Important Crop Insurance Information for Clients of Compeer Financial

FALL 2022

COMPEER FINANCIAL

CROP TALK

In this issue:

Happy Holidays

from your Compeer Financial Insurance Team

At Compeer, we're fortunate to have vast resources at our disposal. Being able to combine and deliver these resources is the very essence of our Team Relationship Model and central to helping you succeed in the upcoming crop year. Spring planting is a few months away, but today you have the perfect opportunity to utilize our people, expertise, products, connections, tools and other resources to help you make 2023 crop insurance decisions.

The first decision you'll need to make for 2023 is whether to make any changes to ARC or PLC at the FSA office. We continue to see a growing number of our clients leverage the Supplemental Coverage Option (SCO) if PLC is elected. This shallow loss policy was a result of the last Farm Bill. If you're interested in reviewing your options, we can pull up your county and complete a "what-if" scenario with you. With a new Farm Bill on the horizon, it will be interesting to see what changes are made later this year. Check out Perry Aasness' article on page 7 for his thoughts.

When it comes to your Multiple Peril Crop Insurance (MPCI) decision, there are a couple of driving questions that will allow our insurance officers to pair the right products to your operation. Mainly, what are your costs of production or breakeven numbers? If you're not sure where to start, go to compeer.com and use our Margin Manager tool. Knowing these numbers will guide our conversations on what coverage level will meet your needs. From there, we can leverage our Optimum tool to analyze your data and determine if individual coverage is enough or if we need to layer county-based coverage on top. Either way, you'll want to compare the value you get from the different products and options.

We know products for hail, wind and replant can be important to a risk management package. That's why we created Hail Pro over the last year. It's a tool that allows our insurance officers to compare rates, review plan options and recommend what makes sense for you. Our goal is to align you with the best valued options for when you want to plant early, suffer a hail loss, have corn knocked down from wind or need to replant.

Thad Stauffer
Director, Insurance Strategies

At Compeer, we continue to invest in your success. We've expanded our online tools and resources for our dairy and livestock clients. Our Livestock Insurance Analyzer has been enhanced to include Livestock Gross Margin (LGM) Dairy and Livestock Risk Protection (LRP) to go with Dairy Revenue Protection (DRP). In 2023, we plan to roll out an option that gives our DRP clients the ability to initiate the process to secure an endorsement. When you see a revenue guarantee that meets your needs, you can get things started from your end. We also have bi-monthly Dairy Market Update calls with Marin Bozic from the University of Minnesota. Ask your insurance officer how you can access these informative calls.

Before you peruse the rest of our newsletter, let me bring your attention to other resources available to you. MyCompeer is your spot for insurance documents. After we complete an insurance transaction, we share your approved documents to your personal and secure MyCompeer site. This allows you to get your documents when you want them. I also want to highlight educational opportunities found at compeer.com. We'll be providing a number of webinar options for you to stay connected before the March 15 sales closing date. You can register on our website at the link provided later in this newsletter.

Delivering an exceptional client experience is at the heart of everything we do. That's why we continue to invest in our team and resources to better serve you. We value our partnership with you in helping you succeed.

Online Renewals

Compeer is committed to providing robust and secure online tools to help our clients get business done — where and when you want. That's why we provide options for renewing your crop insurance policy.

If you're not making any changes to your crop insurance policy, your Compeer insurance officer can send you an email so you can review your policy coverage from last year and easily renew with a click of the mouse.

If you're interested, please contact your Compeer insurance officer.

Offices Closed for Holidays

Compeer Financial offices will be **CLOSED** on the following days in celebration of upcoming holidays:

Monday, December 26, in observance of **Christmas Day**

Monday, January 2, in observance of **New Year's Day**

Monday, January 16, in observance of **Martin Luther King Jr. Day**

YOUR CROP INSURANCE DOCUMENTS HAVE GONE DIGITAL!

We all have paperwork piling up throughout the year. To help you reduce that pile but still have your crop insurance information at your fingertips, Compeer is now providing your crop insurance resulting documents online in the MyCompeer portal.

