



ENTERPRISE UNIT UPDATE

There are some positive changes coming to the Enterprise Unit structure for 2011.

The 20/20 rule from 2010 still applies. To qualify for enterprise units, you must have at least 2 or more basic or optional units with at least 20 acres or 20% of your planted acres planted in 2 or more separate sections. However, for 2011 you will be able to aggregate acreage in order to meet the 20/20 rule.

Here is an example:

80 acres of soybeans planted in section 1

10 acres of soybeans planted in section 10

10 acres of soybeans planted in section 18

You may add together the 10 acres in section 10 and the 10 acres in section 18 to get to the 20 acres required for the 20/20 rule.

If you have any questions about this please give our office a call!



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RISK MANAGEMENT & INSURANCE SERVICES

AGPERSPECTIVE INC

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insurance provider.



Nikki Larson

**CROP
INSURANCE
UNDERWRITING**

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FALL CLAIMS INFORMATION

For 2010 corn there seems to be areas which may have Vomitoxin or Aflatoxin issues. Since disease is a covered peril for multi-peril crop insurance, here are a few things to keep in mind when dealing with your crop that could have a loss:

1. If damage has been discovered to a crop caused by Vomitoxin or Aflatoxin, notify your agent immediately and request a loss to be opened on your policy. Your agent can begin the process by submitting a claim and having an adjuster work with you. A loss must be reported within 72 hours of discovery of damage.
2. An adjuster is required to have the corn tested by an approved laboratory to determine the level of Vomitoxin or Aflatoxin present. This sample to be tested can be obtained in one of three ways:
 - a. For Vomitoxin, a sample can be obtained by the adjuster from storage if the corn will be stored on the farm. For Aflatoxin, a sample must be obtained by the adjuster **prior** to storage.
 - b. A sample can be obtained by the adjuster from the elevator, if the elevator is willing to keep a sample for our adjuster to collect and deliver to an approved testing facility.
 - c. A sample can be collected from the field prior to harvest.
3. There are many factors that can affect a loss stemming from a problem with Vomitoxin or Aflatoxin. We can't stress enough the importance of reporting any harvest related claims as early as possible so that you can speak to an adjuster. This will help eliminate any unwanted "surprises" and allow the claims process to run much smoother.

If you have any questions concerning the claims process or if you need assistance in reporting a loss, please contact our office!



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IMPORTANT
UPCOMING
CI DATES

WHEAT SALES
CLOSING
9-30-10

WHEAT
PRODUCTION
REPORTING
11-14-10

WHEAT
ACREAGE
REPORTING
11-15-10

THE COMBO POLICY IS HERE

The Federal Crop Insurance Corporation (FCIC) released a new Common Crop Insurance Policy Basic Provisions and related crop provisions that will be the basis for insurance coverage starting with the 2011 crop year. The new policy combines the Actual Production History (APH), Crop Revenue Coverage (CRC), Revenue Assurance (RA), Income Protection (IP) and Indexed Income Protection (IIP) policies into a single policy.

Both yield protection and revenue protection are available for the 2011 crop year for the following crops:

- Coarse Grains (corn, grain sorghum, soybeans)
- Small Grains (barley and wheat)
- Cotton
- Rice
- Canola/Rapeseed
- Sunflowers

Yield Protection (YP) covers a production loss due to naturally occurring events only. The market price is now determined using the Commodity Exchange Price Provisions (CEPP) (Prices were formerly set by RMA). RMA does reserve the right to set/modify prices for YP. You may choose 55% - 100% of the projected price. If you had an APH plan of insurance last year, you will automatically be converted to YP for the 2011 crop year.

Revenue Protection (RP) provides protection against Loss of revenue due to a production loss, loss of revenue due to a price decline or price increase, and loss of revenue due to a combination of both of the previous scenarios. The market price is determined using the Commodity Exchange Price Provisions (CEPP) but there is no price election. Producers must take 100% of the price election. If you purchased CRC or RA with the harvest price option last year, your policy will automatically convert to RP for 2011.

