

**AgriSource Inc**

September 18, 2023

## **Crop Insurance Update**

### **2024 Margin Protection (MP) Base Price (Aug 15- Sept 14)**

**Corn - \$5.09 (Dec '24 Futures)**

**Soybeans \$12.95 (Nov '24 Futures)**

**Sales closing date is October 2, 2023.**

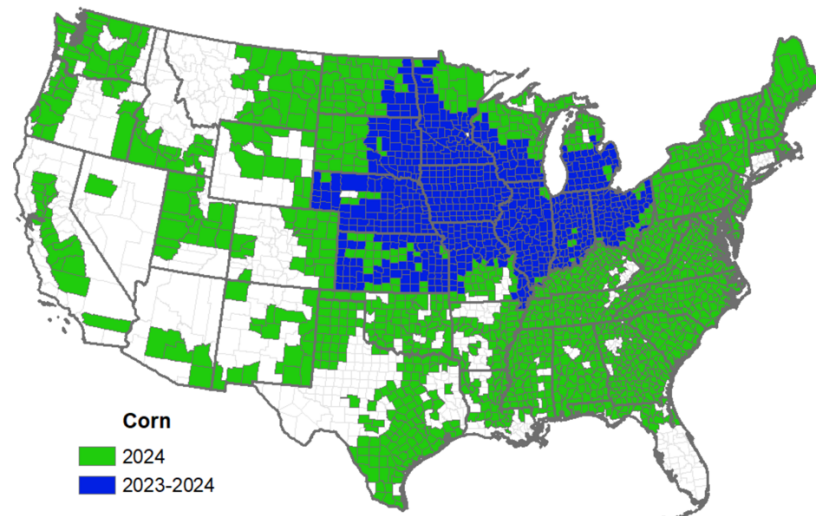
#### **MARGIN PROTECTION**

Margin Protection (MP) is a policy that has been around since 2016 that might be a fit for some of you for next year. While the prices are not as high as last year, you can still lock in historically high prices. Current prices for December 2024 corn is \$5.09, and November 2024 soybeans, at \$12.95, so a closer look needs to be made to see if MP is a fit for your operation.

#### **Here are some of the highlights of MP**

- Available for Corn, Soybeans, and Wheat
- Price Discovery for Projected Prices is from August 15<sup>th</sup> to September 14<sup>th</sup>
- Sales Closing Date of October 2<sup>nd</sup>
- Can be bought with or without the Harvest Price Option (HPO)
- Insures against reduction in Margin
- $\text{Margin} = (\text{Price} \times \text{Yield}) - \text{Cost}$
- Expected costs include Diesel, Nitrogen, DAP, Interest, and Potash
- A drop in input expected costs can cause indemnity to drop
- An increase in expected input costs can cause indemnity to increase
- MP uses the same expected county yields as ARP/ECO/SCO
- Can be purchased alone or with YP or RP Policies
- No Replant benefit
- No Prevent Plan benefit
- No Quality Adjustment
- Growers who buy RP can get a premium credit on the MP policy
- Premiums are not due until the fall of 2024.
- RMA county harvested yields are used to determine the final county yield
- MP claims for the 2024 crop will not be paid until July 2025.

MP insurance is now available in most corn growing counties in the US. The map below shows where the MP coverage was available in 2023, and the green areas show where the expansion has taken place. A few counties in Iowa saw 2022 MP claims over \$300 an acre due to the isolated droughts in parts of Iowa. We expect some rather large payouts in the drought areas of the Midwest this year due to low yields and the \$1.00+ drop in December 2023 corn futures.



