



AgriPeril Advantage



Reed Burres

Quick Preview:

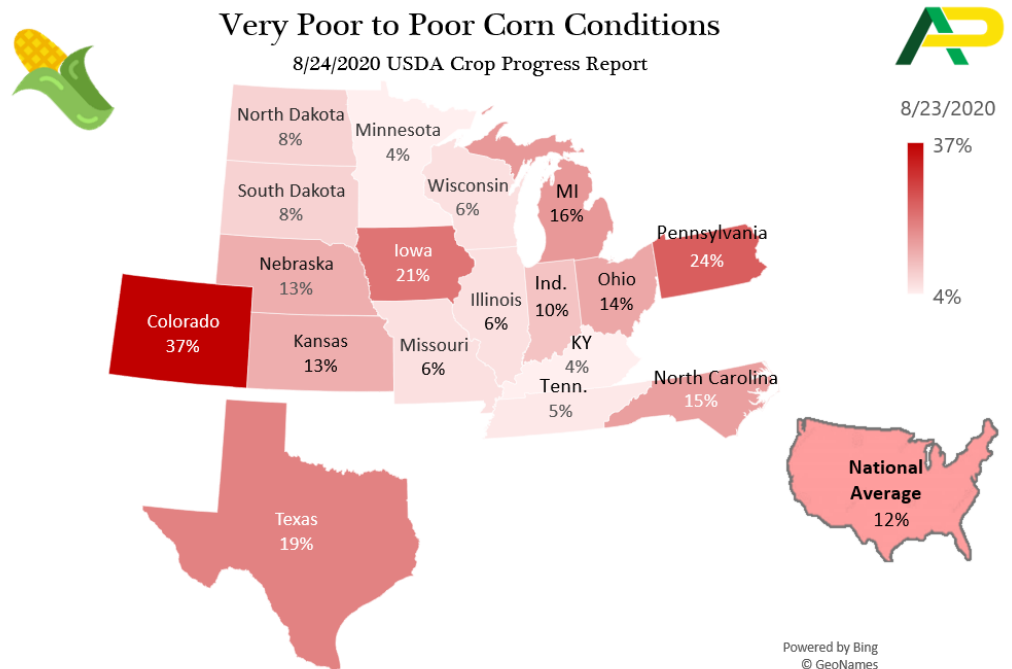
- ✓ Crop Report Falls and Price Rebound
- ✓ Crop Damage & Recovery
- ✓ Margin Protection
- ✓ WHIP+ for 2018 & 2019
- ✓ Reed's Recommendation
- ✓ The Takeaway

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Conditions Fall and Prices Rise

Though markets have continued to play hard ball as traders continue to influence sentiment, the market has found new strength through loss. As this past week's crop progress report has shown, things across the Midwest are beginning to show significant stress. This comes to many as no surprise as drought conditions have persisted and much of Central Iowa endured the worst of near hurricane wind gusts. The interesting thing that we currently must ponder is the markets' reactivity to upcoming crop progress reports as well as the WASDE. One metric I look at to gauge the expected crop is not the Good to Excellent ratings, but rather the Very Poor to Poor ratings. Using this rather than the Good to Excellent, we can better grasp what areas will likely have greater crop failure, as crop failure is more universally accepted as having under say 100 bushel per acre average for easy figuring. Iowa became the greatest grain producing state that has now surpassed 20% Very Poor to Poor. It is because of this that the national average is now 12% Very Poor to Poor. As the Eastern portion of the Cornbelt finds its own struggle in finding ideal growing conditions it is likely that the September WASDE will place yields significantly below the October WASDE resulting in an opportune chance to sell grain.



Above: Crop conditions have continued to worsen with little sign of improvement without high levels of “emergency” rain to hope to add test weight and help both pods and ears fill just before harvest.



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Crop Damage and Recovery

On August 10th the 2020 crop year was forever changed for many farmers across the Midwest as Tropical Storm Derecho came barreling through the Central part of Iowa. Wind damage is often expected however the severity of the storm far surpassed anything that many have ever seen before. At its highest point, it is estimated that the derecho hit speeds of 112 miles per hour, these speeds were located in Central Iowa near the towns of Tama and Dike. It was released by Iowa Governor Kim Reynolds' office that there was approximately 10 million acres of corn damaged due to the storm. As yield estimates were released it was noted that Iowa's expected corn yield was reduced by 10 bushels per acre. Though the 2020 growing season has been full of curveballs and surprises this was by far one of the biggest events to change the year yet.



