



Dick Gorman
CFO/COO
815-284-9792

TECHNOLOGY—HOW IS YOUR FOUNDATION?

When you set out to build a house or a barn or any structure, the foundation is critical. It must carry all the weight and set a solid footing for all that is built upon it. I have watched workers take great care in laying out the placement of footings and forms at a construction project knowing that a mistake in the foundation would doom the plans. It is that basic, unified part of the building that allows all the other parts of the structure to fit together. The same holds true for the technology you use in your business operation. The computer, its operating system, data management processes, backups, software components, emails and internet access creates a foundation for your technology structure.

Often, this foundation has been put together in pieces. Computers are purchased and as new software applications become available, they are added. Then an internet service provider becomes available or offers a better deal, so a change is made. That change might require a new email account. New farming equipment is purchased with Precision Ag components. Smart phones are added to make email more available. Throw in an iPad and now you have everything you need; except, the emails must be read at the iPad, the smart phone and the computer. The information that you need is on the computer and you have the iPad. The Precision Ag information is in the tractor and there is no procedure to get it into the computer. The backup takes place every Friday, if the computer is left on. The backup is on an external hard drive that sits next to the computer, which isn't a problem unless they are both destroyed in the same accident. Not everyone has the technological knowhow (Geekiness) to know what to do to unify the foundation.

We do. AgPerspective has recently introduced a Technology Consulting service for our clients. We did this after reviewing our own business technology and found that large investments being considered would not be effective. Our programs were nearing capacity, information accessibility from outside the office was inefficient, backups were haphazard, and all the pieces didn't work well together. Over the past three months our technology has undergone significant change. The improved efficiencies and capabilities are tremendous. The connectivity, accessibility, security and management of our information allow us to operate better from Dixon, Illinois to Elizabethtown, Kentucky and everywhere in between.

Our Technology Consulting focuses on your technology foundation. We will recommend policies and procedures to secure your data, suggest data management solutions that allow for access to information from multiple devices, synchronize data among multiple devices and provide guidance to insure that the large investments being made in Farm Management and Precision Ag programs will have strong support from your basic foundation.

Please contact your area AgPerspective representative or our home office to discuss how these services might benefit your operation.

ISSUE

04

December
2011



AGPERSPECTIVE INC

R I S K M A N A G E M E N T

this issue

Wind Insurance **P.2**

Navigating the 2012 Marketing Year **P.3**

Technology—How Is Your Foundation **P.4**

iPad Promotion and Technology

Consulting—Special Insert



THE CFTC MAKES CHANGES

Most that have read anything about the collapse of MF Global only understand the very end of the transaction where MF Global seems to have illegally wire transferred customer segmented funds to cover or float losses on foreign bond transactions. Almost immediately people have two reactions: 1) They can't use customer segregated funds to cover losses and 2) why was a futures clearing merchant investing in Euro bonds anyway? Despite what now seems like an epic and possibly fraudulent failure, the initial transactions that led to the downfall of MF Global were completely legitimate and previously legal. Understanding just what happened and the moves made in the wake of such a blow-up provide an interesting case study in how our banking, stock market and economic rating systems work and interact.

It is important to understand that FCMs and Broker-Dealers operate just like your local bank. When money is on deposit it simply doesn't sit there waiting to be traded or picked up. It is loaned out or in other ways utilized to earn interest. In the bank setting, the customer is paid some amount of interest on the money on deposit with any additional interest earned becoming realized profit for the bank. In the case of Futures Merchants, they rarely offer any interest rates on margin accounts so all transactional interest earned with customer accounts is profit. The types of transactions that FCMs are allowed to invest in are governed by CFTC rule 1.25. Which more or less relied upon rating agencies to assign what was "safe" for investment. Until recently Foreign Debt was allowed.

If they only invest in safe debt products how did the situation get so far out of hand? This likely is in part to MF Global being a publicly traded company and the CFTC not regulating position sizing and leverage. Perhaps faulty ratings agency oversights contributed as well. Because they were publically traded, the CEO works for the shareholders who demand little else besides profits and dividends with little at risk other than their initial stake. In an effort to boost returns, CEO Corzine became deeply leveraged in foreign debt assets, particularly in the Euro Zone. When turmoil struck, the counterparty risk departments on the assets demanded more collateral (think: margin requirement). It is this particular point where the details get hazy but it appears that when they were unable to meet the increased collateral requirements they illegally moved customer segregated account money into their corporate margin account and they inexplicably tried to sell themselves to keep the outfit going.

To protect clients going forward the CFTC voted unanimously to ratify rule 1.25 with the most interesting and important changes of decoupling the investment choices from the ratings agencies which perhaps is the "you've-failed-us-for-the-last-time" vote from Uncle Sam. It also regulates position sizing based on who is issuing the debt and type of debt held, which eliminates the ability to invest in foreign debt all together.

