

MARTINSON AG

RISK MANAGEMENT



2019 Crop Insurance Update
Devils Lake, ND
January 9, 2019

Revenue Projected Price Estimates

| Crop | 2019 Est. Proj. Price | 2018 Proj. Price |
|--------------------|-------------------------------------|------------------|
| Barley | | \$3.28 |
| Canola, Spring | | \$0.184 |
| Corn | <i>Dec corn at \$4.03 on 1-8-19</i> | \$3.96 |
| Soybeans | <i>Nov SB at \$9.58 on 1-8-19</i> | \$10.16 |
| Sunflowers, Conft. | | \$0.237 |
| Sunflowers, Oil | | \$0.175 |
| Wheat, Durum | | \$7.11 |
| Wheat, Spring | <i>Sept MW at \$5.87 on 1-8-19</i> | \$6.31 |

Prices will be determined through the month of February.

Official prices will be released at the beginning of March.



Revenue Projected Price Estimates

| Dry Beans | 2019 Est. Proj. Price | 2018 Proj. Price |
|-----------------|-----------------------|------------------|
| Black | | \$0.25 |
| Dark Red Kidney | | \$0.37 |
| Pea (Navy) | | \$0.27 |
| Pinto | | \$0.23 |

Official prices will be released at the beginning of March.

2018 harvest prices are supposed to be released by January 15, but likely delayed due to the govt. shutdown.

Revenue Projected Price Estimates

| Dry Peas | 2019 Est. Proj. Price | 2018 Proj. Price |
|-------------------------------|-----------------------|------------------|
| Spring Smooth Green/Yellow | | \$0.11 |
| Spring Lentils | | \$0.23 |
| Spring Small Kabuli Chickpeas | | \$0.26 |
| Spring Large Kabuli Chickpeas | | \$0.30 |

Official prices will be released at the beginning of March.

2018 harvest prices are supposed to be released by January 15, but likely delayed due to the govt. shutdown.



APH Plan Price Elections

| Crop | 2019 Price | 2018 Price |
|---------------------------|-------------------|--------------------|
| Dry Beans, Great Northern | \$0.21 | \$0.27 |
| Dry Beans, Pink | \$0.25 | \$0.26 |
| Dry Beans, Small Red | \$0.25 | \$0.27 |
| Flax | \$9.45 | \$9.30 |
| Oats | \$2.40 | \$2.35 |
| Potatoes | \$8.70 | \$8.70 |
| Sugar Beets | \$0.146/lb | \$48.25/ton |

Price elections as of January 7, 2019. RMA may release additional prices before March 15, 2019.

Prevent Plant Changes

| Crop | Base PP Factor | PF Factor |
|-------------|----------------|---------------|
| Barley | 60% | 65% |
| Canola | 55% | 60% |
| Corn | 55% | 60% |
| Dry Beans | 50% (was 60%) | 55% (was 65%) |
| Dry Peas | 60% | 65% |
| Potatoes | 45% (was 25%) | 50% (was 30%) |
| Soybeans | 60% | 65% |
| Sugar Beets | 45% | 50% |
| Sunflowers | 60% | 65% |
| Wheat | 60% | 65% |