With MyCompeer, you'll enjoy the convenience of secure online access. MyCompeer is available 24 hours a day from your desktop, tablet or smartphone. Crop insurance documents that you can find in MyCompeer include:

- Confirmation of Coverage
- Schedule of Insurance
- Approved Production History

You can also view your policy coverage on the MyCompeer page.

Enrolling in MyCompeer is quick and easy.
Visit compeer.com/mycompeer or call us at (844) 426-6733.

Third-Party Access
Granting third-party access to your crop insurance documents is easy — your insurance officer or our service team can help you fill out a form. Once enrolled and authorized, the third party can easily and securely access your crop insurance documents at their convenience.

Opt Out
Wish to opt out of electronic document delivery? Or, currently receiving a mailed copy and would prefer to be 100 percent digital? Contact your insurance officer or call us at (844) 426-6733.

Note: By enrolling in MyCompeer, you also have access to our exclusive MyLearning platform with content tailored to our clients and their operations. Topics include developing a grain marketing plan, balance sheet basics, cost of production, transition planning and more. Check it out!

LOOKING AHEAD AT 2023 CROP INSURANCE DECISIONS

Producers will soon be thinking of what crop insurance coverage to elect for the upcoming 2023 crop year. The Margin Protection deadline was September 30, and we saw expected prices set at $6.11 for corn and $13.56 for soybeans. Both are up substantially from past years — and so are input costs. Many producers are thinking 2023 prices will stay relatively flat to higher and many have passed on the Margin Protection options. We hope they're right!

With rising costs, the 2023 crop year will present similar challenges to 2022: ensuring profitability. Although a lot can change before the end of February, now is a great time to start getting a risk management game plan together.

December 2023 prices continue to remain strong. Commodity prices are up, but input costs are also way up. Using Compeer's Grain Margin Manager tool (example at the right), the total expense per acre on corn for this specific operation at the time of writing is $1,057. This projection looks pretty good using a $5.70 cash price and a 200 bu/acre average next year. We can all agree that would be a profitable scenario. But what happens if that price drops? What happens if a wind storm or any adverse weather event hits? Knowing the numbers for your operation is very important to make sure you're properly protected with crop insurance.

0	Corn	Soybeans	Other
Description			Other Crop
	0	0	0
Acres	100	100	0
	Dropdown for APH Yield or Expected		
Revenue Estimate per Acre	Expected Yield	Expected Yield	Expected Yield
YIELD Bushel/Acre	200	57	0
Cash Price $/Bushel	$ 5.70	$ 13.30	$ -
Crop Revenue/Acre	$ 1,140	$ 758	$ -
Govt Payment (avg over acres)	$ -	$ -	$ -
Total Revenue per Acre	**$ 1,140**	**$ 758**	**$ -**
Expense Estimate per Acre			
Chemicals	$ 50	$ 60	$ -
Crop Insurance	$ 50	$ 30	$ -
Custom Hire	$ 25	$ 15	$ -
Labor Hired & Employee Benefits	$ 17	$ 12	$ -
Fertilizer and Lime	$ 250	$ 85	$ -
Gas/Fuel/Oil	$ 35	$ 21	$ -
Insurance	$ 12	$ 9	$ -
Operating Interest	$ 20	$ 15	$ -
Repairs/Maintenance	$ 46	$ 33	$ -
Seed/Plants	$ 132	$ 66	$ -
Storage/Drying/Warehouse	$ 30	$ 2	$ -
Supplies	$ -	$ -	$ -
Trucking/Freight	$ 3	$ 2	$ -
Utilities	$ 8	$ 6	$ -
Other Expense	$ 14	$ 10	$ -
Other Expense	$ -	$ -	$ -
Total Direct Expense per Acre	**$ 692**	**$ 366**	**$ -**
Land Cost (P&I + Rent + RE Taxes)	$ 300	$ 300	$ -
Machinery Cost (P&I + Lease)	$ 65	$ 65	$ -
Total Capital Expense per Acre	**$ 365**	**$ 365**	**$ -**
Family Living Expense	$ -	$ -	0
Non-Farm Income & Wages	$ -	$ -	0
Net Family Living Expense	**$ -**	**$ -**	**$ -**
Total Expense per Acre	**$ 1,057**	**$ 731**	**$ -**
Net Margin per Acre	**$ 83**	**$ 27**	**$ -**
Break-Even per Bushel	**$5.29**	**$12.82**	**$0.00**
Total Revenue	**$ 114,000**	**$ 75,810**	**$ -**
Total Expenses	**$ 105,700**	**$ 73,100**	**$ -**
Net Margin	**$ 8,300**	**$ 2,710**	**$ -**

