keri Jacobs, assistant professor with the Department of Economics, will fill a research and extension position focused on the economics of cooperatives and working with Iowa cooperatives to address emerging issues. Jacobs joined the ISU faculty in 2010 with interests in economics related to agricultural business, land-use decisions and agricultural policy.

The Iowa Institute for Cooperatives, which represents 150 cooperatives in the state, has expressed its commitment to support Jacobs' research and extension program. The nonprofit association currently is undertaking a fundraising project with a goal of $1 million. Jacobs will begin serving in the position on Aug. 15.

"This is one of the most exciting periods in history for Iowa agriculture," said David Holm, executive director for the Iowa Institute for Cooperatives. "Cooperatives play a significant role in Iowa agriculture, and we enthusiastically look forward to working with Dr. Jacobs to address our members' needs today and in the future."

The cooperatives economist position is similar to one held for 31 years by Roger Ginder, an ISU professor of economics who retired in 2010. Ginder was a nationally recognized expert in cooperative financial and strategic management.

In her new position, Jacobs will develop research and extension activities on the economics of cooperatives and related organizations, with an emphasis on the agribusiness sector. Areas of activity may include the role of cooperatives in the evolving industrial organization of agricultural markets; vertical integration; innovation and product development; contracting; ownership, control rights and governance structures; organizational strategies; finance and the equity structure of cooperative firms; regulation and taxation of cooperative entities; and risk and risk-sharing in commodity markets.

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"It is wonderful to have the opportunity to work on the important issues facing cooperatives and, thus, the producers in our state," said Jacobs. "Cooperatives play an integral role in our economy, and I am looking so forward to engaging with them in a way that supports and contributes to their continued success."

Jacobs' extension and outreach plans include professional development opportunities for cooperative members, boards of directors and other cooperative leaders. She also will teach an undergraduate course in cooperative economics.

Since joining Iowa State, Jacobs has worked on research related to conservation, bioenergy production and distribution, environmental and feed availability concerns for pork producers and other areas. She has taught courses in agricultural finance, farm business management and applied economic optimization.

Jacobs, a native of Monticello, Iowa, earned a doctorate in economics from North Carolina State University and a bachelor's degree in business administration and economics from Coe College.

Focus on fires for 2012 harvest

by Charles Schwab, agricultural and biosystems engineering, 515-294-4131, cvschwab@iastate.edu, and Willy Klein, ISU Extension and Outreach, 515-294-0662, wklein@iastate.edu

Nationwide, combine and tractor fires are believed to have caused tens of millions of dollars in property losses each year. Harvest is a prime time for agricultural fires, even when the weather has not been warm and dry. This year, the normal harvest dryness will be intensified since Iowa has been experiencing drought conditions. The potential for agricultural fires also is increased above normal, warns Chuck Schwab, agricultural safety specialist with Iowa State University Extension and Outreach.

"The three parts of any fire – fuel, oxygen and ignition source – are in Iowa's agricultural fields," said Schwab. "Fuel sources such as husks, leaves, dust and grains are always present when harvesting, and so are many sources of ignition found on combines, trucks and other vehicles that include exhausts, hot engine compartments, bearings and electrical wiring."

Minimize risk of harvest fires

Schwab said there are several ways farmers can minimize the risk of harvest-time fires.

- Clean stalks and debris from the combine often. How often depends upon the wind and field conditions.
- Monitor tractors for similar buildup of dry materials that are a fuel source for fires.
- Watch closely when trucks and other vehicles enter those fields with dry materials. The catalytic converter located on the underside of these vehicles can easily serve as the ignition source.
- Carry a fire extinguisher and know how to use it.

Using fire extinguishers

Carrying a fire extinguisher in these vehicles might make the difference. Be prepared for combine fires by carrying two ABC-type extinguishers – one in the cab and one at ground level. Use a 10-pound extinguisher in the cab or operator's station and a 20-pound size nearer to ground level. Tractors and other vehicles can have one ABC-type extinguisher and the size depends on the space available.

"Make sure the extinguishers you have on your vehicles are ready and fully charged for use," Schwab said. "Just having the extinguisher is not enough; you should know how to use it effectively."

Ideally, it is best to have practiced putting out a fire with an extinguisher in a controlled training session before confronting an actual fire, according to

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