6. Farm Bill Programs and Crop Insurance: Part 2

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Abstract/Summary

The debate over the next Farm Bill has intensified in 2012. While opinions have differed among commodity groups and Members of Congress regarding future commodity programs, two things are certain regarding the next Farm Bill: 1) direct payments will be eliminated, and 2) crop insurance will be the backbone of U.S. farm policy. This 2-part session will review recent Farm Bill activity in detail. Part 1 will focus on new commodity program alternatives while Part 2 will discuss current crop insurance proposals.

Senators Shaheen-Toomey offered an amendment that would cap crop insurance subsidies at $40,000 and they claim will reduce the deficit by about $5.2 billion over ten years. The Senators cited a Government Accountability Office (GAO) report that indicates less than 4 percent of producers would have been affected by a $40,000 premium support limit in 2011. Environmental Working Group (EWG) argues "now that crop insurance is the primary way we subsidize farmers, the program needs a limit". EWG claims, based on GAO numbers, that crop insurance will cost over $11 billion per year and the EWG wants the subsidy limit even lower, suggesting a $5,000 limit.

In 2011 the actual net crop insurance expenditures was $6.289 billion, not the 11 billion dollar forecast. Does anyone remember the forecasted costs for ACRE in the last Farm Bill that was suppose to provide massive payouts to farmers? Over $6 billion of net crop insurance payments sounds large but a higher market price in 2011 caused higher government costs. However, the net crop insurance payments were less than 5% of the USDA budget. The entire safety net that includes FSA commodity programs and CRP was less than 12%. Most of the USDA budget is for food and nutrition, over 77% in 2011.

Would these limits hit your farm? Will it pay to lower or eliminate your crop insurance coverage? Will these proposed changes affect your risk exposure?

Revenue and Price Based Commodity Policy and Crop Insurance

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Crop Insurance History

1. Crop insurance was a government program with loss adjusting and sales provided by USDA employees from 1938 to 1980, when crop insurance was made into a public-private partnership.

2. Crop insurance has had many improvements since 1980 and many of those changes were developed by the private insurance sector.

3. Why have so many farmers testified that they like crop insurance and it should be maintained? That would not have been the view point of farmers in 1981.

Crop Insurance History

4. For the past 17 years most farmers have been paying actuarially sound premium rates and several years have generated underwriting gains for the government. Therefore, the effective total dollar of subsidy has been less than the $billions cited by critics.

5. The effective benefit from trend adjusting yields is the increased subsidy per acre, but only in selected counties.

6. The average liability per acre for a CAT contract is nearly as high as it is for buy up coverage. It would save money to change the CAT subsidy from 100% to 67% (same as other 50% contracts), however the proposal is to cut CAT rates.

USA Revenue Insurance History

1. In the mid-1980's Crop insurance guarantees were changed from a county yield guarantee to a farm level proven yield guarantee (APH). This provided real risk protection for above average producers.

2. Market Value Protection (MVP) was introduced in 1990 on corn and soybeans. MVP was a private endorsement with no subsidies that was added to MPCI to create a yield replacement contract.

3. MVP was originally designed to offset the loss of the deficiency payments when prices increase and no yield.

USA Revenue Insurance History

4. This was the first insurance contract to include price risk as a peril. The MVP replacement coverage allowed farmers to maintain pre-harvest hedges.

5. MVP was combined with a revenue endorsement to create Crop Revenue Coverage (CRC) that was introduced as a pilot in 1996 on corn and soybeans for Iowa and Nebraska. CRC was reinsured by RMA and received a partial subsidy.

6. CRC provided revenue-replacement coverage insurance.

USA Revenue Insurance History

7. Revenue Assurance (RA) was introduced in 1997 in Iowa and Nebraska on corn and soybeans. RA provided revenue only coverage. In 2000, RA added the harvest price endorsement to create revenue-replacement coverage insurance.

8. In 2011 RMA combined RA and CRC into a single product, Revenue Protection (RP).

9. The ARPA 2000 Law provided full subsidy on revenue insurance.

Where is the Policy Going?

1. Critics claim crop insurance could be provided "free" to farmers by government for less taxpayer cost.
2. Critics want to eliminate the Harvest Price from Crop Insurance.
3. Comparing CME put options with the yield adjusted Asian put options in RP show why crop insurance is such a good deal, and it has nothing to do with subsidies.
4. Will the new commodity programs compete with crop insurance?

Summary Crop Insurance History

1. 1938 to 1980 crop insurance was a USDA program, 1980 public private partnership.
2. 1984 APH
3. 1991 MVP/Harvest Price
4. 1996 CRC/RP
5. The ARPA 2000 Law provided full subsidy on revenue insurance.
6. Subsidy or AGI Limit?
7. $40 B Cost, Over Paying Losses?

Marketing Loan, Counter Cyclical, Ad Hoc Disaster Aid, SURE & ACRE are "Puts" & "Insurance" with 100% of "Premium" Paid by USDA

1. There are only 2 variables in revenue, price & yield.
2. All USDA risk management tools including ACRE, SURE, Marketing Loan, etc. are derivatives of options and insurance. ARC can be added to the list.
3. Ad hoc Disaster aid, SURE and ARC are just "free" crop/revenue insurance.
4. Combining "puts" and insurance in to revenue insurance is more efficient than insuring price and yield separately.

USDA Risk Management Tools are Derivatives of Puts, Insurance, or a Combination

Commodity Programs			2011 Crop Insurance		
	USDA-FSA Cost/"Premium" Share			USDA-RMA Premium Share	
Program	Type	Paid	Program	Type	Paid
Direct Payment	Income transfer	100%			
Marketing Loan	Put option on production	100%	GRIP	Put option adjusted by county yield by crop	52%
Counter Cyclical	Put option adjusted for historical program yield	100%	GRP	Fixed liability triggered by county yield loss	44%
ACRE	Put option adjusted by state yield by crop	100%	Revenue Protection	Put option adjusted by farm yield by crop	62%
SURE	Put options adjusted by farm yields across all crops	100%	YP	Fixed liability triggered by farm yield loss	61%
Ad Hoc Disaster	Fixed liability triggered by farm yield loss	100%	CAT	50% Coverage @ 55% of Price & Requires a $300 Processing Fee	100%

1996 Initial CRC Insurance Pilot in Iowa & Nebraska

Ins Plan	Pol Earn Prem	Net Acres	Liabilities	Total Premium	Subsidy	% Sub-sidy	Indemnity
Iowa Corn							
CRC	31,545	4,543,857	1,112,637,136	68,372,809	17,347,626	25.4%	26,090,265
APH	55,853	6,200,498	1,025,743,787	47,057,726	21,554,784	45.8%	11,166,984
All Corn	87,398	10,744,355	2,138,380,923	115,430,535	38,902,410		37,257,249
Iowa Soybeans							
CRC	22,042	2,510,042	487,313,501	22,040,610	5,919,912	26.9%	7,660,793
APH	56,748	5,455,644	742,181,855	23,729,913	11,521,531	48.6%	5,491,054
All Beans	78,790	7,965,686	1,229,495,356	45,770,523	17,441,443		13,151,847
Iowa All Crops							
Total All Crops	174,035	19,420,487	3,570,282,751	169,676,225	59,619,962	35.1%	51,949,648
Nebraska Corn							
CRC	18,826	3,255,652	748,022,713	42,384,124	12,688,006	29.9%	17,113,521
APH	30,221	4,163,694	631,158,381	28,495,590	15,241,954	53.5%	8,925,679
All Corn	49,047	7,419,346	1,379,181,094	70,879,714	27,929,960		26,039,200
Nebraska Soybeans							
CRC	12,032	1,028,021	170,058,081	9,044,783	2,760,118	30.5%	2,617,014
APH	21,245	1,365,951	165,586,467	7,122,205	3,514,276	49.3%	2,239,000
All Beans	33,277	2,393,972	335,644,548	16,166,988	6,274,394		4,856,014
Nebraska All Crops							
Total All Crops	123,262	13,090,756	2,030,408,701	110,155,278	45,020,218	40.9%	53,356,825

1996 CRC Insurance Market Share in Iowa & Nebraska

	Iowa			Nebraska		
	Corn	S-beans	% crop share corn & soybeans	Corn	S-beans	share corn & soybeans
Policies Earning Premium	36.1%	28.0%	95.5%	38.4%	36.2%	66.8%
Net Acres	42.3%	31.5%	96.3%	43.9%	42.9%	75.0%
Liabilities	52.0%	39.6%	94.3%	54.2%	50.7%	84.5%
Total Premium	**59.2%**	**48.2%**	**95.0%**	**59.8%**	**55.9%**	**79.0%**
% Subsidy CRC	25.4%	26.9%		29.9%	30.5%	
% Subsidy APH	45.8%	48.6%		53.5%	49.3%	
CRC Loss Ratio	38.2	34.8		40.4	28.9	
APH Loss Ratio	23.7	23.1		31.3	31.4	

Objective of 2000 ARPA was to eliminate the "need" for ad hoc disaster aid

1. 50% reduction in CAT, moving to buyup coverage.
2. 75 million more acres covered with buyup.
3. $76 billion increase in buyup coverage.
4. Per Acre coverage increased from $175.38 to $432.40 and farmer paid premium increased from $6.99 to $18.28.
5. Per Acre subsidy rate increased from 56.2% to 61.4%.

Crop Insurance Totals for the USA on All Crops, All Coverages, All Products, after the ARPA 2000 Law

	National Level				Farm Level			
Year	Net Acres	Total $ Coverage	Total $ Premium	Total $ Subsidy	Ave-rage Rate	Ave-rage % Prem-ium Sub-sidy	Ave-rage $Cove-rage/ AC	Ave-rage Farmer Paid Prem-ium/ AC
Results with All Contracts								
2011	264,133,054	113,424,283,791	11,884,209,200	7,406,514,254	10.5%	62.3%	429.42	$16.95
2001	211,328,990	36,728,587,401	2,961,847,611	1,771,322,123	8.1%	59.8%	173.80	5.63
Change	52,804,064	76,695,696,390	8,922,361,589	5,635,192,131				
Results with Buy UP Coverage; i.e. No CAT Contracts								
2011	245,009,161	105,941,115,168	11,596,678,749	7,118,983,803	10.9%	61.4%	432.40	$18.28
2001	170,360,860	29,877,547,591	2,715,809,445	1,525,283,957	9.1%	56.2%	175.38	6.99
Change	74,648,301	76,063,567,577	8,880,869,304	5,593,699,846				
CAT Acres								
2011	19,123,893	7,483,168,623	287,530,451	287,530,451	3.8%	100.0%	391.30	$0.00
2001	40,968,130	6,851,039,810	246,038,166	246,038,166	3.6%	100.0%	167.23	$0.00
Change	(21,844,237)	632,128,813	41,492,285	41,492,285				

Objective of 2000 ARPA was to eliminate the "need" for ad hoc disaster aid

6. Per Acre CAT coverage equals $391.30 vs. $432.40 for Buyup. That will require CAT buyers to have an average expected crop value over $1,400 per acre.

7. Can the industry justify 100% premium subsidy on CAT for farmers expected to generate gross revenues greater than $1,400 per acre with no payment limit?

8. Did the ARPA Law meet its objectives?

9. Is there a shallow loss that needs coverage or does crop insurance cover the shallow loss?

USA Crop Insurance Performance, All Contracts

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Indemnity (000)	Loss/Gain (000)	Loss Ratio (000)	% of Prem-ium Paid by Farm-ers	Farm-er Loss Ratio (000)
1988	333	45,475	4,423,961	294,957	74,723	797,178	(502,221)	2.70	74.7%	3.62
1989	949	101,632	13,535,807	814,302	204,965	1,212,235	(397,933)	1.49	74.8%	1.99
1990	895	101,361	12,828,368	836,468	215,308	973,032	(136,563)	1.16	74.3%	1.57
1991	707	82,357	11,215,994	737,049	190,066	955,289	(218,240)	1.30	74.2%	1.75
1992	663	83,107	11,334,059	758,789	196,721	918,215	(159,426)	1.21	74.1%	1.63
1993	679	83,725	11,353,421	755,739	200,009	1,655,479	(899,740)	2.19	73.5%	2.98
1994	801	99,640	13,608,387	949,396	254,876	601,146	348,250	0.63	73.2%	0.87
1995	2,034	220,511	23,728,454	1,543,350	889,372	1,567,732	(24,382)	1.02	42.4%	2.40
1996	1,615	204,864	26,876,813	1,838,559	982,063	1,492,663	345,896	0.81	46.6%	1.74
1997	1,320	182,189	25,458,851	1,775,368	902,794	993,551	781,817	0.56	49.1%	1.14
1998	1,243	181,835	27,921,436	1,875,927	946,312	1,677,542	198,385	0.89	49.6%	1.80
1999	1,289	196,918	30,939,450	2,310,133	954,872	2,434,715	(124,582)	1.05	58.7%	1.80
2000	1,323	206,467	34,443,753	2,540,164	951,192	2,594,834	(54,671)	1.02	62.6%	1.63
2001	1,298	211,329	36,728,587	2,961,848	1,771,322	2,960,125	1,723	1.00	40.2%	2.49
2002	1,259	214,865	37,299,303	2,915,944	1,741,028	4,066,732	(1,150,788)	1.39	40.3%	3.46
2003	1,241	217,409	40,620,507	3,431,359	2,041,658	3,260,806	170,553	0.95	40.5%	2.35
2004	1,229	221,020	46,602,280	4,186,133	2,472,282	3,209,723	976,409	0.77	40.9%	1.87
2005	1,191	245,856	44,258,915	3,949,230	2,337,101	2,367,323	1,581,907	0.60	40.8%	1.47
2006	1,148	242,082	49,919,480	4,579,539	2,682,006	3,503,536	1,076,003	0.77	41.4%	1.85
2007	1,138	271,634	67,339,911	6,562,118	3,823,353	3,547,569	3,014,549	0.54	41.7%	1.30
2008	1,149	272,250	89,892,360	9,850,879	5,690,668	8,677,910	1,172,969	0.88	42.2%	2.09
2009	1,172	264,776	79,575,187	8,950,746	5,426,886	5,228,924	3,721,822	0.58	39.4%	1.48
2010	1,141	256,268	78,104,325	7,594,397	4,711,271	4,251,436	3,342,960	0.56	38.0%	1.47
2011	1,152	265,609	114,112,377	11,955,219	7,452,814	10,826,308	1,128,911	0.91	37.7%	2.40
2012			107,241,900	10,199,312	6,392,880	23,982,091	(13,782,779)	2.35	37.3%	6.30
1989 to 2011	4,473,177		932,121,987	83,967,611	47,113,662	69,774,003	14,193,608	0.83	43.9%	1.89
Est 2012 + History			1,039,363,886	94,166,923	53,506,543	93,756,094	410,829	1.00	43.2%	2.31

Selected Indicators of the Crop Insurance Program

Year	Policies (thou-sand)	Acres (mil)	Liability ($ mil)	Gross Premium ($ mil)	Subsidy ($ mil)	Farmer Paid Prem-ium ($ mil)	Gross Indem-nities ($ mil)	Gross Under-writing Gain/loss	Total Loss Ratio[a]	Insur-ance Co. Share ($ mil)	RMA Share ($ mil)	A&O ($ mil)[b]	A&O as a % of Prem-ium
1996	1,615.2	204.9	26,876.8	1,838.6	982.1	856.5	1,492.7	345.9	0.81				
1997	1,319.8	182.2	25,458.9	1,775.4	902.8	872.6	993.6	781.8	0.56				
1998	1,242.7	181.8	27,921.4	1,875.9	946.3	929.6	1,677.5	198.4	0.89	272	(74)		
1999	1,288.8	196.9	30,939.4	2,310.1	954.9	1,355.3	2,434.7	(124.6)	1.05	272	(397)		
2000	1,323.2	206.5	34,443.8	2,540.2	951.2	1,589.0	2,594.8	(54.7)	1.02	282	(337)		
2001	1,297.9	211.3	36,728.6	2,961.8	1,771.3	1,190.5	2,960.1	1.7	1.00	346	(344)	636	21.5%
2002	1,259.5	214.9	37,299.3	2,915.9	1,741.0	1,174.9	4,066.7	(1,150.8)	1.39	(48)	(1,009)	628	21.5%
2003	1,241.5	217.4	40,620.5	3,431.4	2,041.7	1,389.7	3,260.8	170.6	0.95	377	(122)	736	21.4%
2004	1,228.8	221.0	46,602.3	4,186.1	2,472.3	1,713.9	3,209.7	976.4	0.77	691	364	894	21.4%
2005	1,190.6	245.9	44,258.9	3,949.2	2,337.1	1,612.1	2,367.3	1,581.9	0.60	915	740	833	21.1%
2006	1,147.8	242.1	49,919.5	4,579.5	2,682.0	1,897.5	3,503.5	1,076.0	0.77	822	321	962	21.0%
2007	1,137.7	271.6	67,339.9	6,562.1	3,823.4	2,738.8	3,547.6	3,014.5	0.54	1,572	1,509	1,335	20.3%
2008	1,149.2	272.2	89,892.4	9,850.9	5,690.7	4,160.2	8,677.9	1,173.0	0.88	1,094	144	2,013	20.4%
2009	1,172.0	264.8	79,575.2	8,950.7	5,426.9	3,523.9	5,228.9	3,721.8	0.58	2,297	1,486	1,619	18.1%
2010	1,140.7	256.3	78,105.3	7,594.4	4,711.3	2,883.1	4,251.1	3,343.3	0.56	1,915	1,484	1,371	18.1%
2011	1,150.7	265.4	114,001.8	11,946.4	7,447.5	4,498.9	10,811.0	1,135.4	0.90	1,672	(478)	1,300	10.9%

[a]Indemnity divided by total premium.

