

Up coverage on your inventory

The master list

Commentary

By JOHN OTTE

HIGHER crop prices create tremendous farm profit opportunities. Rising costs and skyrocketing cash-flow needs make financial penalties from mistakes more severe now than ever.

Much higher values for wheat, corn and soybeans are ratcheting up values of stored grain inventories.

"If you have casualty insurance coverage on stored grain, review your coverage with your agent," urges Gary Douglas, president of Nationwide Agribusiness Insurance Co. "You could be underinsured. If you haven't adjusted your insurance coverage to reflect higher grain values, you could face a significant financial loss."

Key Points

- Higher grain prices hike inventory values, boosting need for insurance coverage.
- Periodically reviewing your insurance coverage with your agent is wise.
- The worst time to find out that you're underinsured is after you have a loss.



"Higher crop values mean you could easily be underinsured for inventory losses," says Gary Douglas.

Current cash corn bids, for example, are easily double their 2006 market-year U.S. average of \$2. Suppose you have two 10,000-bushel bins of stored corn covered at a 2006 level. You could be underinsured by as much as \$60,000 if the bins and the grain in them were destroyed in a covered fire or tornado loss today. Similar scenarios could exist for wheat and soybeans.

"Coinsurance requires farmers to insure their property to a minimum value, typically 80% of actual value," explains Douglas. "If a farmer does not

meet the coinsurance requirement, the insurance policy will provide only a partial payment on a covered loss."

Obviously, the worst time to discover you're underinsured is after a loss.

You may also want to discuss "peak season" coverage with your agent. This farm policy option temporarily increases inventory coverage values to reflect the greater volume of grain farmers have on hand during harvest.

Review big picture

You may be adding new equipment or buildings. Your family or financial situation may be changing due to marriage, birth of a child or a death in the family. Those are all good reasons to review both your insurance coverage and asset values.

"Your farm policy likely makes allowance for newly purchased machinery," says Douglas. "But it probably specifies limited amounts and gives specific timetables for you to inform your agent about your acquisitions. If you wait too long after you've bought a piece of new equipment, you may find yourself without insurance coverage."

As part of your review, look at the

HAVING a detailed inventory of everything you own positions you to list all of your losses if you end up filing a casualty loss insurance claim. "Your inventory list gives you a complete picture of your property for estate and financial planning," says Julie Premo, Premier Inventory LLC, Johnston, Iowa. "A comprehensive list of family heirlooms lets you plan fair distributions among your heirs in your estate plan." Read more on Page 49.

values on your home and other buildings. The Nationwide Agribusiness AgriChoice policy offers an Automatic Construction Cost Adjustment provision. It automatically modifies values at policy renewal time to reflect actual building costs in your area of the country. This protects you from the effects of inflation that might otherwise cause you to unknowingly become underinsured.

Don't risk a financial loss because you've inadvertently become underinsured. Call your insurance agent to review your values. Investing a bit of your time will help protect your assets and provide some peace of mind.

Understand what you are selling



Guest Editorial By DAN CRUMMETT

FOR the most part, setting farmland sale prices is a relatively simple proposition of putting a price on location, soils, minerals, production history, water availability and other production-related factors. Peddling the farm home, however, might be a more complicated matter, and one that could cost you money, particularly if you get too interested in selling "the farm" and don't consider the true value of the home itself.

We visited with rural real estate broker Dick Sturdevant of Ponca City, Okla., who says too many times rural

sellers have no idea of the worth of their property.

He tells of an incident in which his client and the banker were comfortable selling a rural home for \$120,000. "They had not been watching the market closely, and I knew it would probably bring more. Ultimately, I found a buyer willing to pay significantly more, and when I presented the offer, everyone was happy."

This incident is one of many Sturdevant says puts "owner sellers" at a disadvantage.

"The industry says a third to half of the people who do their own negotiations give away 15% to 40% of what they might have received if they were more cognizant of current market conditions," Sturdevant explains.

The broker says rural properties many times have more value than their long-time owners may realize.

"It's easy to forget the improvements you've made, and it's difficult to keep up with other things that drive demand, like today's move away from the cities to rural communities and lifestyles. Those things increase the value of property outside the city limits," he adds.

Property value ingredients

There are several things to record and consider when the time comes to sell a rural homestead:

- Earthwork for drainage or driveways and roadways.
- Planned projects such as "We planned to build a pond there" or "A

windbreak planted there would reduce our energy consumption." Just those hints can add value to a place in price negotiations, Sturdevant says.

- Landscaping and timber clearing.
- Knowledge of underground water, or wells and distribution systems.
- Fencing.
- Roof upgrades or renovations.
- Available utilities. Does a gas line cross your property? Is rural water available? What about three-phase electrical power or Internet access?
- The presence of mineral rights.
- Storm shelters, and lawn and garden irrigation systems.

In all cases, Sturdevant says, keep records of improvements to your farm or ranch home. A list can help you factor in things you might otherwise forget in selling the home with the rest of the land. Taking the time to snap a few pictures and maintain records of expenditures and upgrades can mean more dollars for you at sale time.

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