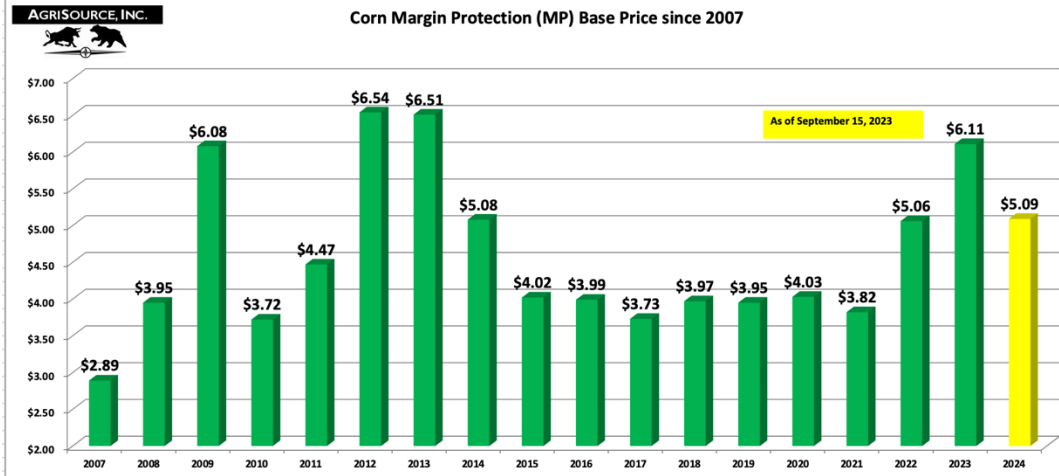
Margin Protection can be bought in increments of 5%, from 70% to 95% coverage. It can also be bought up to the 120% protection factor level (95/120), or cheapened to the 80% protection factor level (95/80). The standard policy is a (95/100), which means you have the 95% coverage level, and 100% of the protection factor.

- Subsidized 59% at 70% Coverage Level
- Subsidized 55% at 75% & 80% Coverage Level
- Subsidized 49% at 85% Coverage Level
- Subsidized 44% at 90% & 95% Coverage Level

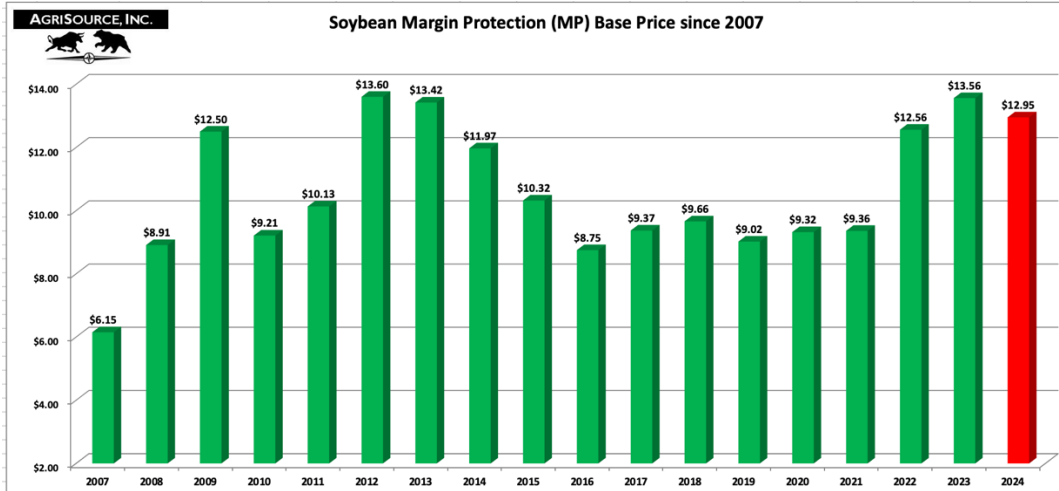
One of the interesting features of MP is that your actual harvest yields may not affect a claim on the area plan. If you don't buy a RP policy, your coverage is based on the MP policy. In that case, the MP harvest revenue will be based on production from planted acreage that are reported to your crop insurance agent. Keep in mind that if you don't have a RP policy, you have no replant or prevent plant coverage. Claims are delayed until the RMA publishes the final county yields in June of 2025. If you do purchase a RP policy, the insured will receive the greater of the MP or RP indemnity in the fall.

