



# Reed's Review



## Reed Burres

### Quick Preview:

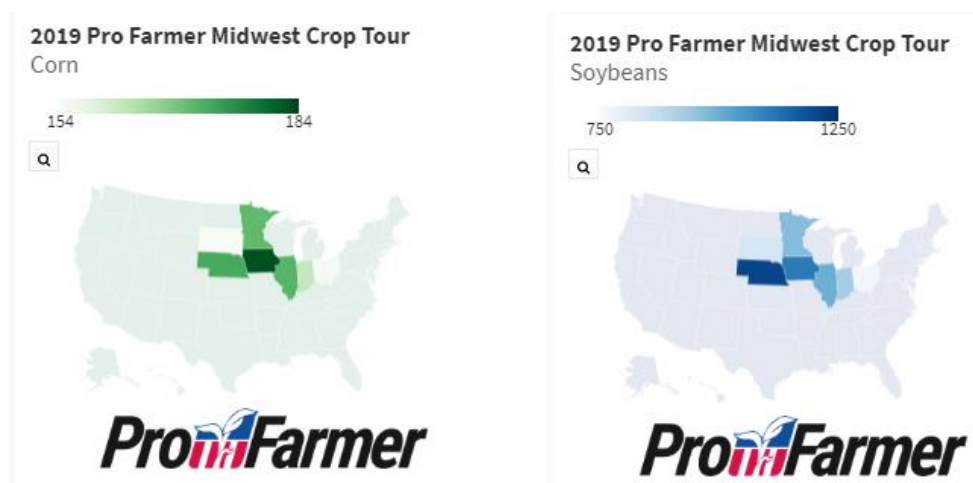
- ✓ *Pro Farmer Versus USDA*
- ✓ *Combines Roll Down South*
- ✓ *Margin Protection*
- ✓ *Crop Snapshot*
- ✓ *Reed's Recommendation*
- ✓ *The Takeaway*

## Underwriting, Agents, & Staff

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## Pro Farmer Crop Tour or USDA Estimates?

This past month's Pro Farmer Crop Tour showed a fair amount of yield difference from the USDA's suggested average national yield of 169.5 bushels per acre released in the August WASDE, with September's yield numbers coming in at 168.2 bushels per acre; which reflects that perhaps we will have a worse yield than initially expected. Looking back at last year's numbers, the August numbers very closely reflected the "final" count on production for the year as last year the August estimation and December final were the closest of any post-vegetative stage report released.



Above: Pro Farmer Midwest Tour projected corn yields and soybean pods in a 3' by 3' area for Iowa, Illinois, Indiana, Minnesota, Nebraska, and Ohio.

**Image Source:** [ProFarmer Crop Tour Results](#)

The yield differences from the ProFarmer Crop Tour and the USDA are somewhat substantial, as Iowa leads the way with an expected USDA yield of 191 b/a and a Crop Tour Yield of 182.63 b/a. Illinois had an expected average USDA yield of 181 b/a and a CT Yield of 171.17 b/a. The average difference in the Crop Tour and the USDA estimation is approximately 10 bushels per acre, with Nebraska having one of the largest spreads of around 13.50 b/a with the USDA coming in at an estimated yield of 186 b/a and a CT yield of 172.55 b/a. Much of the same can be said about the soybean numbers, except that Nebraska was the state leading the pack and the Central/Eastern part of the Cornbelt following its pace.



## Reed's Review

### Insurance Calendar

#### September:

Soybean Harvest

#### September 30<sup>th</sup>:

Margin Protection  
Applications Due

#### October 1<sup>st</sup>:

Pasture, Rangeland, and  
Forage Applications

#### November:

Production Reporting

#### November 15<sup>th</sup>:

Pasture, Rangeland, and  
Forage Sales Closing Date

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### Southern Combines Roll; Yields Variable

A recent article in [Successful Farming](#) focused on the 2019 harvest starting off for Southern farmers, yields are better than some expected, but still average at best....