Let's assume prices continue to increase through February and the February average for crop insurance is $6.50. Then an 80% level coverage (200 APH) would provide you with $1,040. Depending on your APH and land cost, you may choose to supplement 80% level with SCO and some with ECO to add extra area-based revenue in case prices drop. SCO can add $78 coverage from 80%–86% and ECO at the 95% level can add an additional $117 of coverage. Other producers continue to use hail and wind policies to provide that extra security in case Mother Nature doesn't cooperate.

We can't be certain what next year will look like, and crop insurance decisions can sometimes feel overwhelming. Here are some steps you can take now to help with the decision-making process:

- **Get working on your breakeven numbers.** It might be frustrating to think about rising input costs, but those are largely out of your control. Keep track of what they are and use a tool such as Compeer's Grain Margin Manager to help nail down your breakevens. compeer.com/grain-margin-manager
- **Voice what you're concerned about** to your Compeer insurance officer (besides just covering costs). If wind and/or hail is on your mind, make sure your insurance officer knows it.
- **Ask your Compeer insurance officer about your correlation to the county.** This will help narrow the focus if a county-based plan makes sense for your operation.
- **Use the tools available from your Compeer crop insurance team.** The tools can help you organize your farming data compared to policy options so you can feel comfortable knowing that your costs are covered. If you're considering adding or leveraging SCO or ECO, your insurance officer can quickly look at producer yields versus county yields with our Optimum tool.

Compeer continues to invest in technology and resources to help our clients make unbiased, data-driven decisions. We aim to help you navigate the coverage options available and manage the risks that can impact the success of your operation while reducing frustration and difficulty along the way. Contact your Compeer insurance officer to get started today.

Learn more about Compeer's Grain Margin Manager tool:

compeer.com/grain-margin-manager

TRANSITIONAL & ORGANIC GROWER ASSISTANCE

Agriculture producers who have crop insurance coverage on crops in transition to organic or a certified organic grain or feed crop are eligible for premium assistance from USDA for the 2023 reinsurance year. The Transitional and Organic Grower Assistance (TOGA) Program, offered by USDA's Risk Management Agency (RMA), reduces producers' overall crop insurance premium bills and helps them continue to use organic agricultural systems.

RMA's TOGA is a nationwide program that is part of USDA's Organic Transition Initiative, a bundle of programs to build better markets for American growers and consumers. The goal is to improve the resilience of the food supply chain and address the economic challenges that arose due to the COVID-19 pandemic.

Eligible producers will receive a discount on their premium billing statement:

- For crops in transition to certified organic, producers can receive 10 percentage points of premium subsidy.
- For organic grain and feed crops, producers can receive $5 premium assistance per insured acre.
- For Whole Farm Revenue Protection (WFRP) policies covering any number of crops in transition to organic or crops with the certified organic practice, producers can receive 10 percentage points of premium subsidy. Producers who have additional individual crop insurance policies will also receive the applicable premium assistance on those policies.

Producers will automatically receive premium assistance on the premium billing statements for the 2023 reinsurance year, which covers applicable policies with sales closing dates from July 1, 2022, to June 30, 2023. To be eligible, producers must buy an additional coverage policy. The subsidy benefit is limited to no more than the total premium amount owed. Producers will not receive a payment if the calculated subsidy amount is greater than their bill. If a producer purchases an underlying policy and an additional endorsement, RMA's TOGA premium subsidy only applies to the underlying policy. Therefore, RMA's TOGA subsidy will not apply on premium owed on:

- Enhanced Coverage Option (ECO)
- Supplemental Coverage Option (SCO)
- Hurricane Insurance Protection-Wind Index (HIP-WI)
- Post-Application Coverage Endorsement (PACE)

For Margin Protection (MP) and Stacked Income Protection (STAX), the subsidy will apply if purchased as a stand-alone policy but not if purchased as an endorsement to other underlying coverage.

