



AgriPeril Advantage



Reed Burres

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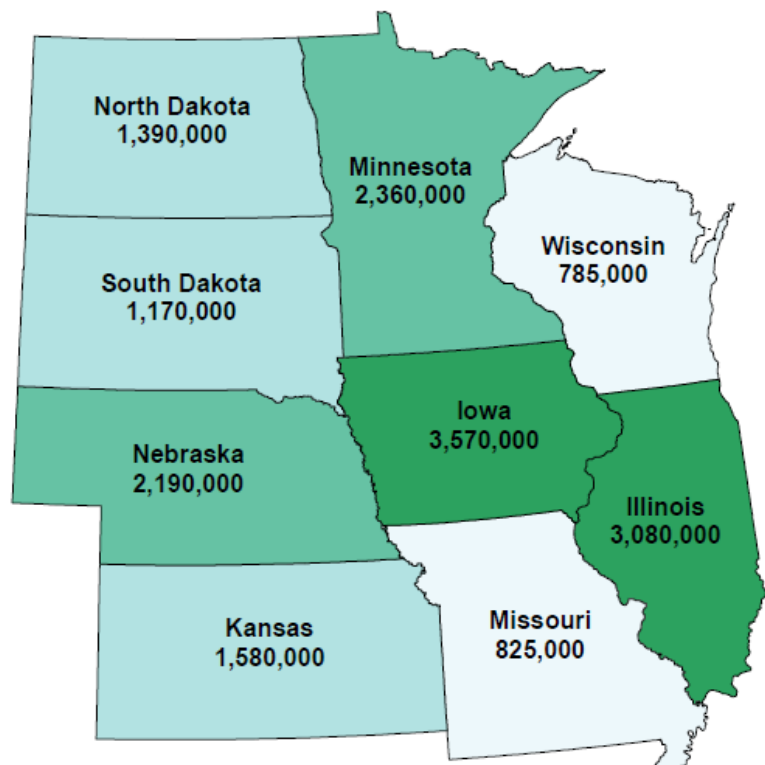
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New Optimism for 2021

New found optimism sets the tone for 2021 as grain markets have continued to rally behind some of the strongest trade in recent memory. Chinese purchases of corn and soybeans have fueled one of the most bullish demands in recent memory as a result of flooding. As flooding of the Yangtze River persisted, the entire regions croplands were devastated along with its inhabitants. The destroyed acres along with impacted areas that were estimated to be the size of West Virginia, having impacted over 55 million Chinese, is the worst that that China has experienced in years. Though the flood impacted a large portion of predominant rice fields, it has only added to the need for more affordable alternative proteins, such as US corn and South American soybeans. As prices have been on the rise, we should glance at the total estimated grain in storage per state should that ever come into question. Graphic below comes from NASS data, Dec. 2020

Total Storage Capacity, December 1, 2020 (1,000 bushels)

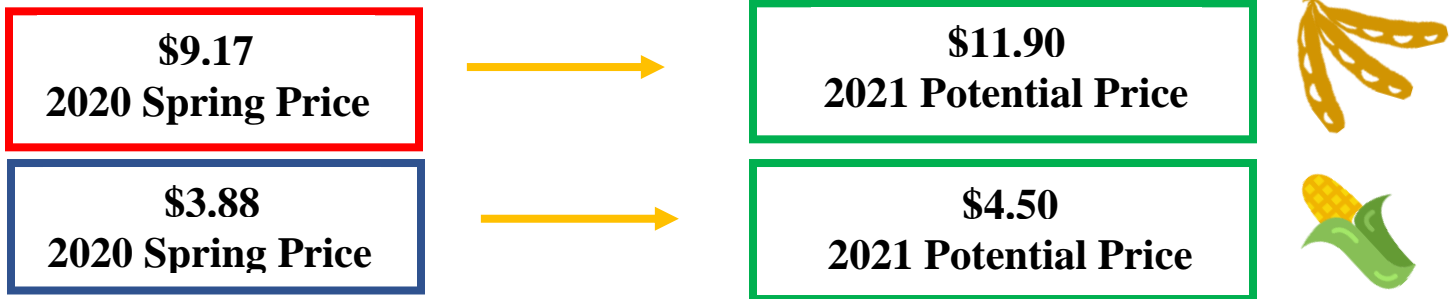




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Optimism Continued:

Following up with that a better break out we can see that there is a large portion of off-farm storage, that is primarily commercial storage such as the cooperatives. The reality that many are becoming more and more aware of is the fact that there are many on-farm storage sites that are being emptied at an alarming rate due to January contracts as well as farmers looking to capitalize on the highest cash grain prices in recent memory. As prices continue to rise, we are beginning to approach our spring price discovery where prices appear to stabilize as we sit at \$11.90 and \$4.50 for our current spring prices. These are sure to change as we continue through the trading days up until we believe averaging the November soybean futures and the December corn futures. Subsequently, crop insurance premiums on average will be quite higher due to increased price exposure by RMA. With grains ending stocks running increasingly low and futures contracts nearing record long positions on certain months, the guessing game of when a price ceiling will be reached remains anyone's best guess. One thing that could hold us back or cause resistance being the significant change in the South American weather forecast.



