

# Reed's Review



## Reed Burrell Quick Preview

- ✓ *Greetings from Peru!*
- ✓ Harvest Loss Example
- ✓ Revenue Price Option Tool
- ✓ Quick Glance at the Grains
- ✓ South American Production is *Heatin' Up*
- ✓ The Takeaway

## Underwriting, Agents, & Staff

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## Season's Greetings, from Peru!

Hola! Que tal? Feliz Navidad! These are just some of the phrases that I have been hearing a lot of lately as I am experiencing South American like few farmers ever will. As part of my graduate program in International Agriculture, I have had the chance of a lifetime to experience one of best kept secrets in South America, Peru! Thus far I have been fortunate enough to experience their diversified crop operations and learn more about how South America as a whole is developing at a rate much that is perhaps not well correctly recognized by many.



### Photos from Peru:

Left: Reed discusses crop rotation benefits with a local farmer.  
 Above: Reed gets "put to work" sewing bags of rice.

Piece of Peru: One interesting bit that I have been able to already take away from my short time in Peru is how open most farmers are about their management plans and strategies. Given the increased risk of producing crops in a highly volatile market place it was interesting to find that Peruvian farmers will switch their growing intentions in the blink of an eye, regardless of possibly being "hand-cuffed" by macro and micro-nutrient soil needs.

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## Insurance Calendar

### December:

Production Reporting  
Claims

### January:

Coverage Reviews and  
Private Product Quoting

### February:

AgriPeril Update Meeting  
Date: TBA

### March:

Spring Price Announced



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

Sales Closing Date for  
MPCI and Private Products

## Report Production and Expected Losses

Last month we looked at examples of how to calculate trigger yields for a revenue protection policy for both corn and soybeans when we knew the harvest. Now that many have finished harvest for the year we can “plug in actual yields to check and see if we received an indemnity. This is the third consecutive month where we have featured how to calculate if you will have a revenue loss; I cannot stress the importance of meeting with your agents in a timely matter and getting yields recorded to see if you have triggered a loss.

**Revenue Protection Loss Example:**

Corn Coverage Level: 85% with approved yield of 200 bushels per acre  
 $200 * 85% * \$3.96 = \mathbf{\$673.20}$  per acre revenue guarantee  
 You produce 178.4 b/a with the harvest price of \$3.68  
 Actual Revenue: \$656.51 per acre  
**Indemnity: \$16.69 per acre**

Soybean Coverage Level: 85% w/approved yield of 58 bushels per acre  
 $58 * 85% * \$10.16 = \mathbf{\$500.89}$  per acre revenue guarantee  
 You produce 52.1 b/a with the harvest price of \$8.60  
 Actual Revenue: \$448.06 per acre  
**Indemnity: \$57.17 per acre**

## Revenue Price Option (RPO)

Shifting gears from looking at trigger yields based on a revenue protection policy to another product that we offer called, Revenue Price Option. Revenue Price Option is a private product offered exclusively through one of approved insurance providers (AIP).

Revenue Price Option is a private product that provides additional price coverage for corn and soybeans. RPO allows producers to increase their Revenue Protection projected price by up to an additional \$0.50 per bushel on corn and \$1.20 per bushel on soybeans. This additional price by-up option essentially allows for 95% Revenue Protection coverage. RPO helps protect cash flow and provides certainty of a higher price minimum, as it allows producers to the option to increase the projected price to their selected amount.

**This product works for Optional Units (OU) and Enterprise Units (EU).**



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## We're Online!

Website: [www.agriperil.com](http://www.agriperil.com)

Facebook: @agriperil

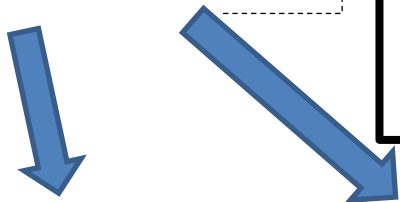
Twitter: @agriperil

## Revenue Price Option (RPO) Continued

There is only are maximum liability limits in place, meaning that the approved insurance provider does have the right to deny an application if the maximum liability is reached. This would happen when popularity of a product is fairly high and many purchase coverage. Here is an example if the price were to decline similar to what we experienced in 2018:

Taking a quick look at the Cash Corn and Soybean contracts, what a wild ride we've been on so far! Have trade talks caused enough support in the market to consider making a sale or forward contract decision?