The above images come from storm damage caused by derecho. This damage was similar to many other areas that were devastated. This large grain bin site was not the only grain bin site of this size impacted by the storm. Even grain bins that had significant amounts of grain in them could not withstand the impact of derecho. President Trump has since toured the state and has awarded relief

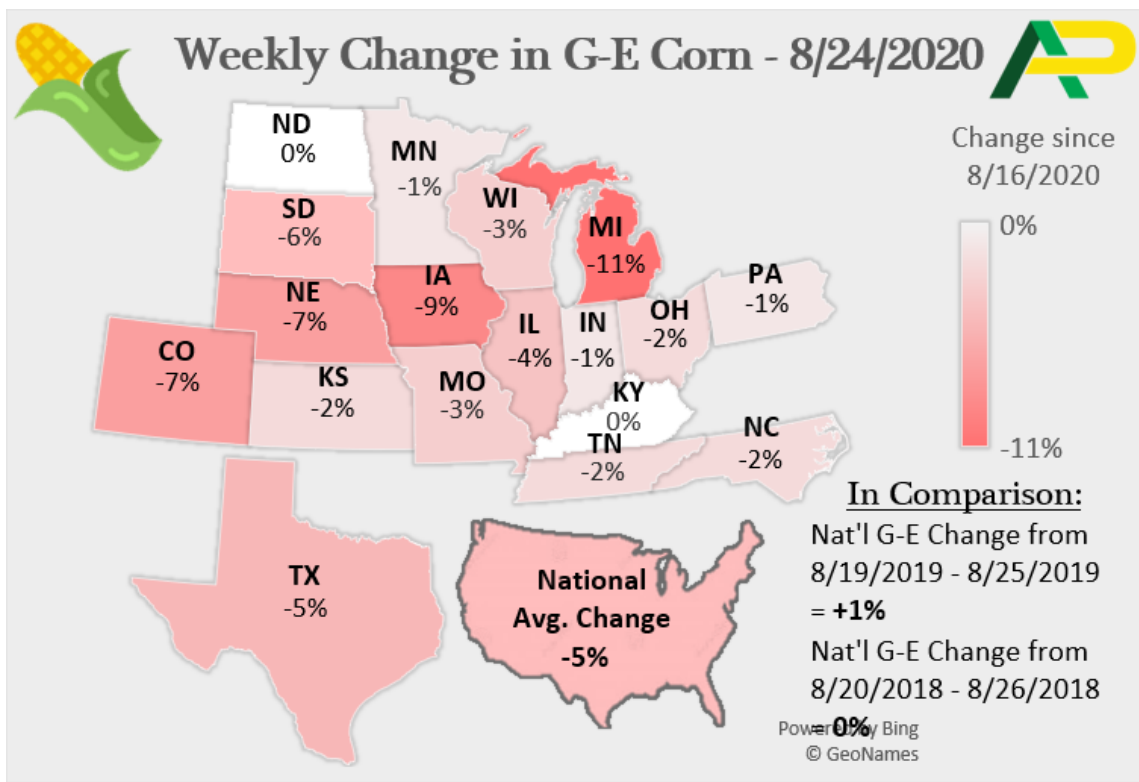
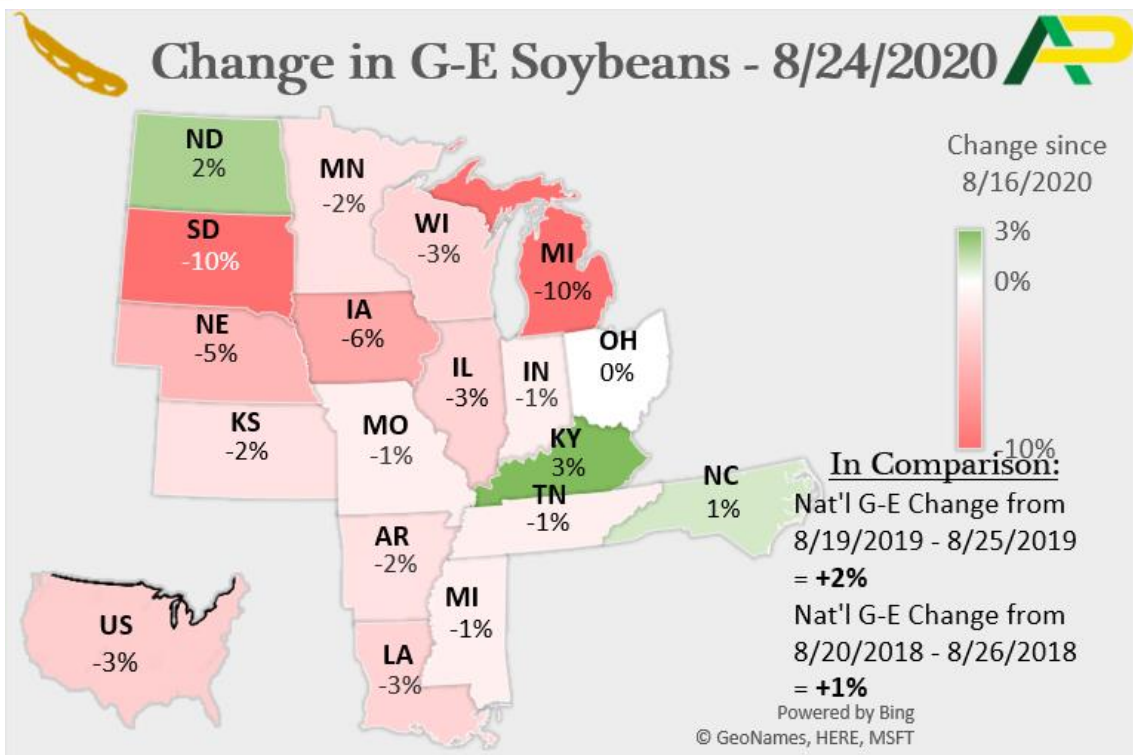
Image Source: Taylor Hagen