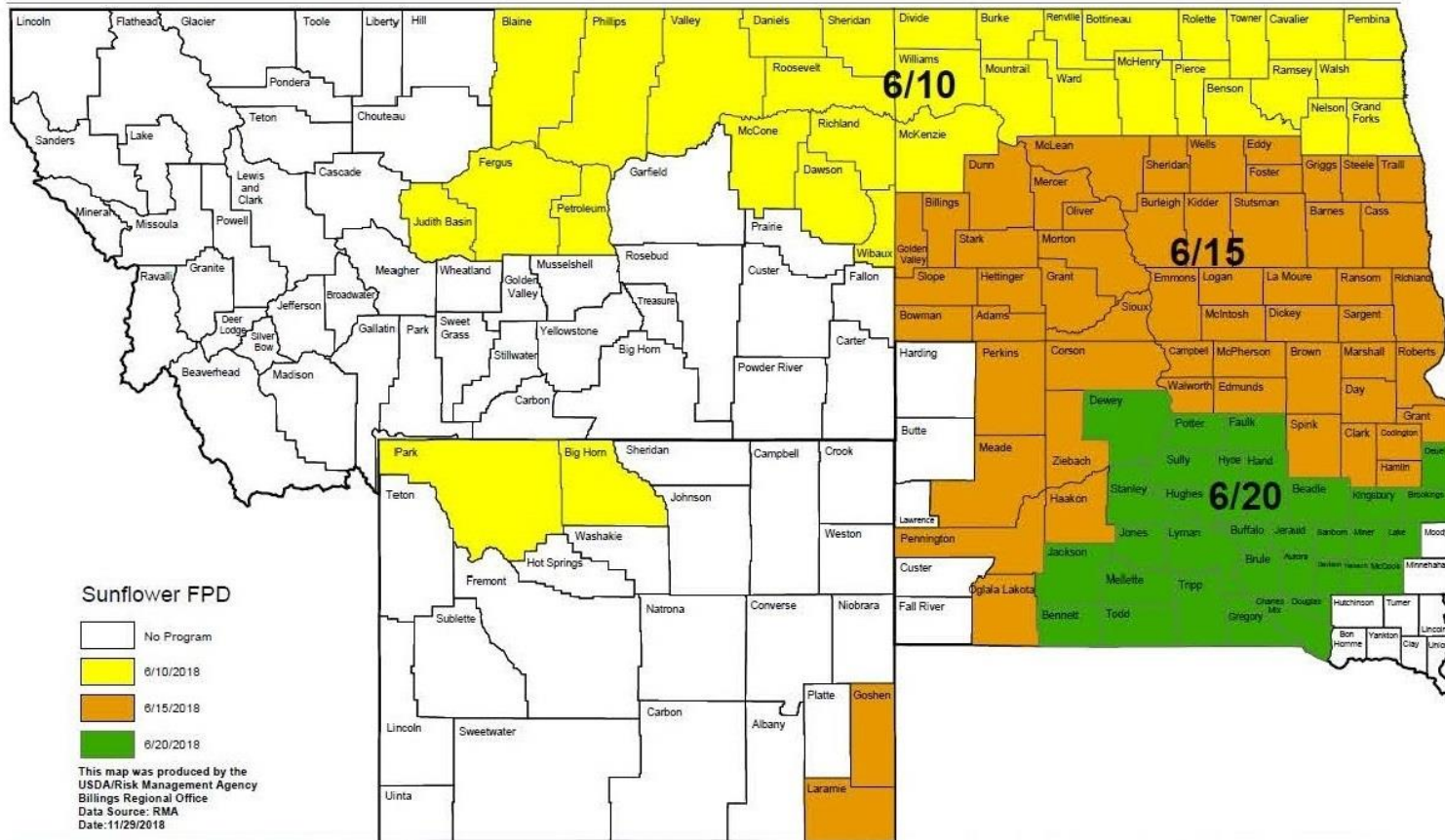
Crop Expansion/Changes for 2019 – North Dakota

- **Dry beans, small red type:** added for Benson, Eddy, Foster, Griggs, Nelson, Ramsey, Richland, Stutsman, Ward, Wells
- **Potatoes:** AAA high rate area added for Grand Forks (same AAA map as other crops)
- Potatoes now continuously rated in all ND counties

Sunflowers – North Dakota

- Extended the final planting date in all counties
 - 6/5 counties extended to 6/10 (north)
 - 6/10 counties extended to 6/15 (south)
- Shortened the late planting period in all ND counties from 25 days to 20 days
 - End of late planting period is 6/30 in the north and 7/5 in the south

Sunflowers - Final Planting Dates



North Dakota Map Changes

- RMA's Billings Regional Office made numerous changes to ND maps
 - Some crops/counties have map areas 001, 002, 003, etc. and many of those were combined
 - AAA (high risk area) maps were removed for some crops/counties

