



JUNE 2022

Why Margin Protection for 2023, and Why Now?

Margin Protection insurance is a unique product that was new in 2017, and has grown each year. The Sales Closing Date for Margin Protection is September 30. So why are we talking about it now? Because producers may want time to evaluate using this policy for their 2023 crops. Why is this a big deal this year?

Biggest reasons I like MP:



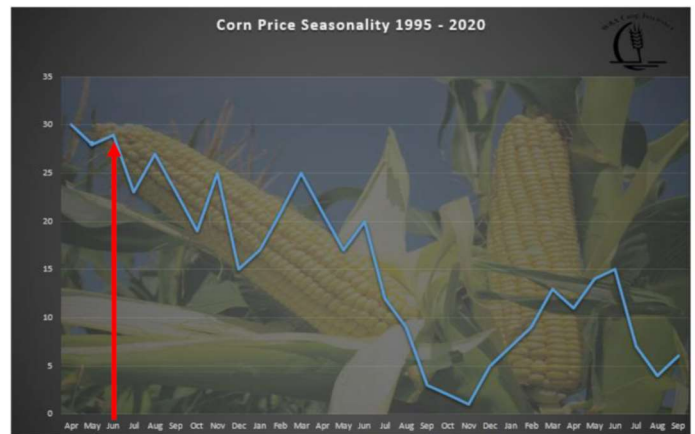
1. 95% subsidized coverage.
2. Put option for the next year's crop.
3. Expenses have become a big part.
4. Includes cheap/free RP policy in February.
5. The largest net revenues we've ever been able to lock in!

A few thoughts about each of these points:

1. Margin Protection & ECO/SCO are the only subsidized policies at this coverage level. Each of these are area-based policies. It only takes a 5% drop in margin to trigger a loss.
2. Prices are hanging at their highest levels in 10 years. Are producers going to hedge 2023 crops, or wait and hope prices don't drop?
3. Each of the last two years the variable input costs used to determine insurable margin have increased significantly from September to April, causing margins to drop and potentially trigger claims. Could that happen again in 2023? I'm not ruling it out!
4. Producers can add individual protection in the spring, and get a credit for applying those protection dollars against their total coverage, and receive a credit for doing so. Sometimes that credit is enough to cover most or all of the cost of the RP policy!
5. With 2023 grain prices holding high, and variable input costs having eased, current revenues & insurable margins for 2023 are the highest we've ever seen!



Despite a recent setback, **December '23 corn** remains well-supported and above 2022 base insurance prices. And at a 95% trigger, price should be profitable for most producers. And prices are similarly profitable for soybeans & spring wheat.



Did you know there is a historical advantage to locking in prices the year before the actual crop year? This chart from Watts & Associates paints that picture for corn over 26 years, showing that corn price trends lower from now thru the harvest of the crop the following fall. This is why I view Margin Protection like a put option on price. Producers still have to market their crops, but this is at least doing something to utilize this price!

Bottom Line: If you're going to farm in 2023, then I encourage you to have a conversation with your NAU Country agent this summer to learn how Margin Protection insurance can add value to your operation.