

WORK BEGINS ON 2012 FARM BILL

Yes you read that correct. It seems like we just passed the 2008 Farm Bill and we are already talking about 2012. With the 2008 Farm Bill being delivered a year late it seems too soon to be talking about the next one already. A big reason for the early push has to do with the government's need to look forward to where they can save money. It appears that this administration is going to leave the writing of the Farm Bill up to the congressional Agriculture committees. However, Agriculture Secretary Tom Vilsack, said the USDA "would provide an outline or framework on the farm bill, but there is no intention to provide you with a complete farm bill." Indications are there that the administration favors a strong farm safety net, but at the same time their comments lead one to believe that the focus of the Farm Bill will be more on Rural America than production agriculture. It appears that a focus on developing rural jobs and strengthening the non-farm rural economy is going to be a primary focus. The Farm Bill is becoming less about farming and more about other issues. If this is the new direction then the name should be changed to Rural America Bill and that way it would be a truer representation of what it really is. With the national debt soaring at a rate of thousands of dollars per second we know that cuts are coming. Already major cuts in direct payments, crop insurance, and conservation programs are planned. I do not believe that cuts are bad, in fact I think cutting government spending is essential to the survival of our country. However, if these cuts are going to be replaced by new spending on non-farm priorities.....priorities that are going to be hidden under the cover of the Farm Bill and that would never see the light of day if they had to stand on their own merit....then I stand vehemently opposed. The debate on the 2012 Farm Bill will be an interesting one for sure. Candidates we elect into office this October will play a major role in shaping this policy. We will do our very best to communicate to our clients on this very important issue.

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Brian Freise

PRESIDENT

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AGPERSPECTIVE INC

RISK MANAGEMENT & INSURANCE SERVICES

this issue

The ACRE Program Going Forward **P.2-3**

Work Begins on 2012 Farm Bill **P.4**

Special Insert - Current World Stocks

Weigh on Grain Price

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CURRENT WORLD STOCKS WEIGH ON GRAIN PRICE

The 2010 corn planting pace is off to a record start with 50% of the nation's corn crop in the ground as of April 25th. This virtually assures that 75% of the crop will be planted by May 10th which typically is assumed an aggressive pace. To put this in perspective, in 2004 we were 37% planted for this week, which we now exceeded to set a new record pace. Rapid weekly advancements by four key states; the three I's and Minnesota certainly encompass the majority of higher producing soils.

Markets typically view such a rapid planting pace as greatly increasing the odds that trend line yields will be achieved. Common dates targeted are May 1st at 50% planted and the previously mentioned 75% planted by May 10th hold the most validity with the trade. RJ O'Brien released data 2 weeks ago stating that history does point to May 10th at 75% planted as the key to reaching and/or exceeding trend line yields.

Recent market action has certainly been peculiar as beans posted an impressive rally during the month of April despite negative fundamentals at which time corn attempted to follow. Chinese feed mills importing small amounts of corn does help put a bid under corn short term. It would be quite surprising if China develops a broad based import program that reduces our excessive ending stocks for 2010. Chinese buyers, 2 feed mills, are not sure whether the corn will meet governmental GMO standards to allow off loading. This will be an ongoing saga that does have some bullish qualities, but great price disappointment may come to pass if Chinese sales don't continue.

The market has been aware of many negative fundamentals factors such as a rapid planting pace, rising ending stocks, poor export sales, and excessive corn acreage. The corn market is attempting to do its job to motivate buyers to step forward and improve export demand by lowering price. We have seen 4 consecutive weeks of improved sales and need to far exceed routine 600-650 tmt weekly sales in order to reach the USDA's estimate of 1.9 MB for the 09/10 balance sheet. The only way we improve demand is by lowering price. The reality is that nearby corn price, at or above the \$3.75 area begins rationing demand as end users step back from US corn purchases.

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**ACRE SIGNUP
DEADLINES:
JUNE 1, 2010**

For Farms enrolled in 2009, producers must file a FSA-509 Contract annually through 2012

For Farms enrolled in 2010, producers need to file the FSA-509 ACRE Election Form and the FSA-509 Annual Contract

**ACRE YIELD
DEADLINES:
JULY 15, 2010**

Production evidence is still required for farms leased in 2009 and enrolled in ACRE but no longer leased for 2009

Your crop insurance records can be used as proof of your yields

THE ACRE PROGRAM GOING FORWARD

The ACRE program created many unanswered questions in 2008 at its inception. Release of information was delayed and FSA offices didn't have a good handle on how the program worked or how it would be implemented. For those of you that have either read our newsletter or attended one of our 4 ACRE meetings you will recall that we felt that corn and soybean farmers would benefit from signing up for the ACRE program.

