USDA Risk Management Agency
U.S. DEPARTMENT OF AGRICULTURE

Margin Protection

What is Margin Protection (MP)?

MP is an area-based insurance plan that provides coverage against an unexpected decrease in operating margin (revenue less input costs), caused by reduced county yields, reduced commodity prices, increased prices of certain inputs, or any combination of these perils. Because MP is area-based (average for a county), an individual farm may have a decrease in its margin but not receive an indemnity or vice-versa.

Where is MP available?

MP is available for corn, rice, soybeans, and wheat in select states and counties, as follows:

- Rice: Select counties in Arkansas, California, Louisiana, Mississippi, Missouri, and Texas;
- Corn: Select counties in all states except Alaska and Hawaii;
- Soybeans: Select counties in Alabama, Arkansas, Colorado, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wisconsin; and
- Spring Wheat: Select counties in Minnesota, Montana, North Dakota, and South Dakota.

County lists by crop are available at “www.marginprotection.com“ at the section titled “Downloadable Content”.

How and where do I purchase MP insurance?

MP is available for purchase from your local crop insurance agent. You can find a crop insurance agent using the Agent Locator tool on the Risk Management Agency (RMA) website at www.rma.usda.gov/Information-Tools/Agent-Locator-Page.

What types of wheat are insurable under MP?

Spring wheat (type 012) is the only type presently insurable under MP.

What are the sales closing dates for MP?

The MP sales closing date for corn, soybeans, and spring wheat is September 30 of the calendar year prior to the insured crop year. The MP sales closing date for rice is the same as the sales closing date for other rice policies. All sales closing dates are shown on the Actuarial Information Browser.

Can I buy MP with another Federal reinsured crop insurance policy for the same crop?

You can buy MP and also buy a Yield Protection policy or a Revenue Protection policy (denoted as a base policy) on the same acreage. The base policy and the MP policy must be purchased from the same Approved Insurance Provider; however, the base policy and the MP policy may be purchased from a different insurance agent or insurance agency. If you buy a base policy, you will receive a credit to your MP premium because indemnity payments from the base policy are used to offset indemnity payments from the MP policy. To receive a premium credit, the base policy type and practices must match the type and practices elected on the MP Policy.

Can I buy MP and have SCO, ECO, HIP-WI, WFRP or Micro Farm on the base policy?

You may buy any optional coverages or endorsements available for the base policy except the Supplemental Coverage Option Endorsement (SCO), Enhanced Coverage Option (ECO) and Hurricane Insurance Protection - Wind Index Endorsement (HIP-WI). These are not allowed on the base policy for the crop if you purchase MP. MP cannot be purchased if you have Whole-Farm Revenue Protection Policy (WFRP) or Micro Farm covering the same crop in the same county.

Can I buy MP and still buy other private crop insurance policies not reinsured by the Federal Crop Insurance Corporation (FCIC)?

Yes. MP does not restrict you from purchasing any private crop insurance policy that FCIC does not reinsure such as crop-hail, a non-reinsured supplemental policy, or similar non-Federal offerings. Any payments from these programs are NOT counted in the determination of indemnity under the MP plan.

Can I purchase the High-Risk Land Exclusion Option?

Yes, you may purchase the High-Risk Land Exclusion Option (HR-LEO) on the base policy, but MP will not attach to the HR-LEO acres.

Can I buy Catastrophic Risk Protection Endorsement (CAT) coverage on MP?

No. MP does not have a CAT level of coverage.

Can I buy a Yield Protection policy or Revenue Protection policy (Base Policy) at the CAT coverage level if I buy MP?

Yes, if the Yield Protection policy also contains planted acres insured at the buy-up level within the county. For example, you may buy a Yield Protection policy that qualifies as a base policy and insure any high-risk acres at the CAT level as allowed by the Basic Provision. MP will attach to the buy-up acres, but not to any CAT acres. This question does not apply to Revenue Protection policies that are base policies, because CAT coverage is not offered for a Revenue Protection policy. MP cannot be purchased for a crop for which all acres of the crop planted in a county are insured under a CAT policy.

Must I have a loss under my base policy before I can have a loss under my MP policy?

No. Losses are determined separately. You may have a loss under your base policy but not under your MP policy, a loss under your MP policy but not your base policy, a loss under both, or no loss under either policy. If you receive an indemnity for a yield or revenue loss under your base policy, this will be considered in determining the amount of your MP indemnity owed.

Can the coverage levels vary by type and practice?

Yes, you may choose any coverage level shown on the actuarial documents for each crop, type and practice.

What is Margin Protection with the Harvest Price Option?

The Harvest Price Option allows you to include replacement cost coverage under the MP policy. Similar to many popular revenue-based policies, if the harvest price is greater than the projected price, the expected margin and the trigger margin are recalculated based on the higher harvest price.

