

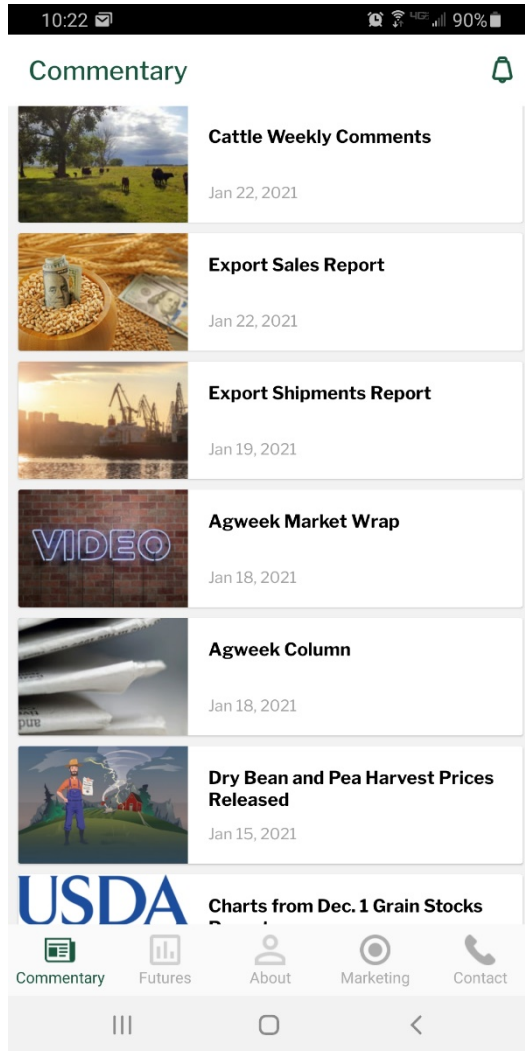
# MARTINSON AG

## RISK MANAGEMENT



2022 Crop Insurance Update  
January 11, 2022

# Martinson Ag App



- App is free
- No login needed
- Search for “Martinson Ag” in the app store for either Apple or Android



# Revenue Projected Price Estimates

Crop	2022 Est. Proj. Price	2021 Proj. Price
Barley		\$4.18
Canola, Spring		\$0.206
Corn	<i>\$5.58 on 1-11-22</i>	\$4.58
Soybeans	<i>\$13.00 on 1-11-22</i>	\$11.87
Sunflowers, Conft.		\$0.273
Sunflowers, Oil		\$0.220
Wheat, Durum		\$6.78
Wheat, Spring	<i>\$8.88 on 1-11-22</i>	\$6.53

Projected prices are tracked in the month of February.  
Official prices will be released at the beginning of March.



# Revenue Projected Price Estimates

Dry Beans	2022 Est. Proj. Price	2021 Proj. Price	2021 Harvest Price
Black		\$0.30	
Dark Red Kidney		\$0.44	
Pea (Navy)		\$0.31	
Pinto		\$0.30	

2022 official projected prices will be released at the beginning of March.

# Revenue Projected Price Estimates

Dry Peas	2022 Est. Proj. Price	2021 Proj. Price	2021 Harvest Price
Spring Smooth Green/Yellow		\$0.12	
Spring Lentils		\$0.20	
Spring Small Kabuli Chickpeas		\$0.20	
Spring Large Kabuli Chickpeas		\$0.23	

2022 official projected prices will be released at the beginning of March.



# APH Plan Price Elections

Crop	2022 Price	2021 Price
Dry Beans, Great Northern	\$0.28	\$0.33
Dry Beans, Pink	\$0.34	\$0.30
Dry Beans, Small Red	\$0.35	\$0.31
Flax	\$12.85	\$10.00
Oats	\$3.30	\$2.80
Potatoes	\$10.30	\$9.05
Sugar Beets	\$0.161	\$0.152

Price elections as of Jan 5, 2022. RMA may release additional prices before March 15, 2022.