Image Source: CME Group

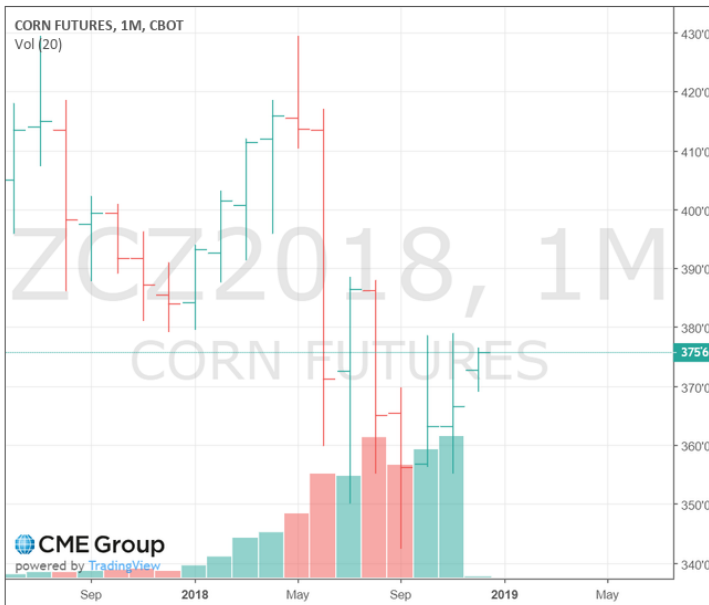


**Revenue Price Option Example:**  
*Using 2018 Prices and Corn 85% Revenue Protection*  
Corn Coverage Level: 85% with approved yield of 200 bushels per acre  
 You choose a \$0.50 buy-up option, the maximum given parameters is  
 RPO Price: \$4.42  
 Your initial yield trigger is 152.31 bushels per acre, before the harvest price.  
 With the harvest price of \$3.68 the new field yield trigger of 182.93 bushels/acre.

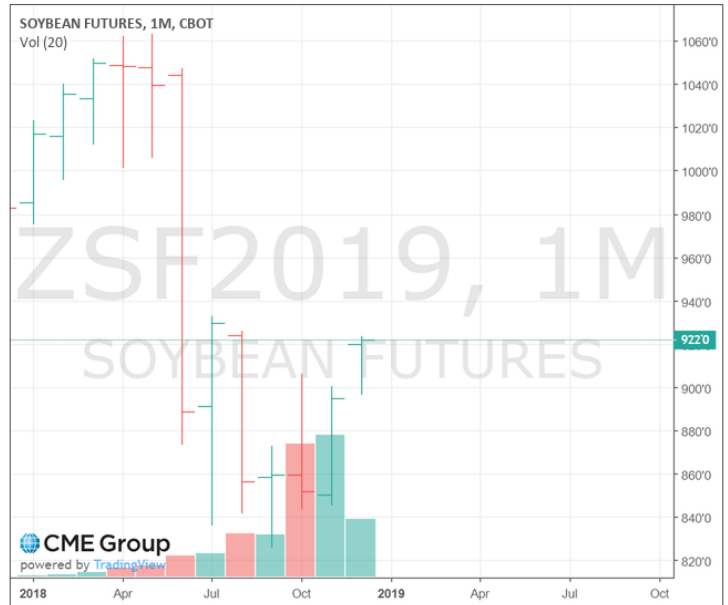
**With the Revenue Price Option, we effectively increase our trigger yield from 152.31 bushels/acre to 182.93 bushels/acre.**

**I am expecting this product to do well in the 2019 crop year. If you would be interested in getting a price quote, feel free to reach out to the AgriPeril team.**

CBOT:ZCZ2018, 1M 375'6 ▲+0'6 (+0.2%) O:372'6 H:376'4 L:369'2 C:375'6



CBOT:ZSF2019, 1M 922'0 ▲+7'0 (+0.77%) O:919'6 H:923'6 L:897'0 C:922'0



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## Update on South America:

With all of the buzz about South America's progress and status being drowned out with trade talks and the potential of China coming to the table it will be interesting to see when there will be a more negotiated sit down.

Looking at Argentina and Brazil, weather is the most impactful factor we can watch. There have been mild speculations that another Brazilian trucker strike could be looming, however, that is more than likely not the case. Excessive rainfall in parts of Northeastern Brazil have made transportation of grain difficult, understand that the Brazilian NE is not part of the major grain producing area.