We are now nearly 9 months through our first year of the ACRE Program. Being this far through the year we can get an approximate idea of whether or not we will be getting a payment for the 2009 crop year. ACRE's pricing average is based on the amount of each crop that has been marketed throughout the year. The biggest marketing month's for corn and soybeans are October, November, and January and with all these months behind us the picture is coming more into focus. The estimated national market price average for this marketing year at this point is \$3.55, falling from our benchmark price last year of \$4.13. (\$3.55 Estimated Price from Kansas State University) Remember also that this is a national cash price not a Chicago Board of Trade price. This price is consistent across the entire nation. The difference in ACRE payment amounts will come from state to state yield differences. The USDA has recently released yield information for all states. Indiana and Iowa's benchmark yields are 156 and 171. Each state released yields that were significantly above their Benchmark State yields, which will most likely take both Indiana and Iowa out of ACRE payments. Illinois released an estimated state yield of 171.1 bushel/acre which is down from the 172 benchmark yield going into this first year of the program. Combined with a \$3.55 benchmark price, if these numbers do not change, farmers in Illinois will receive approximately \$31.92 ACRE payment. This payment is paid on 83.3% of your enrolled acres and will be adjusted slightly based on how your farm average yield compares to the state average yield. Also, in order to qualify for the state wide payment the individual producer must fall below their Farm Bench Mark Revenue. We have determined that the average producer in Illinois would have to be in excess of 30 bushel over their Benchmark APH to NOT qualify for the state ACRE payment. That being said, if a state payment is triggered, the vast majority of producers will qualify to receive the payment. For farmers in Indiana the benchmark state yield for the first year of ACRE is 156 bushel/acre. The USDA is currently estimating an average yield in Indiana of 166.7. Because of this exceptional yield, farmers will likely not be receiving payments. The better than average yield more than offset the decrease in the corn price. The ACRE Program set a very favorable Benchmark Price for soybeans at \$10.01. Despite this high price benchmark there is likely to be no soybean ACRE payments as the current Kansas State University soybean price estimate is \$9.42. This price is not low enough to trigger payments on its own. There would need to be a yield loss in addition and with most states touting record soybean yields in 2009 it is unlikely that any state will trigger a soybean ACRE payment.

When a producer signs up for ACRE they opt out of the Counter Cyclical Program and settle for a reduced loan rate. It is important to note that in 2009 there will be no CCP payments or LDP's claimed on corn and soybeans. That being the case we still feel that the ACRE program was the proper program for 2009 as it did the best job at protecting price risk. So, where does that leave farmers who did not sign up for ACRE in 2009? On the following page there is a chart that depicts potential ACRE payments based on a number of different variables. This chart will allow you to run your own "What if scenarios". Current Benchmark Price estimates for 2010 are \$3.83 for corn and \$9.71 for soybeans. It is our general opinion that even if a producer did not sign up for ACRE in 2009 that it is still worth signing up for in 2010. We feel it simply does a better job at protecting downside risk than the Counter Cyclical/LDP based program. However, individual situations vary and there are many factors to consider before sign up. We at AgPerspective would welcome the opportunity to answer any questions that you may have about how ACRE would work with your farming operation. Thank you!