# Crop Expansion/Changes for 2021 – North Dakota

- Dry beans added in **Logan** and **McIntosh**
- White kidney beans added to **Trail**
- Triticale added to **Morton** and **Walsh**
- Barley CC and SF practices combined in **Bowman, Mercer, Oliver, Slope, and Stark**

# New for 2022: EU by Type

- Can now have separate enterprise units by type for **dry beans, dry peas, sunflowers, and wheat**
- Example: Insured intends to plant 1 section of pintos, 3 sections of navies and 3 sections of small red beans.
  - Could choose BU for pintos, ET for navies, and OU for small reds
  - If the insured also has IRR and NI dry beans and wants EU, they must choose either EU by practice or EU by type (can't do both)



# Enterprise Unit Codes

- EU – enterprise unit
- EI – enterprise unit by irrigation practice
- ET – enterprise unit by type
- EC – enterprise unit by cropping practice
- MCEU – multi-county enterprise unit
  - Counties must be contiguous and in same state
  - The primary county MUST qualify for EU on its own
  - The secondary county MUST NOT qualify for EU on its own
  - MCEU cannot be used with EI, ET, or EC

# Prevent Plant Changes from 2021

- If you were eligible to file an intended acreage report the first year, you can now file an intended acreage report the second year
  - For year 2: Your eligible PP acres will be based on your intended acreage report, not your APH database.
- Corn will not be considered a cover crop on PP ground

# Prevent Plant Changes from 2021

- 2 crop history no longer needed if proof is provided that the producer intended to plant another crop or crop type on the acreage
  - Example: You have a 200-acre field. You intended to plant corn on all 200 acres but due to wet conditions you only got 50 acres of soybeans planted.
    - In 2020: To call the remaining acres PP corn would have to show both corn and soybeans planted in that field in 1 of the last 4 years.
    - In 2021: Can all 150 acres PP corn

# New: Prevent Plant Changes

- Allow for a **cover crop** to be hayed, grazed, or cut for silage, haylage, or baleage without a reduction in a prevented planting payment.
- A payment reduction will apply if the cover crop is harvested at any time for grain or seed.
- Permanently removed the rule that reduced the PP payment if acres were hayed or grazed prior to November 1.
- Remember – there must be a valid cause of loss to claim PP and corn is **NOT** a cover crop

# Added Land Reminder

- Under 2,000 added acres in a county
  - Use the higher of the county variable T-yield, simple average yield, or ND personal T-yield
- 2,000 acres and over added in a county
  - Use the county variable T-yield

# Review – Land Coming out of CRP

- Land emerging from CRP that is farmed the first or second year coming out of CRP is automatically insurable
- This land will have a separate APH the first year with 100% of the county T-yield
- Will not be eligible for PP the first year
- After year one, normal APH rules apply

# Review – New Breaking but Previously Cropped Land

- Must request coverage via written agreement or company approval if the new breaking land is more than 5% of the unit
- If you can prove the land was previously cropped, you will receive an APH with 80% of the county T-yield for the first year
- Or you can choose not to insure the land the first year
- After year one, normal APH rules apply

# Review - Native Sod

- Native sod is acreage that:
  - Has never been tilled or
  - The insured cannot prove the ground has ever been tilled for the production of an annual crop
- For 2022, RMA has stated that a letter or email from an FSA official stating that the land is not native sod is sufficient proof.



# Review - Native Sod

- For native sod broken between on or after Dec. 21, 2018:
  - Producer must have 4 crop years of an ***insured*** crop on the acres for the native sod status to be removed.
  - CAT or NAP coverage does not count toward the 4 years of insurance.
  - Limited to the first 10 crop years after initial tillage.
  - Native sod rules apply when ***more than 5 acres are tilled in the county, cumulatively across crop years.***

# Review – Native Sod Penalties

- Until the land is out of native sod status:
  - The guarantee will be based on 65% of the county T-yield
  - Premium subsidy will be 50 percentage points less than the usual premium subsidy
  - Production reports are required, but actual yields will not be used until the land is out of native sod status