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The Good to Excellent Ratings across the Midwest have mostly continued to fall as areas continue to remain dry. South Dakota and Michigan were the biggest losers for soybeans whereas Kentucky was the biggest improvement on corn as things improved by 3%.

Corn was the most severely impact states were Iowa and Michigan. The national reduction of 5% G-E. The surprising thing was that the biggest “improvement” came North Dakota and Kentucky who both remained even for the week. Overall, what many expected to be a record crop year for the country now has a G-E rating similar to 2018 and 2019. How will things change next week?





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Insurance Calendar

September:
Expected Soybean Harvest

September 30th:
Margin Protection Sales
Closing Date

October 1st:
Harvest Price Discovery
Period Begins

November 1st:
Harvest Price Announced

November 15th:
Pasture, Rangeland & Forage
Insurance Sales Closing

November 20th:
Apple & Grape Coverage
Sales Closing

Disclaimer

The market content published through the AgriPeril Advantage is based on factual information. Market projections are opinions and is not a recommendation that any particular commodity, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Margin Protection:

With Area Risk Coverage – County (ARC-Co) and Price Loss Coverage (PLC) both having increasing chance of paying out if prices continue to stay low, the opportunity to capitalize on other revenue-based risk management tools has never been better. Looking back to the previous 10 years, if we would have purchased a Margin Protection policy every year, we would have more than ten times the return on our cost of investment.

10 Year Loss Comparison by Coverage Level									
Level	Coverage	MP Gross Premium	MP Prod Premium	MP Loss	Base Policy Loss	Final MP Loss	+/-	Loss Ratio	
70 %	736,197	1,270	520	23,313	-	23,313	22,793	4,483 %	
75 %	788,782	2,640	1,190	36,715	-	36,715	35,525	3,085 %	
80 %	841,368	5,000	2,250	54,347	-	54,347	52,097	2,415 %	
85 %	893,954	9,670	4,930	78,257	-	78,257	73,327	1,587 %	
90 %	946,538	18,680	10,460	105,169	-	105,169	94,709	1,005 %	
95 %	999,124	34,250	19,180	136,269	-	136,269	117,089	711 %	

Above: 10 year historical loss records for Corn in Humboldt County, IA.
Below: 10 year historical loss records for Soybeans in Humboldt County, IA.

