

Match coverage to prices

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 cov-

erage to reflect higher grain values, you could face a significant financial loss."

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 are destroyed in a covered fire or tornado loss today. Similar scenarios could exist for wheat and soybeans.

Farm policies have coinsurance

"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 the big picture

You may be adding new equipment or buildings. Your family or financial situation may be changing due to marriage, a birth 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 values on your home and other buildings. The Nationwide Agribusiness AgriChoice policy offers an automatic construction cost adjustment provision. This provision automatically modifies values at policy renewal time to reflect actual building costs in your area of the country. This protects you from the ef-



ARE YOU COVERED?
"Higher crop values mean you could easily be underinsured for inventory losses," says Gary Douglas, Nationwide Agribusiness Insurance Co.

fects 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.



Many farm home sales fall short of true value

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. All too often, farm owners can become too interested in selling "the farm" and don't consider the true value of the home itself.

What it is worth

Rural real estate broker Dick Sturdevant of Ponca City, Okla., 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 longtime owners may realize, due to several factors.

"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

Key Points

- "By Owner" sales fall short by 15% to 40% of true value.
- Many factors make up the value of a rural home.
- Keep records to make sure all considerations go into setting a price.

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, according to Sturdevant:

- earthwork for drainage or driveways and roadways
- planned projects such as a farm pond or a windbreak that would be planted to reduce energy consumption — just those hints can add value to a place in price negotiations, Sturdevant says
- any 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.

Farming. It's more than a business,
IT'S A WAY OF LIFE.



Protect your property with Farm Ranch Insurance from State Farm. For comprehensive coverage on your home, outbuildings, equipment and livestock, contact a State Farm agent today. It's the name you know from a company you trust.

LIKE A GOOD NEIGHBOR



STATE FARM IS THERE.®

Providing Insurance and Financial Services