Ramsey County Map Changes

- AAA (high risk) areas removed for barley, dry beans, oats, sunflowers, soybeans, wheat
- T-yield map area 001 removed for canola and mustard

Replant Language Reminder

- 2018 Language: It is “practical to replant” through:
 - The final planting date if no late planting period
 - The end of the late planting period (if late planting period less than 10 days)
 - The 10th day after the final planting date (if late planting period is 10 or more days)
- Remember that you must get ***approval from an adjuster BEFORE*** you replant the field to be eligible for a replant payment

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

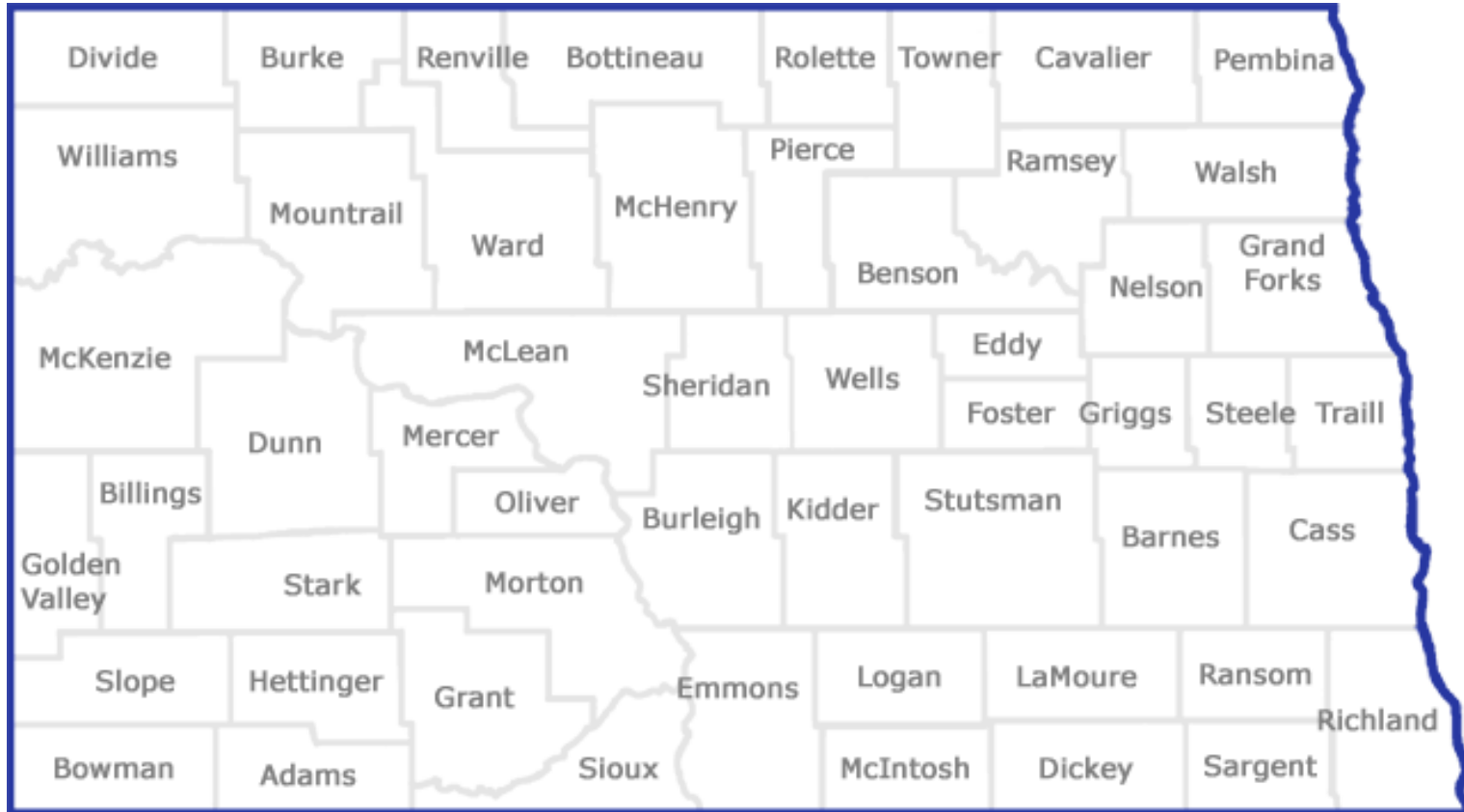
Enterprise Units by Practice Reminder

- 2018 rule: Now can have separate unit structures for IRR and NI land for the crop/county
- For example, NI corn could be optional units, while IRR corn could be enterprise units.

NEW: Multi-County Enterprise Unit (MCEU)

- Allows a single EU structure covering two contiguous counties
- Can have separate MCEUs by NI and IRR practice
- Cannot cross state lines
- Premium, guarantee and liability will be calculated separately for each county
- EU discount based on combined planted acres, but using the EU factor for each county
- **All claims (including replants and PP) will be determined at the MCEU level**

MCEU



MCEU

- Contiguous counties are determined by RMA

| A | C | E | G | I |
|-----------------|-------------------|------------|-----------------------------|----------------------|
| ReinsuranceYear | StateAbbreviation | CountyName | ContiguousStateAbbreviation | ContiguousCountyName |
| 2019 | ND | Ramsey | ND | Benson |
| 2019 | ND | Ramsey | ND | Cavalier |
| 2019 | ND | Ramsey | ND | Nelson |
| 2019 | ND | Ramsey | ND | Towner |
