AgPerspective Inc.®

2018 Margin (Profit) Protection (MP)

- ✓ Provides coverage from a decrease in margin based on county estimates of average revenue and input costs. Payments are made when the harvest margin is less than the trigger margin.

- ✓ Coverage available for Commercial and Seed Corn and Soybeans

- ✓ Can be purchased alone or in addition to RP or YP
  - Both MP and RP or YP must be purchased through the same AIP, but does not have to be with the same agency.
  - If RP or YP is purchased, a premium credit will be applied to MP.
  - Payment received is higher of RP/YP or MP indemnity.

Coverage levels from 70%-95%

Protection Factors from 80%-120%

Can be purchased with or without the Harvest Price Option

Sales Closing is September 30, 2017

- ✓ MP Projected Price Discovery Period: **August 15th – September 14th, 2017**
- ✓ MP Projected Inputs Price Discovery Period: **August 15th – September 14th, 2017**

- ✓ MP Harvest Price Discovery Period: **October 1 – October 31, 2018**
- ✓ MP Final Inputs Price Discovery Periods:
  - **April 1 – 30, 2018: Diesel, Urea, DAP**
  - **October 1 – 31, 2018: Interest**

- ✓ Two Types of Inputs (Exchange and Contract):
  1. Those subject to price change:
     a. **Corn:** Diesel (NYMEX, May ULSD), Urea (CME, May UFN), DAP (CME, May DFL), Potash (USDA AMS), Interest (CME, November 30 Day Fed. Funds)
     b. **Soybeans:** Diesel (NYMEX, May ULSD), DAP (CME, May DFL), Potash (USDA AMS), Interest (CME, November 30 Day Fed. Funds)

  2. Those not subject to price change: not specifically identified (includes: seed, machinery, operating costs other than fuel, etc.)

- ✓ Calculations:
  Expected Revenue = Expected County Yield x MP Projected Price
  Expected Cost= Costs subject to price change + Costs not subject to price change
  Expected Margin = Expected Revenue – Expected Costs
  Trigger Margin = Expected Margin – (Expected Rev. x (1.00 – Coverage Level)
  Harvest Revenue = Final County Yield x Harvest Price
  Harvest Margin = Harvest Revenue – Harvest Costs

<u>Corn Example (w/Harvest Price Option):</u>

	Inputs:
Expected County Yield: 150	Diesel: 7.5 gallons/ac @ $3.50/gal.
Margin Projected Price: $4.00	Nitrogen: 150 lbs/ac @ $1.00/lb.
Margin Harvest Price: $4.25	Other Inputs (No price change): $300/ac
Coverage Level: 90%	Diesel Harvest Price: $4.00/gal.
Protection Factor: 1.00	Nitrogen Harvest Price: $1.25/lb.

Expected Revenue/acre = 150 bu x $4.00 = $600.00

Expected Costs/acre = Diesel (7.5 gal x $3.50 = $26.25) + Nitrogen (150 lbs x $1.00 = $150) + Other Inputs ($300.00) = $476.25

Expected Margin/acre = $600.00 - $476.25 = $123.75

Trigger Margin/acre = $123.75 – ($600 x (1.00-.90)) = $63.75/acre

Recalculate Expected Revenue:

Expected County Yield (150) x Harvest Price ($4.25) = $637.50

Recalculate Expected Margin:

Expected Revenue ($637.50) – Expected Costs ($476.25) = $161.25

New Trigger Margin:

$161.25 – ($637.50 x (1.00-.90)) = $97.50/acre

Harvest Revenue:

Final County Yield (130 bu) x Margin Harvest Price ($4.25) = $552.50/acre

Harvest Cost:

Diesel (7.5 gal x $4.00) + Nitrogen (150 lbs x $1.25) + Other Inputs ($300) = $517.50

Harvest Margin: $552.50 - $517.50 = $35.00/acre

Indemnity Calculation: Trigger Margin ($97.50) – Harvest Margin ($35.00) = $62.50 x Protection Factor(1.00)= **$62.50/ac**

<u>Soybean Example (w/Harvest Price Option):</u>

	Inputs:
Expected County Yield: 50	Diesel: 7.5 gal/ac @ $3.75/gal
Margin Projected Price: $11.00	Potash: 91.67 lbs/ac @ $0.16/lb
Margin Harvest Price: $10.50	Other Inputs (No price change): $250/ac
Coverage Level: 95%	Diesel Harvest Price: $4.00/gal
Protection Factor: 1.00	Potash Harvest Price: $0.16/lb

Expected Revenue/acre = 50 bu x $11.00 = $550.00

Expected Costs/acre = Diesel (7.5 gal x $3.75 = $28.13) + Potash (91.67 lbs x $0.16 = $15.63) + Other Inputs ($200) = $155.26

Expected Margin/acre = $550.00 - $155.26 = $394.74

Trigger Margin/acre = $394.74 – ($550 x (1.00-.95)) = $367.24

Harvest Revenue:

Final County Yield (55 bu) x Margin Harvest Price ($10.50) = $577.50/acre

Harvest Cost:

Diesel (7.5 gal x $4.00=$30.00) + Potash (91.67 lbs x $0.16=$15.63) + Other Inputs ($200) = $157.13/ac

Harvest Margin:

$577.50 - $157.13 = $420.37/acre

Indemnity:

No indemnity due since the Harvest Margin($420.37) exceeds the Trigger Margin($367.24)