With December 2024 futures at \$5.09, this is the 2<sup>nd</sup> highest futures price since MP started being offered in 2016. Doing a quick look back to 2007, 4 other years saw the MP base price above \$5.09. 2023 was

\$6.11, 2009 was \$6.08, 2012 \$6.54, and 2013 \$6.51. All four of these years had higher bases prices than the RP average that is set during the month of February. If you are wanting to get a jump start on your 2024 crop insurance guarantees, talk to your agent to see if MP makes sense for you. While the MP policy may be confusing and the premiums may be high, a drop to \$4.00 Dec '24 by the fall of 2024 is not out of the question. County yields of 190 bpa could trigger \$150 to \$300+ MP payments for quite a few counties in the Midwest. A 2024 Drought could trigger payments of \$300 to \$400 an acre with county yields near 150 bpa. Those payments wouldn't be made until June 2025 though.



November 2024 soybeans also are offering an opportunity to consider MP. With the MP average price at \$12.95, this would be the 4<sup>th</sup> highest base price behind 2023 (\$13.56), 2012 (\$13.60), and 2013 (\$13.42). We know most of you have your minds set on the upcoming harvest, but once again reach out to your crop insurance agent to see where the premiums and guarantees come in at for 2024 MP. October 2<sup>nd</sup> is the deadline to sign up for MP.



## Margin Protection Example – 2023 Crop Payout for Carroll County Iowa

Here is an update on how the 95/80 Margin Protection Harvest Price Option (MP-HPO) Policy that could have been purchased in September 2022 is performing. Even though it appears yields will be good this fall for Carroll County Iowa, located in West Central Iowa, there still appears to be a chance for a possible \$100 claim on the MP-HPO policy. This is due to the \$1.29 drop in December '23 corn prices. The claims would be even bigger, but the 16.9% drop in fertilizer and fuel costs from the expected costs cut the indemnity. This 95/80 policy cost approximately \$50/acre which included about \$25 per acre in premium credits.

The example below is a snapshot of what a possible indemnity would be if the county yield comes in at the expected county yield of 220.8. This example is assuming no claim on your own RP policy, and \$4.82 December '23 corn futures. It's showing \$106.09 per acre for claim, which would be paid in June 2024.

### Margin Protection Indemnity Calculator

<b>Crop Year</b> 2023	<b>Practice</b> Non-Irrigated	<b>Prices</b>																																																
<b>State</b> Iowa	<b>Coverage Level</b> 95%	<table border="1"> <thead> <tr> <th>Contract</th> <th>MP Projected Price</th> <th>Harvest Price</th> <th>Unit</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Corn</td> <td>\$6.11</td> <td>\$4.82</td> <td>\$/bu</td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>Urea</td> <td>\$672.59</td> <td>\$347.95</td> <td>\$/ton</td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>DAP</td> <td>\$735.00</td> <td>\$578.03</td> <td>\$/ton</td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>Potash</td> <td>\$864.31</td> <td>\$864.31</td> <td>\$/ton</td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>Diesel</td> <td>\$3.15</td> <td>\$2.58</td> <td>\$/gal</td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>Interest rate</td> <td>9.58 %</td> <td>11.44 %</td> <td></td> <td><a href="#">Details</a></td> <td></td> </tr> <tr> <td>Fixed Cost</td> <td>\$206.90</td> <td></td> <td></td> <td><a href="#">Details</a></td> <td></td> </tr> </tbody> </table>	Contract	MP Projected Price	Harvest Price	Unit			Corn	\$6.11	\$4.82	\$/bu	<a href="#">Details</a>		Urea	\$672.59	\$347.95	\$/ton	<a href="#">Details</a>		DAP	\$735.00	\$578.03	\$/ton	<a href="#">Details</a>		Potash	\$864.31	\$864.31	\$/ton	<a href="#">Details</a>		Diesel	\$3.15	\$2.58	\$/gal	<a href="#">Details</a>		Interest rate	9.58 %	11.44 %		<a href="#">Details</a>		Fixed Cost	\$206.90			<a href="#">Details</a>	
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<b>County</b> Carroll	<b>Protection Factor</b> 80%	<input type="button" value="Calculate"/> <input type="button" value="Reset"/>																																																
<b>Commodity</b> Corn	<b>Harvest Price Option</b> <input checked="" type="radio"/> Opt-In																																																	
<b>Type</b> Grain	<b>Expected County Yield</b> 220.80																																																	
	<b>Final County Yield</b> 220.80																																																	

