



www.agmanager.info
barnaby@ksu.edu
(785) 532.1515 (phone)
(785) 532.6925 (fax)

G.A. "Art" Barnaby Jr.

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The 4 State Conference will Provide Greater Understanding of the New Crop Insurance Program¹

The twelfth annual 4 State risk management workshop is set for the week of November 2, 2010 in Colorado, Nebraska, Kansas and Oklahoma. There has been a major overhaul of the crop insurance program with the new Common Crop Insurance Policy (CCIP) and a new Standard Reinsurance Agreement (SRA) that effects insurance agent commissions. Understanding the changes made to crop insurance because of CCIP's introduction will be important to farmers, insurance agents, agricultural lenders, and other financial consultants/farm advisors. The lower fee registration ends five days before the workshop, so for Kansas, that is October 29. Registration is limited at some locations so we encourage early registration!

The new CCIP effectively uses the Yield Protection (YP) contract as the base contract. The YP contract plus the harvest price and revenue endorsements is equal to the Revenue Protection (RP) contract. Farmers are allowed to delete the harvest price and create the Revenue Protection with the Harvest Price Exclusion (RP-HPE) contract. The yield protection under CCIP is the same in all three contracts, YP, RP, and RP-HPE.

Because the yield guarantees are the same in all three contracts, then adding revenue "endorsements" are yield adjusted Asian options. The yield adjusted Asian options have

¹Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, October 22, 2010, Phone 785-532-1515, e-mail – barnaby@ksu.edu.

some fundamental differences from the options traded in Chicago, Kansas City, and Minneapolis. For example, one large difference is the Asian “put” in CCIP can take on negative values. One of the objectives in the 4 State crop insurance workshop is to compare the cost/benefits of Asian options in RP versus exchange traded options. Under what conditions would it make sense to eliminate the harvest price from the RP and replace it with an exchange traded option? How would these strategies fit with other tools that include forward contracts, hedge to arrive, ACRE, etc?

Understanding the complexities of CCIP is a major focus of this year’s workshops starting in Brush, Colorado (November 2), Grand Island, Nebraska (November 3), Salina, Kansas (November 4) and Enid, Oklahoma (November 5). Enrollment is limited and late enrollment carries a higher registration fee. There are many other topics covered in the workshop that will interest a broad audience including insurance agents, farmers, ag lenders, USDA employees, county agents, and others. The link to review the full program and register on line is at:

<http://www.agmanager.info/events/Insurance/2010/Default.asp>

Late registration fee is \$100 but for those who register early the fee is \$85. Continuing Education Credits have been applied for in the following states: Colorado, Kansas, Nebraska, Oklahoma, South Dakota, Texas and Wyoming. I hope to see at this year’s workshop.