Experience

Knowledge

Trust

AgPerspective Inc is an equal opportunity insurance provider.



Ryan Walsh

AGPERSPECTIVE COMMODITIES

There is a risk of loss in all futures trading. The information and opinions contained herein comes from sources believed to be reliable, but are not guaranteed as to accuracy or completeness.

AgPerspective Commodities is an introducing broker for R.J. O'Brien and Associates Inc.



1319 N Galena Ave
Dixon, IL 61021
815-284-9792
www.agperspective.com

WIND INSURANCE

Every spring there is a sense of excitement at the chance this may be the biggest crop you have ever grown. Each year also comes the perils that you need to protect against, whether that is drought, flood, insects, hail or wind. Wind by far is the last thing on a farmer's mind when they are insuring for the next years' crop but farmers in Northern Illinois were widely affected by wind in 2011. Everyone in Northern Illinois saw what kind of destruction and mess wind can make of a corn crop. This is why Agperspective has been working in conjunction with ADM to update and revise our wind policy to be more advantageous to the you.

AgPerspective is working in conjunction with ADM to add pollination coverage to our existing Wind Policy. The final agreement on how this pollination coverage will work is not finalized but we are very excited to have this type of coverage included. The most common concern of wind damage is green snap. Our wind coverage covers much more. Here are the some of the highlights of this policy and how it works.

1.) Available for corn and seed corn

2.) Green Snap Wind Loss is defined as stalks that break off above the brace roots and below the ear, so the ear cannot be harvested. This policy does not cover loss due to insects, disease, chemical damage or any other cause other than the cause specified in this endorsement.

3.) Insurance Period – Begins at 7 leaf and ends on October 31st. (Most companies begin at 11 leaf and expire anywhere from September 15th to October 15th.)

4.) Amount Payable - Excess over 5% loss – Disappearing at 25% - DXS5. This means that nothing is paid until there is at least a 5% loss. After 5% the insured's loss will be multiplied by 1.25.

Ex.) Assume \$900 of hail and Green Snap "Plus" Coverage

Green Snap loss = 3% = No indemnity

Green Snap Loss = 15% = 15-5 = 10% * 1.25 = 12.5% * \$900 = \$112.50/ac indemnity

Green Snap Loss = 25% = 25-5 = 20% * 1.25 = 25% * \$900 = \$225.00/ac indemnity

Coverage under this endorsement is reduced by any payments made under the underlying Crop-Hail Policy i.e. if the insured has a 20% hail claim and a 20% wind claim the insured will be paid 20% on the full 100% or (.20 * \$600 = \$120) for the hail damage. Then the insured will be paid 20% on the remaining \$480 for the wind damage i.e. (.20 * \$480 = \$96).

5.) Extra Harvest Expense i.e. down corn – An amount will be paid for extra harvest expense if the corn stalks are blown down such that the angle between the stalk and the ground is not less than 20 degrees and the distance from the ear shank of the highest ear and the ground is less than 12 inches. Grower must have a minimum of 20 acres of down corn to qualify.

6.) Amount Payable for Corn Blown Down - Company will have a liability for 8.0% of the insurance per acre times the acres down. The payable loss for acres blown down will be netted against all hail and green snap damage paid. (Using example above policy would pay \$900 * 8% = \$72/ac for all acres of down corn)

7.) Unrecoverable Ears – Coverage can be added for non-harvestable or non-recoverable ears of field corn left on the ground as a result of damage from wind. Adjuster will estimate what percentage of ears was left on the ground, subtract the deductible, and then multiply this number by the amount of insurance per acre. Coverage is reduced by any payments made under the underlying Crop-Hail Policy. Grower cannot chisel plow until an adjuster has completed their ear loss estimates.

When the details of Pollination coverage are finalized, AgPerspective Inc. will be available to explain the coverage in detail and answer questions about how it may limit your risk exposure.

Please call AgPerspective with any questions you may have about wind insurance at 815-284-9792.



**NICK
EMMERSON**

**SERVICE
SPECIALIST**

815.284.9792

**IMPORTANT
UPCOMING
CI DATES**

**SALES CLOSING
3-15-12**

**PRODUCTION
REPORTING
4-29-12**



**TROY
RASMUSSEN**

**AGPERSPECTIVE
COMMODITIES**

**TROY
RASMUSSEN
OR
RYAN WALSH**

**815-28GRAIN
(815-284-7246)**

There is a risk of loss in all futures trading. The information and opinions contained herein comes from sources believed to be reliable, but are not guaranteed as to accuracy or completeness.

AgPerspective Commodities is an introducing broker for R.J. O'Brien and Associates Inc.

