



## Important Dates

Sales Closing Date  
March 16, 2009

Production Reporting Date  
April 30, 2009

Acreage Reporting  
July 15, 2009

## New Subsidy Factors for Enterprise Units

The Risk Management Agency has released new subsidy factors for Enterprise Units insured under Revenue Assurance (RA) and Crop Revenue Coverage (CRC). Producers who have been using, or would like to elect enterprise units will see significant savings on their crop insurance premiums for 2009 and subsequent crop years.

CRC Enterprise Units for Bureau County, Yield 170, based on 2008 price and factors

Coverage Level	Premium with old subsidies	Premium with new subsidies
75%	\$13.50	\$6.90
80%	\$20.23	\$12.45
85%	\$31.09	\$23.56

Enterprise Units must be requested by sales closing date. Qualification for Enterprise Units will be determined at acreage reporting time when the insured reports all insurable acreage of the insured crop in the county for all basic or optional units. To qualify, you need 1 or more basic units located in 2 or more separate sections or 2 or more optional units established by separate sections. You will need to continue to keep separate acreage and production records for each unit to qualify for the Enterprise Unit discount. Total yields and acreage for all units are pooled together for loss purposes for enterprise units.

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# AGPERSPECTIVE INC

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## SURE Program Updates at a Glance

A new provision allows for "de minimus" crops—those crops who's NAP fees would exceed 10% of the crop value, or the crop is not of economic significance. This means that producers DO NOT have to purchase NAP for their hay or grass baled as hay in waterways.

The purchase of insurance or a NAP policy for grazed acreage is no longer a requirement.

To qualify for SURE payments, there must be a production loss of at least 10% for at least one crop of economic significance.

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**Special Insert - ACRE Formulas and Definitions and Acreage Battle for 2009**

## Welcome Paul Whitcombe!

Attorney Paul Whitcombe is locating his law office in our building. Paul brings a diverse 15 year experience as an attorney, and spent the last four years as the State's Attorney of Lee County. After graduating *summa cum laude* from Northern Illinois University College of Law in 1992, Paul served as Judicial Law Clerk to a United States District Judge for two years before joining the international law firm of Jenner & Block in Chicago. When his first son was born, Paul returned to Dixon and practiced with life-long friend Bob Thompson in the Dixon firm of Thompson and Whitcombe, P.C. for 8 years before being elected State's Attorney. Paul lives in rural Lee County with his wife Reni, and their four children.



As a Christmas greeting, Paul is offering to prepare, free of charge, a Durable Power of Attorney and a Power of Attorney for Health Care (Living Will) for anyone who makes an appointment before the end of December. These important documents assure that your wishes are carried out in a time of crises for you and your loved ones. Call 815-440-3036 for an appointment today!



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ACRE provides risk protection against revenue declines that extend beyond crop insurance's planting through harvest period.

ACRE is NOT a substitute for crop insurance.

ACRE Payment Limitations for a Person or Legal Entity

For Direct Payments:  
\$40,000 - amount equal to 20% reduction in direct payments

For ACRE Revenue Payments:  
\$65,000 + amount equal to 20% reduction in direct payments

### ACRE Question:

Over the period of participation, does ACRE improve the management of revenue risk relative to the Counter-Cyclical price program enough to compensate for the 20% reduction in direct payments?

If you answered yes, you may want to consider participating in ACRE. If you answered no, stay with the current bundle of farm programs



## What is the ACRE Program?

The 2008 farm bill included 2 new important programs for farmers: the Supplemental Revenue Assistance Program(SURE), and the Average Crop Revenue Election (ACRE). In this article, we will examine what we know so far about the ACRE program.

ACRE is a state revenue risk management program. Payments are triggered by a decline in revenue, calculated using a state yield and the U.S. price for a given commodity. Payments are based on the shortfall in state revenue for a crop. ACRE units are set up by FSA Farm Numbers. According to Dr. Art Barnaby with Kansas State University, ACRE is essentially GRIP (a put option) on state revenue.

Beginning in 2009, producers will be able to choose whether they would like to participate in the current bundle of farm programs (Marketing Loans, Direct Payments, Price Counter-Cyclical payments) or the ACRE bundle of farm programs (Marketing Loans at 70%, Direct Payment at 80%, ACRE State Revenue Program).

Farmers may elect to enter acre with the 2009-2012 crop seasons. However, once you elect ACRE, you are in the program through 2012. Both tenant and landlord must agree to enter the ACRE program. Once a farmer enters the ACRE program, they will accept a 20% reduction in direct payments and a 30% reduction in loan rates. ACRE payments are crop specific but ALL crops must be elected in ACRE. So if you would like to participate in the ACRE program for corn, you also have to participate for soybeans and wheat.