[b]2011 A&O is an Estimate.

Source: U.S. Department of Agriculture, Risk Management Agency.

Illinois Corn Crop Insurance History

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Prem-ium Paid by Farm-	Indemnity (000)	Loss Ratio (000)	Farm-er Loss Ratio (000)	% of Acres In-sured (000)
1988	12.5	1,282	209,189	8,431	1,846	78.1%	55,738	6.61	8.46	12.9%
1989	50.7	4,996	1,028,346	36,415	7,649	79.0%	37,569	1.03	1.31	45.8%
1990	35.4	3,513	656,959	23,273	4,894	79.0%	11,533	0.50	0.63	33.1%
1991	28.0	2,868	541,691	21,532	4,609	78.6%	54,120	2.51	3.20	25.6%
1992	33.0	3,548	677,302	29,782	6,158	79.3%	6,476	0.22	0.27	31.7%
1993	31.6	3,247	635,423	27,596	5,703	79.3%	15,956	0.58	0.73	30.9%
1994	32.3	3,672	737,609	36,000	7,607	78.9%	2,657	0.07	0.09	31.7%
1995	91.5	8,727	1,152,122	48,050	24,345	49.3%	41,031	0.85	1.73	85.6%
1996	66.5	7,370	1,253,366	58,458	26,772	54.2%	28,425	0.49	0.90	67.0%
1997	57.0	6,483	1,111,147	53,838	22,693	57.8%	14,117	0.26	0.45	57.9%
1998	54.9	6,318	1,227,417	61,084	24,026	60.7%	31,249	0.51	0.84	59.6%
1999	57.3	6,934	1,302,777	79,773	21,650	72.9%	33,931	0.43	0.58	64.2%
2000	60.8	7,526	1,628,708	103,782	20,564	80.2%	28,274	0.27	0.34	67.2%
2001	57.2	7,343	1,653,373	113,188	60,311	46.7%	30,015	0.27	0.57	66.8%
2002	55.1	7,539	1,749,769	115,409	60,482	47.6%	99,762	0.86	1.82	67.9%
2003	54.8	7,826	1,960,088	136,961	71,642	47.7%	40,242	0.29	0.62	69.9%
2004	53.3	8,118	2,431,995	173,049	92,456	46.6%	60,542	0.35	0.75	69.1%
2005	53.1	8,616	2,375,234	168,968	89,933	46.8%	191,314	1.13	2.42	71.2%
2006	54.9	8,940	3,535,050	277,198	147,847	46.7%	26,412	0.10	0.20	79.1%
2007	54.8	10,233	5,960,600	487,173	258,310	47.0%	47,362	0.10	0.21	77.5%
2008	52.4	9,416	6,717,206	547,433	274,457	49.9%	325,840	0.60	1.19	77.8%
2009	53.0	9,681	5,351,419	465,015	249,963	46.2%	135,492	0.29	0.63	80.7%
2010	53.0	9,915	5,496,740	376,826	207,394	45.0%	239,318	0.64	1.41	78.7%
2011	53.8	10,193	8,591,109	630,961	347,497	44.9%	264,105	0.42	0.93	80.9%
2012	35.2	10,516	8,694,310	520,735	289,416	44.4%	2,608,881	5.01	11.28	80.9%
1989 to 2011		164,306	57,984,642	4,080,196	2,038,808		1,821,481	0.45	0.89	
Est 2012 + History		174,822	66,678,952	4,600,931	2,328,224	49.4%	4,430,362	0.96	1.95	

Minnesota Corn Crop Insurance History

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Prem-ium Paid by Farm-	Indemnity (000)	Loss Ratio (000)	Farm-er Loss Ratio (000)	% of Acres In-sured (000)
1988	13.5	1,424	194,465	11,241	3,077	72.6%	34,460	3.07	4.22	25.0%
1989	34.1	3,637	557,075	38,062	10,544	72.3%	14,790	0.39	0.54	58.7%
1990	31.0	3,500	509,107	34,529	9,640	72.1%	4,156	0.12	0.17	52.2%
1991	21.5	2,458	376,586	23,470	6,633	71.7%	7,850	0.33	0.47	37.2%
1992	18.9	2,424	381,710	22,416	6,358	71.6%	23,616	1.05	1.47	33.7%
1993	22.1	2,629	371,316	21,659	6,198	71.4%	179,177	8.27	11.59	41.7%
1994	34.3	4,410	630,721	39,224	11,197	71.5%	3,503	0.09	0.12	63.0%
1995	44.5	5,911	746,493	47,285	24,216	48.8%	9,750	0.21	0.42	88.2%
1996	39.4	5,965	955,117	61,142	30,643	49.9%	10,250	0.17	0.34	79.5%
1997	36.5	5,600	882,757	56,514	26,474	53.2%	7,321	0.13	0.24	80.0%
1998	35.9	5,951	1,059,034	67,276	30,483	54.7%	7,245	0.11	0.20	81.5%
1999	34.8	5,799	960,655	70,007	24,804	64.6%	10,487	0.15	0.23	81.7%
2000	34.7	6,094	1,093,857	80,844	23,096	71.4%	13,103	0.16	0.23	84.6%
2001	33.2	5,894	1,158,036	92,635	53,929	41.8%	71,047	0.77	1.84	86.7%
2002	32.8	6,154	1,244,363	99,937	56,506	43.5%	10,839	0.11	0.25	85.5%
2003	32.1	6,226	1,348,818	113,168	64,238	43.2%	28,511	0.25	0.58	86.5%
2004	32.1	6,523	1,700,747	148,328	84,397	43.1%	92,449	0.62	1.45	87.0%
2005	31.1	6,423	1,437,918	119,530	67,338	43.7%	24,060	0.20	0.46	88.0%
2006	30.3	6,461	1,654,727	134,500	75,316	44.0%	39,745	0.30	0.67	88.5%
2007	32.0	7,614	3,309,740	312,528	170,796	45.4%	166,350	0.53	1.17	90.6%
2008	31.4	7,042	4,069,093	388,968	216,246	44.4%	270,648	0.70	1.57	91.5%
2009	31.5	7,044	3,229,269	317,825	195,858	38.4%	46,013	0.14	0.38	92.7%
2010	30.7	7,026	3,256,892	251,176	157,305	37.4%	22,123	0.09	0.24	91.3%
2011	32.0	7,623	5,450,018	445,713	280,043	37.2%	178,204	0.40	1.08	94.1%
2012	26.0	8,187	6,117,577	457,127	282,612	38.2%	182,851	0.40	1.05	94.1%
1989 to 2011	129,832	36,578,514	2,997,978	1,635,335		1,275,696	0.43	0.94		
Est 2012 + History	138,020	42,696,091	3,455,105	1,917,946	44.5%	1,458,547	0.42	0.95		

Indiana Corn Crop Insurance History

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Prem-ium Paid by Farm-	Indemnity (000)	Loss Ratio (000)	Farm-er Loss Ratio (000)	% of Acres In-sured (000)
1988	5.4	656	99,762	4,398	995	77.4%	17,560	3.99	5.16	12.6%
1989	12.8	1,332	238,057	9,705	2,267	76.6%	3,774	0.39	0.51	24.9%
1990	10.0	1,122	183,993	7,517	1,729	77.0%	4,146	0.55	0.72	20.0%
1991	8.4	1,031	176,901	7,973	1,872	76.5%	27,382	3.43	4.49	18.1%
1992	10.0	1,369	240,316	11,765	2,592	78.0%	4,650	0.40	0.51	22.5%
1993	9.4	1,244	223,088	10,879	2,432	77.6%	5,091	0.47	0.60	22.4%
1994	9.2	1,355	261,069	13,469	3,031	77.5%	2,581	0.19	0.25	22.2%
1995	33.5	3,926	452,172	19,372	10,334	46.7%	21,844	1.13	2.42	72.7%
1996	20.0	2,710	427,647	22,248	9,552	57.1%	23,886	1.07	1.88	48.4%
1997	17.5	2,607	483,943	24,615	8,948	63.6%	21,089	0.86	1.35	44.2%
1998	17.4	2,618	575,089	29,911	9,981	66.6%	27,075	0.91	1.36	45.1%
1999	18.6	2,966	627,163	40,647	9,527	76.6%	32,410	0.80	1.04	51.1%
2000	20.7	3,413	818,315	57,783	9,563	83.5%	20,115	0.35	0.42	59.9%
2001	19.8	3,354	842,405	61,173	31,910	47.8%	10,240	0.17	0.35	57.8%
2002	19.1	3,334	834,979	58,267	30,177	48.2%	96,325	1.65	3.43	61.7%
2003	19.8	3,630	986,488	72,763	37,792	48.1%	48,844	0.67	1.40	64.8%
2004	19.6	3,670	1,160,978	94,260	49,719	47.3%	61,912	0.66	1.39	64.4%
2005	19.5	3,833	1,097,431	90,163	47,702	47.1%	29,462	0.33	0.69	65.0%
2006	18.8	3,748	1,279,325	109,510	58,145	46.9%	21,523	0.20	0.42	68.1%
2007	19.7	4,477	2,404,944	217,526	115,592	46.9%	65,798	0.30	0.65	68.9%
2008	18.6	3,912	2,636,574	242,159	123,349	49.1%	268,994	1.11	2.26	68.6%
2009	19.0	4,074	2,181,462	218,404	117,079	46.4%	65,328	0.30	0.64	72.8%
2010	19.1	4,195	2,219,097	177,671	97,922	44.9%	58,990	0.33	0.74	71.1%
2011	19.6	4,366	3,501,028	302,161	165,242	45.3%	173,714	0.57	1.27	74.0%
2012	11.2	4,588	3,635,789	260,260	145,328	44.2%	1,246,644	4.79	10.85	74.0%
1989 to 2011	68,943	23,952,226	1,904,341	947,450		1,112,731	0.58	1.16		
Est 2012 + History	73,532	27,588,016	2,164,601	1,092,778	49.5%	2,359,375	1.09	2.20		

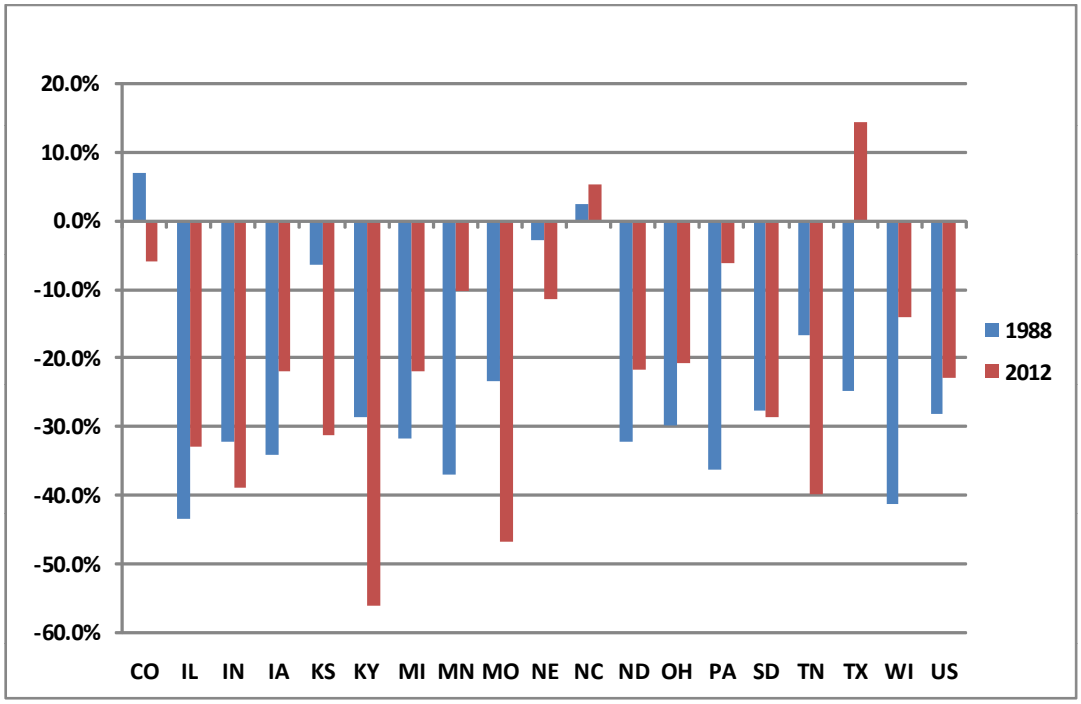
Iowa Corn Crop Insurance History

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Prem-ium Paid by Farm-	Indemnity (000)	Loss Ratio (000)	Farm-er Loss Ratio (000)	% of Acres In-sured (000)
1988	39.2	3,909	608,008	24,257	5,527	77.2%	112,222	4.63	5.99	34.6%
1989	88.4	9,183	1,814,460	77,710	16,887	78.3%	63,955	0.82	1.05	72.9%
1990	72.8	7,794	1,377,372	57,411	12,778	77.7%	17,325	0.30	0.39	60.9%
1991	54.8	5,832	1,031,910	45,686	10,575	76.9%	33,119	0.72	0.94	46.7%
1992	52.6	6,092	1,085,486	48,294	11,122	77.0%	8,258	0.17	0.22	46.2%
1993	49.1	5,425	999,545	43,088	10,011	76.8%	213,897	4.96	6.47	45.2%
1994	59.8	7,177	1,297,300	61,474	14,578	76.3%	3,240	0.05	0.07	55.6%
1995	95.6	10,732	1,526,616	70,024	29,925	57.3%	68,726	0.98	1.71	90.2%
1996	55.9	6,200	1,025,744	47,058	21,555	54.2%	11,167	0.24	0.44	48.8%
1997	78.2	9,573	1,811,336	90,458	31,314	65.4%	8,552	0.09	0.14	78.5%
1998	76.3	9,779	2,049,074	101,475	34,669	65.8%	59,312	0.58	0.89	78.2%
1999	74.5	9,701	1,889,913	112,243	29,297	73.9%	36,299	0.32	0.44	80.2%
2000	75.3	10,193	2,209,009	141,230	27,571	80.5%	49,109	0.35	0.43	82.9%
2001	71.4	9,798	2,188,826	152,401	82,391	45.9%	102,124	0.67	1.46	83.7%
2002	69.7	10,301	2,303,345	153,607	82,117	46.5%	30,541	0.20	0.43	84.4%
2003	67.0	10,285	2,464,087	167,004	89,924	46.2%	29,271	0.18	0.38	83.6%
2004	66.4	10,824	3,143,169	224,727	122,079	45.7%	51,010	0.23	0.50	85.2%
2005	64.4	10,913	2,779,196	188,005	102,041	45.7%	58,220	0.31	0.68	85.3%
2006	63.4	10,985	3,275,376	228,884	123,143	46.2%	46,954	0.21	0.44	87.2%
2007	64.3	12,488	6,062,652	458,247	245,425	46.4%	69,166	0.15	0.32	87.9%
2008	63.0	11,730	7,507,828	574,918	309,145	46.2%	648,383	1.13	2.44	88.2%
2009	63.9	12,126	6,209,635	513,545	295,114	42.5%	112,547	0.22	0.52	89.2%
2010	63.2	11,999	6,170,045	400,376	233,519	41.7%	279,952	0.70	1.68	89.5%
2011	64.5	12,677	10,131,877	717,663	410,481	42.8%	171,896	0.24	0.56	89.9%
2012	52.3	12,587	10,154,194	608,836	351,095	42.3%	1,534,267	2.52	5.95	89.9%
1989 to 2011	225,716	70,961,809	4,699,785	2,351,186			2,285,245	0.49	0.97	
Est 2012 + History	238,303	81,116,003	5,308,622	2,702,281	49.1%		3,819,513	0.72	1.47	