Contact your Compeer insurance officer for more information.

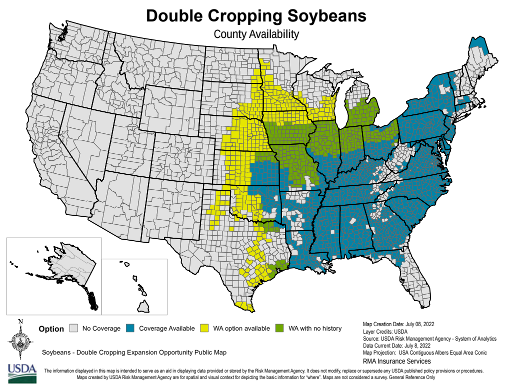
DOUBLE CROP EXPANSION

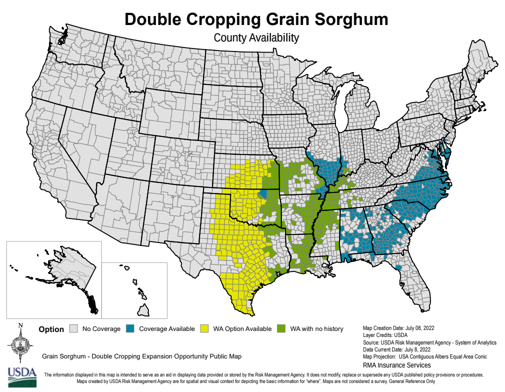
On July 12, the Biden Administration announced additional steps its taking to support U.S. farmers in their work to stabilize food prices and feed Americans and the world amid continuing challenges such as COVID-19, supply chain disruptions and the invasion of Ukraine by Russia. The USDA is reducing the economic risk of raising two crops on the same land in one year (known as double cropping). This makes it easier for U.S. farmers to grow food in America, increase the supply and lower food costs for American families.

For soybeans, double crop coverage will be expanded to or streamlined in at least 681 counties. This includes all those that were initially targeted for review. While some additional counties were permanently added as double crop counties, the majority of expansion removed barriers (like requiring production records showing a history of double cropping) and streamlined the process to get personalized coverage through a written agreement.

A written agreement is the process to get individual crop insurance coverage in a county where soybeans and grain sorghum are not insurable after a first crop. The producer works with their insurance officer and Approved Insurance Provider (AIP) to obtain coverage. AIPs and insurance officers are familiar with the written agreement process; it's long been a way producers in certain counties can obtain coverage when it is not permanently available for their specific crop or practice.

As shown on the maps, a written agreement is still required for all green and yellow highlighted counties. However, the green counties don't need to prove a history of double cropping in the past. The yellow counties will have to provide production records proving double cropping history. The blue counties don't require a written agreement as double cropping is already insurable in those areas.





Breaking Down the Basics of LRP

Livestock Risk Protection (LRP) is an insurance program available to swine, fed cattle and feeder cattle producers. It protects against a decline in market price below your selected coverage price with no limit on the upside price potential.

Available coverage levels, ranging from 70–100%, determine the percentage of subsidy (35–55%) applied to help make premiums more affordable. Coverage is typically offered daily, Monday through Friday. Producers are not required to pay anything up front because premiums aren't due until the end of the coverage period.

There are no minimum head requirements for coverage, and the maximum head limits have recently increased, allowing a wider range of operations to use this program. There is flexibility to choose the endorsement length that matches up most closely to when the livestock are expected to be sold. And covered livestock may be marketed up to 60 days before the selected end date. There is also the option to cover unborn feeder cattle and swine.

Farm Credit Livestock Insurance Analyzer

To help our clients make better LRP coverage decisions, Compeer has invested in the Farm Credit Livestock Insurance Analyzer. This exclusive tool includes an LRP premium quoter, the option to receive daily quotes via email, a comparison of LRP coverage to CME puts, and endorsement tracking, which shows the details of your active endorsements with forecasted indemnity numbers that are updated daily. The Livestock Insurance Analyzer also has important features for producers using Dairy Revenue Protection and Livestock Gross Margin for dairy.