Across much of the Delta harvest is well underway. Farmers have begun to see yield monitors light up with corn and soybean yield information. With many expecting to see below average yields on both corn and soybeans, it has been surprising for some to see corn yields remain as "strong" as they look to be coming in near or slightly below average.

If there are any true serious concerns for many farmers in the Delta region, it has been the impact of the early season flooding and the delay in harvest. Portions of the field near flooded areas have seen the most substantial yield drags and causing reason for many to take note of how widespread it has been. In addition, harvest delays could continue with many farmers being around 10% behind on harvest for the year, which could easily be the case when combines begin to roll in the Rustbelt and Cornbelt.

Looking at soybeans, due to a multitude of factors, soybean yields look to be possibly lower than expected. Though yields are all over the board for many farmers, it is clear for some that yields along with current prices will pose new threats and create belly aches to operations all across the country. With prices as low as they are in certain areas there has been increased speculation that stored grain will be greater than previously expected, and potentially reduced basis for when cooperatives and processors alike are in the hunt for grain.



Above: Corn and soybean harvest is well underway for farmers in the Southern US and across the Delta. How will yield numbers actually shape up? **Image Source:** [Successful Farming](#), [Mike McGinnis](#)



## Reed's Review

### Margin Protection, Worth Understanding

With the Sales Closing Date (September 30<sup>th</sup>) for the crop insurance product, Margin Protection, coming up very quickly I decided that it was time to spotlight this highly subsidized insurance product. As a farmer-agent, I believe it is incredibly important that we understand all of the tools that are available to us and by highlighting this product I hope to increase awareness and give readers the opportunity to learn more about it.

Margin Protection (MP) works at a county level and focuses on providing coverage against unexpected decrease in operating margin (revenue less input costs). Margin Protection is an area based plan that attaches to your underlying multi-peril crop insurance policy and uses an estimated county yield, projected price to determine expected revenue and uses projected costs (fixed & variable) costs to establish the "margin".

Margin Protection offers coverage levels from 70-95% and the option to purchase a Harvest Price Option (HPO), which allows you to adjust your revenue amount if the harvest price is higher than the projected price. Similar to Pasture, Rangeland, and Forage (PRF) insurance Margin Protection also and it also comes with an adjustable Protection Factor from 80% - 120%. The Protection Factor is a multiplier that will be used only if an indemnity is paid.

Similar to Multi-Peril Crop Insurance, Margin Protection uses a price discovery period to determine price, however, it looks at the December Corn and November Soybean contracts from August 15<sup>th</sup> through September 14<sup>th</sup> of the current calendar year. Once the projected price and expected county yield are set, it will not be until the following crop year where the harvest price and final county yield are released.

#### *Reed's 2019 Recommendation:*

##### *Multi-Peril Crop Insurance:*

- \$0.30 Price Buy-Up on Corn, insuring a spring price of \$4.30
  - 85% Revenue Protection, Optional Units, Corn
- \$1.00 Price Buy-Up on Soybeans, insuring a spring price of \$10.54
  - 85% Revenue Protection, Optional Units, Soybeans

##### *Hail Insurance:*

\$200 per acre BASIC Coverage Soybeans  
 \$200 per acre DXS10 Hail Coverage, DXS5 Wind with Extra Harvest Expense on Corn

*Questions? Call or text Reed!*

Interested in Margin Protection Policy?  
 Give Reed a call, he's happy to explain it and can run you a quote!