| 2019 | ND | Ramsey | ND | Walsh |

MCEU Availability

- For the 2019 crop year, MCEU is only available for:
 - Barley
 - Canola
 - Corn
 - Soybeans
 - Sunflowers
 - Wheat

MCEU: Sales Closing

- Must add “MC” option to each crop/county by March 15
- Both counties must have identical elections for:
 - MCEU
 - EU or EU by practice
 - Insurance plan
 - Coverage level (by irrigated practice if applicable)
 - Must be insured with same insurance company

MCEU: Acreage Reporting

- Insured must designate a primary county and secondary county by July 15
 - Primary county MUST individually qualify for EU
 - Secondary county must NOT individually qualify for EU
- If you do not designate primary and secondary counties at acreage reporting, the MCEU will not apply

MCEU: Example 1

- Ramsey county: 1,000 acres of wheat planted (qualifies for EU) and 500 acres of canola planted (qualifies for EU)
 - Ramsey named primary county
- Nelson: 80 acres of wheat in section 5 and 50 acres of canola in section 4
 - Nelson is secondary county
- EU discounts based on 1,080 wheat acres and 550 canola acres

MCEU: Example 2

- Ramsey county: 1,000 acres of wheat planted (qualifies for EU) and 500 acres of canola planted (qualifies for EU)
 - Ramsey named primary county
- Nelson: 80 acres of wheat in section 5
 - Nelson is secondary county for wheat
- Walsh: 50 acres of canola in section 4
 - Walsh is secondary county for canola

MCEU: Example 3

- Ramsey county: 1,000 acres of wheat planted (qualifies for EU) and 500 acres of canola planted (qualifies for EU)
 - Ramsey named primary county
- Nelson: 80 acres of wheat in section 5
- Walsh: 50 acres of wheat in section 4
- Only one county can be secondary per crop.
Cannot have both Nelson and Walsh secondary to Ramsey.

MCEU: Should I use it?