Exp. Cost	\$501.22	Final Cost	\$416.46	Indemnity	\$106.09
Estimated Expected Cost	Per Insured Acre	Estimated Final Cost	Per Insured Acre	Margin Protection Indemnity	Per Insured Acre
Urea (\$/ac):	\$134.10	Urea (\$/ac):	\$69.37	Expected Revenue:	\$1,349.09
DAP (\$/ac):	\$61.80	DAP (\$/ac):	\$48.60	Expected Margin:	\$847.87
MAP (\$/ac):	N/A	MAP (\$/ac):	N/A	Margin Deductible:	\$67.45
Potash (\$/ac):	\$39.79	Potash (\$/ac):	\$39.79	Trigger Margin:	\$780.42
Diesel (\$/ac):	\$35.72	Diesel (\$/ac):	\$29.26	Harvest Revenue:	\$1,064.26
Interest Cost (\$/ac):	\$22.91	Interest Cost (\$/ac):	\$22.54	Harvest Margin:	\$647.80
Costs Not Subject to Change (\$/ac):	\$206.90	Costs Not Subject to Change (\$/ac):	\$206.90	Gross Indemnity/Shortfall:	\$132.62
		Percent Change in Cost:	-16.9 %	Indemnity:	\$106.09

Here are some different indemnity amounts with different corn yields for Carroll County Iowa. This is assuming \$4.82 fall price, and 95/80 Coverage. Recall that MP can be bought at coverage levels of 70% to 95%, and Protection Factors of 80% to 120%.

230- \$70.62

225 -\$89.90

220 -\$109.18

215- \$128.46

210- \$147.74

205- \$167.02

200 -\$186.3

195 - \$205.58

## **Margin Protection Example – 2024 Corn Example**

### **This example below is for Greene County Iowa, in West Central Iowa**

Assuming a 209.6 expected county yield, with \$5.09 MP-HPO Projected price, here are potential payouts with \$4.00 Dec '24 fall price in October 2024, and a Greene County yield of 200 bpa. Your final yield will come into play on these, but for this example we have no RP claim triggering in this example. Note that these claims will not be paid until June 2025 since RMA county yields aren't determined until then. Another assumption is that there is no change in estimated expected costs, which can increase or decrease potential crop insurance indemnities. Estimated MP premium for 95/80 is \$23/acre for 2024.

95/120 - \$217

95/100 -\$181

**95/80 - \$145**

Assuming a 209.6 expected county yield, with \$5.09 MP-HPO Projected price, here are potential payouts with \$6.50 Dec '24 fall price in October 2024, and county yield of 150 bpa. Your final yield will come into play on these, but for this example we have no RP claim triggering in this example. Note that these claims will not be paid until June 2025 since RMA county yields aren't determined until then. Another assumption is that there is no change in estimated expected costs, which can increase or decrease potential crop insurance indemnities.

