Margin Protection • MP

General Summary

Margin Protection

Margin Protection (MP) provides you coverage against an unexpected decrease in your operating margin (revenue less input costs). Margin Protection is area-based, using county-level estimates of average revenue and input costs to establish the amount of coverage and indemnity payments. To the extent that the average margin for a county is lower than expected, due to a decrease in revenue and/or an increase in input costs, Margin Protection will cover a portion of that shortfall.

Eligible Crops and States

Margin Protection is available in select counties for corn, rice, soybeans and wheat in the states listed below:

Rice	Corn	Soybeans	Wheat
Arkansas	Iowa	Iowa	Minnesota
California			Montana
Louisiana			North Dakota
Mississippi			South Dakota
Missouri			
Texas			

Eligible Insurance Plans

Margin Protection can be purchased by itself or in conjunction with a Yield Protection (YP) or Revenue Protection (RP) policy. If another policy is purchased, it must be from the same Approved Insurance Provider that issued the Margin Protection policy. If you buy a YP or RP policy, you will receive a Margin Protection premium credit to reflect that indemnity payments from one policy can offset payments from the other.

Coverage Levels

Margin Protection provides coverage that is based on an expected margin for each applicable crop, type and practice. You may choose to cover anywhere from 70 percent to 90 percent of the expected margin. Expected Margin is the expected revenue minus expected costs, where:

Expected revenue (per acre) is the expected county yield multiplied by a projected commodity price; and

Expected cost (per acre) is the dollar amount determined by multiplying the quantity of each allowed input by the input's projected price.

Insurable Types and Practices

All insurable types and practices for corn, rice, soybeans and spring wheat are listed in the respective county Margin Protection actuarial documents.

Insurable Acreage

Margin Protection will only insure acreage that is:

- Planted to the insured crop on or before
- The final planting date;
- Reported to the company by the acreage reporting date;
- Physically located in the county shown on the application accepted by the company; and
- Planted to a type and practice designated as insurable in the actuarial documents.

Determining the Margin

When determining the margin, two types of inputs are considered; those subject to price change as listed below, and those not subject to price change (i.e., fixed from planting to harvest). Inputs not subject to price change are not specifically identified, but include, seed, machinery, operating costs (other than fuel) and similar expenses. Inputs subject to price change are identified in the Margin Provisions and include the following:

Crop	Allowed Inputs Subject to Price Change
Corn	Diesel, Urea, Potash, Interest, Diammonium Phosphate (DAP)
Soybeans	Diesel, Potash, Interest, DAP
Rice	Diesel, Urea, Potash, Interest, DAP
Wheat	Diesel, Urea, Potash, Interest, Monoammonium Phosphate (MAP)

Indemnity Calculations and Loss Payments

A loss may be paid if the harvest margin is less than 70 percent to 90 percent (depending on the coverage level selected) of the expected margin. If the producer has received a loss payment (excluding replant or prevented plant payments) from a base RP or YP policy, the amount of that indemnity will be subtracted from any loss under the Margin Protection policy. Any indemnities owed will be paid when final county yields are available, in the spring of the following year.

Important Dates

Sales Closing Date:

Corn, Soybeans and Wheat…...............................September 30, 2015

Rice …………...Varies by State and County

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Margin Unit

For Margin Protection without a base policy, the unit is all the planted acreage in the county in which the producer has a share of each type and practice identified as insurable in the actuarial documents.

For Margin Protection with a base policy, the unit is all the planted acreage in the county in which the producer has a share in each unit identified on their acreage report.

Premium Subsidies, Credits and Fees

Margin Protections offers the same premium subsidy factors as existing area-based plans.

Coverage Level	0.70	0.75	0.80	0.85	0.90
Subsidy Factor	0.59	0.55	0.55	0.49	0.44

A premium credit will be available for the producers who elect a base RP or YP policy. The credit amount will be determined when all information needed to establish liability under the base policy is known.

A separate administrative fee for the MP policy will be due even in the producer has elected a base RP or YP policy.

Margin Protection Example

Expected County Revenue Per Acre	
Expected County Yield	150
MP Projected Price	$4.00
Expected County Revenue	$600.00
Expected Input Costs Per Acre	
Diesel/ac (7.5 gal/acre)	$26.25
Diesel Price	$3.50
Nitrogen/acre (150 lbs/acre)	$150.00
Nitrogen cost ($/lb)	$1.00
Other Inputs	$300.00
Total Expected Costs	$476.25
Trigger Margin Per Acre	
Expected Margin = Expected Revenue – Expected Costs	$123.75
Trigger Margin @ 90% Coverage	$111.38
Final Harvest Revenue Per Acre	
Final County Yield	140
MP Harvest Price	$4.25
Harvest Revenue = Yield x Price	$595.00
Final Harvest Costs Per Acre	
Diesel/ac (7.5 gal)	$30.00
Diesel Price	$4.00
Nitrogen/acre	$187.50
Nitrogen cost	$1.25
Other Inputs	$300.00
Total Harvest Costs	$517.50
Harvest Margin Per Acre	
Harvest Margin = Harvest Revenue – Harvest Costs	$77.50
Indemnity Calculations	
Deficiency = Trigger Margin - Harvest Margin	$33.88/acre
Acres	500
Total Margin Deficiency @ 100% Share	$16,940
Base Policy Indemnity	$11,000
Final MP indemnity	$5,940

Example is simplified and does not reflect any particular crop, region or historical year. Example is for training purposes only.

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