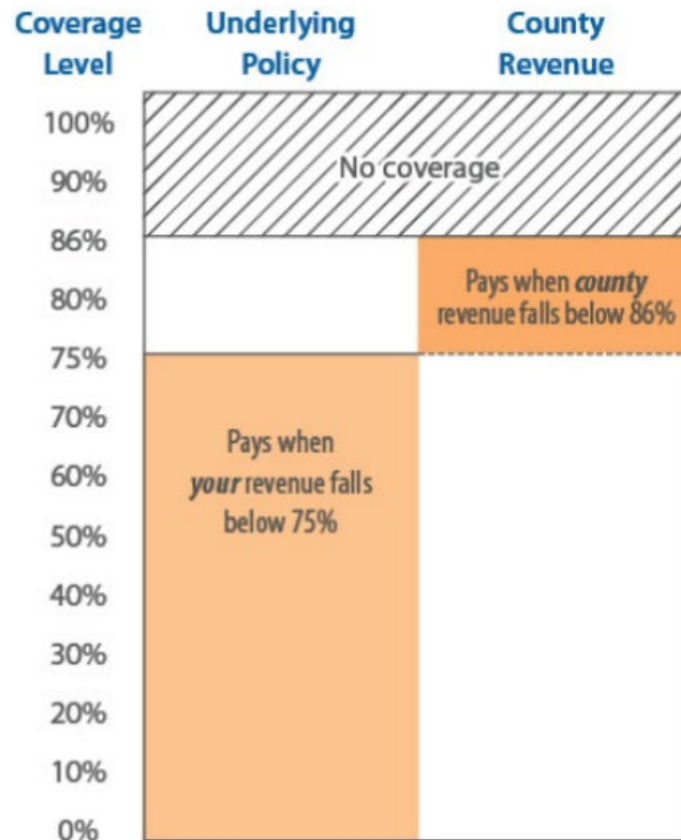
# Review – Native Sod

- Choices to Insure:
  - Year 1 – You can choose NOT to insure the land. Or you may request coverage via written agreement.
  - After year 1 - Now the land ***MUST be insured if planted to a crop listed on your policy***
  - And you need 4 years of insurability before you can remove the land from the native sod penalties.

# SCO: Supplemental Coverage Option

- SCO provides area-based coverage for a portion of your insurance deductible **up to 86%**
- Must be purchased with an underlying individual policy for that crop with the same insurance company
- **Liability based on individual grower**
- **Loss payment based on how well the county does**
- Begins to pay out when the county average revenue falls below 86% of the expected level
- **Can't use on a crop if its farm number is ARC at FSA**

# SCO: Supplemental Coverage Option



# SCO Example – Burleigh Corn

125 yield, 100% PF	Coverage per Acre	Premium per Acre
70% RP EU	\$437.50	\$9.05
* SCO 16%	\$100.00	\$16.19
75% RP EU	\$469.00	\$12.55
* SCO 11%	\$68.79	\$11.91
80% RP EU	\$500.00	\$20.90
*SCO 6%	\$37.50	\$6.86

This quote used:

Approved yield of 125.0

Price of \$5.00

300 acre enterprise unit



# SCO Payout – Burleigh Corn



## Supplemental Coverage Option (SCO) & Enhanced Coverage Option (ECO) Indemnity Worksheet

### Coverage Calculation

Base Price	<b>\$5.00</b>	Harvest Price	<b>\$4.00</b>	ECO/SCO Top Coverage Trigger	<b>86%</b>	Expected Crop Value	<b>\$625</b>
Higher Price times Farm APH	<b>125</b>			minus RP Coverage	<b>75%</b>	ECO + SCO Coverage	<b>11%</b>
				<i>(or 86% if SCO not purchased)</i>			
equals Expected Crop Value	<b>\$625</b>			equals ECO + SCO Coverage	<b>11%</b>	ECO + SCO \$ Protection	<b>\$68.75</b>

### Loss Calculation

Expected County Yield	<b>106.5</b>	Final County Yield	<b>106.5</b>	Final County Revenue	<b>\$426</b>
times higher of Base Price/Harvest Price	<b>\$5.00</b>	times Harvest Price	<b>\$4.00</b>	divided by Expected County Revenue	<b>\$533</b>
equals Expected County Revenue	<b>\$533</b>	equals Final County Revenue	<b>\$426</b>	equals % of Expected Revenue Realized	<b>80.0%</b>
				<i>(Cannot be below RP coverage level)</i>	

### Payment Factor Calculation

ECO/SCO Top Coverage Trigger	<b>86%</b>				
minus % of Expected Revenue Realized	<b>80.0%</b>				
equals % Revenue Loss	<b>6.00%</b>	divided by ECO + SCO Coverage	<b>11%</b>	equals ECO/SCO Indemnity Factor	<b>54.5%</b>
				<i>(Cannot exceed 100%)</i>	

### Indemnity Calculation

ECO + SCO \$ Protection	<b>\$68.75</b>	times ECO/SCO Indemnity Factor	<b>54.5%</b>	equals ECO/SCO Combined Indemnity	<b>\$37.47</b>
-------------------------	----------------	--------------------------------	--------------	-----------------------------------	----------------

# SCO Example – Stark Spring Wheat

45 yield, 100% PF	Coverage per Acre	Premium per Acre
70% RP EU	\$252.00	\$4.68
* SCO 16%	\$57.60	\$7.54
75% RP EU	\$270.40	\$7.01
* SCO 11%	\$39.60	\$5.68
80% RP EU	\$288.00	\$12.38
*SCO 6%	\$21.60	\$3.39

This quote used:

Approved yield of 45.0

Price of \$8.00

300 acre enterprise unit





# SCO Payout – Stark Spring Wheat



## Supplemental Coverage Option (SCO) & Enhanced Coverage Option (ECO) Indemnity Worksheet

### Coverage Calculation

Base Price	<b>\$8.00</b>	Harvest Price	<b>\$7.50</b>	ECO/SCO Top Coverage Trigger	<b>86%</b>	Expected Crop Value	<b>\$360</b>
Higher Price times Farm APH	<b>45</b>			minus RP Coverage	<b>75%</b>	ECO + SCO Coverage	<b>11%</b>
				<small>(for 86% if SCO not purchased)</small>			
equals Expected Crop Value	<b>\$360</b>			equals ECO + SCO Coverage	<b>11%</b>	ECO + SCO \$ Protection	<b>\$39.60</b>

### Loss Calculation

Expected County Yield	<b>40.9</b>	Final County Yield	<b>35.0</b>	Final County Revenue	<b>\$263</b>
times higher of Base Price/Harvest Price	<b>\$8.00</b>	times Harvest Price	<b>\$7.50</b>	divided by Expected County Revenue	<b>\$327</b>
equals Expected County Revenue	<b>\$327</b>	equals Final County Revenue	<b>\$263</b>	equals % of Expected Revenue Realized	<b>80.2%</b>
				<small>(Cannot be below RP coverage level)</small>	

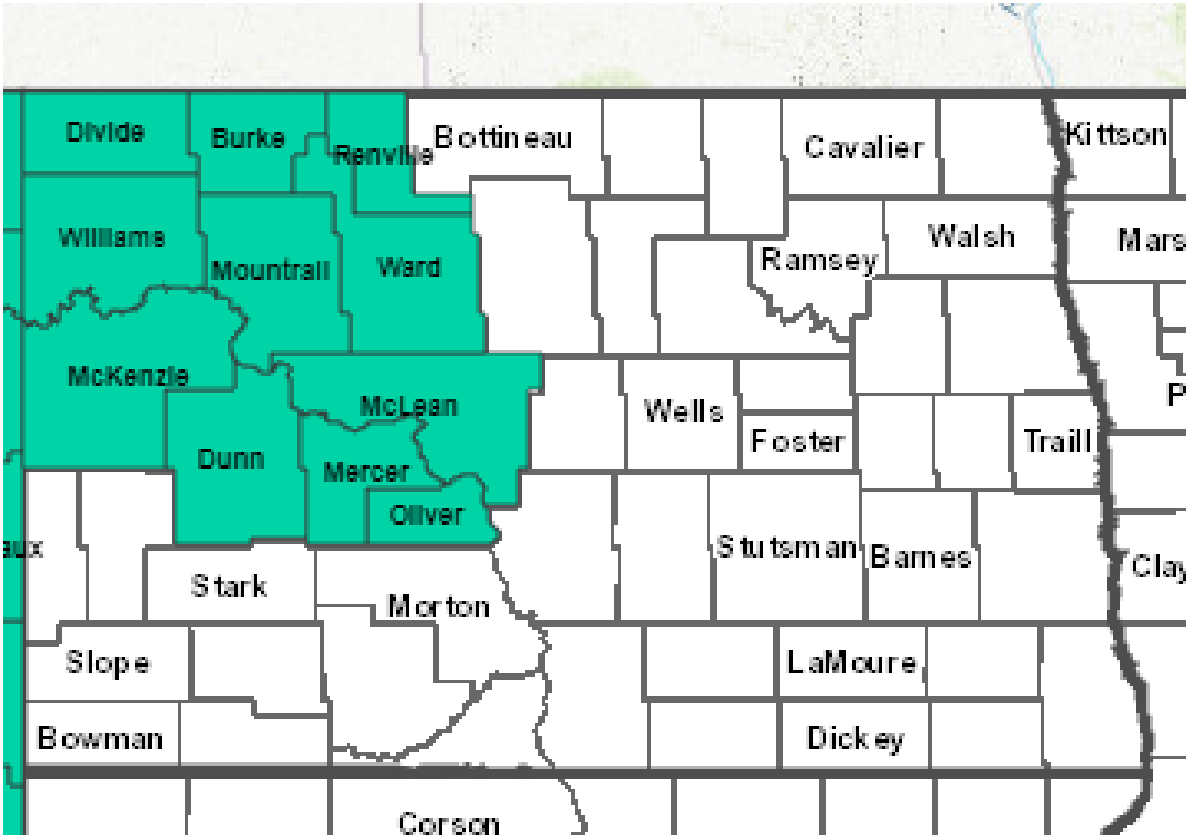
### Payment Factor Calculation

ECO/SCO Top Coverage Trigger	<b>86%</b>				
minus % of Expected Revenue Realized	<b>80.2%</b>				
equals % Revenue Loss	<b>5.80%</b>	divided by ECO + SCO Coverage	<b>11%</b>	equals ECO/SCO Indemnity Factor	<b>52.7%</b>
				<small>(Cannot exceed 100%)</small>	