I presently have a Revenue Protection (or Yield Protection) policy with one Approved Insurance Provider (Provider) but I will purchase MP from another Provider. When must the base policy be transferred to the Provider who issues the MP policy?

You must complete the proper documentation to transfer your base policy on or before the sales closing date for MP. The transfer needs to be effective for the same crop year as your MP policy. For example, assume you have a Revenue Protection policy issued by Provider A on your corn crop for the 2017 crop year. You purchase MP from Provider B for the 2018 crop year on or before the MP sales closing date, which is September 30, 2017. The MP policy will be effective for the 2018 crop year. You must complete the form to transfer your Revenue Protection policy to the new Provider B on or before September 30, 2017. The transfer will be effective for the 2018 crop year. Provider A will continue to service your corn policy for the 2017 crop year.

If you fail to complete the required transfer in a timely manner, you must cancel your Revenue Protection policy (or other policy) on or before the sales closing date for MP. Otherwise, you will be deemed to have duplicate coverage on your crop. Your agent can help you make the transfer effective or to cancel the other policy. Make sure your agent is aware that you do have insurance policies with another crop insurance company.

If I have a base policy and MP, will I owe the full premium for both policies?

You will owe the full premium as determined from the actuarial tables for your base policy. However, you will receive a premium credit for your MP policy because any indemnity payments from the base policy will wholly or partially offset indemnity payments from the MP policy, reducing the potential indemnity payments under the MP policy. This is the basis for the premium credit. The amount of the premium credit will depend on the producer’s historical unit yields relative to the county yields for the same years. The premium credit is determined when all information needed to establish liability under the base policy is known, which is after the approved yield has been established and the acreage report filed. Tools for estimating your premium credit will be available at www.marginprotection.com starting July 15, 2018, for the 2019 crop year.

Do I have to pay a separate administrative fee for MP and for the base policy?

Yes. An administrative fee applies to both policies.

What are the premium subsidies for MP?

MP offers the same premium subsidies as other existing area-based plans, which vary by coverage level, as follows:

- For 70 percent coverage, The subsidy factor is 0.59;
- For 75 percent and 80 percent coverage, the subsidy factor is 0.55;
- For 85 percent coverage, the subsidy factor is 0.49; and
- For 90 and 95 percent coverage, the subsidy factor is 0.44.

As a beginning farmer or rancher, am I eligible for an additional subsidy under MP?

Yes. The subsidy for qualifying beginning farmers or ranchers provides an additional 10 percent of premium subsidy and applies to all additional coverage level policies, including MP. For more information on the beginning farmer and rancher program, go to the Risk Management Agency website.

Does the penalty for breaking native sod apply to an MP policy?

Yes, the subsidy decrease for those planting crops on native sod applies to MP. For more information on native sod guidelines go to the Risk Management Agency website.

Am I required to provide a production report if I buy an MP policy?

Yes. The MP policy's Basic Provisions require a production report, the same as Area Risk Protection Insurance (ARPI). If you do not have a base policy, an annual production report must be submitted by you to the Approved Insurance Provider on or before the production reporting date specified in the actuarial documents for standalone crop policy. If you have a Yield Protection or Revenue Protection policy, the production report you submit for that base policy is used for MP, you are not required to submit two reports.

Does MP provide coverage for replanting?

No. MP does not provide coverage for replanting. However, you may buy a Yield Protection or Revenue Protection plan, which provides replanting coverage.

If I plant my crop in the late planting period, is my MP coverage affected? What about if I plant after the final planting date?

Late planting does not affect your MP coverage, so long as the crop is planted prior to the MP final planting date. The MP final planting date is published in the MP actuarial documents The MP final planting date is calculated by adding 25 days to the base policy's final planting date. Any acreage planted during this period retains the same MP guarantee as acreage planted prior to that date. However, any acreage planted after the MP final planting date must be reported as uninsurable. These are the same terms that apply to ARPI.

Does MP provide coverage for acres prevented from being planted?

No. MP does not provide prevented planting coverage. However, you may buy a Yield Protection or Revenue Protection plan and pay the additional premium, which provides prevented planted coverage. MP coverage does not attach to any acres that are prevented from being planted and no MP premium is due.

Are written agreements allowed for MP?

No. Written agreements are not allowed under MP. However, any written agreement authorized under the terms of your base policy can be issued and modifies the terms of your base policy coverage only.

Can I insure Seed Corn, Popcorn, or Corn for Silage under MP?

Consistent with the ARPI program, coverage under MP is extended only for the types listed in the AIB. For 2018, Seed Corn and Silage types are listed in counties where these practices are insurable under APRI. Popcorn is not insurable under MP at the current time.

