

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

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Corn Example (w/Harvest Price Option):

	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	

Soybean Example (w/Harvest Price Option):

	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)	

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