95/120 - \$390

95/100 -\$325

**95/80 - \$260**

## Margin Protection Indemnity Calculator

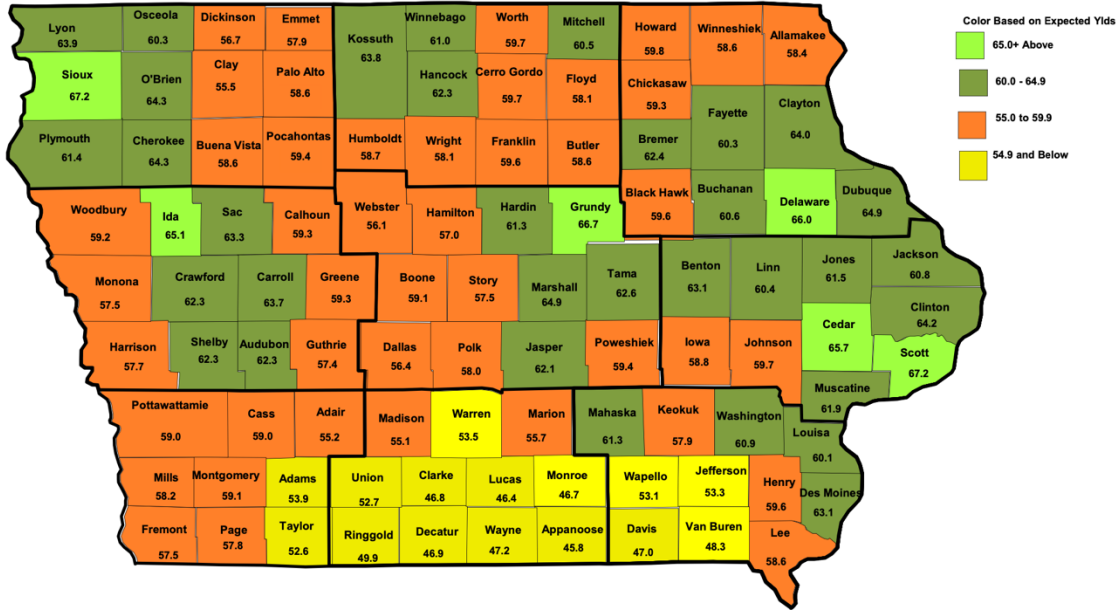
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County Greene	Protection Factor 120%																																																	
Commodity Corn	Harvest Price Option Opt-In <input checked="" type="checkbox"/>																																																	
Type Grain	Expected County Yield 209.60																																																	
	Final County Yield 150.00																																																	

Exp. Cost	\$382.97	Final Cost	\$388.78	Indemnity	\$390.11
Estimated Expected Cost	Per Insured Acre	Estimated Final Cost	Per Insured Acre	Margin Protection Indemnity	Per Insured Acre
Urea (\$/ac):	\$66.76	Urea (\$/ac):	\$71.05	Expected Revenue:	\$1,362.40
DAP (\$/ac):	\$38.82	DAP (\$/ac):	\$38.35	Expected Margin:	\$979.43
MAP (\$/ac):	N/A	MAP (\$/ac):	N/A	Margin Deductible:	\$68.12
Potash (\$/ac):	\$21.56	Potash (\$/ac):	\$21.56	Trigger Margin:	\$911.31
Diesel (\$/ac):	\$29.76	Diesel (\$/ac):	\$31.28	Harvest Revenue:	\$975.00
Interest Cost (\$/ac):	\$19.17	Interest Cost (\$/ac):	\$19.64	Harvest Margin:	\$586.22
Costs Not Subject to Change (\$/ac):	\$206.90	Costs Not Subject to Change (\$/ac):	\$206.90	Gross Indemnity/Shortfall:	\$325.09
		Percent Change in Cost:	1.5 %	Indemnity:	\$390.11