Excessive moisture has not been the case in much of central and southern Brazil. There has been a 2-3 week dry spell across much of the agricultural region. The dryness extends from southern Mato Grosso into Parana, Mato Grosso do Sul, and Rio Grande do Sul which is just now finishing the soybean planting in the state (Soy and Corn Advisor).

Brazil is currently still projected to produce around 122.00 MMT soybeans with corn at 96.0 MMT. There have been speculative reports that Brazilian soy production could top 130 MMT, however, with limited rainfall across much of the region, that may be more of a "pie in the sky" estimate. Things are looking fair for safrinha corn, which will be planted in January.

Looking at Argentina, corn production is currently estimated at around 41.0 MMT, that estimate remains mostly unchanged due to neutral growing conditions. Soybeans are estimated at 57.0 MMT and have experienced the same growing conditions as, however, conditions may be slightly more favorable.

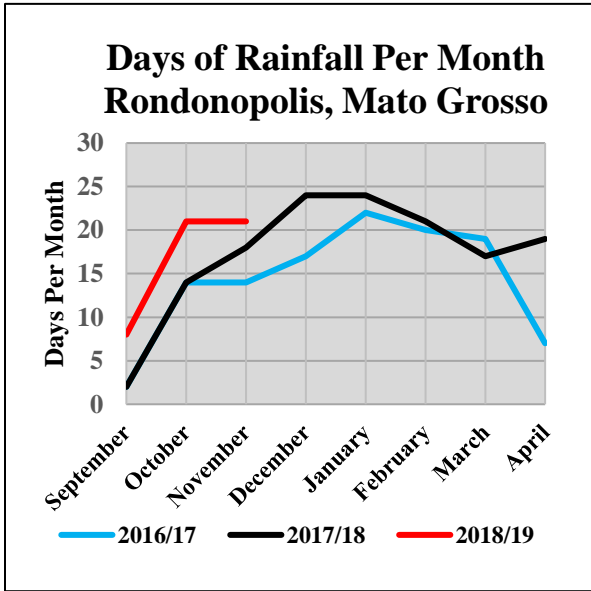
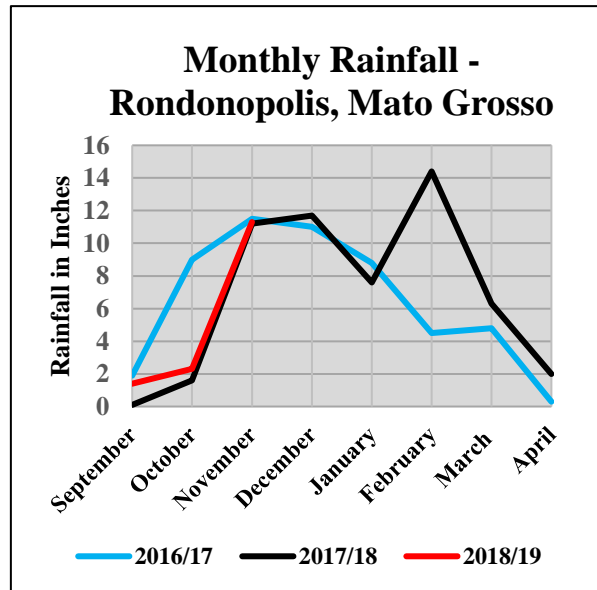


Image Source: Soy and Corn Advisor





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Above L to R:

Reed analyzes a healthy-looking field of corn near San Jacinto, Peru.

Ear of corn that will be destined for either livestock feed or Chicha (Peruvian homemade beer).

Reed enjoying his an opportunity to visit a field of frijoles (beans) just before they are harvested.

Below: A young banana “hangin’ out” and enjoying another beautiful day in Peru.

## *The Take Away:*

With a price decrease in the market, it is possible to collect an indemnity for the 2018 crop year, if you did not, no worries, check out the Revenue Price Option product that we offer which can increase your effective Revenue Protection coverage level to 95%! (Good for both Optional Units and Enterprise Units)

If you do your grain marketing based on a fundamental strategy perhaps, we are in a good spot to consider making a sale as estimates from USDA’s WASDE remain unchanged, however the ending stocks report seems to keep growing.

In our January Edition, we will feature an example of *Livestock Risk Protection* contract, which is a form of a subsidized put for *Livestock Producers*. (Did I catch your attention?)

As we approach this most special time of the year, be sure to slow down and remember the real reason for the season, the birth of our Lord and Savior.

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

All the best,