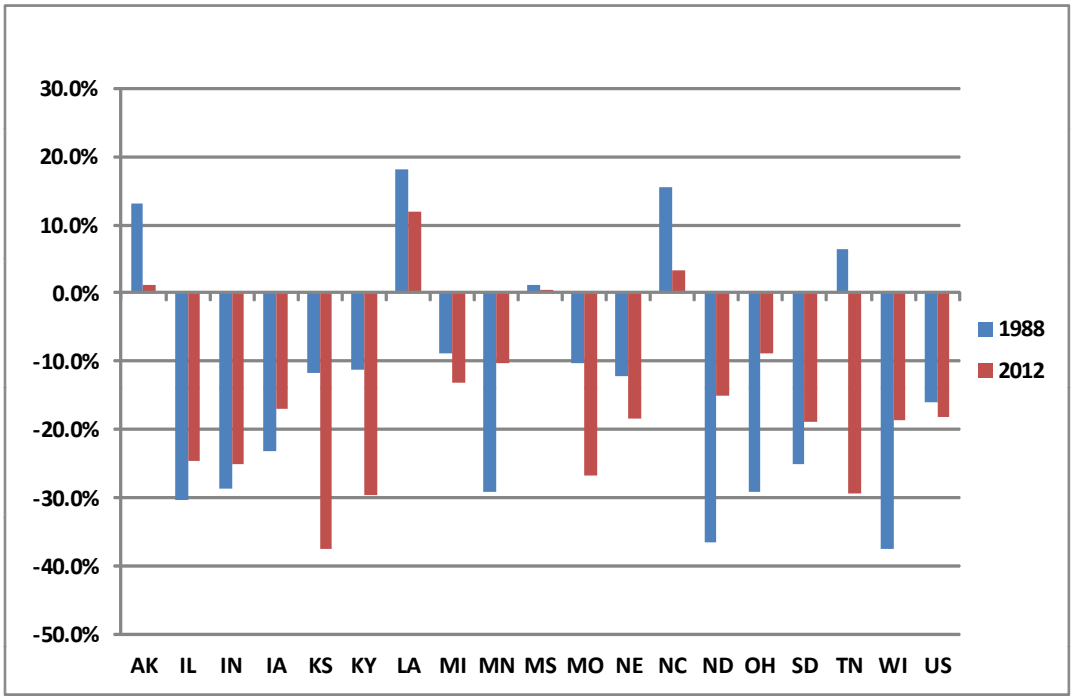
Kansas Corn Crop Insurance History

Year	Pol Earn Prem (000)	Net Acres (000)	Liabilities (000)	Total Premium (000)	Subsidy (000)	Prem-ium Paid by Farm-	Indemnity (000)	Loss Ratio (000)	Farm-er Loss Ratio (000)	% of Acres In-sured (000)
1988	3.3	344	46,157	2,384	662	72.2%	1,617	0.68	0.94	27.5%
1989	4.8	461	76,983	3,999	1,107	72.3%	8,213	2.05	2.84	36.9%
1990	5.9	559	78,517	4,166	1,169	71.9%	3,079	0.74	1.03	40.8%
1991	5.7	554	80,914	4,303	1,227	71.5%	6,579	1.53	2.14	34.6%
1992	5.5	557	83,554	4,513	1,280	71.6%	10,045	2.23	3.11	30.9%
1993	5.5	578	89,121	4,638	1,341	71.1%	6,637	1.43	2.01	31.2%
1994	7.3	731	109,933	6,664	1,930	71.0%	3,357	0.50	0.71	36.6%
1995	19.8	2,018	224,196	11,080	6,433	41.9%	12,077	1.09	2.60	87.7%
1996	17.8	2,010	309,138	16,148	8,434	47.8%	5,756	0.36	0.75	93.5%
1997	15.9	1,939	313,273	17,782	7,768	56.3%	4,097	0.23	0.41	77.5%
1998	16.0	2,120	380,243	21,257	9,237	56.5%	3,083	0.15	0.26	77.1%
1999	17.0	2,355	370,621	23,691	8,489	64.2%	11,567	0.49	0.76	78.5%
2000	18.3	2,591	427,891	28,511	8,484	70.2%	34,227	1.20	1.71	82.3%
2001	19.9	2,746	499,593	40,953	23,606	42.4%	32,570	0.80	1.88	79.6%
2002	19.2	2,644	506,919	39,683	22,505	43.3%	137,345	3.46	8.00	76.6%
2003	17.6	2,359	493,548	43,265	24,384	43.6%	77,585	1.79	4.11	72.6%
2004	18.8	2,613	612,645	66,230	37,382	43.6%	50,509	0.76	1.75	90.1%
2005	21.4	3,089	580,844	68,427	39,131	42.8%	37,786	0.55	1.29	99.0%
2006	19.8	2,889	606,543	78,245	44,617	43.0%	83,478	1.07	2.48	79.2%
2007	20.9	3,367	1,114,354	150,746	86,920	42.3%	32,042	0.21	0.50	99.0%
2008	21.1	3,313	1,471,007	208,899	121,319	41.9%	122,655	0.59	1.40	84.9%
2009	22.3	3,592	1,247,911	193,427	117,038	39.5%	37,596	0.19	0.49	93.3%
2010	24.6	4,253	1,386,029	176,290	107,629	38.9%	42,048	0.24	0.61	99.0%
2011	25.3	4,298	2,190,543	265,162	163,379	38.4%	450,411	1.70	4.43	88.6%
2012	17.4	4,342	2,167,947	232,107	141,566	39.0%	758,990	3.27	8.38	88.6%
1989 to 2011	51,980	13,300,477	1,480,464	845,470			1,214,358	0.82	1.91	
Est 2012 + History	56,322	15,468,424	1,712,571	987,036	42.4%		1,973,349	1.15	2.72	

Percent Yield Deviation below Trend is Better in Some Important Corn States than in 1988



Percent Soybean Yield Deviation below Trend in 2012 vs. 1988



Harvest Price Causes Payments Greater than Expected Farm Revenue?

1. Expected Revenue was defined by other people and is the APH X the Base Price. But is that the expected revenue?
2. It assumes a zero basis on price.
3. Quality loss adjustments may not equal market discounts for aflatoxin, test weights, or other quality issues.
4. Assumes no hedging losses or contract cancellation penalties.

Illinois Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and a 80% Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	80% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.5%	0.5%	50	RP	RBUP	481.88	13.83	10.24	3.59	169.67	678.70	33.9	271.48	403.63	271.48	675.11	70.1%
0.1%	0.1%	55	RP	RBUP	557.87	17.23	11.78	5.45	178.57	785.73	35.7	285.72	494.56	285.72	780.28	76.9%
0.5%	0.3%	60	RP	RBUP	559.94	32.54	21.22	11.33	164.30	788.64	32.9	262.88	514.44	262.88	777.32	83.3%
2.6%	1.5%	65	RP	RBUP	596.07	33.83	21.27	12.56	161.45	839.53	32.3	258.32	568.66	258.32	826.98	90.2%
8.8%	5.9%	70	RP	RBUP	635.43	45.51	28.68	16.84	159.82	894.97	32.0	255.71	622.43	255.71	878.13	96.7%
19.0%	15.0%	75	RP	RBUP	723.42	45.36	29.39	15.97	169.82	1018.90	34.0	271.71	731.23	271.71	1,002.94	104.0%
26.6%	28.6%	80	RP	RBUP	811.45	49.42	30.10	19.32	178.58	1142.89	35.7	285.72	837.85	285.72	1,123.57	110.8%
17.4%	26.8%	85	RP	RBUP	889.23	58.12	28.44	29.68	184.18	1252.44	36.8	294.69	928.07	294.69	1,222.76	116.9%
0.1%	0.1%	50	RPHPE	RBUP	527.21	11.41	8.04	3.37	185.64	527.21	37.1	297.02	226.82	297.02	523.84	49.7%
0.0%	0.0%	55	RPHPE	RBUP	548.72	5.59	3.70	1.89	175.65	548.72	35.1	281.03	265.79	281.03	546.83	54.8%
0.1%	0.0%	60	RPHPE	RBUP	581.12	12.36	8.38	3.98	170.52	581.12	34.1	272.83	304.32	272.83	577.14	59.6%
0.5%	0.2%	65	RPHPE	RBUP	580.41	19.51	12.44	7.07	157.21	580.41	31.4	251.53	321.81	251.53	573.34	64.2%
0.9%	0.7%	70	RPHPE	RBUP	677.29	24.54	15.88	8.66	170.34	677.29	34.1	272.55	396.08	272.55	668.63	69.1%
1.7%	1.1%	75	RPHPE	RBUP	747.77	24.01	15.50	8.50	175.53	747.77	35.1	280.85	458.41	280.85	739.26	74.1%
2.0%	2.0%	80	RPHPE	RBUP	817.88	27.30	16.63	10.66	179.99	817.88	36.0	287.99	519.23	287.99	807.22	79.0%
2.1%	2.8%	85	RPHPE	RBUP	900.76	30.00	14.66	15.34	186.57	900.76	37.3	298.51	586.91	298.51	885.42	83.6%
2.9%	2.4%	50	YP	RCAT	250.85	8.46	8.46	0.00	160.59	250.85	32.1	182.44	68.41	256.95	325.36	35.7%
0.8%	0.4%	50	YP	RBUP	462.09	8.54	5.90	2.64	162.71	462.09	32.5	184.84	274.61	260.33	534.94	57.9%
0.2%	0.1%	55	YP	RBUP	526.64	15.02	9.65	5.37	168.58	526.64	33.7	191.51	329.76	269.73	599.49	62.6%
0.3%	0.2%	60	YP	RBUP	567.43	23.43	15.05	8.37	166.50	567.43	33.3	189.14	369.91	266.40	636.31	67.3%
2.2%	0.7%	65	YP	RBUP	598.55	19.49	11.63	7.86	162.12	598.55	32.4	184.17	406.52	259.39	665.91	72.3%
1.6%	0.7%	70	YP	RBUP	666.14	27.70	16.68	11.03	167.54	666.14	33.5	190.33	464.79	268.07	732.85	77.0%
2.9%	1.3%	75	YP	RBUP	731.46	27.84	16.32	11.52	171.70	731.46	34.3	195.06	524.88	274.73	799.61	82.0%
1.5%	0.9%	80	YP	RBUP	814.60	31.79	16.40	15.39	179.27	814.60	35.9	203.65	595.56	286.83	882.39	86.7%
0.8%	0.6%	85	YP	RBUP	890.43	36.52	14.86	21.66	184.43	890.43	36.9	209.51	659.26	295.09	954.35	91.1%

[a]Source: Risk Management Agency's (RMA) public crop insurance data located on the RMA website at: http://www3.rma.usda.gov/apps/sob/