NAVIGATING THE 2012 MARKETING YEAR

Producer questions continue to be focused on when and how to market the 2012 crop. We have been blessed over the last 17 months that the market has offered us consistent opportunity to sell at profitable levels. Since June 30, 2010 CME corn futures have traded over \$4.00 per bushel and profits grew from that point on the rally that ended August 30, 2011. Suddenly, we are forced with rising break even costs near \$5.00 per bushel while December 12 futures slide lower. This is NOT a comfortable place to be. Most producers are very fearful that markets could show us a repeat of the 2009 crop year that offered few pricing opportunities as input costs rallied and 2009 futures fell. There is no denying that the 2012 crop scenario looks a lot like 2009 when viewing it from a chart and timing perspective. There are some very distinct differences that will continue to affect our marketing decisions going forward.

In 2008 crude oil posted highs of \$147 per barrel as speculative buying was prevalent and helped launch other commodities to record highs also. I am sure you recall seeing corn futures rally to new highs while basis widened to nearly \$1 per bushel. By the end of 2008 corn and bean fundamentals offered much larger US carry outs than we have this year due to better than expected yields after an early summer weather scare. We enter the 2012 marketing year with very tight US carry out and still wait patiently to see what the USDA will reveal in the January report which is always pivotal.

2012 input costs have rallied significantly following increases in land values and fertilizer costs. Most private acreage estimates point to possible 2012 corn plantings near 95 million and considering trend line yields could increase US carry out to 2 billion bushels. World inventories have been growing for the big three commodities as price rallies in the last 17 months have simply planted far more wheat, corn, and bean acres across the globe. Please understand that inventories are tight in the US but the world simply has more grain to offer than 12 months ago.

This component certainly limits where a rally can take us in 2012, but it doesn't mean we can't see price appreciation during the year.

The reality is that we haven't yet secured the 95 million corn acres nor have we harvested the "so called" record crop. The corn is NOT in the bin and it won't be easy to get the acres. We know that the fall was conducive to securing corn acres in the Midwest as the weather allowed for ample tillage and anhydrous ammonia application but that's not the full equation. In 2011 US farmers planted 91.9 million corn acres while input costs were lower, it will not be easy to secure the last 3.1 million for 2012 as these last few million will likely be less productive acres in fringe corn country. It's easy to secure corn acres where yields are typically 175-200 bpa yields, but not so easy on 130-140 bpa ground considering the initial input risk.

Market makers are much more receptive to the possibility of weather issues in South America after the last 2 seasons of Argentine dryness. Realistically, a winter soybean weather rally will help secure US bean acreage for 2012 and offer better pricing opportunities for corn as well. Chinese demand for soy products is expected to continue and the market is also focusing on their potential to resume economic growth. Last month China's PMI dropped below the key 50% level after raising interest rates to slow raging growth and inflationary concerns. It is no surprise that the increases have worked and they have likely prevented potential disaster. The good news is that we are seeing their most recent PMI's begin to recover from their low point of 47.7% to their most recent 49%. China is not currently interested in higher priced US beans but they are taking South American beans indicating that their consumption has not dropped but world inventories offer them a cheaper alternative to US beans, for now.

Index funds reached a high point of 500,000 long contracts of corn at their high point late this summer, but since that point have liquidated nearly all of their long positions. Funds typically add contracts based on seasonal aspects such as acreage battles and planting concerns and continue to add positions if weather worsens during the growing season. They may also follow longer term trends and add contracts if the chart and fundamentals warrant action. With fund money on the sidelines there is a distinct possibility that they are searching for a point to enter the market. Seasonally, they have a tendency to rebalance positions after the beginning of the year at which point they may choose to bring additional funds back to invest following seasonal tendencies. The short version pertaining to the funds is this: If funds are near even at the beginning of the year they have plenty of money to invest at a beneficial time of year. If they are extremely long, odds are slim that they will add enough new long positions to push the market much higher, thus future liquidation is a larger threat.

Be conservative as you set your 2012 price targets and don't be tempted to "pick the market." On a corn rally \$.80-. \$1.10 above your breakeven be prepared to sell corn but make sure you have an upside component in your strategy. This can be as simple as buying a CALL option spread that gives you affordable upside possibilities while fixing risk at the net premium cost of the trade. Remember, we don't have next year's crop in the bin so don't be willing to limit your income by making a sale and walking away. I am not a believer in selling and buying back a crop on numerous occasions during the marketing year, but simply accepting the outcome without being a part of any rally is not wise this early in the marketing year. Grain fundamentals don't point to a likelihood of record highs in the near term, but there is plenty of time for seasonal price increases as yields are far from secured in South America. I think we all remember the late season yield surprise we saw during the 2010 growing season which sparked a tremendous late season rally.