#### Margin Protection Example: Corn

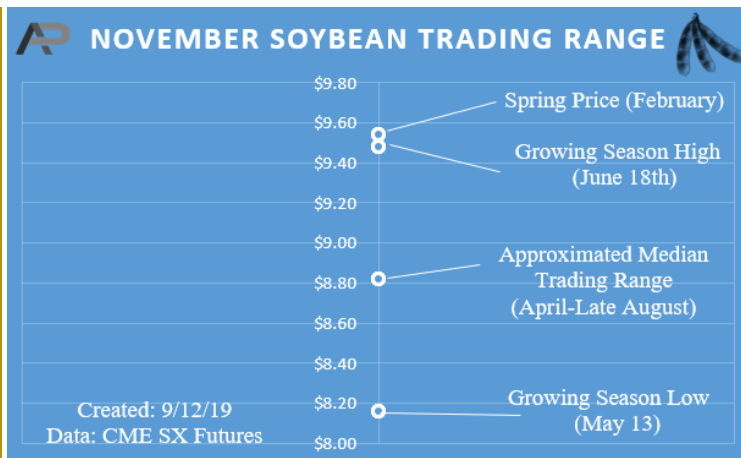
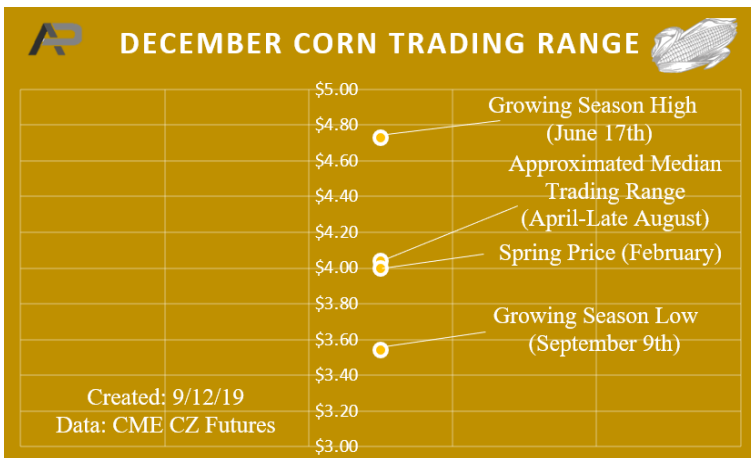
Expected County Yield: 195.4 b/a  
 Projected Price: \$4.03  
 Expected County Revenue: \$787.46  
 Expected Total Cost (variable and fixed): \$318.98  
 Expected Margin: \$468.48  
 Margin Deductible =  
 (Expected Revenue x (100%-Coverage Level): \$39.37  
 Trigger Margin =  
 (Expected Margin – Margin Deductible): \$429.11 (\$468.48-\$39.37)

#### Margin Protection Results for:

95% Coverage & 100% Protection Factor  
 Final County Yield: 188.4 b/a  
 Harvest Price: \$3.75  
 Final County Revenue: \$706.50  
 Total Cost: \$318.98  
 Harvest Margin=  
 (Harvest Revenue – Harvest Cost): \$387.52  
 Trigger Margin=  
 (Expected Margin – Harvest Margin):  
 \$429.11-\$387.52=\$41.59 indemnity per acre



# Reed's Review



Above: CZ and SX trading ranges based off of CME Pricing Information  
 Spring Prices were set during the Crop Insurance Price Discovery period of all trading days during February, Growing Season Highs and Growing Season Lows are based off of traded prices following the typical planting season. The Approximated Median Trading Range is an approximation based off the of the median price from April – late August.

*Reed's Corn Harvest Forecast:*

Harvested Acres: 81.5 million acres  
 National Yield: 169.0 b/a  
 Nat'l Production: 13.77 billion bushels

*Reed's Soybean Harvest Forecast:*

Harvested Acres: 81.0 million acres  
 National Yield: 48.0 b/a  
 National Production: 3.88 billion bushels

**Please Note:**  
 The numbers above are forecasts, they may not reflect final amounts of: Harvested Acres, Yield, or Production.

## The Takeaway:

With the markets moving at the sight of its own shadow, there is little reason to think that something good or devastating could happen in the near future as we approach the harvest season. There is little doubt in the minds of farmers and traders alike that USDA could easily flip the markets and create a substantial buying opportunity for traders, however, the same could very be easily said as there is no indication from anyone as to what the USDA's number will be in the future. With the September WASDE numbers now in the book, it is time to perhaps hope to see more solidified numbers in the future as additional yield information becomes available.

Until next time, stay safe, be proactive and work to reduce your operation's risk. Thanks for reading!

All the best,