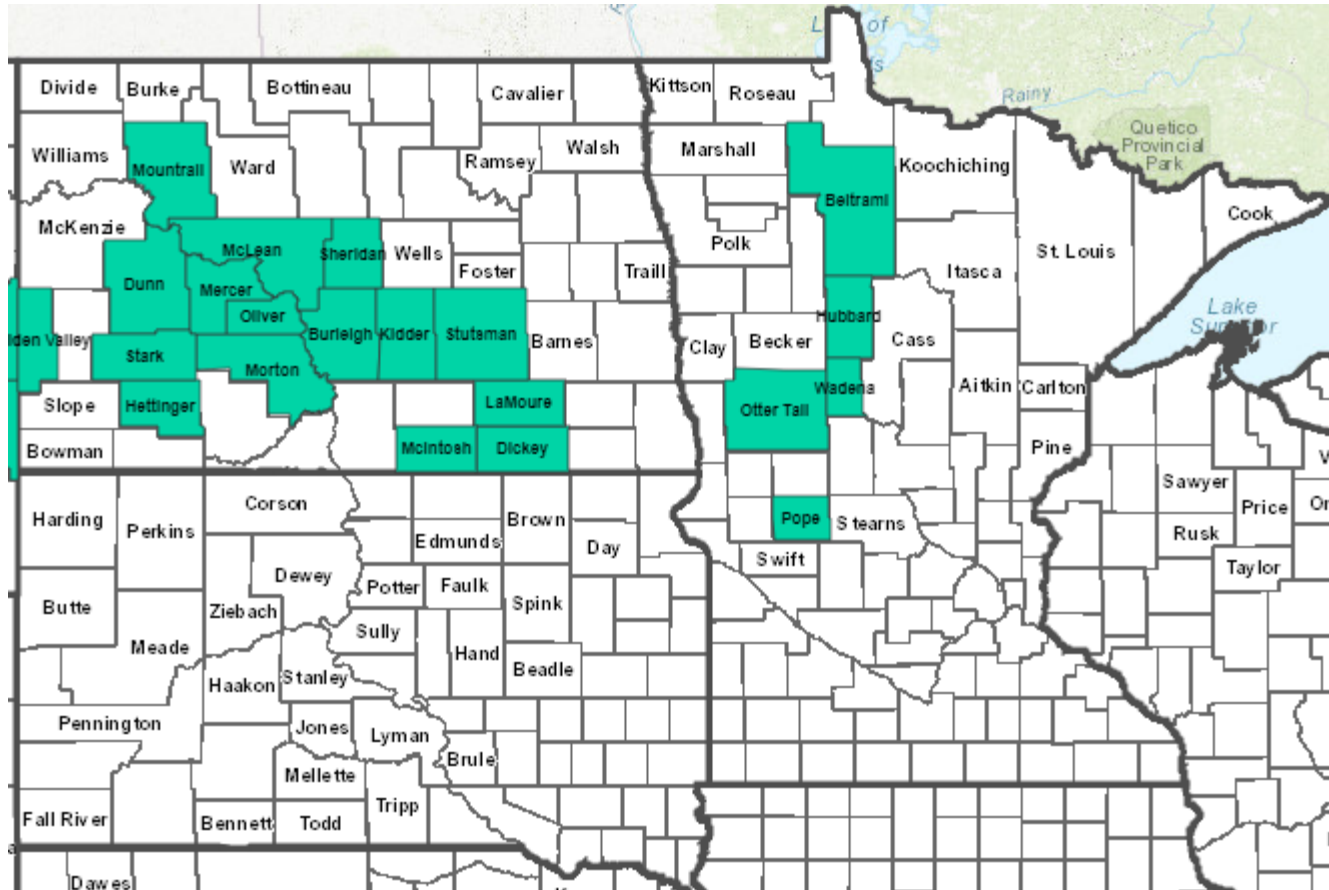
### Indemnity Calculation

ECO + SCO \$ Protection	<b>\$39.60</b>	times ECO/SCO Indemnity Factor	<b>52.7%</b>	equals ECO/SCO Combined Indemnity	<b>\$20.87</b>
-------------------------	----------------	--------------------------------	--------------	-----------------------------------	----------------