2010 ACRE Program												ILLINOIS	
Benchmark Price ¹ (2 yr avg.) =		\$3.83		CORN				\$585.99		- REVENUE GUARANTEE			
Benchmark State Yield (3 yr avg.) =		170						\$146.50		- MAX PAYMENT/AC (25% of Guarantee)			
COVERAGE LEVEL =		90%											
NATIONAL AVERAGE MARKET YEAR CASH PRICE SCENARIOS													
STATE YIELD	\$2.00	\$2.25	\$2.50	\$2.75	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00
Per Acre State Level Payments													
120.0	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$135.99	\$105.99	\$75.99	\$45.99	\$15.99	
130.0	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$130.99	\$98.49	\$65.99	\$33.49	\$0.99		
140.0	\$146.50	\$146.50	\$146.50	\$146.50	\$146.50	\$130.99	\$95.99	\$60.99	\$25.99				
150.0	\$146.50	\$146.50	\$146.50	\$146.50	\$135.99	\$98.49	\$60.99	\$23.49					
160.0	\$146.50	\$146.50	\$146.50	\$145.99	\$105.99	\$65.99	\$25.99						
170.0	\$146.50	\$146.50	\$146.50	\$118.49	\$75.99	\$33.49							
180.0	\$146.50	\$146.50	\$135.99	\$90.99	\$45.99	\$0.99							
190.0	\$146.50	\$146.50	\$110.99	\$63.49	\$15.99								
200.0	\$146.50	\$135.99	\$85.99	\$35.99									
EXAMPLE = in this case a final state yield of 170 and price of \$3.00 would net a payment of \$75.99													
2010 ACRE Program												Indiana	
Benchmark Price ¹ (2 yr avg.) =		\$3.83		CORN				\$537.73		- REVENUE GUARANTEE			
Benchmark State Yield (3 yr avg.) =		156						\$134.43		- MAX PAYMENT/AC (25% of Guarantee)			
COVERAGE LEVEL =		90%											
NATIONAL AVERAGE MARKET YEAR CASH PRICE SCENARIOS													
STATE YIELD	\$2.00	\$2.25	\$2.50	\$2.75	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00
Per Acre State Level Payments													
106.0	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$113.73	\$87.23	\$60.73	\$34.23	\$7.73
116.0	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$131.73	\$102.73	\$73.73	\$44.73	\$15.73		
126.0	\$134.43	\$134.43	\$134.43	\$134.43	\$134.43	\$128.23	\$96.73	\$65.23	\$33.73	\$2.23			
136.0	\$134.43	\$134.43	\$134.43	\$134.43	\$129.73	\$95.73	\$61.73	\$27.73					
146.0	\$134.43	\$134.43	\$134.43	\$134.43	\$99.73	\$63.23	\$26.73						
156.0	\$134.43	\$134.43	\$134.43	\$108.73	\$69.73	\$30.73							
166.0	\$134.43	\$134.43	\$122.73	\$81.23	\$39.73								
176.0	\$134.43	\$134.43	\$97.73	\$53.73	\$9.73								
186.0	\$134.43	\$119.23	\$72.73	\$26.23									
EXAMPLE = in this case a final state yield of 156 and price of \$3.00 would net a payment of \$69.73													
2010 ACRE Program												Illinois	
Benchmark Price ¹ (2 yr avg.) =		\$9.71		Soybeans				\$406.36		- REVENUE GUARANTEE			
Benchmark State Yield (3 yr avg.) =		46.5						\$101.59		- MAX PAYMENT/AC (25% of Guarantee)			
COVERAGE LEVEL =		90%											
NATIONAL AVERAGE MARKET YEAR CASH PRICE SCENARIOS													
STATE YIELD	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$8.90	\$9.00	\$9.21	\$9.71	\$10.21	\$10.71
Per Acre State Level Payments													
38.5	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$98.36	\$63.71	\$59.86	\$51.78	\$32.53	\$13.28	
40.5	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$82.36	\$45.91	\$41.86	\$33.36	\$13.11		
42.5	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$87.61	\$66.36	\$28.11	\$23.86	\$14.94			
44.5	\$101.59	\$101.59	\$101.59	\$101.59	\$101.59	\$94.86	\$72.61	\$50.36	\$10.31	\$5.86			
46.5	\$101.59	\$101.59	\$101.59	\$101.59	\$80.86	\$57.61	\$34.36						
48.5	\$101.59	\$101.59	\$101.59	\$91.11	\$66.86	\$42.61	\$18.36						
50.5	\$101.59	\$101.59	\$101.59	\$78.11	\$52.86	\$27.61	\$2.36						
52.5	\$101.59	\$101.59	\$91.36	\$65.11	\$38.86	\$12.61							
54.5	\$101.59	\$101.59	\$79.36	\$52.11	\$24.86								
EXAMPLE = in this case a final state yield of 46.5 and price of \$8.00 would net a payment of \$34.36													
2010 ACRE Program												Indiana	
Benchmark Price ¹ (2 yr avg.) =		\$9.71		Soybeans				\$419.47		- REVENUE GUARANTEE			
Benchmark State Yield (3 yr avg.) =		48						\$104.87		- MAX PAYMENT/AC (25% of Guarantee)			
COVERAGE LEVEL =		90%											
NATIONAL AVERAGE MARKET YEAR CASH PRICE SCENARIOS													
STATE YIELD	\$5.00	\$5.50	\$6.00	\$6.50	\$7.00	\$7.50	\$8.00	\$8.90	\$9.00	\$9.21	\$9.71	\$10.21	\$10.71
Per Acre State Level Payments													
40.0	\$104.87	\$104.87	\$104.87	\$104.87	\$104.87	\$104.87	\$99.47	\$63.47	\$59.47	\$51.07	\$31.07	\$11.07	
42.0	\$104.87	\$104.87	\$104.87	\$104.87	\$104.87	\$104.87	\$83.47	\$45.67	\$41.47	\$32.65	\$11.65		
44.0	\$104.87	\$104.87	\$104.87	\$104.87	\$104.87	\$89.47	\$67.47	\$27.87	\$23.47	\$14.23			
46.0	\$104.87	\$104.87	\$104.87	\$104.87	\$97.47	\$74.47	\$51.47	\$10.07	\$5.47				
48.0	\$104.87	\$104.87	\$104.87	\$104.87	\$83.47	\$59.47	\$35.47						
50.0	\$104.87	\$104.87	\$104.87	\$94.47	\$69.47	\$44.47	\$19.47						
52.0	\$104.87	\$104.87	\$104.87	\$81.47	\$55.47	\$29.47	\$3.47						
54.0	\$104.87	\$104.87	\$95.47	\$68.47	\$41.47	\$14.47							
56.0	\$104.87	\$104.87	\$83.47	\$55.47	\$27.47								
EXAMPLE = in this case a final state yield of 48 and price of \$8.00 would net a payment of \$35.47 = where CCP and LDP payments would likely begin to occur													