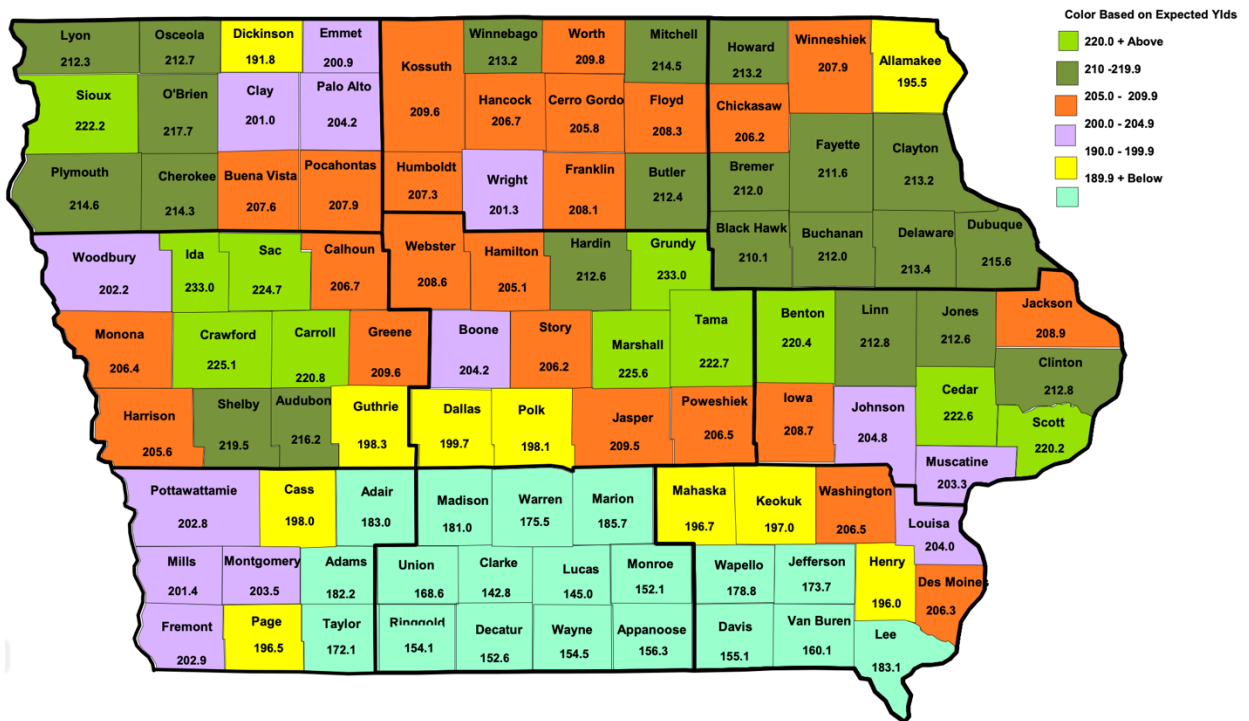
As you can see from this example, \$150 to almost \$400 in claims could be seen with either a drop in the price of corn, or a rally in prices and yield loss due to drought.

Finally, here are the corn and soybean maps for the state of Iowa that show 2024 Expected county yields. There are 14 counties in Iowa that have expected county corn yields above 215 bpa, meaning that you can guarantee 204 bpa on the county x \$5.09... or \$1,038 per acre for 2024!

## Iowa 2024 Margin Protection Expected County Yields



## Iowa 2024 Expected County Corn Yields and Margin Protection Expected Yields



## Other Crop Insurance Reminders

If you are planning on chopping or destroying any corn this fall, please let your insurance agent know ASAP so that they can turn in an insurance appraisal.

For any of you planning on storing 2023 crops in the bin, let your insurance agent know so bin measurements can be made prior to comingling 2023 production.

Many of you have received a Schedule of Insurance (SOI) this past week. Premium is typically due on Sep 30, but it has been pushed back this year until November 30<sup>th</sup>. Please check to make sure all information is correct (acres, crop, splits). Chances are better to get errors corrected before harvest, than after. It is really important to verify info if you are expecting to turn in a claim this Fall. Good night!

For more information on MP for 2024, talk to your insurance agent by October 2, 2023. The cost might be cheaper than you think for 95/80 MP HPO, and premium credits can be received from your RP policy. If you have questions or want more information, please contact your crop insurance agent.

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