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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.

EXPANDED RISK MANAGEMENT WORKSHOPS¹

Ethanol is the story in the grain markets. These new market forces are included in the new RAM workshops. The increased price risk causing higher option premium costs may have caused many farmers to consider other marketing-risk management strategies.

The RAM workshops will include discussion of the supply-demand for grains. The forecasted tight stocks have caused many analysts to forecast an increase in planted feedgrain acres that is being driven by ethanol demand.

However, will the current prices hold? How many times in the past have grain markets reached these levels only to fall later? Have the grain markets moved to a new higher price plateau? The currently available data and discussion will focus on this question.

In the past, one could count on Crop Revenue Coverage (CRC) to replace any lost insurable production. However, with the increased volatility, it is possible for corn prices to exceed the \$1.50 CRC price limit move. Revenue Assurance with the Harvest Price Option (RA-HPO) has no price limit. Analysis will be presented on why RA-HPO is preferred to CRC on corn. However, in many areas only CRC is available for grain sorghum that includes the \$1.50 price limit. Discussion on how to use options to convert CRC into unlimited liability coverage will be covered.

Group Risk Plan (GRP) and Group Risk Income Protection (GRIP) are crop insurance alternatives that have been expanded to many new counties. GRIP and GRP do not fit all

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farmers. Analysis will be presented on how to evaluate GRP/GRIP as an alternative crop insurance program for your farm. This analysis will challenge both the supporters and detractors of GRP/GRIP.

Also, many of the alternative farm bill proposals are based on the GRIP/GRP concept. Some of the seminars will include farm bill discussions and the alternative proposals that been made public.

For Kansas and many other states, Adjusted Gross Revenue-Lite (AGR-Lite) insurance has been approved for 2007. This contract is based on federal income tax returns and is a whole farm revenue insurance guarantee, including livestock. AGR-Lite can be combined with APH (MPCI), CRC or RA, and receive the full subsidy on both products. How to use AGR-Lite and the type of farm AGR-Lite will fit is included in the presentation.

Futures, options, forward contracts and other off board derivatives will be included in the RAM case study. These tools will be of great value with grain markets trading well above loan rates.

Clearly this is more material then can be covered in a single meeting. My seminar lengths are from 30 minutes to all day. The all day workshops include a case problem that will include active participation by the audience. Check with your local contact for the seminar length and topics. However, questions on any of these topics will be answered.

My seminars encourage active participation by the audience. It also allows the discussion to be diverted to local issues of greatest concern.

The location, dates, and local contact person for these upcoming workshops/seminars are now posted on AgManager.info at the following link (May need to hit the "F5" Key to update screen):

<http://www.agmanager.info/crops/insurance/workshops/filespdf/ABwkshops07.pdf>

Faster loading but less formatting HTML at:

<http://www.agmanager.info/crops/insurance/workshops/fileshtml/ABwkshops07.asp>