Illinois Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and No Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	0% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.5%	**0.5%**	**50**	**RP**	**RBUP**	**481.88**	**13.83**	**10.24**	**3.59**	**169.67**	**678.70**	**169.7**	**1,357.40**	**(3.59)**	**1,357.40**	**1,353.81**	**140.5%**
0.1%	**0.1%**	**55**	**RP**	**RBUP**	**557.87**	**17.23**	**11.78**	**5.45**	**178.57**	**785.73**	**178.6**	**1,428.60**	**(5.45)**	**1,428.60**	**1,423.15**	**140.3%**
0.5%	**0.3%**	**60**	**RP**	**RBUP**	**559.94**	**32.54**	**21.22**	**11.33**	**164.30**	**788.64**	**164.3**	**1,314.40**	**(11.33)**	**1,314.40**	**1,303.08**	**139.6%**
2.6%	**1.5%**	**65**	**RP**	**RBUP**	**596.07**	**33.83**	**21.27**	**12.56**	**161.45**	**839.53**	**161.4**	**1,291.59**	**(12.56)**	**1,291.59**	**1,279.03**	**139.5%**
8.8%	**5.9%**	**70**	**RP**	**RBUP**	**635.43**	**45.51**	**28.68**	**16.84**	**159.82**	**894.97**	**159.8**	**1,278.53**	**(16.84)**	**1,278.53**	**1,261.69**	**139.0%**
19.0%	**15.0%**	**75**	**RP**	**RBUP**	**723.42**	**45.36**	**29.39**	**15.97**	**169.82**	**1018.90**	**169.8**	**1,358.54**	**(15.97)**	**1,358.54**	**1,342.57**	**139.2%**
26.6%	**28.6%**	**80**	**RP**	**RBUP**	**811.45**	**49.42**	**30.10**	**19.32**	**178.58**	**1142.89**	**178.6**	**1,428.62**	**(19.32)**	**1,428.62**	**1,409.29**	**138.9%**
17.4%	**26.8%**	**85**	**RP**	**RBUP**	**889.23**	**58.12**	**28.44**	**29.68**	**184.18**	**1252.44**	**184.2**	**1,473.46**	**(29.68)**	**1,473.46**	**1,443.78**	**138.0%**
0.1%	0.1%	50	RPHPE	RBUP	527.21	11.41	8.04	3.37	185.64	527.21	185.6	1,485.10	(3.37)	1,485.10	1,481.73	140.5%
0.0%	0.0%	55	RPHPE	RBUP	548.72	5.59	3.70	1.89	175.65	548.72	175.6	1,405.17	(1.89)	1,405.17	1,403.28	140.7%
0.1%	0.0%	60	RPHPE	RBUP	581.12	12.36	8.38	3.98	170.52	581.12	170.5	1,364.13	(3.98)	1,364.13	1,360.15	140.4%
0.5%	0.2%	65	RPHPE	RBUP	580.41	19.51	12.44	7.07	157.21	580.41	157.2	1,257.66	(7.07)	1,257.66	1,250.59	140.1%
0.9%	0.7%	70	RPHPE	RBUP	677.29	24.54	15.88	8.66	170.34	677.29	170.3	1,362.75	(8.66)	1,362.75	1,354.10	140.0%
1.7%	1.1%	75	RPHPE	RBUP	747.77	24.01	15.50	8.50	175.53	747.77	175.5	1,404.25	(8.50)	1,404.25	1,395.75	140.0%
2.0%	2.0%	80	RPHPE	RBUP	817.88	27.30	16.63	10.66	179.99	817.88	180.0	1,439.93	(10.66)	1,439.93	1,429.27	139.8%
2.1%	2.8%	85	RPHPE	RBUP	900.76	30.00	14.66	15.34	186.57	900.76	186.6	1,492.56	(15.34)	1,492.56	1,477.22	139.4%
2.9%	**2.4%**	**50**	**YP**	**RCAT**	**250.85**	**8.46**	**8.46**	**0.00**	**160.59**	**250.85**	**160.6**	**912.18**	**0.00**	**1,284.76**	**1,284.76**	**140.8%**
0.8%	**0.4%**	**50**	**YP**	**RBUP**	**462.09**	**8.54**	**5.90**	**2.64**	**162.71**	**462.09**	**162.7**	**924.18**	**(2.64)**	**1,301.66**	**1,299.01**	**140.6%**
0.2%	**0.1%**	**55**	**YP**	**RBUP**	**526.64**	**15.02**	**9.65**	**5.37**	**168.58**	**526.64**	**168.6**	**957.53**	**(5.37)**	**1,348.63**	**1,343.25**	**140.3%**
0.3%	**0.2%**	**60**	**YP**	**RBUP**	**567.43**	**23.43**	**15.05**	**8.37**	**166.50**	**567.43**	**166.5**	**945.71**	**(8.37)**	**1,331.99**	**1,323.62**	**140.0%**
2.2%	**0.7%**	**65**	**YP**	**RBUP**	**598.55**	**19.49**	**11.63**	**7.86**	**162.12**	**598.55**	**162.1**	**920.84**	**(7.86)**	**1,296.96**	**1,289.10**	**140.0%**
1.6%	**0.7%**	**70**	**YP**	**RBUP**	**666.14**	**27.70**	**16.68**	**11.03**	**167.54**	**666.14**	**167.5**	**951.63**	**(11.03)**	**1,340.33**	**1,329.30**	**139.7%**
2.9%	**1.3%**	**75**	**YP**	**RBUP**	**731.46**	**27.84**	**16.32**	**11.52**	**171.70**	**731.46**	**171.7**	**975.28**	**(11.52)**	**1,373.64**	**1,362.11**	**139.7%**
1.5%	**0.9%**	**80**	**YP**	**RBUP**	**814.60**	**31.79**	**16.40**	**15.39**	**179.27**	**814.60**	**179.3**	**1,018.25**	**(15.39)**	**1,434.16**	**1,418.77**	**139.3%**
0.8%	**0.6%**	**85**	**YP**	**RBUP**	**890.43**	**36.52**	**14.86**	**21.66**	**184.43**	**890.43**	**184.4**	**1,047.57**	**(21.66)**	**1,475.45**	**1,453.79**	**138.8%**

[a]Source: Risk Management Agency's (RMA) public crop insurance data located on the RMA website at: http://www3.rma.usda.gov/apps/sob/

Minnesota Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and a 80% Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	80% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.7%	0.4%	50	RP	RBUP	396.17	27.72	19.34	8.38	139.50	557.99	27.9	223.20	326.41	223.20	549.61	69.4%
0.2%	0.1%	55	RP	RBUP	394.59	42.21	30.26	11.95	126.31	555.76	25.3	202.10	341.72	202.10	543.82	75.8%
0.9%	0.5%	60	RP	RBUP	499.88	38.67	27.00	11.67	146.68	704.06	29.3	234.69	457.70	234.69	692.39	83.1%
4.9%	2.9%	65	RP	RBUP	584.93	39.05	25.61	13.44	158.43	823.85	31.7	253.49	556.92	253.49	810.41	90.1%
18.7%	14.5%	70	RP	RBUP	648.08	49.18	32.42	16.76	163.00	912.79	32.6	260.80	635.23	260.80	896.03	96.8%
32.6%	**33.1%**	**75**	**RP**	**RBUP**	**732.19**	**55.76**	**36.46**	**19.31**	**171.88**	**1031.26**	**34.4**	**275.00**	**736.95**	**275.00**	**1,011.95**	**103.7%**
23.5%	**30.7%**	**80**	**RP**	**RBUP**	**824.90**	**61.92**	**38.03**	**23.89**	**181.54**	**1161.83**	**36.3**	**290.46**	**847.48**	**290.46**	**1,137.94**	**110.4%**
6.3%	**9.7%**	**85**	**RP**	**RBUP**	**898.55**	**74.13**	**36.39**	**37.74**	**186.11**	**1265.57**	**37.2**	**297.78**	**930.05**	**297.78**	**1,227.83**	**116.1%**
0.1%	0.1%	50	RPHPE	RBUP	452.77	15.87	11.08	4.78	159.43	452.77	31.9	255.08	192.90	255.08	447.99	49.5%
0.0%	0.0%	55	RPHPE	RBUP	507.08	19.29	14.62	4.67	162.32	507.08	32.5	259.71	242.71	259.71	502.42	54.5%
0.0%	0.0%	60	RPHPE	RBUP	587.64	28.38	20.42	7.96	172.43	587.64	34.5	275.89	303.79	275.89	579.68	59.2%
0.1%	0.1%	65	RPHPE	RBUP	549.92	33.74	22.76	10.99	148.95	549.92	29.8	238.32	300.61	238.32	538.93	63.7%
0.3%	0.2%	70	RPHPE	RBUP	614.40	40.98	26.30	14.68	154.53	614.40	30.9	247.24	352.48	247.24	599.72	68.3%
0.6%	0.6%	75	RPHPE	RBUP	733.17	41.08	25.32	15.77	172.11	733.17	34.4	275.37	442.03	275.37	717.40	73.4%
0.7%	0.8%	80	RPHPE	RBUP	805.78	43.61	25.65	17.96	177.33	805.78	35.5	283.72	504.09	283.72	787.82	78.2%
0.6%	1.1%	85	RPHPE	RBUP	889.94	43.32	22.19	21.13	184.33	889.94	36.9	294.92	573.88	294.92	868.80	83.0%
1.6%	1.5%	50	YP	RCAT	228.59	8.14	8.14	0.00	146.34	228.59	29.3	166.25	62.34	234.15	296.49	35.7%
1.3%	0.6%	50	YP	RBUP	421.81	18.98	13.10	5.88	148.52	421.81	29.7	168.72	247.21	237.64	484.84	57.5%
0.2%	0.1%	55	YP	RBUP	405.67	33.72	22.94	10.79	129.86	405.67	26.0	147.52	247.37	207.77	455.14	61.7%
0.6%	0.3%	60	YP	RBUP	469.97	33.09	21.83	11.26	137.90	469.97	27.6	156.66	302.06	220.65	522.70	66.7%
2.3%	0.9%	65	YP	RBUP	566.33	27.10	16.85	10.26	153.39	566.33	30.7	174.25	381.81	245.43	627.24	72.0%
1.9%	0.8%	70	YP	RBUP	618.80	35.40	22.20	13.20	155.63	618.80	31.1	176.80	428.80	249.01	677.81	76.7%
1.3%	0.6%	75	YP	RBUP	697.97	39.27	23.33	15.94	163.84	697.97	32.8	186.13	495.90	262.15	758.05	81.5%
0.3%	0.2%	80	YP	RBUP	807.13	38.10	20.79	17.31	177.63	807.13	35.5	201.78	588.03	284.20	872.24	86.5%
0.1%	0.1%	85	YP	RBUP	827.26	50.30	21.43	28.87	171.35	827.26	34.3	194.65	603.74	274.15	877.90	90.2%

[a]Source: Risk Management Agency's (RMA) public crop insurance data located on the RMA website at: http://www3.rma.usda.gov/apps/sob/

Minnesota Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and No Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	80% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.7%	0.4%	50	RP	RBUP	396.17	27.72	19.34	8.38	139.50	557.99	139.5	1,115.98	(8.38)	1,115.98	1,107.60	139.8%
0.2%	0.1%	55	RP	RBUP	394.59	42.21	30.26	11.95	126.31	555.76	126.3	1,010.48	(11.95)	1,010.48	998.53	139.2%
0.9%	0.5%	60	RP	RBUP	499.88	38.67	27.00	11.67	146.68	704.06	146.7	1,173.43	(11.67)	1,173.43	1,161.76	139.4%
4.9%	2.9%	65	RP	RBUP	584.93	39.05	25.61	13.44	158.43	823.85	158.4	1,267.46	(13.44)	1,267.46	1,254.02	139.4%
18.7%	14.5%	70	RP	RBUP	648.08	49.18	32.42	16.76	163.00	912.79	163.0	1,303.99	(16.76)	1,303.99	1,287.23	139.0%
32.6%	**33.1%**	**75**	**RP**	**RBUP**	**732.19**	**55.76**	**36.46**	**19.31**	**171.88**	**1031.26**	**171.9**	**1,375.01**	**(19.31)**	**1,375.01**	**1,355.70**	**138.9%**
23.5%	**30.7%**	**80**	**RP**	**RBUP**	**824.90**	**61.92**	**38.03**	**23.89**	**181.54**	**1161.83**	**181.5**	**1,452.29**	**(23.89)**	**1,452.29**	**1,428.39**	**138.5%**
6.3%	**9.7%**	**85**	**RP**	**RBUP**	**898.55**	**74.13**	**36.39**	**37.74**	**186.11**	**1265.57**	**186.1**	**1,488.90**	**(37.74)**	**1,488.90**	**1,451.16**	**137.3%**
0.1%	0.1%	50	RPHPE	RBUP	452.77	15.87	11.08	4.78	159.43	452.77	159.4	1,275.41	(4.78)	1,275.41	1,270.62	140.3%
0.0%	0.0%	55	RPHPE	RBUP	507.08	19.29	14.62	4.67	162.32	507.08	162.3	1,298.54	(4.67)	1,298.54	1,293.88	140.3%
0.0%	0.0%	60	RPHPE	RBUP	587.64	28.38	20.42	7.96	172.43	587.64	172.4	1,379.44	(7.96)	1,379.44	1,371.47	140.0%
0.1%	0.1%	65	RPHPE	RBUP	549.92	33.74	22.76	10.99	148.95	549.92	148.9	1,191.59	(10.99)	1,191.59	1,180.60	139.5%
0.3%	0.2%	70	RPHPE	RBUP	614.40	40.98	26.30	14.68	154.53	614.40	154.5	1,236.22	(14.68)	1,236.22	1,221.54	139.2%
0.6%	0.6%	75	RPHPE	RBUP	733.17	41.08	25.32	15.77	172.11	733.17	172.1	1,376.85	(15.77)	1,376.85	1,361.08	139.2%
0.7%	0.8%	80	RPHPE	RBUP	805.78	43.61	25.65	17.96	177.33	805.78	177.3	1,418.62	(17.96)	1,418.62	1,400.66	139.1%
0.6%	1.1%	85	RPHPE	RBUP	889.94	43.32	22.19	21.13	184.33	889.94	184.3	1,474.62	(21.13)	1,474.62	1,453.49	138.8%
1.6%	1.5%	50	YP	RCAT	228.59	8.14	8.14	0.00	146.34	228.59	146.3	831.24	0.00	1,170.76	1,170.76	140.8%
1.3%	0.6%	50	YP	RBUP	421.81	18.98	13.10	5.88	148.52	421.81	148.5	843.62	(5.88)	1,188.19	1,182.31	140.1%
0.2%	0.1%	55	YP	RBUP	405.67	33.72	22.94	10.79	129.86	405.67	129.9	737.59	(10.79)	1,038.85	1,028.07	139.4%
0.6%	0.3%	60	YP	RBUP	469.97	33.09	21.83	11.26	137.90	469.97	137.9	783.29	(11.26)	1,103.23	1,091.97	139.4%
2.3%	0.9%	65	YP	RBUP	566.33	27.10	16.85	10.26	153.39	566.33	153.4	871.27	(10.26)	1,227.14	1,216.88	139.7%
1.9%	0.8%	70	YP	RBUP	618.80	35.40	22.20	13.20	155.63	618.80	155.6	884.00	(13.20)	1,245.07	1,231.87	139.4%
1.3%	0.6%	75	YP	RBUP	697.97	39.27	23.33	15.94	163.84	697.97	163.8	930.63	(15.94)	1,310.74	1,294.80	139.1%
0.3%	0.2%	80	YP	RBUP	807.13	38.10	20.79	17.31	177.63	807.13	177.6	1,008.91	(17.31)	1,421.01	1,403.69	139.1%
0.1%	0.1%	85	YP	RBUP	827.26	50.30	21.43	28.87	171.35	827.26	171.3	973.25	(28.87)	1,370.77	1,341.90	137.9%

[a]Source: Risk Management Agency's (RMA) public crop insurance data located on the RMA website at: http://www3.rma.usda.gov/apps/sob/