- Pros:
 - Only way to get EU (and the EU discount) for a secondary county
 - Small acres of PP or replants in the secondary county may be payable (20/20 rule applies to combined totals)
- Cons:
 - No payment on the secondary county if, for example, the secondary county gets hailed out and primary county has good yields
- If there is a chance you might pick up land in a different county after March 15, add the “MC” option to your primary county

MCEU: Premium Example for Secondary County

- Back to example 1: Assume 75% RP MCEU
 - Ramsey has 1,000 acres of spring wheat and 500 of canola
 - Nelson has one section with:
 - 80 acres of spring wheat with 60 bu. yield
 - 50 acres of canola with 1,800 lb. yield

| | Basic Unit Premium | MCEU Premium |
|---------------|-----------------------|-------------------------|
| Nelson Wheat | \$15.06 (at 80 acres) | \$6.60 (at 1,080 acres) |
| Nelson Canola | \$19.26 (at 50 acres) | \$7.69 (at 550 acres) |

EU Premium Reminder

- The more planted acres in your EU, the bigger the discount
- However, EU discounts can vary by county/crop/practice/type/coverage level

| Ramsey Canola Acres | EU Discount Factor | Premium at 75%, 1800 yld |
|---------------------|--------------------|--------------------------|
| 0 to 49.9 | 0.811 | \$10.67 |
| 50 to 299.9 | 0.797 | \$10.49 |
| 300 to 549.9 | 0.769 | \$10.14 |
| 550 to 749.9 | 0.741 | \$9.78 |
| 750 + | 0.711 | \$9.40 |

| Ramsey Spring Wheat Acres | EU Discount Factor at 75% | Premium at 75%, 60 yld |
|---------------------------|---------------------------|------------------------|
| 0 to 49.9 | 0.781 | \$10.08 |
| 50 to 99.9 | 0.757 | \$9.80 |
| 100 to 199.9 | 0.733 | \$9.51 |
| 200 to 399.9 | 0.708 | \$9.21 |
| 400 to 799.9 | 0.684 | \$8.92 |
| 800 + | 0.660 | \$8.63 |

MCEU: Premium Example for Primary County

- Back to example 1: Assume 75% RP MCEU
 - Ramsey has 1,000 acres of spring wheat and 500 of canola
 - Nelson has one section with:
 - 80 acres of spring wheat with 60 bu. yield
 - 50 acres of canola with 1,800 lb. yield

| | EU Premium | MCEU Premium |
|---------------|-------------------------|-------------------------|
| Ramsey Wheat | \$8.63 (at 1,000 acres) | \$8.63 (at 1,080 acres) |
| Ramsey Canola | \$10.14 (at 500 acres) | \$9.78 (at 550 acres) |

Sugar Beet Changes - Overview

- Stage guarantees removed
- Early harvest factor added
- Production will now be reported in pounds of raw sugar instead of standardized tons

New for 2019: Removal of Stage Guarantees

- Old language:
 - First stage: Guarantee of 60% of final state guarantee from planting until July 1
 - Could add Stage Removal Endorsement Option (NS)
- New Language for 2019:
 - Stage guarantee removed
 - Now get 100% of the production guarantee regardless of stage (or calendar date)
 - NS option no longer needed

New for 2019: Early Harvest Factor

- Production to count will be increased 1% per day for each day the beets were harvested prior to the date the beets would have reached full maturity
- Only applies if at least 10% of the insured acreage in the unit is harvested early
- Full maturity date will be 45 days prior to the end of insurance calendar date (Nov. 15 for ND and MN)
 - October 1 is maturity date for ND and MN
- Early harvest factor does not apply in a claim situation
- Adjusted production capped at approved yield

Early Harvest Factor Example

- October 1 is maturity date
- 250 tons harvested on Sept. 29
 - Add 1%: $250 + 2.5 = 252.5$ tons
- 250 tons harvested on Sept. 28
 - Add 2%: $250 + 5 = 255$ tons
- 250 tons harvested on Sept. 27
 - Add 3%: $250 + 7.5 = 257.5$ tons
- 250 tons harvested on Sept. 26
 - Add 4%: $250 + 10 = 260$ tons
- Total production = 1,025 tons

Sugar Beet Production Calculation

- Grower Report shows 10 acres, 300 net tons, sugar content of 18.5%
- Pounds of raw sugar =
 - $(300 \text{ tons} \times 2,000 \text{ lbs}) \times 0.185 = 111,000 \text{ lbs}$
 - Or 11,000 lbs/acre

