



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

## G.A. "Art" Barnaby Jr.

Copyright 2011. All rights reserved. Contact Art to be added to e-mail list

**Disclaimer:** This web page is designed to aid farmers with their marketing and risk management decisions. The risk of loss in trading futures, options, forward contracts, and hedge-to-arrive can be substantial and no warranty is given or implied by the author or any other party. Each farmer must consider whether such marketing strategies are appropriate for his or her situation. This web page does not represent the views of Kansas State University.

### **Is Revenue Insurance Too Expensive?<sup>1</sup>**

A Workshop to Answer the Question

Higher market volatility has increased the financial risk in production agriculture. Those same risks have increased crop insurance premiums. In addition, an expected reduction in commodity program funding has caused many producers to question is there a better method to manage risk, but where to start? Often farmers have many years of farming experience but very limited experience with risk management tools, while other farmers have used very sophisticated risk management techniques.

The higher market volatility increases crop insurance premiums but it also makes it possible to profitably sell covered puts. We received the follow comment from a producer who tried this new technique.

**"I followed your suggestion and sold a few puts at the disappearing deductible strike price to cheapen my crop insurance costs. Worked great!"; David Skattebo, Iowa Grower**

Selling covered puts at the disappearing deductible strike price will be a topic in the workshop. This is a more complicated strategy for wheat because some types of wheat don't have the option trading volume of corn and there will also be basis issues if the type

---

<sup>1</sup>Prepared by G. A. (Art) Barnaby, Jr., Professor, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, KS 66506, November 16, 2011, Phone 785-532-1515, e-mail – [barnaby@ksu.edu](mailto:barnaby@ksu.edu).

of wheat is not traded on an exchange, e.g. soft white wheat. For those participants having no interest in writing covered calls, understanding the method will allow producers to accurately calculate the cost for price risk built into the Revenue Protection (RP) crop insurance contract. Many growers will conclude the RP is less expensive than Yield Protection (YP) when they value the price protection at market rates.

Utilizing a case study teaching method, this workshop will introduce producers to an integrated marketing/production management approach that combines government programs, crop insurance and alternative marketing techniques. Participants will manage a typical grain farm during a typical marketing year. Participants will have the opportunity to select type and level of crop insurance, decide on FSA program participation, and then to work through a typical grain marketing year, with four marketing opportunities, making use of risk-management tools. Those tools include: Yield Protection (YP), Revenue Protection (RP), Revenue Protection with Harvest-Price Exclusion (RP-HPE), Group Risk Plan (GRP), Group Risk Income Protection (GRIP), ACRE, 2013 farm program when available, futures, options, forward contracts, marketing loans, basis contracts and selling covered puts.

If a Farm Bill is passed by the time of the scheduled workshop, it will be included. How the new commodity program fits into a whole farm risk management strategy will be an important topic. The workshop will allow participants to work at their own pace and should provide useful information to both beginners and experienced risk managers.

Following the workshop, producers should have a better understanding of how crop insurance, when combined with alternative marketing techniques, may reduce farm financial risk and increase farm income.

Mark your calendar for Workshop Locations and dates:

RAM II Workshop (enrollment currently open)

December 6, 2011

Red Lion Hotel,

**Pocatello, Idaho**

Contact: Kelly Olson, Administrator

Idaho Barley Commission

Phone: 208-334-2090

Email: [kolson@idahobarley.org](mailto:kolson@idahobarley.org)

Link to more details:

<http://www.agmanager.info/events/RAM/2012/Grain%20Marketing%20Workshop%20Brochure%20Dec%202011.pdf>

Texas Master Marketer (enrollment currently open)

**Registration deadline is January 9, 2012**

Dates are: Jan. 17-19, Feb. 1-2, Feb. 15-16 and Feb. 29-Mar. 1

RAM II is a part of Master Marketer on February 1-2, 2012

Museum of the Llano Estacado on the Wayland Baptist Campus

1900 West 7th Street

**Plainview, Texas**

Contact: Mark Welch  
Texas AgriLife Extension Service  
College Station Texas  
Phone: 979-845-8011  
E-Mail: [jmwelch@ag.tamu.edu](mailto:jmwelch@ag.tamu.edu)

Or

Jackie Smith,  
Phone: 806-746-6101  
E-Mail: [jgsmith@ag.tamu.edu](mailto:jgsmith@ag.tamu.edu)

Link to more details: [http://agecoext.tamu.edu/fileadmin/Master\\_Marketer/Workshops/Plainview2012.pdf](http://agecoext.tamu.edu/fileadmin/Master_Marketer/Workshops/Plainview2012.pdf)

RAM II Workshop (Near Salina, KS)

January 27, 2012

**Community Building in Assaria, KS (Near Salina, KS)**

Contact: Tom Maxwell, Central Kansas Extension District  
Salina, KS

Phone: 785-309-5850

Link to more details: [http://www.agmanager.info/events/RAM/2012/Salina\\_Brochure\\_RAM2\\_2012.pdf](http://www.agmanager.info/events/RAM/2012/Salina_Brochure_RAM2_2012.pdf)

RAM II Workshop

February 15, 2012

Fillmore County Fairgrounds

**Geneva, Nebraska**

Contact: Brandy VanDeWalle, Extension Educator

Fillmore County, 972 G Street

Geneva, NE 68361

Phone: 402-759-3712

E-mail: [bvandewalle2@unl.edu](mailto:bvandewalle2@unl.edu)

For those who want a beginners risk management workshop we would suggest you consider the **RAM I; “The Basics” workshop** in Salina, Kansas.

RAM I; “The Basics” Workshop (Near Salina, KS)

January 26, 2012

**Community Building in Assaria, KS (Near Salina, KS)**

Contact: Tom Maxwell, Central Kansas Extension District  
Salina, KS

Phone: 785-309-5850

Link to more details: [http://www.agmanager.info/events/RAM/2012/Salina\\_Brochure\\_RAM1\\_2012.pdf](http://www.agmanager.info/events/RAM/2012/Salina_Brochure_RAM1_2012.pdf)