Kansas Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and a 80% Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	0% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.4%	**0.4%**	**50**	**RP**	**RBUP**	**424.11**	**16.96**	**11.80**	**5.17**	**149.34**	**597.34**	**29.9**	**238.94**	**353.24**	**238.94**	**592.18**	**69.8%**
0.1%	**0.1%**	**55**	**RP**	**RBUP**	**415.64**	**22.82**	**15.17**	**7.65**	**133.05**	**585.40**	**26.6**	**212.87**	**364.87**	**212.87**	**577.75**	**76.5%**
1.4%	**1.2%**	**60**	**RP**	**RBUP**	**431.09**	**32.93**	**21.32**	**11.61**	**126.49**	**607.16**	**25.3**	**202.39**	**393.16**	**202.39**	**595.55**	**82.9%**
13.9%	**10.3%**	**65**	**RP**	**RBUP**	**454.64**	**42.58**	**25.56**	**17.02**	**123.14**	**640.33**	**24.6**	**197.03**	**426.29**	**197.03**	**623.31**	**89.1%**
41.4%	**39.9%**	**70**	**RP**	**RBUP**	**476.68**	**53.79**	**32.56**	**21.22**	**119.89**	**671.38**	**24.0**	**191.82**	**458.33**	**191.82**	**650.15**	**95.5%**
20.9%	**27.8%**	**75**	**RP**	**RBUP**	**521.17**	**61.10**	**38.33**	**22.77**	**122.34**	**734.05**	**24.5**	**195.75**	**515.53**	**195.75**	**711.27**	**102.4%**
4.9%	**8.8%**	**80**	**RP**	**RBUP**	**592.62**	**69.44**	**41.63**	**27.81**	**130.42**	**834.68**	**26.1**	**208.67**	**598.20**	**208.67**	**806.87**	**108.9%**
0.5%	**1.1%**	**85**	**RP**	**RBUP**	**795.58**	**85.08**	**40.89**	**44.19**	**164.79**	**1120.54**	**33.0**	**263.66**	**812.69**	**263.66**	**1,076.35**	**115.0%**
0.0%	0.0%	50	RPHPE	RBUP	302.11	16.20	11.81	4.38	106.38	302.11	21.3	170.20	127.52	170.20	297.72	49.3%
0.0%	0.0%	55	RPHPE	RBUP	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	N/A
0.0%	0.0%	60	RPHPE	RBUP	262.14	27.70	17.74	9.96	76.92	262.14	15.4	123.07	129.11	123.07	252.18	57.7%
0.1%	0.1%	65	RPHPE	RBUP	512.90	27.38	16.15	11.23	138.92	512.90	27.8	222.27	279.40	222.27	501.67	63.6%
0.4%	0.3%	70	RPHPE	RBUP	536.32	38.93	23.83	15.10	134.89	536.32	27.0	215.82	305.39	215.82	521.21	68.0%
0.2%	0.2%	75	RPHPE	RBUP	585.86	41.74	27.19	14.54	137.52	585.86	27.5	220.04	351.27	220.04	571.31	73.1%
0.1%	0.1%	80	RPHPE	RBUP	817.32	58.27	36.44	21.84	179.87	817.32	36.0	287.79	507.69	287.79	795.48	77.9%
0.0%	0.0%	85	RPHPE	RBUP	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	N/A
0.9%	**1.0%**	**50**	**YP**	**RCAT**	**230.34**	**6.04**	**6.04**	**0.00**	**147.47**	**230.34**	**29.5**	**167.52**	**62.82**	**235.95**	**298.77**	**35.7%**
1.0%	**0.8%**	**50**	**YP**	**RBUP**	**493.33**	**12.11**	**8.14**	**3.97**	**173.71**	**493.33**	**34.7**	**197.33**	**292.03**	**277.93**	**569.96**	**57.8%**
0.1%	**0.0%**	**55**	**YP**	**RBUP**	**425.99**	**18.15**	**11.62**	**6.54**	**136.36**	**425.99**	**27.3**	**154.91**	**264.55**	**218.18**	**482.73**	**62.3%**
0.7%	**0.8%**	**60**	**YP**	**RBUP**	**546.08**	**20.66**	**13.31**	**7.35**	**160.24**	**546.08**	**32.0**	**182.03**	**356.71**	**256.38**	**613.09**	**67.4%**
7.1%	**3.2%**	**65**	**YP**	**RBUP**	**471.87**	**29.53**	**17.58**	**11.95**	**127.81**	**471.87**	**25.6**	**145.19**	**314.73**	**204.49**	**519.23**	**71.5%**
4.5%	**2.5%**	**70**	**YP**	**RBUP**	**468.34**	**37.54**	**22.47**	**15.07**	**117.79**	**468.34**	**23.6**	**133.81**	**319.46**	**188.47**	**507.93**	**75.9%**
1.2%	**1.0%**	**75**	**YP**	**RBUP**	**568.59**	**45.20**	**27.18**	**18.02**	**133.47**	**568.59**	**26.7**	**151.62**	**398.94**	**213.55**	**612.50**	**80.8%**
0.1%	**0.2%**	**80**	**YP**	**RBUP**	**599.50**	**46.60**	**25.08**	**21.51**	**131.93**	**599.50**	**26.4**	**149.87**	**428.11**	**211.09**	**639.20**	**85.3%**
0.0%	**0.0%**	**85**	**YP**	**RBUP**	**230.06**	**62.17**	**23.62**	**38.55**	**47.65**	**230.06**	**9.5**	**54.13**	**137.38**	**76.24**	**213.62**	**78.9%**

Kansas Corn for all APH Products based on Average APH and Premiums Purchased for 2012, Assuming $8.00 Harvest Price and No Yield Loss[a]

% of Policies	% of Acres	Cov Lvl	Ins Plan	Delivery	Liabilities	Total Premium	Subsidy	Farmer Premium	Average APH	Final Guarantee	0% Yield Loss	Revenue to Count	Net Indemnity	Revenue Produced	Total Revenue	% of Expected Revenue
0.4%	**0.4%**	**50**	**RP**	**RBUP**	**424.11**	**16.96**	**11.80**	**5.17**	**149.34**	**597.34**	**149.3**	**1,194.68**	**(5.17)**	**1,194.68**	**1,189.52**	**140.2%**
0.1%	**0.1%**	**55**	**RP**	**RBUP**	**415.64**	**22.82**	**15.17**	**7.65**	**133.05**	**585.40**	**133.0**	**1,064.37**	**(7.65)**	**1,064.37**	**1,056.71**	**139.8%**
1.4%	**1.2%**	**60**	**RP**	**RBUP**	**431.09**	**32.93**	**21.32**	**11.61**	**126.49**	**607.16**	**126.5**	**1,011.94**	**(11.61)**	**1,011.94**	**1,000.33**	**139.2%**
13.9%	**10.3%**	**65**	**RP**	**RBUP**	**454.64**	**42.58**	**25.56**	**17.02**	**123.14**	**640.33**	**123.1**	**985.13**	**(17.02)**	**985.13**	**968.11**	**138.4%**
41.4%	**39.9%**	**70**	**RP**	**RBUP**	**476.68**	**53.79**	**32.56**	**21.22**	**119.89**	**671.38**	**119.9**	**959.11**	**(21.22)**	**959.11**	**937.89**	**137.7%**
20.9%	**27.8%**	**75**	**RP**	**RBUP**	**521.17**	**61.10**	**38.33**	**22.77**	**122.34**	**734.05**	**122.3**	**978.73**	**(22.77)**	**978.73**	**955.96**	**137.6%**
4.9%	**8.8%**	**80**	**RP**	**RBUP**	**592.62**	**69.44**	**41.63**	**27.81**	**130.42**	**834.68**	**130.4**	**1,043.35**	**(27.81)**	**1,043.35**	**1,015.54**	**137.1%**
0.5%	**1.1%**	**85**	**RP**	**RBUP**	**795.58**	**85.08**	**40.89**	**44.19**	**164.79**	**1120.54**	**164.8**	**1,318.28**	**(44.19)**	**1,318.28**	**1,274.09**	**136.1%**
0.0%	0.0%	50	RPHPE	RBUP	302.11	16.20	11.81	4.38	106.38	302.11	106.4	851.00	(4.38)	851.00	846.62	140.1%
0.0%	0.0%	55	RPHPE	RBUP	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	N/A
0.0%	0.0%	60	RPHPE	RBUP	262.14	27.70	17.74	9.96	76.92	262.14	76.9	615.35	(9.96)	615.35	605.38	138.6%
0.1%	0.1%	65	RPHPE	RBUP	512.90	27.38	16.15	11.23	138.92	512.90	138.9	1,111.37	(11.23)	1,111.37	1,100.15	139.4%
0.4%	0.3%	70	RPHPE	RBUP	536.32	38.93	23.83	15.10	134.89	536.32	134.9	1,079.11	(15.10)	1,079.11	1,064.01	138.9%
0.2%	0.2%	75	RPHPE	RBUP	585.86	41.74	27.19	14.54	137.52	585.86	137.5	1,100.20	(14.54)	1,100.20	1,085.66	139.0%
0.1%	0.1%	80	RPHPE	RBUP	817.32	58.27	36.44	21.84	179.87	817.32	179.9	1,438.94	(21.84)	1,438.94	1,417.10	138.7%
0.0%	0.0%	85	RPHPE	RBUP	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	N/A
0.9%	**1.0%**	**50**	**YP**	**RCAT**	**230.34**	**6.04**	**6.04**	**0.00**	**147.47**	**230.34**	**147.5**	**837.61**	**0.00**	**1,179.74**	**1,179.74**	**140.8%**
1.0%	**0.8%**	**50**	**YP**	**RBUP**	**493.33**	**12.11**	**8.14**	**3.97**	**173.71**	**493.33**	**173.7**	**986.66**	**(3.97)**	**1,389.66**	**1,385.69**	**140.4%**
0.1%	**0.0%**	**55**	**YP**	**RBUP**	**425.99**	**18.15**	**11.62**	**6.54**	**136.36**	**425.99**	**136.4**	**774.53**	**(6.54)**	**1,090.89**	**1,084.36**	**140.0%**
0.7%	**0.8%**	**60**	**YP**	**RBUP**	**546.08**	**20.66**	**13.31**	**7.35**	**160.24**	**546.08**	**160.2**	**910.14**	**(7.35)**	**1,281.89**	**1,274.54**	**140.0%**
7.1%	**3.2%**	**65**	**YP**	**RBUP**	**471.87**	**29.53**	**17.58**	**11.95**	**127.81**	**471.87**	**127.8**	**725.96**	**(11.95)**	**1,022.47**	**1,010.53**	**139.2%**
4.5%	**2.5%**	**70**	**YP**	**RBUP**	**468.34**	**37.54**	**22.47**	**15.07**	**117.79**	**468.34**	**117.8**	**669.06**	**(15.07)**	**942.34**	**927.27**	**138.6%**
1.2%	**1.0%**	**75**	**YP**	**RBUP**	**568.59**	**45.20**	**27.18**	**18.02**	**133.47**	**568.59**	**133.5**	**758.12**	**(18.02)**	**1,067.77**	**1,049.75**	**138.5%**
0.1%	**0.2%**	**80**	**YP**	**RBUP**	**599.50**	**46.60**	**25.08**	**21.51**	**131.93**	**599.50**	**131.9**	**749.37**	**(21.51)**	**1,055.45**	**1,033.94**	**138.0%**
0.0%	**0.0%**	**85**	**YP**	**RBUP**	**230.06**	**62.17**	**23.62**	**38.55**	**47.65**	**230.06**	**47.7**	**270.65**	**(38.55)**	**381.20**	**342.66**	**126.6%**

[a]Source: Risk Management Agency's (RMA) public crop insurance data located on the RMA website at: http://www3.rma.usda.gov/apps/sob/

Harvest Price Causes Payments Greater than Expected Farm Revenue?

1. Assumes no Livestock that requires producers to replace their feed supply at higher prices.
2. Assumes a single enterprise corn farm. For example, wheat may have produced less than the "expected" revenue.
3. Assumes APH equals expected yield.

Reasons APH May Not Equal Expected Yield

1. Yield losses in prior years. Indiana farmers will see this in next year's APH.
2. Might have a hail loss in history. No reduction in private hail coverage but there is in the APH.
3. No trend adjustment in some counties.
4. An over stated trend yield adjustment.

Deductible Disappears for 75% RP Coverage

1. When Harvest price is 25% lower than base price.
2. When harvest price increases by 33.4% and yield equals zero or sales with a zero basis on production plus indemnity.

Coverage	Price Increase	Price Decrease
75%	33.4%	25.0%
65%	54.0%	35.0%
80%	25.1%	20.0%
85%	17.6%	15.0%

39 Year Historical Corn & Soybean Revenue Protection Prices (March 15 Sales Closing)

CME December Corn

Year	Base Price[1]	Harv. Price[2]	% Price Change[3]	Year	Base Price[1]	Harv. Price[2]	% Price Change[3]
2012	5.68			1992	2.70	2.09	(22.7%)
2011	6.01	6.32	5.2%	1991	2.59	2.51	(3.1%)
2010	3.99	5.46	36.8%	1990	2.47	2.30	(7.1%)
2009	4.04	3.72	(7.9%)	1989	2.71	2.39	(11.7%)
2008	5.40	4.13	(23.5%)	1988	2.17	2.89	33.3%
2007	4.06	3.58	(11.8%)	1987	1.69	1.83	8.3%
2006	2.59	3.03	17.0%	1986	2.11	1.69	(19.5%)
2005	2.32	2.02	(12.9%)	1985	2.66	2.23	(16.1%)
2004	2.83	2.05	(27.6%)	1984	2.86	2.78	(2.6%)
2003	2.42	2.26	(6.6%)	1983	2.88	3.48	20.6%
2002	2.32	2.52	8.6%	1982	3.00	2.20	(26.8%)
2001	2.46	2.08	(15.3%)	1981	3.77	2.91	(22.8%)
2000	2.51	2.04	(18.7%)	1980	3.12	3.61	15.6%
1999	2.40	2.01	(16.1%)	1979	2.59	2.78	7.4%
1998	2.84	2.19	(23.0%)	1978	2.27	2.31	1.6%
1997	2.73	2.81	3.1%	1977	2.73	2.09	(23.7%)
1996	3.08	2.84	(7.9%)	1976	2.72	2.65	(2.4%)
1995	2.57	3.23	25.7%	1975	2.72	2.91	7.0%
1994	2.68	2.16	(19.5%)	1974	2.89	3.80	31.5%
1993	2.40	2.49	3.7%	1973	1.38	2.46	77.7%

CME November Soybeans

Year	Base Price[1]	Harv. Price[2]	% Price Change[3]	Year	Base Price[1]	Harv. Price[2]	% Price Change[3]
2012	12.55			1992	6.06	5.37	(11.4%)
2011	13.49	12.14	(10.0%)	1991	6.15	5.60	(8.9%)
2010	9.23	11.63	26.0%	1990	5.95	6.12	2.8%
2009	8.80	9.66	9.8%	1989	7.24	5.62	(22.4%)
2008	13.36	9.22	(31.0%)	1988	6.43	7.93	23.3%
2007	8.09	9.75	20.5%	1987	4.71	5.38	14.2%
2006	6.18	5.93	(4.0%)	1986	5.15	4.82	(6.6%)
2005	5.53	5.75	4.0%	1985	6.06	5.05	(16.7%)
2004	6.72	5.26	(21.7%)	1984	7.11	6.14	(13.6%)
2003	5.26	7.32	39.2%	1983	6.33	8.43	33.1%
2002	4.50	5.45	21.1%	1982	6.76	5.32	(21.2%)
2001	4.67	4.37	(6.4%)	1981	8.26	6.56	(20.6%)
2000	5.32	4.72	(11.2%)	1980	7.29	8.57	17.6%
1999	5.11	4.85	(5.1%)	1979	6.97	6.70	(4.0%)
1998	6.64	5.46	(17.7%)	1978	5.76	6.84	18.7%
1997	6.97	6.82	(2.1%)	1977	6.96	5.31	(23.8%)
1996	7.23	7.07	(2.2%)	1976	5.08	6.41	26.2%
1995	5.85	6.56	12.2%	1975	5.79	5.25	(9.4%)
1994	6.48	5.41	(16.5%)	1974	6.30	8.59	36.4%
1993	5.86	6.15	4.9%	1973	3.95	5.85	48.2%

[1]The monthly average price of new crop futures sets the RP and YP coverages.

[2]The monthly average price of nearby futures settles the RP and RP-HPE claims. If price is higher the harvest price is also used to set the coverage in RP.

[3]Percent price change is based on Revenue Protection strike and settlement prices.