Sugar Beet APHs - Conversion

- Must convert prior APH years from standardized tons to raw sugar
- Take standardized tons x 2,000 lbs x the 2018 percent sugar factor from the actuarials

Sugar Beet APHs - Conversion

- 2018 APH:
 - Old calculation used actuarial sugar factor of 15.7% for MN counties
 - $(18.5/15.7) \times 300 = 353.4$ tons
- 2019 APH:
 - To update APH to pounds of raw sugar:
 - $353.4 \times 2,000 \times .157 = 110,968$ lbs

Sugar Beets – Old vs. New APH

2018 APH in tons

| Crop Year of History | Total Production | Acres | Yields & Descriptor | YA Yield | TA Yield | YE Opt Out | Prac/Type Tmap Area |
|----------------------|------------------|------------------|---------------------|------------|------------|------------|---------------------|
| 2008 | 13,278.6 | 441.10 | 30.1A | | 33.6 | | T Yield |
| 2009 | 13,270.3 | 518.70 | 25.6A | | 28.8 | | 29.0 |
| 2010 | 16,475.0 | 535.50 | 30.8A | | 33.6 | | Prior Yield |
| 2011 | 16,120.9 | 567.20 | 28.4A | | 30.9 | | 32.9 |
| 2012 | 19,362.1 | 554.00 | 34.9A | | 37.0 | | Yld Floor |
| 2013 | 14,469.9 | 552.20 | 26.2A | | 28.0 | | 0.0 |
| 2014 | 16,381.8 | 524.90 | 31.2A | | 32.6 | | Rate Yld |
| 2015 | 16,929.8 | 507.10 | 33.4A | | 34.5 | | 31.6 |
| 2016 | 20,297.3 | 509.40 | 39.8A | | 40.5 | | Yld Ind |
| 2017 | 18,298.2 | 519.30 | 35.2A | | 35.6 | | M |
| | | | | | | | Ave. Yield |
| | | | | | | | *31.6 |
| Yield Total | | | # of Years | 10 | Prelim Yld | | |
| # of Trees/Vines | | Processor #/Name | | Adj. Yield | Apprv Yld | | |
| | | | | 31.6 | 33.5 | | |

2019 APH in pounds

| Crop Year of History | Total Production | Acres | Yields & Desc. | Prod. Rec. Type | YA Yield | TA Yield | YE Opt Out | Prac/Type Tmap Area |
|----------------------|------------------|------------------|----------------|-----------------|------------|----------|------------|---------------------|
| 2009 | 4,166,874.0 | 518.70 | 8,033A | | | 9,258 | | T Yield |
| 2010 | 5,173,150.0 | 535.50 | 9,660A | | | 10,762 | | 9,106 |
| 2011 | 5,061,963.0 | 567.20 | 8,924A | | | 9,904 | | Prior Yield |
| 2012 | 6,079,699.0 | 554.00 | 10,974A | | | 11,831 | | 10,519 |
| 2013 | 4,543,549.0 | 552.20 | 8,228A | | | 8,963 | | Yld Floor |
| 2014 | 5,143,885.0 | 524.90 | 9,800A | | | 10,412 | | 0 |
| 2015 | 5,315,957.0 | 507.10 | 10,483A | | | 10,973 | | Rate Yld |
| 2016 | 6,373,352.0 | 509.40 | 12,511A | | | 12,878 | | 10,053 |
| 2017 | 5,745,635.0 | 519.30 | 11,064A | | | 11,309 | | Yld Ind |
| 2018 | 5,163,080.0 | 475.80 | 10,851A | A | | 10,973 | | M |
| | | | | | | | | Ave. Yield |
| | | | | | | | | *10,053 |
| Yield Total | | | # of Years | 10 | Prelim Yld | | | |
| # of Trees/Vines | | Processor #/Name | | Adj. Yield | Apprv Yld | | | |
| | | | | 10,053 | 10,726 | | | |

