

2026 STRATEGIC RISK MANAGEMENT MANUAL

Subtitle: Capital Preservation & Equity Defense for High-Capacity Operations

I. THE EQUITY DEFENSE STRATEGY

The Concept: Shift the conversation from "premium cost" to "asset protection."

- **The Fact:** In a multi-million dollar operation, a single catastrophic year doesn't just lose money; it forces the liquidation of machinery or land, compromising the farm's future.
- **The Strategy:** Position insurance as **Off-Balance-Sheet Capital**. The premium is a fixed management fee that ensures the farm doesn't have to self-insure with its own cash or equity. By securing a high floor, the grower is "pre-funding" their ability to plant the following year regardless of market or weather conditions.

II. MAXIMIZING THE DISCOVERY WINDOW

The Concept: Turning the February Price Discovery period into a proactive consulting window.

- **The Fact:** The 2026 Projected Price is determined by the February average of the CME new-crop futures. This is the "strike price" for the grower's entire revenue floor.
- **The Strategy:** Do not wait until March 14 to talk to your clients. Track the **CME Daily Averages** throughout February.
 - **If prices are high:** Use the data to show how many millions in revenue they can lock in *now*.
 - **If prices are sliding:** Focus on **Yield Protection** and **SCO/ECO** to ensure the volume of bushels can offset the lower price point.

III. STRATEGIC LAYERING LOGIC (SCO & ECO)

The Concept: Closing the "Deductible Gap" to protect operating margins.

- **The Fact:** A standard 85% RP policy leaves a 15% deductible. On a 5,000-acre corn operation at \$800/acre revenue, that 15% gap is **\$600,000 uninsured risk**.
- **The Strategy:** Implement **Area-Based Triggers** to protect that top-tier revenue.
 - **SCO (Supplemental Coverage Option):** Bridges the gap from the base policy up to 86%.
 - **ECO (Enhanced Coverage Option):** Extends that protection up to 90% or 95%.
- **Tactical Advantage:** Highlight that ECO 95% is often the "profit layer." It triggers on county-level shallow losses, which occur more frequently than farm-level disasters, providing more consistent liquidity.

IV. THE "SYNTHETIC BUSHEL" MARKETING STRATEGY

The Concept: Using insurance to eliminate "delivery fear."

- **The Fact:** Marketing fear stems from the risk of being "short on bushels" if a forward contract is signed and the crop fails.
- **The Strategy:** Revenue Protection (RP) provides the cash to buy out of a failed contract at harvest prices.

- **The Pitch:** *"With this stack, your first 60% of production is guaranteed. You aren't just buying insurance; you're buying the freedom to sell grain into a summer rally without fear of a production shortfall."*

V. 2026 CRITICAL DATES & COMPLIANCE CALENDAR

Date	Milestone	Field Action Item
Feb 1 – Feb 28	Price Discovery	Call top clients weekly with the current CME average.
March 15	Sales Closing	HARD DEADLINE. Ensure all ECO/SCO elections are signed.
April 29	Production Reporting	Verify every bushel. Check for YE (Yield Exclusion) eligibility.
July 15	Acreage Reporting	Audit the FSA-578 vs. the map. Ensure "Initial Plant" dates are accurate.
Aug 15	Premium Billing	Review the "Cost per Bushel" with the grower to validate value.
Dec 10	End of Insurance	Final claim window opens. Inspect every field before harvest ends.

VI. THE "MILLION-DOLLAR" PRE-VISIT CHECKLIST

High-level operations expect a professional "dossier." Bring these specific items:

- [] **The "What-If" Matrix:** A sheet showing three scenarios: 20% price drop, 20% yield drop, and a "double hit" (both drop). Show the indemnity for each.
 - [] **APH Audit History:** Identify the 3 lowest years in their 10-year history. Show them exactly how **Yield Adjustments (YA)** or **Trend Adjustments (TA)** have "saved" their average.
 - [] **FSA Comparison Report:** Have the 2025 FSA-578 ready. Ask: "Has any of this ground moved into a different entity or T-Yield map this year?"
 - [] **County vs. Farm Benchmark:** Data showing how the county yield has historically tracked against their farm yield (essential for SCO/ECO confidence).
 - [] **Forward Pricing Position:** Know their break-even cost. If they don't know it, help them estimate it so you can set the insurance floor above that number.
 - [] **Strategic "Stack" Proposal:** Have a printed visual showing three options: *Conservative* (Base RP), *Balanced* (RP + SCO), and *Aggressive* (RP + SCO + ECO 95%)
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VII. PUTTING THE GROWER AT EASE

The "Unused Premium" Conversation: When a grower says, "I never get a check," pivot to the **Lender Security** angle.

- **The Response:** *"Think of this premium as an 'interest rate buy-down.' Because your bank knows your revenue is guaranteed to 95%, you are the safest loan in their portfolio. That guarantee is what keeps your operating line open and your interest rates competitive."*