USDA 2011 Expenses for Farm Safety Net & Other Programs

% of USDA Budget	Farm share	% of USDA Budget	All	Agency/program
	$ billion		$ billion	
			139.386	**Total USDA outlays for 2011**
				Farm Programs
4.5%	6.289	4.5%	6.289	FSA commodity programs
1.4%	1.919	1.4%	1.919	FSA conservation programs
1.0%	1.457	1.0%	1.457	FSA Supplemental Agricultural Disaster Assistance, Livestock & Crops (SURE)
		1.1%	1.516	FSA salaries & operating expenses
		1.6%	2.238	RMA administration & operating expense, includes RMA salaries and agent commissions
4.8%	6.696	4.8%	6.696	RMA net of farmer paid premiums indemnity payments
	16.361		20.115	Total for Farmer Programs
11.7%		**14.4%**		**Percent of budget for RMA & FSA**
				Food Programs
			107.515	SNAP (food stamps), school lunches, and WIC programs; Administration Cost for Food mostly State but could not find value for USDA.
		77.1%		**Percent of budget for Food Programs**
				Other Programs
			11.756	Central Administration, Land Grant Universities, Rural Development, Inspectors, Foreign Marketing Service,
		8.4%		**Percent of budget for all remaining programs.**

Minnesota Corn and Soybean acres need to reach 750,000 AGI vs. acres to reach a $40,000 Revenue Protection (RP) crop insurance subsidy limit, assuming state average coverage, average rates by coverage level*

Cov Lvl	Pol Earn Prem	Net Acres	Liabilities	Total Premium	Subsidy	Cov-erage /Ac.	Total Prem /Ac	Farmer Paid Prem /Ac	Subsidy/ Ac	Sub-sidy Cap on Acres	Effective subsidy rate	AGI Cap on Acres
Minnesota Corn, Revenue Protection, Acres to reach a 250,000 AGI												
50	275	36,093	15,079,219	980,699	708,918	417.79	27.17	7.53	19.64	2,037	72.3%	4,488
55	69	11,223	5,336,280	361,032	267,178	475.48	32.17	8.36	23.81	1,680	74.0%	4,338
60	250	32,824	16,450,942	1,481,640	1,050,907	501.19	45.14	13.12	32.02	1,249	70.9%	4,489
65	1,782	259,987	152,656,426	10,748,653	7,060,293	587.17	41.34	14.19	27.16	1,473	65.7%	4,151
70	6,172	1,171,549	744,469,829	60,220,916	39,665,809	635.46	51.40	17.55	33.86	1,181	65.9%	4,131
75	10,586	2,644,036	1,877,122,201	153,325,263	101,263,497	709.95	57.99	19.69	38.30	1,044	66.0%	3,962
80	6,844	2,244,372	1,777,867,701	151,615,170	94,342,310	792.14	67.55	25.52	42.04	952	62.2%	3,787
85	1,381	496,675	429,522,619	41,597,194	20,363,463	864.80	83.75	42.75	41.00	976	49.0%	3,686
						Average Acres to hit Subsidy & AGI limit				**1,324**		**4,129**

Minnesota Corn and Soybean acres need to reach 750,000 AGI vs. acres to reach a $40,000 Revenue Protection (RP) crop insurance subsidy limit, assuming state average coverage, average rates by coverage level*

Cov Lvl	Pol Earn Prem	Net Acres	Liabilities	Total Premium	Subsidy	Cov-erage /Ac.	Total Prem /Ac	Farmer Paid Prem /Ac	Subsidy / Ac	Sub-sidy Cap on Acres	Effective subsidy rate	AGI Cap on Acres
Minnesota Soybeans, Revenue Protection, Acres to Hit Subsidy and AGI Limit												
50	172	26,945	6,608,824	397,448	282,674	245.27	14.75	4.26	10.49	3,813	71.1%	7,645
55	30	5,947	1,544,195	114,302	76,577	259.66	19.22	6.34	12.88	3,106	67.0%	7,943
60	230	35,708	9,340,862	946,741	630,500	261.59	26.51	8.86	17.66	2,265	66.6%	8,601
65	1,557	272,704	84,599,882	7,863,129	4,933,337	310.23	28.83	10.74	18.09	2,211	62.7%	7,857
70	5,635	1,182,696	416,774,221	40,282,623	26,116,368	352.39	34.06	11.98	22.08	1,811	64.8%	7,449
75	10,594	2,405,059	984,919,377	95,868,310	60,901,844	409.52	39.86	14.54	25.32	1,580	63.5%	6,868
80	7,654	1,818,527	872,495,034	83,059,994	48,921,314	479.78	45.67	18.77	26.90	1,487	58.9%	6,253
85	1,734	449,969	239,918,209	24,967,001	12,023,665	533.19	55.49	28.76	26.72	1,497	48.2%	5,978
						Average Acres to hit Acre & AGI limit				**2,221**		**7,324**

*Source of data: Risk Management Agency's website at http://www.rma.usda.gov/

Illinois Corn acres need to reach $750,000 AGI vs. acres to reach a $40,000 Revenue Protection (RP) crop insurance subsidy limit, assuming state average coverage, average rates by coverage level

Cov Lvl	Pol Earn Prem	Net Acres	Liabilities	Total Premium	Subsidy	Cov-erage /Ac.	Total Prem /Ac	Farmer Paid Prem /Ac	Subsidy/ Ac	Sub-sidy Cap on Acres	Effective subsidy rate	AGI Cap on Acres
Illinois Corn, Revenue Protection												
50	359	60,098	28,096,866	1,364,166	975,166	467.52	22.70	6.47	16.23	2,465	71.5%	4,011
55	63	6,766	3,450,299	246,244	160,544	509.95	36.39	12.67	23.73	1,686	65.2%	4,045
60	287	35,181	18,890,971	1,734,601	1,143,466	536.97	49.31	16.80	32.50	1,231	65.9%	4,190
65	1,505	155,541	91,948,244	6,251,690	3,991,535	591.15	40.19	14.53	25.66	1,559	63.8%	4,123
70	4,425	575,288	361,172,799	31,376,301	20,058,975	627.81	54.54	19.67	34.87	1,147	63.9%	4,181
75	9,454	1,379,222	985,861,379	75,825,518	49,788,349	714.80	54.98	18.88	36.10	1,108	65.7%	3,935
80	12,858	2,616,175	2,096,634,891	159,768,711	97,732,350	801.41	61.07	23.71	37.36	1,071	61.2%	3,743
85	9,379	2,649,339	2,368,024,995	184,470,331	91,233,416	893.82	69.63	35.19	34.44	1,162	49.5%	3,566
					Average Acres to hit Subsidy & AGI limit					**1,428**		**3,974**

Illinois Soybean acres need to reach $750,000 AGI vs. acres to reach a $40,000 Revenue Protection (RP) crop insurance subsidy limit, assuming state average coverage, average rates by coverage level

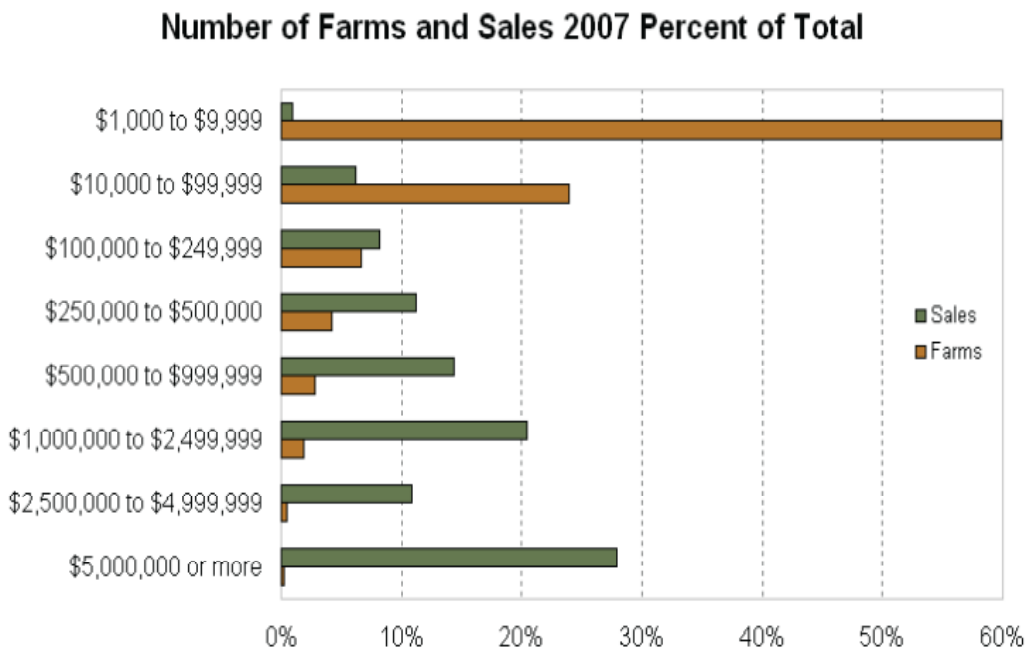
Cov Lvl	Pol Earn Prem	Net Acres	Liabilities	Total Premium	Subsidy	Cov-erage /Ac.	Total Prem /Ac	Farmer Paid Prem /Ac	Subsidy/ Ac	Sub-sidy Cap on Acres	Effective subsidy rate	AGI Cap on Acres
Illinois Soybeans, Revenue Protection												
50	509	93,262	26,684,256	1,310,955	955,383	286.12	14.06	3.81	10.24	3,905	72.9%	6,553
55	75	11,217	3,703,807	162,923	109,115	330.20	14.52	4.80	9.73	4,112	67.0%	6,246
60	284	42,978	13,685,659	1,403,932	954,796	318.43	32.67	10.45	22.22	1,801	68.0%	7,066
65	1,615	169,694	62,131,258	4,278,232	2,750,706	366.14	25.21	9.00	16.21	2,468	64.3%	6,657
70	4,410	578,544	226,080,693	20,356,400	12,926,914	390.78	35.19	12.84	22.34	1,790	63.5%	6,717
75	8,568	1,138,720	506,828,122	42,326,277	27,670,278	445.09	37.17	12.87	24.30	1,646	65.4%	6,319
80	10,970	1,712,919	869,787,048	68,651,882	42,019,263	507.78	40.08	15.55	24.53	1,631	61.2%	5,908
85	7,467	1,290,112	744,616,362	59,880,197	29,352,189	577.17	46.41	23.66	22.75	1,758	49.0%	5,523
					Average Acres to hit Acre & AGI limit					**2,389**		**6,374**

Counties with Average Coverage per CAT Nursery policy greater than $500,000 with 100% premium subsidy

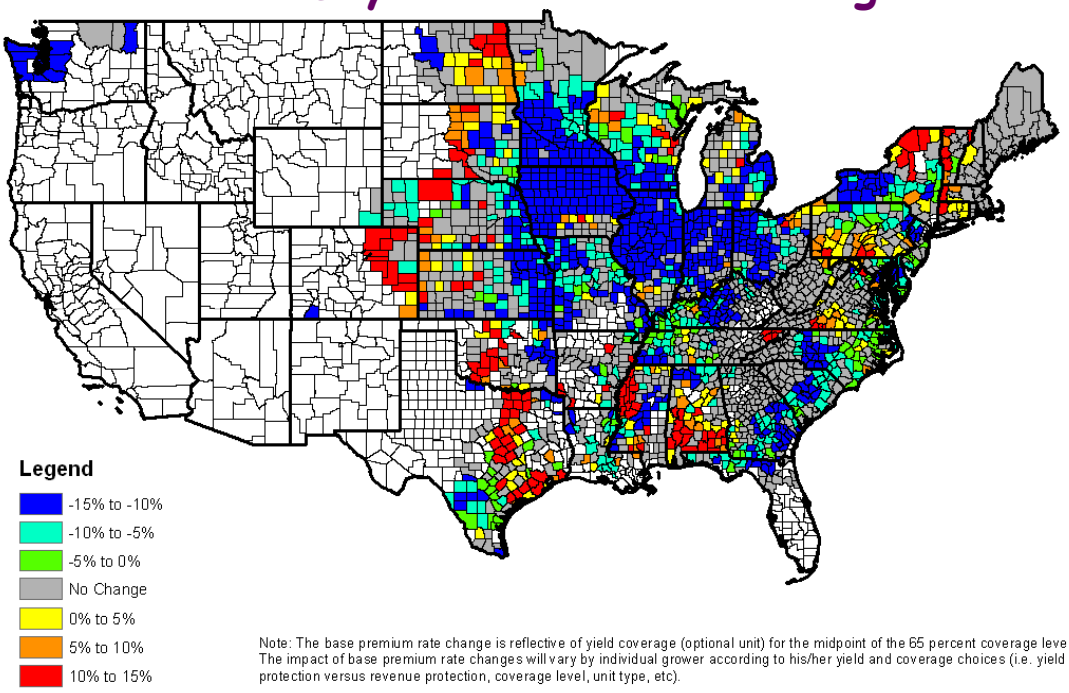
California

County	# Pol-icies	Total acres	Total Liability	Total Premium	Total Subsidy	Subsidy /Policy	Liability/ policy	Expected Revenue/ Ploicy
Tulare (107)	3	0	45,768,307	374,570	374,570	124,857	15,256,102	55,476,736
Kern (029)	4	0	31,426,614	252,723	252,723	63,181	7,856,654	28,569,649
Stanislaus (099)	3	0	16,350,073	136,843	136,843	45,614	5,450,024	19,818,270
San Joaquin (077)	2	0	10,827,713	85,786	85,786	42,893	5,413,857	19,686,751
Riverside (065)	6	0	27,583,794	238,556	238,556	39,759	4,597,299	16,717,451
Solano (095)	2	0	8,152,872	66,200	66,200	33,100	4,076,436	14,823,404
San Mateo (081)	1	0	3,779,463	33,300	33,300	33,300	3,779,463	13,743,502
San Luis Obispo	4	0	12,563,562	120,988	120,988	30,247	3,140,891	11,421,420
Monterey (053)	3	0	7,745,403	68,585	68,585	22,862	2,581,801	9,388,367
Orange (059)	5	0	12,337,795	101,508	101,508	20,302	2,467,559	8,972,942
San Diego (073)	13	0	28,426,007	236,774	236,774	18,213	2,186,616	7,951,331
Ventura (111)	15	0	30,390,465	240,846	240,846	16,056	2,026,031	7,367,385
Los Angeles (037)	4	0	5,625,273	47,004	47,004	11,751	1,406,318	5,113,885
Santa Clara (085)	2	0	2,713,065	21,800	21,800	10,900	1,356,533	4,932,845
Sacramento (067)	2	0	2,145,594	17,683	17,683	8,842	1,072,797	3,901,080
Fresno (019)	2	0	1,971,258	16,342	16,342	8,171	985,629	3,584,105
Madera (039)	4	0	3,359,297	27,590	27,590	6,898	839,824	3,053,906
Merced (047)	3	0	2,445,319	21,513	21,513	7,171	815,106	2,964,023
Santa Cruz (087)	3	0	2,328,233	19,980	19,980	6,660	776,078	2,822,101
Alameda (001)	2	0	1,367,177	11,556	11,556	5,778	683,589	2,485,776
Tehama (103)	1	0	560,835	4,487	4,487	4,487	560,835	2,039,400