To receive payments through the ACRE program, you must meet 2 triggers:

1. The state's realized revenue is less than the state's revenue guarantee for a crop
2. Farmers individual farm revenue for a crop is less than its ACRE benchmark for a crop

It is important to note that payments are based on acres planted to crop, but ACRE payments cannot be received on more than the farm's total base acres. The maximum payment is limited to 25% of the ACRE guarantee. The ACRE payment limit is \$65,000 plus the reduction in direct payments.

I have enclosed a sheet of definitions and formulas to help you better understand the ACRE program. This supplement helps to explain where ACRE revenue and guarantee numbers come from and how they are used to calculate possible payments. Please let me know if you have any questions about the ACRE or SURE program!

This information is not final. Please note that the USDA is still writing rules and regulations that could impact this program. For more detailed information on this program please visit the websites of Dr. Art Barnaby with KSU [www.agmanager.info](http://www.agmanager.info) and Dr. Carl Zulauf with OSU <http://aede.osu.edu/resource/docs/>



## Price Change Limits for CRC, RA, GRIP

The RMA has approved some major changes for your crop insurance for 2009!

As many of you know, GRIP and CRC have price caps on how far up or down the harvest price can move. For 2008, the corn price was set at \$5.40 and with the price cap the maximum downside or upside movement allowed was \$1.50. This set a price cap at \$3.90 for downward price protection.

For 2009, the downward price movement for CRC and GRIP will have no limit, and the upside will have a cap of 200% of the base price. Instead of the having an upward cap of \$6.90 (2008 cap), if all things remain equal the 2009 cap for corn would be \$10.80.

RA policies will also have a 200% price change limit between the expected harvest price and the fall harvest price. The downward price limit will not change as RA has never used a downward limit.

These price change limits provide consistency across all three insurance plans regardless of the level of commodity prices.

This is a major change and will make CRC and GRIP even better marketing tools. If you have any questions or concerns about this please don't hesitate to contact me!

### Price Change Q&A

**Q: How would the new price change limits for CRC have affected the harvest price of soybeans for 2008?**

A: If all were equal between the 2008 and upcoming 2009 crop year, the new price change limits for CRC would have had a significant impact on soybeans. The CRC harvest price for soybeans



was set at \$10.36 due to the \$3.00 downward price cap for soybeans.

If the price change limits had taken effect for the 2008 crop year, the CRC harvest price for soybeans would have actually been set at \$9.22! (The actual average of November 08 bean futures during the month of October).

### BYE UPDATE

The USDA Federal Crop Insurance Board of Directors approved additional seed technologies for the BYE Program.

Under the new resolutions, the following seed technologies will be eligible for the BYE program beginning with the 2009 crop year:

Monsanto YieldGard® Plus with Roundup Ready® Corn 2, YieldGard® VT Triple, and YieldGard® VT Triple PRO hybrids for non-irrigated corn.

Pioneer Herculex® Xtra and Herculex® Xtra RR2® hybrids for non-irrigated corn.

Syngenta Agrisure® CB and RW stacked and Agrisure® 3000GT hybrids for non-irrigated corn.

To qualify for the BYE endorsement, producers must purchase a buy-up level of coverage and plant at least 75% of their insured corn acres in a unit to a qualifying corn hybrid. Producers also must plant a refuge. For a complete list of available seed hybrids, please give me a call!

## ACRE Formulas and Definitions

The following formulas and definitions relate to the ACRE program and help illustrate how Guarantees, Revenues, and Payments may be calculated. Details are still being written by USDA and this information is subject to change.

**Benchmark Yield:** Olympic moving average of a state's or farm's yield for the 5 most recent crop years (highest and lowest yields are removed)

**Price Guarantee:** Simple moving average of the U.S. Market year price for the 2 most recent crop years.

**National Average Market Price:** Higher of (U.S. average cash price) OR (70% of crops marketing assistance loan rate)

### Formulas

$$\text{ACRE State Revenue Guarantee} = \frac{\text{ACRE Benchmark State Yield}}{\text{Per planted acre}} \times \text{ACRE Price Guarantee} \times 90\%$$

- Revenue Guarantee cannot change more than 10% from previous guarantee from 2010-2012
- Separate state revenue guarantees created for irrigated and non irrigated land if a state's planted acres are at least 25% irrigated and at least 25% non irrigated

$$\text{ACRE Actual State Revenue} = \frac{\text{State yield per planted acre}}{\text{National Avg. Market Price}} \times$$

### ACRE Payment to a Farm Equals:

- Lesser of [ACRE state revenue guarantee - state actual revenue] OR [25% of ACRE guarantee]
- Times [83.3% of farms acreage planted to crop] \*changes to 85% for 2012 crop year
- Time [(Farms Benchmark Yield) / (States ACRE Benchmark Yield)]