How are units established under MP?

If you have a base policy, the unit structure will be the same as the unit structure you established under that base policy. If you do not have a base policy, all planted acres of a specific type and practice included on the actuarial tables will be insured in a single unit. Whole farm units are not allowed under MP.

What are the inputs used to determine MP coverage and losses? How are they determined?

Two types of production inputs are specified, those subject to price changes and those that are not subject to price change.

Inputs subject to price changes are, for example, diesel fuel, interest, and certain fertilizers for which projected and harvest prices can be obtained from third-party markets. Price changes for these inputs, along with county yield changes and changes in the price of the commodity, determine whether an indemnity is paid. Inputs subject to price change by crop are:

Corn	Diesel, interest, diammonium phosphate, urea, potash;
Soybeans	Diesel, interest, diammonium phosphate, potash;
Rice	Diesel, interest, urea, diammonium phosphate, potash; and
Wheat	Diesel, interest, urea, monoammonium phosphate, potash.

Fixed-price inputs are seed, machinery operating costs (other than fuel), and similar expenses. These inputs affect the amount of insurance coverage, but do not directly determine whether an indemnity is paid. Price inputs not subject to price change by crop are:

Corn	Pre-harvest machinery, seed, lime, herbicide, and insecticide costs;
Soybeans	Pre-harvest machinery, seed, lime, and herbicide costs;
Rice	Maintenance, chemicals, and application; and
Wheat	Seed, maintenance, chemicals, and lubrication.

The determination of these values is dictated by the terms of the Margin Price Provisions. During price discovery, these prices will be published on a daily basis at www.marginprotection.com.

How are MP Projected and Harvest Prices determined?

The MP projected and harvest prices are determined by futures contracts or swaps market prices from commodity exchange markets. The specific contract, market, and time period used in a given crop and county are listed in the Margin Price Provisions. For more information on the Margin Price Provisions go to the Risk Management Agency website.

What is the basis for coverage under MP? Could you give an example of how a producer's MP coverage is determined?

The dollar amount of insurance per acre is the amount determined by multiplying the expected revenue by the coverage level you chose and by the protection factor you chose. For example, if the expected county yield is 175 bushels per acre, the projected price is $4.00 per bushel, and you chose a coverage level of 90 percent and a protection factor of 1.100, the dollar amount of insurance per acre is 175 × $4.00 × 0.90 × 1.100 = $693.

The protection factor used to “scale” the dollar amount of insurance per acre must be at least 0.80 (80 percent) but less than or equal to 1.200 (120 percent). This allows you to better personalize the insurance amount relative to the county average. The protection factor may vary by each type and practice.

If you choose the Harvest Price Option (MP-HPO), the dollar amount of insurance per acre will be recalculated to be higher if the harvest price is greater than the projected price.

What happens if the trigger margin is zero or negative?

The policy functions in the same manner, whether the margin is positive or negative. In very low price environments, it is possible that prior to planting the expected revenue per acre can be less than expected costs. Based on the design of the MP product, coverage is extended based on the potential change in margin relative to expectations. Even if expected margins are negative, commodity prices could continue to fall, yields could come in below expectations, and input prices could increase. MP is designed to protect farmers from these events even in years when expected outcomes are already negative.

How is the liability calculated and how is it used in MP?

The liability establishes an upper limit on the MP indemnity payments. Growers may elect productivity factors to adjust liability based on their own individual risk management needs.

Example:

Assume a 500 acre unit with a county expected yield of 150 bushels per acre, a productivity factor of 1.10 at a 100-percent share. The liability is:

	150	Bushel County Expected Yield
x	4.00	Margin projected price
x	0.90	Coverage level
x	$1.10	Productivity Factor
$594.00		Insurance amount per acre

Then

$594.00	Insurance amount per acre
x 500	Acres
x 1.00	Share
$297,000	**Liability**

How is a loss triggered?

First, the expected margin (per acre) must be determined. This amount is published in the actuarial documents so neither you nor your agent is required to calculate it. But, to illustrate how it is determined, the expected margin is the result of subtracting the expected cost (per acre) from the expected revenue (per acre). Next, the deductible is determined (see below). The trigger margin is the expected margin less the deductible. The trigger margin is determined on an area basis and not an individual producer level. Therefore, all acres in a county have the same trigger margin for a given coverage level, crop, type, and practice (i.e., same expected county yield and the same expected revenue).

Example of how MP expected margin is determined. First, determine the expected revenue. Assume the MP projected price for corn is $4.00 per bushel. The expected county yield for corn of the insured type and practice is 150 bushels per acre.

The expected revenue per acre = 150 bushels x $4.00 = $600.00

Next, determine the expected costs. Assume the following information has been developed for this county and crop. For most crops, there will be more than two inputs subject to price change.