The 2007 Census of Agriculture, USDA

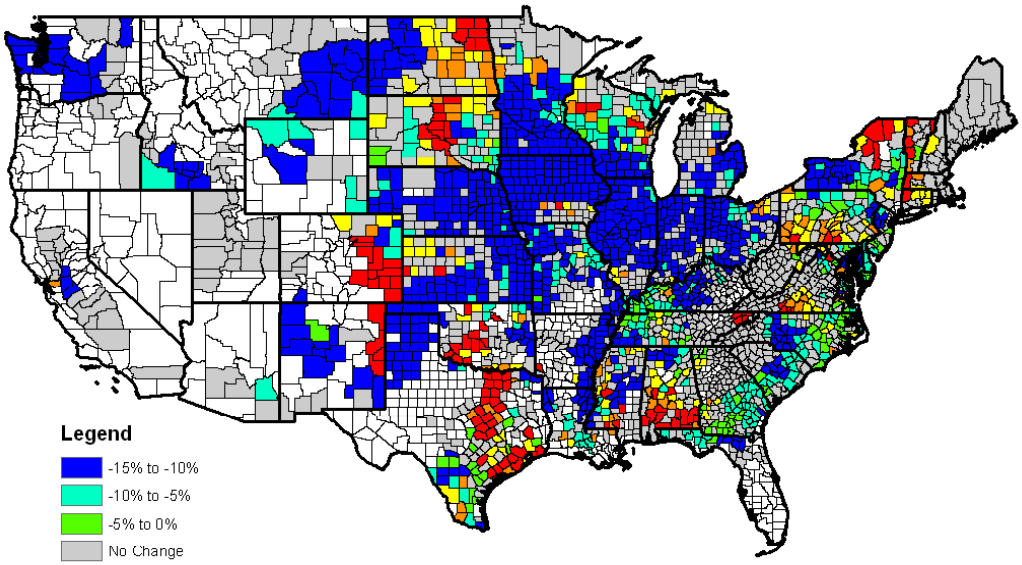


RMA Dryland Corn Rate Changes



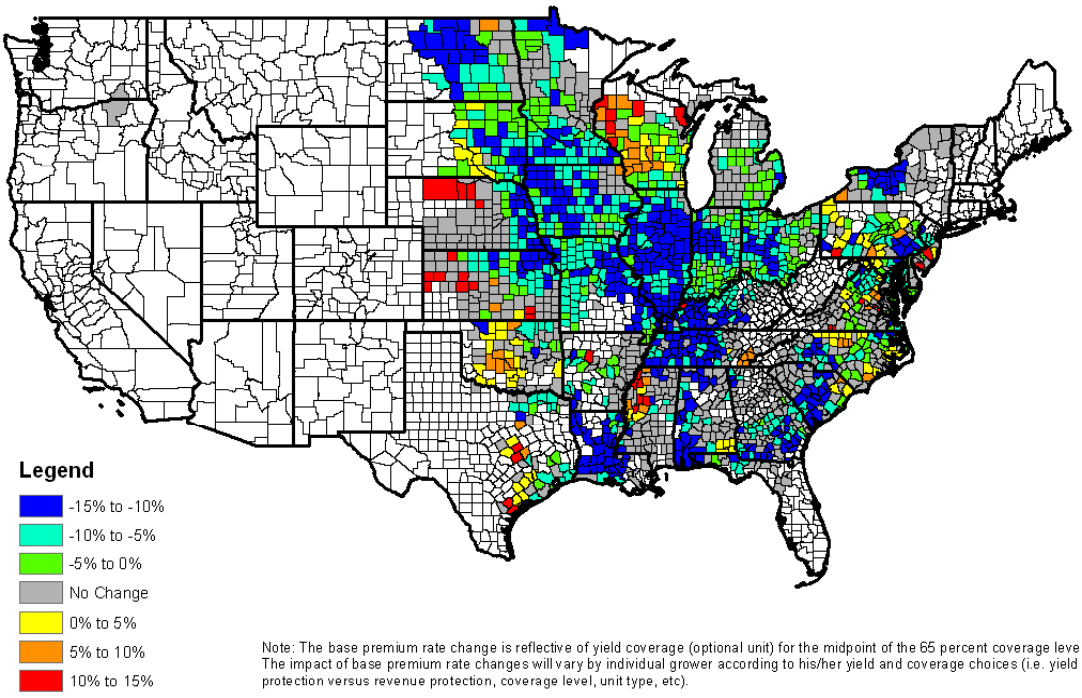
Note: The base premium rate change is reflective of yield coverage (optional unit) for the midpoint of the 65 percent coverage level. The impact of base premium rate changes will vary by individual grower according to his/her yield and coverage choices (i.e. yield protection versus revenue protection, coverage level, unit type, etc).

RMA Irrigated Corn Rate Changes



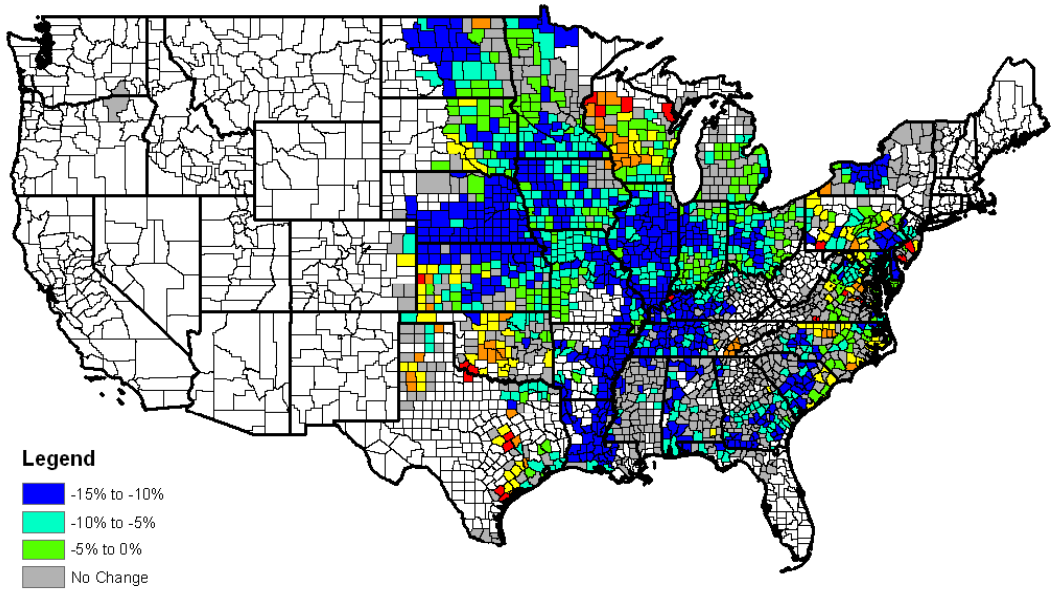
Note: The base premium rate change is reflective of yield coverage (optional unit) for the midpoint of the 65 percent coverage level. The impact of base premium rate changes will vary by individual grower according to his/her yield and coverage choices (i.e. yield protection versus revenue protection, coverage level, unit type, etc).

RMA Dryland Soybean Rate Changes



Note: The base premium rate change is reflective of yield coverage (optional unit) for the midpoint of the 65 percent coverage level. The impact of base premium rate changes will vary by individual grower according to his/her yield and coverage choices (i.e. yield protection versus revenue protection, coverage level, unit type, etc).

RMA Irrigated Soybean Rate Changes



Note: The base premium rate change is reflective of yield coverage (optional unit) for the midpoint of the 65 percent coverage level. The impact of base premium rate changes will vary by individual grower according to his/her yield and coverage choices (i.e. yield protection versus revenue protection, coverage level, unit type, etc).

Crop Insurance Summary

1. FSA employees have lobbied to take over sales, loss adjusting, and production records for crop insurance.
2. FSA will have a program and employment will be maintained. There appears to be little support for FSA to take over crop insurance.
3. CAT will remain "free" and no payment limit.
4. In the short run, the harvest price will be maintained but likely to continue being attacked.
5. Disaster aid for crops will remain on the agenda, but looks unlikely this year.

2011 Common Crop Insurance Policy (CCIP)

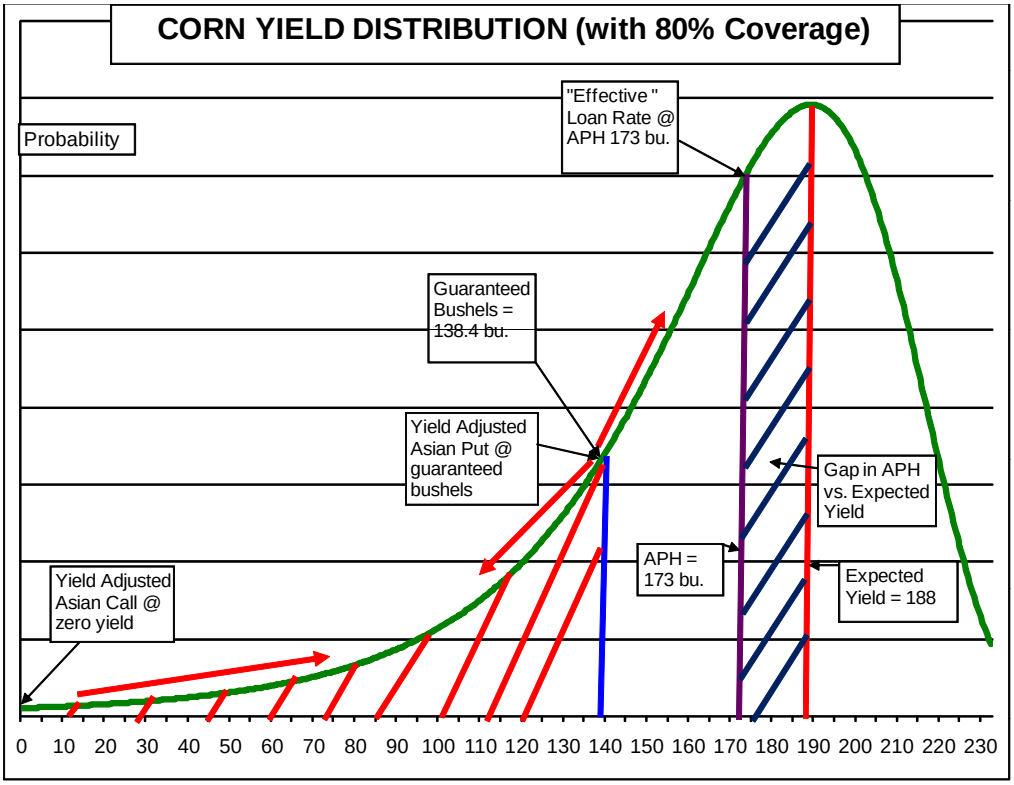
1. All contracts now use the same Projected Price based on New Crop Futures prices and is a major change from previous crop insurance contracts.
2. As a result of common projected price, all CCIP contracts have the same yield guarantee.
3. RP-HPE is YP plus a Yield Adjusted Asian (YAA) Put option.
4. RP is RP-HPE plus a Yield Adjusted Asian (YAA) Call option.

Common Crop Insurance Policy (CCIP)

YP	Yield Protection (YP); replaces APH, Multi-Peril, MP and MPCI
RP	Revenue Protection (RP); replaces Crop Revenue Coverage (CRC) and Revenue Assurance with Harvest Price Option (RA-HPO) This is the preferred product on crops with the offer.
RP-HPE	Revenue Protection with Harvest Price Exclusion (RP-HPE); replaces Revenue Assurance without Harvest Price Option (RA) and Income Protection (IP)

Common Crop Insurance Policy Values for Example Corn Farm

- APH 173.0
- Coverage Level 80%
- Guaranteed Bu. 138.4
- Base (Strike) Price $6.00
- Maximum Price $12.00
- $ Coverage $830.40
- Catastrophic Max Pay $1,660.80



Why the Harvest Price?

- All marketing plans assume production and the harvest price replaces bushels at current harvest market price.
- Replacing feed requires bushels.
- Fill forward contract requires bushels.
- Hedge or puts assumes bushels to offset futures position.
- Harvest price eliminates the negative price in the RP "put".

What, a "put" with Negative Values?

- YP with 119 bushel yield pays $114 (138 bu. – 119 bu. X $6)
- RP-HPE reduces the payment by $114 to Zero with a 119 bushel yield and a $1 increase in price ($830 – (119 bu. X $7)) = $833)
- YP will pay more than RP-HPE when prices increase because of negative YAA put values.
- RP that includes the YAA call will eliminate any negative values in the YAA put.

Cost of YAA "put" in RP coverage with trend yields for Illinois Non-Irrigated Corn Farm for 2012

APH	180	$5.68 Price Elect		Optional Unit			0.22 Vol
Crop Insurance per Acre							
Coverage %	85%	80%	75%	70%	65%	60%	55%	50%
Bu. Guarantee	153.0	144.0	135.0	126.0	117.0	108.0	99.0	90.0
Coverage	869.04	817.92	766.80	715.68	664.56	613.44	562.32	511.20
Farmer Paid Premiums, Optional Unit							
YP	26.72	17.57	11.71	8.05	5.93	3.94	2.87	1.83
RP-HPE	27.61	17.18	10.76	7.08	5.06	3.30	2.40	1.60
RP	44.68	28.33	18.06	11.78	8.38	5.39	3.83	2.36
Farmer Paid Rate							
YP Rate	3.07%	2.15%	1.53%	1.12%	0.89%	0.64%	0.51%	0.36%
RP-HPE Rate	3.18%	2.10%	1.40%	0.99%	0.76%	0.54%	0.43%	0.31%
RP Rate	5.14%	3.46%	2.36%	1.65%	1.26%	0.88%	0.68%	0.46%
Crop Insurance Cents per Bushel							
Total per bu.	29.2	19.7	13.4	09.3	07.2	05.0	03.9	02.6
Yield/bu.	17.5	12.2	08.7	06.4	05.1	03.6	02.9	02.0
YAA Put Cost/bu.	00.6	-(00.3)	-(00.7)	-(00.8)	-(00.7)	-(00.6)	-(00.5)	-(00.3)
YAA Call Cost/bu.	11.2	07.7	05.4	03.7	02.8	01.9	01.4	00.8
Put Trigger Price if Actual Yield equals APH Marginal Rate	**$4.83**	**$4.54**	**$4.26**	**$3.98**	**$3.69**	**$3.41**	**$3.12**	**$2.84**

Cost of YAA "put" in RP coverage for Central Kansas Irrigated Corn Farm for 2012

Stafford County
Kansas Irrigated Corn

APH	178	$5.68 Price Elect			Optional Unit			0.22 Vol
Crop Insurance per Acre								
Coverage %	85%	80%	75%	70%	65%	60%	55%	50%
Bu. Guarantee	151.3	142.4	133.5	124.6	115.7	106.8	97.9	89.0
Coverage	859.38	808.83	758.28	707.73	657.18	606.62	556.07	505.52
Farmer Paid Premiums, Optional Unit								
YP	41.40	27.60	18.74	13.21	10.08	6.87	5.22	3.61
RP-HPE	48.16	31.81	21.21	14.46	10.46	6.76	5.00	3.39
RP	63.90	43.02	29.38	20.57	15.40	10.13	7.46	4.94
Farmer Paid Rate								
YP Rate	4.82%	3.41%	2.47%	1.87%	1.53%	1.13%	0.94%	0.71%
RP-HPE Rate	5.60%	3.93%	2.80%	2.04%	1.59%	1.11%	0.90%	0.67%
RP Rate	7.44%	5.32%	3.87%	2.91%	2.34%	1.67%	1.34%	0.98%
Crop Insurance Cents per Bushel								
Total per bu.	42.2	30.2	22.0	16.5	13.3	09.5	07.6	05.6
Yield/bu.	27.4	19.4	14.0	10.6	08.7	06.4	05.3	04.1
YAA Put Cost/bu.	**04.5**	**03.0**	**01.9**	**01.0**	**00.3**	**-(00.1)**	**-(00.2)**	**-(00.2)**
YAA Call Cost/bu.	10.4	07.9	06.1	04.9	04.3	03.2	02.5	01.7
Put Trigger Price if Actual Yield equals APH	**$4.83**	**$4.54**	**$4.26**	**$3.98**	**$3.69**	**$3.41**	**$3.12**	**$2.84**

Sell the Out of the Money Put from RP for 30 Cents

Policy Type	YP	RP	
Acres	578		
APH/Ac	173		
Coverage	85%		
Price Election	$6.00		
Maximum Price		$12.00	
Out of Money Put		$5.10	

Policy Type	YP	RP	
APH	100,000	100,000	
Bu Guaranteed	85,000	85,000	
Revenue bu		55,000	
First 1+ Prem		30,000	35.3% Puts Sold
Crop Ins Premium	13,179	18,059	
CME Puts sold		9,000	30 Cents
Premium	13,179	9,059	Sold out of the money

Sell the Out of the Money Put from RP for 30 Cents

Production bu. **100,000** **173.0 bu.**

Harvest Price	CME Put	Sold Put Prem	Net Prem	CME Put Prem Earned	YA Put on Sold Puts	Net CME Sold Put + YA-Put	YA Put on Un-Sold Puts	Yield Loss	Net CME Put + YA-Put + RP
Bushels				30,000	30,000		55,000		
$5.10	0.00	0.30	$0.30	9,000	**0**	0	0	0	9,000
$4.90	$0.20	0.30	$0.10	3,000	**7,059**	7,059	12,941	0	23,000
$4.70	$0.40	0.30	($0.10)	(3,000)	**14,118**	11,118	25,882	0	37,000
$4.50	$0.60	0.30	($0.30)	(9,000)	**21,176**	12,176	38,824	0	51,000
$4.30	$0.80	0.30	($0.50)	(15,000)	**28,235**	13,235	51,765	0	65,000
$4.10	$1.00	0.30	($0.70)	(21,000)	**35,294**	14,294	64,706	0	79,000
$3.90	$1.20	0.30	($0.90)	(27,000)	**42,353**	15,353	77,647	0	93,000