### ACRE Payment Eligibility

To receive an ACRE payment, a farm's actual revenue for the crop must be less than the farm's ACRE benchmark revenue for that crop and the state must have a revenue loss

**Farms Actual Revenue = Farm's actual yield X U.S. Market Price for crop for crop year**

**Farms ACRE Benchmark = Farm's Benchmark Yield X ACRE Guarantee Price + Per Acre crop insurance premium paid by farmer for the crop for the year**



## ACREAGE BATTLE FOR 2009

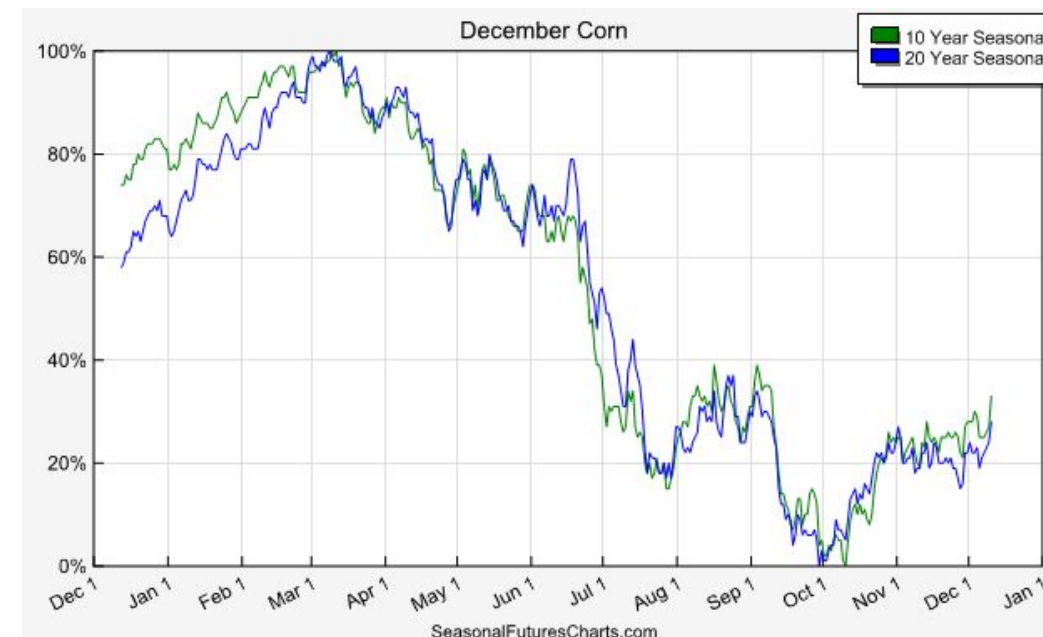
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With the current market environment being driven by negative factors such as the poor economy, plummeting demand, and speculative selling, many are asking what the acreage battle may look like for this season. Tight ending stock projections for soybeans may set the table for a marked improvement in price for corn, beans, and wheat. The overly negative environment may indeed give all commodities greater upside potential than most are willing to embrace.

Assuming current USDA estimates for 2009 supplies, the corn market needs to buy 4 million acres to meet demand. With bean stocks already tight, we likely will see the soy complex be sensitive to further tightening of supplies, driving both complexes higher to secure acreage. We must respect the economic consequences of the stock market and crude oil, but with both markets currently oversold, it is very possible that recovery to more reasonable values will attract investors to move money back to commodities.

We need to understand what seasonal tendencies exist in the corn market; refer to the above chart. As you can see, over the last 20 years corn has typically set its highs in March then slid lower the remainder of the year posting seasonal lows in October. In 2008 we saw the acreage battle begin rallying the market as early as late October, slightly earlier than normal. This year we may see this trend begin later due to the weakening economy and late harvest. Any significant bottoming in the stock market, will likely be enough incentive for investors to look at opportunity in the grains.

Demand is currently poor, although exports are ahead of USDA projections in beans, which may add to supply issues for 2009. Demand will improve, but it will take a scare for end users to cover their needs. A quick 50 cent rally in corn, may create enough upside risk to force end users to begin covering longer term needs. Foreign economies are also struggling, but with world population growing and diets changing, it's difficult to believe that demand will continue to decrease across the globe over the entire year.

The ace in the hole for the 2009 season is that bean inventory remains tight and corn stocks on a percentage to usage are also tight. Without this setup, acreage battles may turn into repositioning of price and not escalation of price. With input costs out of hand, producers are leaning toward beans, which means corn has a significant battle in front of it to secure needed 2009 requirements. Be patient, look for opportunity in the first quarter of 2009 to lock in profits, panic at current levels goes against seasonal patterns and may only be locking producers into losses for the 2009 season.