10 Year Loss Comparison by Coverage Level									
Level	Coverage	MP Gross Premium	MP Prod Premium	MP Loss	Base Policy Loss	Final MP Loss	+/-	Loss Ratio	
70 %	457,263	670	270	-	-	-	-270	-	
75 %	489,926	1,680	760	-	-	-	-760	-	
80 %	522,587	3,610	1,620	3,266	-	3,266	1,646	202 %	
85 %	555,250	6,890	3,510	10,737	-	10,737	7,227	306 %	
90 %	587,910	12,370	6,930	21,410	-	21,410	14,480	309 %	
95 %	620,574	21,410	11,990	35,173	-	35,173	23,183	293 %	

The above information comes from Rain & Hail Insurance and helps demonstrate the losses and the potential risk presented while working with margin protection. These ratios demonstrate the amount of payback a policyholder would have received if they carried Margin Protection for the previous 10 years. If a policyholder carried an 85% Margin Protection policy on corn, the top chart, they would have received \$15.87 if they invested \$1.

Diving a bit deeper into things, Margin Protection is an area-based plan that looks at both price and yield at a county level. It is available from 70-95% coverage and insures the difference between revenue and cost per acre. Margin Protection is similar to Revenue Protection, part of your Multiperil Crop Insurance in that it is a revenue-based policy. We are currently tracking the discovery price for margin protection's fall price, which is hovering around \$3.45 for corn and \$9.06 for soybeans. All in all, Margin Protection can be a great way to insure against price decline and yield storage at the county level, given its high historical loss rates and affordable premium per acre ranging anywhere from \$0.50 (yes, that low) up to \$7 for a mid-range coverage level.



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Reed's 2020 Recommendation:

Multi-Peril Crop Insurance:

- Corn: 85% Revenue Protection with \$0.15 of price buy-up insuring a price of \$4.03 per bushel.
- Soybeans: 85% Revenue Protection with \$0.50 of price buy-up insuring a price of \$9.67

Hail Insurance:

\$250 per acre BASIC Coverage
Soybeans
\$250 per acre DXS10 Hail Coverage, DXS5 Wind with Extra Harvest Expense

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WHIP+ and The Takeaway:

Though many of us would rather have more competitive markets as opposed to relying on some type of a payment from the government, we often time will not pass on the opportunity to take advantage of a much appreciated helping hand. Though there continue to be no immediate signs of an additional Market Facilitation Program payment on the horizon there has still be ways for producers to benefit from some government program. The Coronavirus Food Assistance Program or CFAP certainly was very helpful for those who had unsold or unpriced grain as of January 15, 2020. However, the “rest of us” who did not find benefit from this may have felt left out and on the short end of the stick. Now looking to what programs are the latest and greatest we find ourselves looking at a program that many Midwest producers may have never heard of or does not feel applies to them. Wildlife and Hurricane Indemnity Program Plus better known as WHIP+ has the ability to help many producers out. WHIP+ works in that of a yield floor, which, depending on county, if you yielded before your yield guarantee in either 2018 or 2019 may qualify you for up to 95% of your approved yield. Though this program may not have been well communicated, it is certainly worth calling your county FSA office and asking to be placed on the “waiting list” so that any farms that were below their approved yield can be checked to see if you may qualify for some additional payment. For additional information, visit: <https://www.farmers.gov/recover/whip-plus> to learn more about the WHIP+ program and how it might benefit you!

Until next time, keep the markets in sight and make sure to capitalize on any rallies between now and harvest. If our September edition doesn't make it out prior to your operation beginning harvest, please have a safe harvest season. Be safe, remind friends to be patience especially while traveling on roads where harvesting equipment may be on. Thanks for reading!

All the best,

Click on the link below to download fact sheet!

[Download the WHIP+ Fact Sheet \(PDF\)](#)