Farm Credit Livestock Insurance Analyzer screen examples:

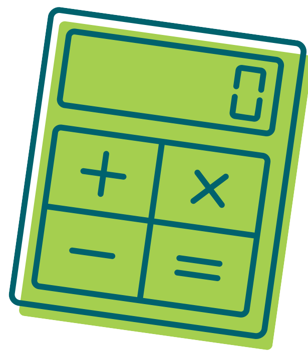
Expected Price ($/cwt)	Coverage Percentage	Coverage Price ($/cwt)	Producer Premium ($/cwt)	Net Guarantee ($/cwt)	CME Put Comparison Month	CME Futures Price	Coverage Price Minus CME Futures Price	CME Put Comparison Strike	CME Put Premium	LRP Premium/CME Put Cost
$195.35	99.03%	$193.45	$3.84	$189.61	Jan, 2023	$177.72	$15.73	$178	$6.05	63%
$195.35	97.90%	$191.25	$3.11	$188.14	Jan, 2023	$177.72	$13.53	$174	$4.22	74%
$195.35	96.77%	$189.05	$2.49	$186.56	Jan, 2023	$177.72	$11.33	$172	$3.48	72%
$195.35	95.65%	$186.85	$1.96	$184.89	Jan, 2023	$177.72	$9.13	$170	$2.83	69%

Endorsement Summary

End Month	Commodity	Number of Head	Total Weight	Coverage Price ($/cwt)	Producer Premium ($/cwt)	Net Guarantee ($/cwt)	Forecasted Indemnity ($/cwt)	Last Update
Oct 2022	Swine	100	225	$92.00	$4.02	$87.98	$1.40	09/27/2022
Nov 2022	Swine	100	225	$91.01	$3.76	$87.25	$10.55	09/27/2022
Dec 2022	Swine	100	225	$87.40	$3.66	$83.74	$6.38	09/27/2022

Contact your Compeer insurance officer for more information on this powerful tool and these livestock insurance programs to protect your operation against the uncertainty of today's markets.

TAX STRATEGIES FOR A YEAR OF HIGH COMMODITY PRICES



During the last few years — 2022 is no exception — prices have been doing quite well in the world of agricultural commodities. In years of higher income, tax planning becomes imperative to avoid any surprises at tax time.

Agriculture has more opportunities to tax plan than other industries, so it's important to take advantage of those chances when they arise. Consider the following food for thought to help spread income more evenly across years:

- **Set up properly structured deferred payment grain contracts in small bushel amounts.** Even if deferred, it's possible to elect to bring that income into 2022 versus 2023 if at tax time you determine that you could report more income. You can make the election on a contract-by-contract basis. If only one large contract is set up, it may not be workable to elect reporting that full amount in 2022 and forces that income to remain in 2023. If many contracts are set up, it may become more feasible to pick and choose which of those contracts could be reported as income in 2022 with the rest deferred until 2023.
- **Prepay expenses like feed, seed, fertilizer, chemicals or other farm supplies.** Note there are some limitations on this opportunity, but it's worthwhile especially as input prices continue to rise and availability may be limited.
- **Defer crop insurance income recognition if you received payment for crop damage**, as long as under normal business practices, you would have included income from the sale in gross income in the following year. Note that payments for revenue protection policies are ineligible for this deferral opportunity.
- **Purchase capital assets that allow for accelerating depreciation deductions into the current year.** With the reduced availability of equipment and increasing interest rates, think about whether you really need to make a purchase. To take advantage of those depreciation benefits, like bonus depreciation or Section 179, you need to receive the equipment by the end of the tax year. Also note that any trade proceeds received in a purchase are considered income.
- **Gift commodities to charity.** This strategy can save not only on ordinary income tax but self-employment tax as well. The key in this gifting strategy is ensuring the title of the commodity is transferred to the charity before selling to the co-op. The charity is then responsible for the storage/selling of the commodity.

Note most of these options are for cash basis versus accrual taxpayers. Always talk to a tax adviser to determine the best action to take for your situation.

Finally, consider paying more tax this year, given that tax rates are still as low as they've ever been. If the tax is manageable, it may be beneficial to hold onto some of the extra cash to pay down debt or self-finance 2023 inputs. Additionally, consider funding more liquid retirement plans rather than only relying on land and equipment alone.