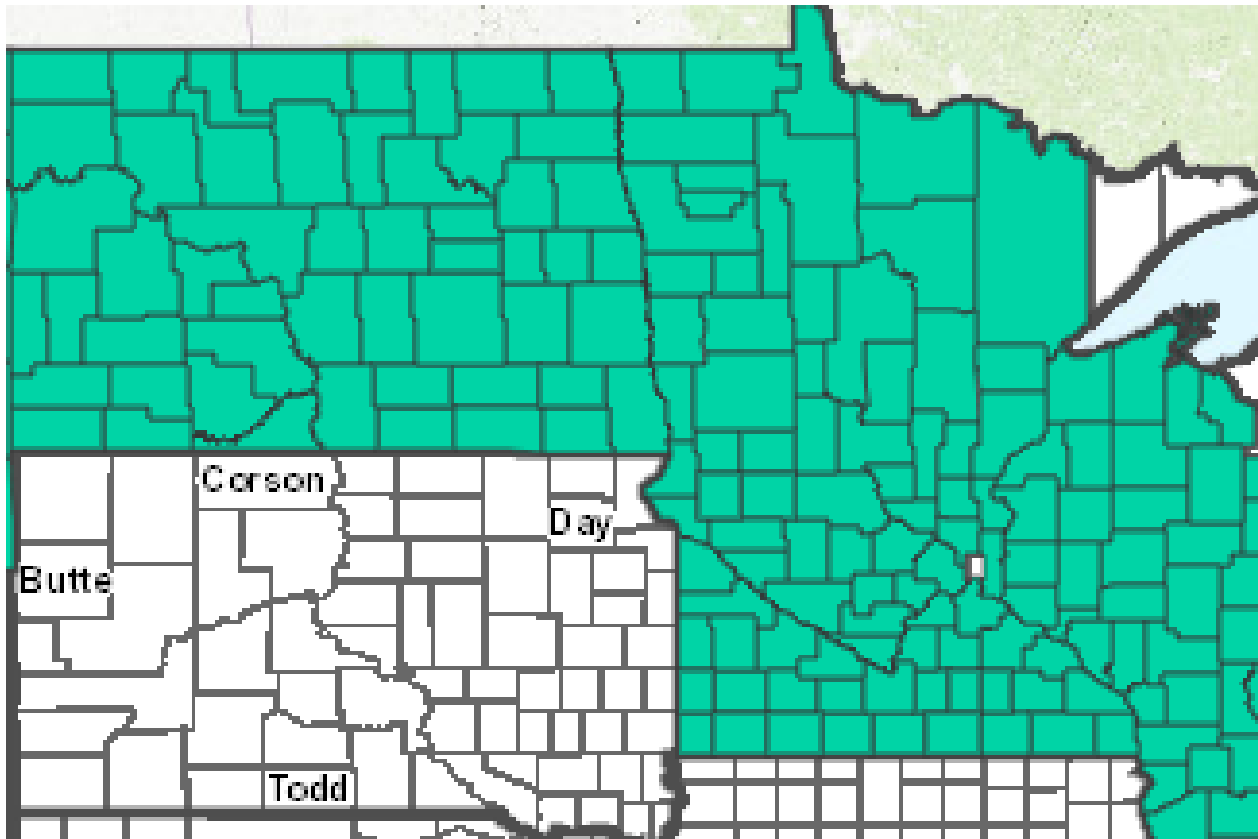
# Camelina Availability



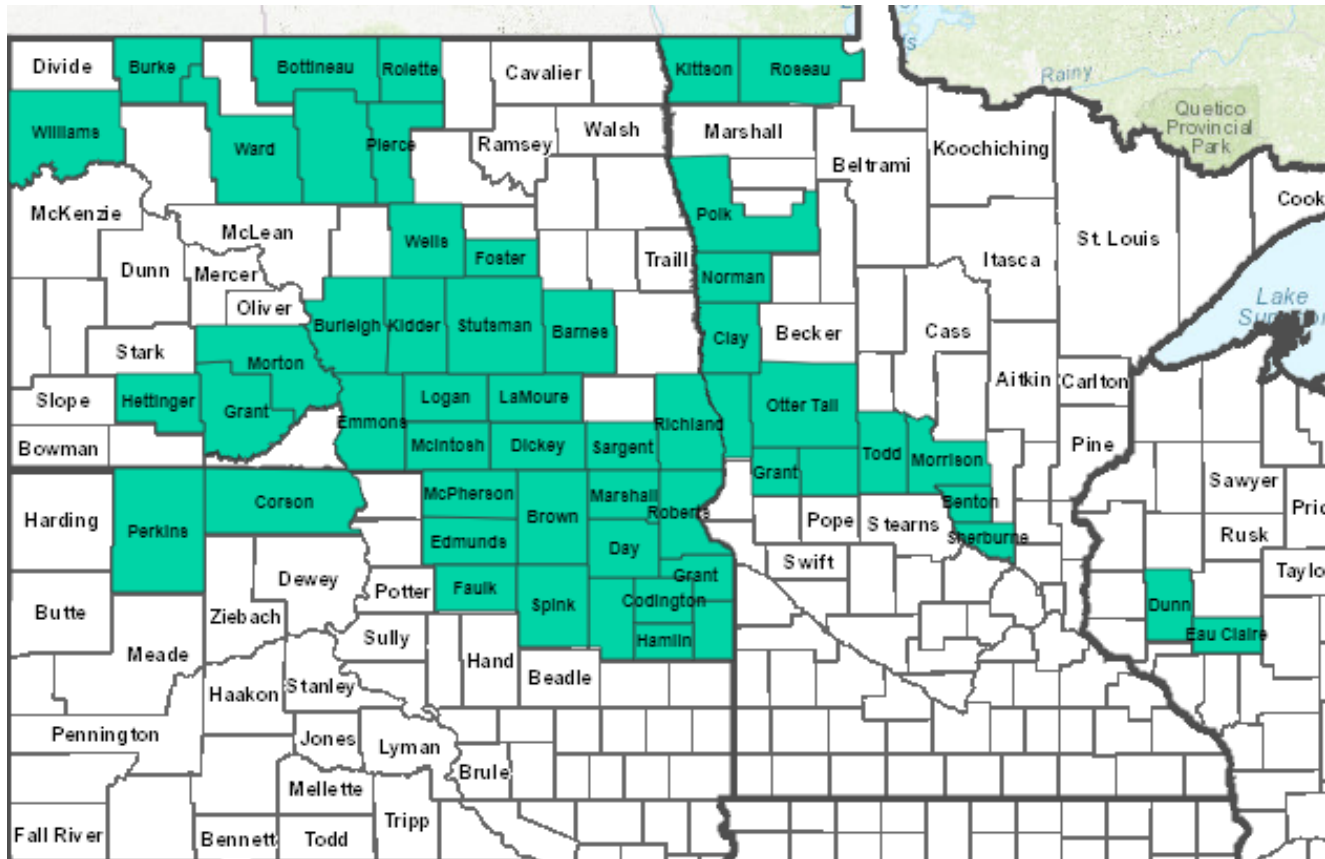
# Buckwheat Availability



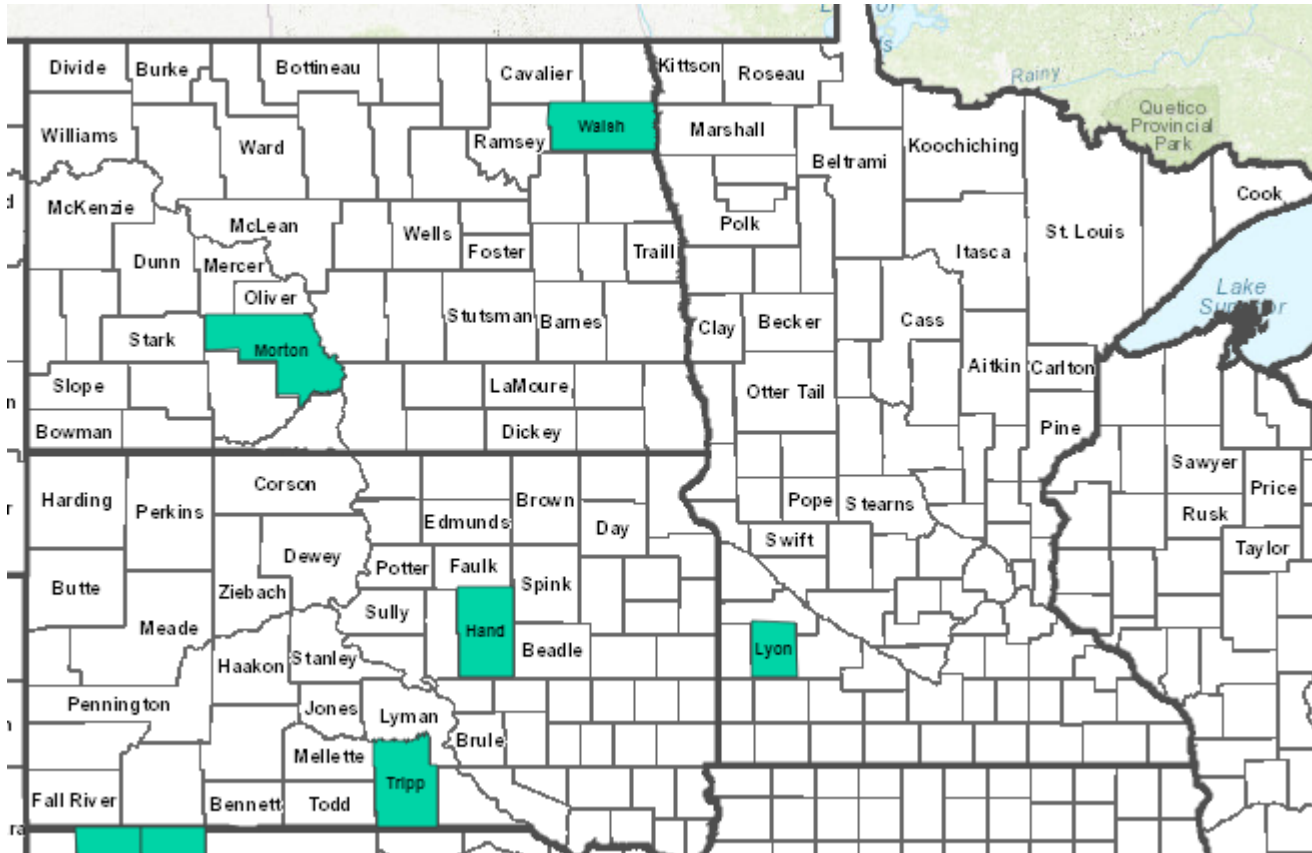
# Hemp Availability



# Rye Availability



# Triticale Availability



# LRP Review

- Livestock Risk Protection insures against **declining market prices** for feeder cattle, fed cattle, and swine
- Can choose from a variety of coverage levels and insurance periods
- **There is no minimum number of head when purchasing**
- This is a federally subsidized product
- Application can be submitted at any time
- Specific Coverage Endorsements can be submitted after application is accepted

# LRP Review

- Application can be completed at any time
- If the commodity markets are open that day, LRP quotes will be available by 4:30 pm Central
- Those quotes are good until 9:00 am Central the next day
