



CROP PRODUCTION

Consider Margin Protection to Manage Uncertain 2023 Crop Margins



It's time to make a plan. Projections show you will face higher costs and lower returns for 2023. See if Margin Protection crop insurance can help you manage risk.

(AgWeb)

By **SARA SCHAFER** August 10, 2022



It's time to make a plan. **Projections show** you will face higher costs and lower returns for 2023.

Inflation, supply disruptions and geopolitical issues are just a few of the factors causing higher costs for corn and soybean production, according to the University of Illinois. The first round of **2023 Illinois Crop Budgets** released by the University of Illinois show both land and non-land costs will be significantly higher for next year.

Given higher costs, corn break-even levels for northern Illinois, for example, are \$5.34 per bushel on cash rented land. The break-even soybean price is \$12.54. Those break-even prices are above average prices received from 2014 to 2019 (\$3.66 per bushel for corn and \$9.69 for soybeans).

“Growers should focus now on estimating their 2023 crop margins and put together an early look at their own budgets,” suggests Steve Johnson, retired Iowa State University Extension farm management specialist. “Also, consider a risk management tool called Margin Protection (MP) crop insurance.”

Margin Protection for the 2023 crop provides coverage against an unexpected decrease in operating margin (revenue minus select variable input costs). It is area-based plan, using both expected and final county yields along with nationally indexed variable costs. An indemnity payment may be made when the harvest margin falls below the trigger margin due to a decrease in revenue and/or an increase in those input costs.

Here are some details of the program:

- Available for spring planted commodity crops (corn, soybeans, and spring wheat) in 22 different states.
- It can be purchased by itself, but is usually added to a Yield Protection (YP) or Revenue Protection (RP) base policy
- An MP indemnity may be paid when final county yields are available on June 16, or roughly 6 months after crop is harvested

- Insured must purchase MP coverage for the 2023 crop from their crop insurance agent by Sept. 30.

“The discovery period (mid-August to mid-September) is for both the projected price and those select variable costs,” Johnson says. “MP coverage is focused on the 2023 spring planted crops and uses those futures price averages for December 2023 corn and 2023 November soybean futures prices. So, if you're thinking that these variable costs are going to increase, or futures prices and/or county yields will decline, then MP should create even more interest.”

Johnson says this add-on **shallow loss product** is a good fit for farmers whose farm yields track with the county average yields, and they typically buy 80% to 85% RP coverage as a base policy annually before March 15.

Margin Protection can be bought at up to the 95% coverage level. Since it uses county yield averages, growers should focus on purchasing the higher levels of coverage to have the most benefit for the policy triggering an indemnity should a margin shortfall occur. The product is subsidized by the federal government in a range of 44% to 59%, depending on the leverage of coverage elected.

“I think MP could work well again this next year as we’re already at high new crop futures prices and the input costs are not expected to decline. Remember, spring projected prices for both RP and YP products are not determined until the month of February,” he says.

Growers should pay attention to the futures closes for 2023 December corn and 2023 November soybean contracts starting in mid-August. They should begin to discuss with their crop insurance agent the potential benefits of MP coverage and if it is a good fit for their operation.

Don’t forget the Sept. 30 deadline to make your purchase decision as actual MP premiums will not be known until after the discovery period that ends in

mid-September.

Read More

[Margin Protection: A Risk Management Tool to Consider for 2022](#)

[Layer Your Protection: Shallow Loss Crop Insurance Products](#)



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