Revenue Protection with Harvest Price Exclusion (RPE) provides the same protection as RP but is only based on the Projected Price. If you purchased RA with no harvest price option last year your policy will automatically convert to RPE for 2011.

These policy change conversions are also laid out in the table below:

2010 Plan of Insurance	2011 Converted Plan of Insurance
Crop Revenue Coverage (CRC)	Revenue Protection Plan (RP)
Revenue Assurance (RA) with the Fall Harvest Price Option	Revenue Protection Plan (RP)
Revenue Assurance (RA) without the Fall Harvest Price Option	Revenue Protection Plan with eh Harvest Price Exclusion (RPE)
Actual Production History (APH) (includes CAT)	Yield Protection Plan (YP)

Your crop insurance policy is a continuous contract and will automatically convert to the new coverage most similar to what you carried in 2010. You may make changes to your policy until sales closing date (March 15th for corn and soybeans). If you have any questions about these changes please contact our office!



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CORN DEMAND IS IT REAL?

During a major rally it's important to rehash what stimulated the trade to initially reverse price trend and develop a new bullish mentality. Looking specifically at hard USDA report data from June 10th and comparing it to the August 10th data paints a very clear picture. Ending stocks from June for the crop in the field today were 1.573 billion bushel which is ample cushion even in a year that may produce only trend-line yields. With the 2010 crop planted at record pace, traders were aware of weather risk but that potential risk was somewhat less due to the crops early development. In other words, there was little need for significant weather premium to be injected into the market.

The demand structure of the June report was modest with 2 billion assigned for exports, 4.7 billion for ethanol, and 5.35 billion for feed usage. Many arguments were made that these were too aggressive due to waning economies worldwide, but as time elapsed into July's report the USDA felt it prudent to hold numbers stable adjusting only slightly.

The June 30th stocks report coupled with modest surprises in the Final Acreage report was the beginning of the mindset transformation. Entering the stocks report we assumed there would be ending stocks from 09 of 1.603 billion, but major reductions brought to light that those carry in numbers by August had shrunk to 1.426 billion. The second adjustment came by the USDA reducing planted acres by 900,000 which ultimately tightened projected end stocks from June's 1.573 billion down to 1.312 billion.

The USDA in August adjusted 2010 yield estimates higher to 165 bpa which was slated as a record even over last year's 164.7 bpa final yield. This helped counter the reduction in beginning stocks and tightened 2010 ending stocks which made the trade slightly more uncomfortable. The story line we hear today is that the trade is completely unwilling to believe the USDA's record yield estimate. Many point the figure to tightening due to greater demand, but the USDA has simply increased export estimates by 50 million bushel from June to August, in other words no sweeping adjustments higher in demand.

When the trade talks about how demand will continue its rapid pace moving forward they are not necessarily looking at this year's balance sheet. They are referring to next year's (2011/2012) where the USDA assumes a 20% increase in demand going forward. Ethanol, Feed, and Exports are all assumed to grow moving ahead which creates many interesting questions.

Certainly, this change in market mentality is justifiable due to the tightening of stocks over a mere 3 months with the largest unknown being US corn yield for 2010. The question I would raise is whether it is safe to assume that demand will rage on. The concern I have is that the USDA is assuming additional growth in ethanol and feed despite the fact that corn is more costly and crude has fallen dramatically. Secondly, it appears that the USDA is assuming that the burn rate of the 2009 crop through ethanol and livestock will be the same for 2010's much higher quality crop. If it takes 25% more 2009 corn to create a pound of gain, will that ratio stay the same as we feed the 2010 crop? Likely not and the same applies to ethanol ratios.

As producer marketers we must ask ourselves what methods for protecting profit fit best. The market typically gives producers few opportunities to lock in good profits. Locking in input costs for 2011 and getting baseline profitable sales on the books for 2011 is certainly prudent anytime the market gives early opportunity.