South America Update:

Looking at South America, the weather has been the focus as of late. “Argentina received two episodes of rain last week, one early in the week and one late and the temperatures cooled as well. Many areas received a good rain, but the distribution was unequal once again. The forecast is calling for a hotter and dryer pattern to return in the short term. Any forecasted rainfall appears to be more likely across the northern part of the country. The 2020/21 soybean crop in Argentina was 97.5% planted late last week compared to 100 last year and 98.6% average. The soybeans were rated 19% poor to very poor, 63% fair, and 18% good to excellent. The good to excellent percentage compares to 27% last week and 54% last year. The good to excellent declined 9% from last week. The soil moisture for the soybeans was rated 32% short to very short and 68% favorable to optimum. The favorable to optimum percentage compares to 51% last week and 95% last year. There is a dilemma here because the soil moisture improved, but the soybean condition declined.

The Buenos Aires Grain Exchange (Argentina) is estimating the soybean production at 46.5 million tons while the USDA is estimating the crop at 48.0 million, which is down 2.0 million from their December estimate.

The Rosario Exchange (Brazil) is estimating the crop at 47.0 million tons. In 2019/20 Argentina produced 49.0 million tons of soybeans.”

– Information above from, Michael Cordonnier, SoyCorn Advisor

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Insurance Calendar

February:

Spring Update Meeting
February 10th

February 1st:

Spring Price
Discovery Period

February 26th:

Spring Price Discovery
Period Ends

March 1st:

Spring Price Announced

March 15th:

Sales Closing Date

Reed's 2021 Recommendation:

Multi-Peril Crop Insurance:

- Corn: 85% Revenue Protection with \$0.15 of price buy-up insuring a price of \$4.03 per bushel.
- Soybeans: 85% Revenue Protection with \$0.50 of price buy-up insuring a price of \$9.67

Hail Insurance:

\$250 per acre BASIC Coverage
Soybeans
\$250 per acre DXS10 Hail
Coverage, DXS5 Wind with Extra
Harvest Expense

New Insurance Product:

New for 2021 the USDA and RMA have officially released, the Enhanced Coverage Option (ECO) as a new product for farmers who are looking to gain additional coverage at the county level. Coverage can be purchased at either 90% or 95%, it covers from 86% to the selected level of coverage. The liability is based off of each individual field, however, the loss will be based off of the difference in the expected county yield and prices versus the actual yield and price.

Example:

- MCPI APH - 200
- MPCPI Price - \$4.00
- Underlying MPCPI liability - \$800 (200 * 4)
- ECO coverage - 9% (95 - 86)
- ECO liability - **\$72** (800 *.09)

Indemnity Trigger and Calculation

ECO will begin to pay when the Final Area Revenue falls below its trigger (95 or 90 percent depending on the coverage selected). Below is an example:

- Expected County Yield - 191
- Projected Price - \$4.00
- Expected Area Revenue - \$764 (191 * 4)
- Final County Yield - 185
- Harvest Price - \$3.70
- Final Area Revenue - \$685 (185 * 3.70)

The Final County Revenue equals 90% of the Expected County Revenue (685/764). Assuming a 95% ECO coverage was selected, a claim would be triggered as the actual county revenue fell below 95% of the expected county revenue. To determine the payable claim amount, a payment factor will be calculated.

- Payment Factor = (Loss Trigger % - (Final Area Revenue/Expected County Revenue))/ECO Coverage Range
 - (95% - (\$685/\$764)) / .09 = **.56**
 - Claim Payment = ECO Liability * Payment Factor
 - \$72 * .56 = **\$40.32/acre**



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Updates to PPP:

Last year, when the Small Business Administration (SBA) rolled out the Paycheck Protection Program (PPP), many viewed it as a big win for small businesses all across America. Due to the identified need there will be PPP funds available again in 2021 based off of 2020 revenues. Overall, rules will be the same for Schedule F and Schedule C filers, with exception that the Schedule F forgiveness will be based off of gross income having fallen by 25% in order to qualify for forgiveness. There are several good sources that provide a fair amount of helpful information, Iowa State has published information on revisions to the first-draw/second-draw PPP, click [here](#) for the link. The program for 2021 is very new as it was only released on January 11th, so there may be only a few financial institutions beginning to get information out. The deadline for this new PPP will be March 31st, 2021, so waste no time in visiting with your lending institutions to learn more about how to apply.

Crop	Reference Price	National Loan Rate
Corn	\$3.70	\$2.20
Grain Sorghum	\$3.95	\$2.20
Oats	\$2.40	\$2.00
Soybeans	\$8.40	\$6.20
Wheat	\$5.50	\$3.38

ARC/PLC which is better for 2021 enrollment? We'll discuss that next month! \$3.70, corn and \$8.40, soybeans might not be the best reference prices that, however, they have served us since the 2018 Farm Bill was passed.

The Takeaway:

Looking at the transition from President Trump to President Biden, it will be interesting to see how the focus may shift from one Secretary of Agriculture to another. Tom Vilsack has held the helm before, however, things may be different this time as there is much that has changed from 4 years ago. There is strong hope that this administration will stand up for the Renewable Fuel Standard and help protect it. Perhaps the most important aspect of all, is that we can return to our "old normal" as soon as possible, whether that be from a social sense or from an agricultural marketing sense. Until next, stay safe, stay warm, and always work to manage your operation's risk!

All the best,

A handwritten signature in black ink, appearing to read 'Reed'.