Sugar Beet Premium Comparison

Quote using Polk County, MN with 75% OU coverage

| 2018 Quote | 2019 Quote |
|----------------------------|----------------------------|
| 35.2 ton yield | 11,064 lb. yield |
| \$48.25/ton price election | \$0.146/lb. price election |
| Added NS option | NS option obsolete |
| Coverage/acre = \$1,274 | Coverage/acre = \$1,212 |
| Premium/acre = \$16.59 | Premium/acre = \$16.49 |

$$\$48.25/2,000/.157 = \$0.154$$

$$\$0.146 \times 2,000 \times .157 = \$45.84$$

Production Reporting – Comingled Production Reminder

- If you have enterprise units with underlying databases by section, you must report production by section
- If you have comingled production or do not have soft records (load logs, precision farming records, etc.) to establish production by section, **you must let your agent know** and the APH database must show “PA” for pro-rated acreage
- If you comingled and do not notify your agent and are audited in the future, **you will be given assigned yields**

Audits – Production out of Tolerance

- Beginning with the production harvested in the 2018 crop year, changes have been made to RMA's procedure for correcting APH yields during an audit
- NEW: If your yield is ***overreported*** by 5% or more, assigned yields will be applied to your APH
- There is no penalty for underreporting

Audits – Production out of Tolerance

- If you have records to back up your original reported production your yield will be corrected but assigned yields will NOT be applied
 - Weight tickets from grain carts
 - Load logs
 - Combine monitor records
 - You do need more documentation than “my bin holds 20,000 bushels”

Audits - Example

- In 2018 you harvested 1,000 acres of soybeans
- You estimate the yield at 60 bu/acre and report that number to crop insurance
 - You do NOT have load logs or any other documentation

Audits – APH Example

| Year | Yield |
|-------------|-----------|
| 2007 | 49 |
| 2009 | 44 |
| 2011 | 49 |
| 2012 | 54 |
| 2013 | 40 |
| 2014 | 51 |
| 2015 | 48 |
| 2016 | 61 |
| 2017 | 54 |
| 2018 | 60 |

Prior Yield = 50

Approved Yield = 51

Audits - Example

- A year later you are audited
- Your scale tickets show a total of 56,000 bu. for a yield of 56 bu/acre
- You overreported your production by 4,000 bu. or 4 bu/acre.
- $4/60 = 6.7\%$ so you are over the 5% tolerance

Audits – Corrected APH

| Year | Yield |
|-------------|-------------------------|
| 2007 | 49 |
| 2009 | 44 |
| 2011 | 49 |
| 2012 | 54 |
| 2013 | 40 |
| 2014 | 51 |
| 2015 | 48 |
| 2016 | 61 |
| 2017 | 54 |
| 2018 | 38 60 |

Prior Yield = 50

Approved Yield Before Correction = 51

Your 2018 yield will be replaced with 75% of your prior yield

$50 \times 75\% = 38$

Approved Yield After Correction = 49

If you had valid supporting records for the 60 bu. yield, at this step the 2018 yield would be replaced with the actual 56 bu. yield

Audits - Consequences

- When an assigned yield applies:
 - The crop year in error will have an assigned yield
 - Any subsequent crop year will also be corrected
 - Any overpaid/underpaid premiums/indemnities must be repaid/refunded

Audits – Can assigned yields be corrected?

- Insured must recertify their production report on or before a subsequent crop year's production reporting deadline (April 29)
- Insured must provide hard copy records to their insurance company

Audits - Summary

- Remember that there is no penalty for underreporting
 - *If the production is in the bin when you report to crop insurance you are better off underreporting than overreporting if you don't have decent underlying records*
 - If you underreport and later sell the grain, we can correct the APH yield the following year with scale tickets as documentation

Any Questions?

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

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

Office Phone: 701-205-4200

Website: www.martinsonag.com

This presentation is on the
home page of our website.

find us on facebook

@MartinsonAg

follow us twitter

@Martinson_Ag