- After 9:00 am the program shuts down until the next set of quotes come out
- If RMA does not have enough data, LRP quotes for a specific type or time period will not be released



# LRP Changes from 2021

- Subsidy Changes:

Coverage Level	Old Subsidy	New Subsidy
95% to 100%	25%	35%
90% to 94.99%	30%	40%
85% to 89.99%	35%	45%
80% to 84.99%	35%	50%
70% to 79.99%	35%	55%

# LRP Changes from 2021

- Premium can now be paid at the end of the endorsement period
- Increased head limits:
  - Fed and Feeder Cattle – 6,000 head/endorsement and 12,000 head annually
  - Swine – 40,000 head/endorsement and 150,000 head annually
- Can now sell the livestock 60 days before the endorsement period ends
  - Was previously 30 days
- Feeder cattle and swine types can now be insured before birth

# LRP Quote – 750 lb. steers 1/10/22

Length	End Date	Expected End Value	Coverage Price	Appx Coverage Level	Guar. per head	Premium per head
39 weeks	Oct. 10	\$181.85	\$163.72	90.03%	\$1,228	\$15.48
39 weeks	Oct. 10	\$181.85	\$171.72	94.43%	\$1,288	\$25.52
39 weeks	Oct. 10	\$181.85	\$181.72	99.93%	\$1,363	\$50.13
43 weeks	Nov. 7	\$181.99	\$162.04	89.04%	\$1,215	\$14.02
43 weeks	Nov. 7	\$181.99	\$170.04	93.43%	\$1,275	\$24.64
43 weeks	Nov. 7	\$181.99	\$180.04	98.93%	\$1,350	\$47.14

# Any Questions?

Martinson Ag Risk Management  
1555 S 43<sup>rd</sup> St, Suite 105A  
Fargo, ND 58103

Amy Ryan  
amy@martinsonag.com  
Cell: 701-306-8873

Office Phone: 701-205-4200

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

find us on **facebook**

[@MartinsonAg](https://www.facebook.com/MartinsonAg)

follow us **twitter**

[@Martinson\\_Ag](https://twitter.com/Martinson_Ag)