Allowable inputs	
Diesel fuel	7.5 gallons per acre
Nitrogen	150 pounds per acre
Other inputs	$300 per acre

Projected input prices are $3.50 per gallon for diesel fuel and $1.00 per pound for nitrogen.

The expected costs per acre are:

Diesel		7.5 gallons x $3.50 = $ 26.25
Nitrogen	+	150 pounds x $1.00 = $150.00
Other inputs	+	$300.00
Expected costs	=	$476.25 per acre

The expected margin per acre = $600.00 expected revenue - $476.25 expected costs = $123.75 per acre. This amount is published in the actuarial documents.

The trigger margin is the expected margin minus expected revenue multiplied by (1.00 - the coverage level percent you elected). Assume the coverage level elected is 90 percent.

Trigger margin = expected margin - expected revenue × (1.00 - 0.90) Trigger margin = $123.75 - ($600.00 × (1.00 - 0.90)) = $63.75

A loss is payable if the harvest margin is less than the trigger margin.

If you elect the Harvest Price Option, the trigger margin will be recalculated using the same costs and the harvest price if it is higher than the projected price.

What effect does a loss under the base policy have on MP?

Generally, any indemnity payments made for the base policy will occur first, with any remaining MP indemnity payments occurring later (the following spring) after final area yields become available. The indemnity from the base policy, and any endorsement, is subtracted from the MP indemnity. If the MP indemnity is larger than the base policy indemnity, the amount of the MP indemnity paid will be the difference between the MP indemnity and the base policy indemnity, but not to exceed the total liability under MP. If the MP indemnity is smaller than the indemnity for the base policy, then no additional indemnity will be paid for the MP policy. Payments received for replanting or prevented planting from a base policy, and any acreage insured under the base policy that is not eligible for MP will not be considered.

Could you give an example of how to calculate a loss under MP?

Assume the following outcomes occur for the crop year:

The expected costs per acre are:

Acres planted	=	500.0
Final county yield	=	140.0 bushels
Harvest price	=	$4.00 per bushel
Margin harvest price	=	$4.00 per bushel
Diesel fuel price	=	$4.00 per gallon
Nitrogen price	=	$1.25 per pound
Other inputs	=	$300.00
Base policy indemnity	=	$3,000

The harvest revenue is 140.0 bushels x $4.00 per bushel = $560 per acre.

The **harvest cost** is:

7.5 gallons x $4.00		$ 30.00 (This input is subject to price change)
150 pounds x $1.25	+	$187.50 (This input is subject to price change)
Other inputs	+	$300.00 (This input is not subject to price change)
Harvest costs	=	$517.50 total harvest cost (total allowed inputs both subject and not subject to price change)

The **harvest margin** is:
$560.00 - $517.50 = $42.50 per acre

The indemnity is (see MP Provisions):

	$ 63.75	Trigger margin from example above
-	$ 42.50	Harvest margin

= $ 21.25	(per acre deficiency)
X 500.0	Insured acres
X 1.000	Share
= $10,625	(if no base policy and this amount is less than the liability)
– $ 3,000	Assumed base policy indemnity
= $ 7,625	MP Indemnity after base policy indemnity applied

The liability for MP coverage is $594.00 × 500.0 acres × 1.10 productivity factor × 1.000 share = $297,000. The indemnity calculated with or without a base policy is less than this amount; so, the amount calculated is payable. If the calculated indemnity amounts were greater than $297,000, the indemnity would be limited to $297,000.

When are losses paid?

MP losses are paid when final area yields are available. Wheat is in the spring of the following year. Corn, rice, and soybeans are in the summer of the following year. This is the same timing as Area Risk Protection Insurance, Supplemental Coverage Option, and Enhanced Coverage Option.

For wheat, the final county revenues and final county yields are determined by May 15 following the crop year. If an indemnity is due, the Approved Insurance Provider will issue the payment no more than 30 days after the date the final county yield is determined.

For corn, rice and soybeans, the final county revenues and final county yields are determined by June 16 following the crop year. If an indemnity is due, the Approved Insurance Provider will issue the payment no more than 30 days after the date the final county yield is determined.

What happens if a margin projected price cannot be calculated according to the Margin Price Provisions?

If the margin projected price cannot be calculated by the procedures outlined in the Margin Price Provisions, the margin projected price will be determined by RMA and released by the date specified in the applicable projected price definition in the Margin Price Provisions. The margin harvest price is set equal to the margin projected price RMA establishes. The expected revenue is then calculated by multiplying the expected county yield (by crop, unit, type, and practice) by RMA's determined projected price. The harvest revenue would be calculated by multiplying the final county yield (by crop, unit, type, and practice) by the same RMA determined price.