Fortunately, there are no major tax law changes in the pipeline that would inhibit proper tax planning now. The 2022 Inflation Reduction Act was recently passed, but this legislation mostly deals with various energy tax credits, providing additional IRS funding, extended benefits for those on ACA Marketplace insurance, and extension of the Excess Business Loss rules.

Tax planning schedules will fill up quickly this year, so be sure to schedule with your current tax adviser soon. To connect with a Compeer tax consultant, please call us at (844) 426-6733.

LEGISLATIVE AFFAIRS UPDATE

Perry Aasness, Vice President of Legislative Affairs

The Agriculture Improvement Act of 2018 (also known as the Farm Bill) is set to expire on September 30, 2023. Conversations have already begun among U.S. farm and commodity organizations to identify their 2023 Farm Bill priorities. Additionally, both the U.S. House and Senate Agriculture Committees have held hearings and listening sessions to get input into what is working and new ideas for the next Farm Bill.

The current Farm Bill includes 12 titles, encompassing commodity programs, credit, conservation, trade, rural development, research, foreign and domestic food programs, and many other policies and programs. Four titles account for 99 percent of the 2018 Farm Bill's mandatory spending: Nutrition (Title IV), Commodities (Title I), Crop Insurance (Title XI) and Conservation (Title II).

As Congress begins its work in developing and passing a 2023 Farm Bill, below are some key questions that will impact it:

- Will there be any new funding available to write a Farm Bill? The cost of the next Farm Bill will for the first time exceed $1 trillion due to ever-increasing costs of food nutrition programs, which account for about 75 percent of the current Farm Bill. Nutrition program costs are expected to rise to 85 percent of the Farm Bill without extra dollars added to the Farm Bill baseline.

  Without new budget authority, it will be difficult for the ag committees to consider funding improvements to the farm safety net, like increasing reference prices for ARC or PLC, or consider new ideas without cutting programs in other areas.

- How healthy is the U.S. farm economy? While commodity prices have been at or near historic highs in recent months, input costs for farmers have risen as well. The ag committees will likely discuss whether current Title I programs like ARC and PLC are still relevant, given current economic realities in agriculture, and whether they provide an adequate safety net for producers. U.S. agriculture saw significant help with billions in assistance the last few years through programs like the Market Facilitation Program (MFP) and the Coronavirus Food Assistance Program (CFAP).

- Will the next Farm Bill have a conservation title or a climate title? The climate change issue is clearly a priority for the Biden administration and Democrats in Congress. However, many Republicans serving on the Agriculture Committees have registered concerns over USDA tapping into the Commodity Credit Corporation (CCC) to fund climate-related incentive programs for agriculture without congressional authorization or oversight.

  Another factor that could impact conservation/climate-related funding in the next Farm Bill is the $19.5 billion included in the Inflation Reduction Act. Those dollars boost funding for existing USDA programs (EQIP, CSP, etc.) to help farmers implement climate-smart practices. This approach to climate change funding as it relates to agriculture may come under scrutiny.

Getting a Farm Bill passed will require some level of bi-partisan support from members of Congress in rural districts and those representing urban/suburban districts, for which nutrition programs are a top priority. An extension of the current Farm Bill for an additional year or two is not out of the realm of possibility if Congress is unable to reach an agreement by September 30, 2023.

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2600 Jenny Wren Trail
PO Box 810
Sun Prairie, WI 53590

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Mark your calendar!

CROP INSURANCE VIRTUAL UPDATE

WEDNESDAY, JANUARY 11 | 10:00 AM

Compeer Financial insurance experts will provide a 2023 spring crop insurance update and discuss what that means for your operation. Topics will include:

- **Multi-peril crop insurance:** *Tools to help you choose the best coverage*
- **Double-crop expansion:** *Evaluate whether the new double-crop insurance expansion will work for you*
- **Transitional & Organic Grower Assistance Program:** *What to know if you're considering the transition to organic*
- **Emergency Relief Program:** *Explore your eligibility for coverage from losses due to flooding, derecho, tornadoes, blizzards or other natural disasters*
- **Additional 2023 changes**

Register today! **compeer.com/webinars**

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