Sell the Out of the Money Put from RP for 30 Cents

Production bu. **80,000** **138.4 bu.**

Harvest Price	CME Put	Sold Put Prem	Net Prem	CME Put Prem Earned	YA Put on Sold Puts	Net CME Sold Put + YA-Put	YA Put on Un-Sold Puts	Yield Loss	Net CME Put + YA-Put + RP
Bushels				30,000	30,000		50,000		
$5.10	0.00	0.00	$0.00	0	**25,412**	25,412	42,353	30,000	97,765
$4.90	$0.20	0.00	($0.20)	(6,000)	**31,059**	25,059	51,765	30,000	106,824
$4.70	$0.40	0.00	($0.40)	(12,000)	**36,706**	24,706	61,176	30,000	115,882
$4.50	$0.60	0.00	($0.60)	(18,000)	**42,353**	24,353	70,588	30,000	124,941
$4.30	$0.80	0.00	($0.80)	(24,000)	**48,000**	24,000	80,000	30,000	134,000
$4.10	$1.00	0.00	($1.00)	(30,000)	**53,647**	23,647	89,412	30,000	143,059
$3.90	$1.20	0.00	($1.20)	(36,000)	**59,294**	23,294	98,824	30,000	152,118

Sell the Out of the Money Put from RP for 30 Cents

Production bu. **40,000** **69.2 bu.**

Harvest Price	CME Put	Sold Put Prem	Net Prem	CME Put Prem Earned	YA Put on Sold Puts	Net CME Sold Put + YA-Put	YA Put on Un-Sold Puts	Yield Loss	Net CME Put + YA-Put + RP
Bushels				30,000	30,000		10,000		
$5.10	0.00	0.00	$0.00	0	**12,706**	12,706	4,235	270,000	286,941
$4.90	$0.20	0.00	($0.20)	(6,000)	**15,529**	9,529	5,176	270,000	284,706
$4.70	$0.40	0.00	($0.40)	(12,000)	**18,353**	6,353	6,118	270,000	282,471
$4.50	$0.60	0.00	($0.60)	(18,000)	**21,176**	3,176	7,059	270,000	280,235
$4.30	$0.80	0.00	($0.80)	(24,000)	**24,000**	(0)	8,000	270,000	278,000
$4.10	$1.00	0.00	($1.00)	(30,000)	**26,824**	(3,176)	8,941	270,000	275,765
$3.90	$1.20	0.00	($1.20)	(36,000)	**29,647**	(6,353)	9,882	270,000	273,529

Sell the Out of the Money Put from RP for 30 Cents

Production bu. **110,000** **190.3 bu.**

Harvest Price	CME Put	Sold Put Prem	Net Prem	CME Put Prem Earned	YA Put on Sold Puts	Net CME Sold Put + YA-Put	YA Put on Un-Sold Puts	Yield Loss	Net CME Put + YA-Put + RP
Bushels				30,000	30,000		55,000		
$5.40	$0.00	0.30	$0.30	9,000	**0**	0	0	0	9,000
$5.20	$0.20	0.30	$0.10	3,000	**0**	0	3,765	0	6,765
$5.00	$0.40	0.30	($0.10)	(3,000)	**0**	(3,000)	4,706	0	1,706
$4.80	$0.60	0.30	($0.30)	(9,000)	**0**	(9,000)	5,647	0	(3,353)
$4.60	$0.80	0.30	($0.50)	(15,000)	**1,412**	(13,588)	6,588	0	(7,000)
$4.40	$1.00	0.30	($0.70)	(21,000)	**9,176**	(11,824)	7,529	0	(4,294)
$4.20	$1.20	0.30	($0.90)	(27,000)	**16,941**	(10,059)	8,471	0	(1,588)

RP Replaces the Market Loan

1. The marketing loan is fixed, e.g. corn loan rate is $1.95 or $1.37 if one selected ACRE.
2. RP replaces loan at the effective Strike price where deductible disappears plus CBOT put premium. For example 85% X $6.00 = $5.10.
3. Farmers pay none of the cost for Marketing Loan protection, so they always want the maximum coverage.
4. Farmers pay a significant share of the cost for RP, and as a result most farmers do not select the maximum coverage.
5. Sell off part of the RP coverage by selling out of the money puts, a "bear spread".

Selling out of the money Covered Puts

1. Sell $5.10 puts. First 30 cent loss is covered by put premium, then any price below $4.80 either causes indemnities or yield is greater than APH.
4. When prices increase, deductible does not disappear, making selling of calls more risky. Selecting 85% coverage and trend will reduce the risk of selling out of the money calls.
5. If one does sell calls, likely better to sell them in the summer and a dollar out of money but one will always have a minimum 15% deductible.

Selling Out of the Money Options Covered with Revenue Protection

1. RP's major advantage is at a minimum it replaces loss production at current market value. This allows farmers to maintain a hedged position selling up to 2 years ahead of harvest.

2. Recent RP premiums have significantly increased because of higher commodity prices and volatility.

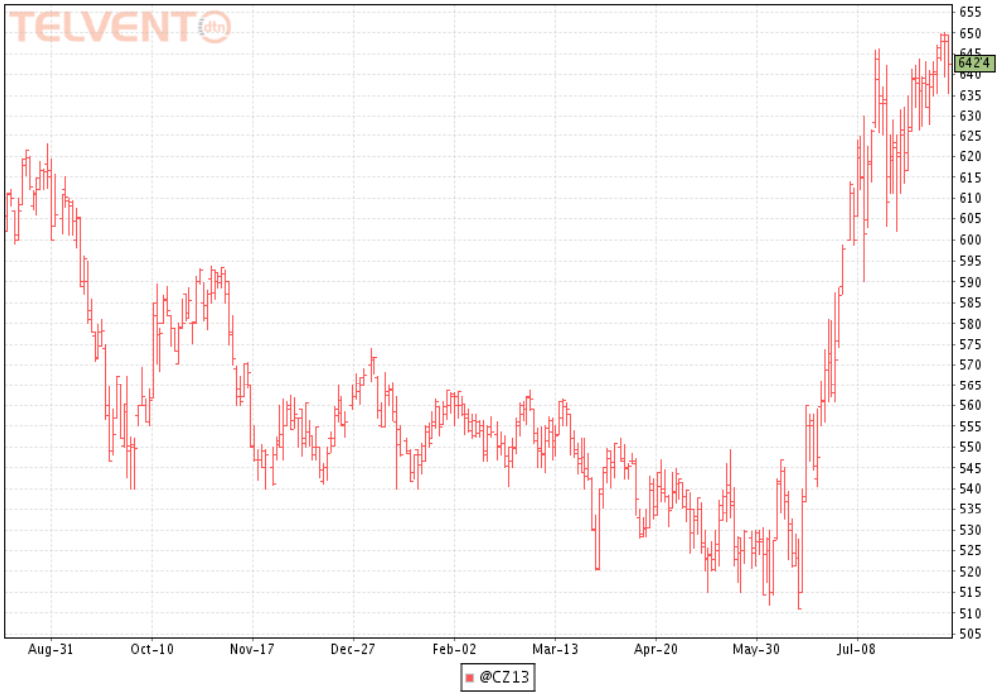
3. Because of higher CME option premiums, farmers can sell off part of their RP coverage by selling out of the money puts, a "bear spread" and lower their costs.

4. Only Farmers who have "lost money trading options" should consider selling out of the money puts covered with RP.

Cash Flow to Harvest when Selling Puts

Revenue Protection	CME Traded Option
Higher prices cause negative "put" values in RP-HPE. RP will prevent negative values.	No negative Option values
No time Value	Zero time value @ Expiration
No Exercise Rights	Right to Exercise
Settle on monthly average price	Settle on a spot price
Single Strike Price	Multiple Strike prices
Price limit on "call" (harvest Price)	No limit on price
Payment adjusted for yield	No yield adjustment, 5,000 bu. Fixed.

2013 Dec Corn



Summary

1. It pays to elect the trend because of subsidy.
2. The YAA put in RP is cheap, so stay at current coverage level and add trend.
3. RP Premiums are lower because of base rate cuts, lower strike price, and a volatility decline from 0.29 to 0.23.
4. Lower volatility lowers the return from selling covered puts.
5. Sell options on limit orders only because the out of the money market is thin.
6. Don't assume lower premium is the only objective. If one buys higher levels of coverage and trend they will have more low cost YAA puts and more guaranteed bushels at replacement values.

Corn Trend Adjusted Adjustment by State

Irrigated				Non-Irrigated		
Max	Min	Avg	State	Max	Min	Avg
2.12	0.20	1.01	Colorado			
2.43	1.64	1.95	Illinois	2.43	1.56	1.97
1.90	1.53	1.79	Indiana	1.92	1.51	1.75
2.50	1.93	2.18	Iowa	2.50	1.93	2.27
2.22	0.29	1.51	Kansas	2.00	1.26	1.63
2.07	1.05	1.84	Kentucky	2.07	1.05	1.84
1.89	1.10	1.69	Michigan	2.01	1.05	1.78
2.50	1.57	2.27	Minnesota	2.50	1.36	2.28
2.10	1.63	1.88	Missouri	2.11	1.36	1.86
2.50	1.53	2.17	Nebraska	2.50	1.49	2.12
2.50	1.85	2.38	North Dakota	2.50	1.49	2.18
1.83	0.88	1.51	Ohio	1.88	0.78	1.59
2.50	1.46	2.30	South Dakota	2.50	0.88	2.12
2.33	1.09	1.55	Wisconsin	2.33	1.09	1.55

Soybean Trend Adjusted Adjustment by State

Irrigated				Non-Irrigated		
Max	Min	Avg	State	Max	Min	Avg
0.54	0.32	0.42	Illinois	0.50	0.34	0.41
0.58	0.42	0.51	Indiana	0.58	0.43	0.51
0.58	0.43	0.49	Iowa	0.58	0.40	0.50
0.58	0.02	0.27	Kansas	0.56	0.39	0.47
0.58	0.40	0.50	Kentucky	0.55	0.34	0.43
0.56	0.39	0.46	Michigan	0.58	0.43	0.48
0.57	0.30	0.41	Minnesota	0.45	0.07	0.23
0.53	0.32	0.41	Missouri	0.56	0.31	0.42
0.58	0.49	0.57	Nebraska	0.50	0.32	0.43
0.56	0.39	0.46	North Dakota	0.58	0.33	0.55
0.58	0.34	0.43	Ohio	0.58	0.39	0.54
0.51	0.44	0.47	South Dakota	0.48	0.44	0.46
0.58	0.29	0.50	Wisconsin	0.58	0.29	0.50

Trend Adjusted % Increase in APH to Gain an Additional 5% of Coverage Level

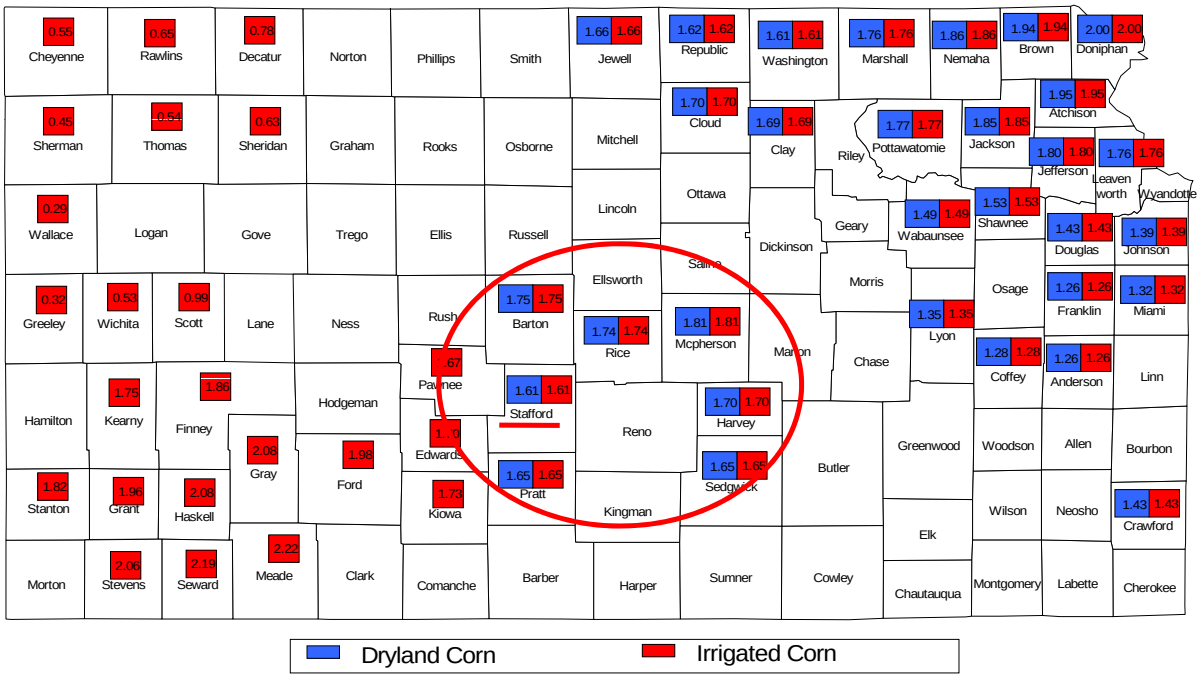
1. **Elect Trend Adjustment and cut coverage by 5% and pay less premium for same coverage.**

Coverage	80%	75%	70%	65%	60%	55%	50%
Trend Increase	106%	107%	107%	108%	108%	109%	110%

2. **When trend is below above % adjustment, one can not cut coverage 5% and keep the same protection.**

3. **Alternative, stay at the same coverage level and add trend will increase the number of YAA puts and guaranteed bushels at replacement value.**

Kansas Corn Option Conversion Factor



80% RP with Trend Yield, Stafford County Kansas Irrigated Corn

- 85% RP without trend provided $859 of coverage with a $5.68 price and 178 bu. APH.
- Increased APH to 187 with trend adjustment.
- 80% RP with 187 bu. trend adjusted APH provides $850 of coverage with a $5.68 price.
- Increasing price or yield will proved the same dollars and increase the market value of the Asian yield adjusted puts.

Stafford County Kansas Irrigated Corn

APH	178 bu	
Trend APH	187 bu	
Price Election	$5.68	Price Election for 2012
Volatility	0.22	Volatility for 2012

Revenue Protection Optional Unit Rates for 2012

	No Trend	Trend	No Trend	Trend
Coverage	85%	80%	**80%**	75%
$ Coverage	$859.38		$808.83	
Coverage Trend		$849.73		$796.90
Unsubsidized Premium per Acre	$103.06		$82.74	
Unsubsidized Premium per Acre		$98.83		$78.97
Added Coverage	$50.55		$50.55	
Added Coverage Trend		$40.90		$38.62
Added Subsidy for Trend		$8.28		$3.71
Unsubsidized Rate Per $100	**$11.99**		**$10.23**	
Unsubsidized Rate Per $100		**$11.63**		**$9.91**
Farm Paid Rate Per $100	$7.44		$5.32	
Farm Paid Rate Per $100		$6.05		$4.46

Stafford County Kansas Non-Irrigated Corn

APH	58 bu		
Trend APH	67 bu		
Price Election	$5.68	Price Election for 2012	
Volatility	0.22	Volatility for 2012	

Revenue Protection Optional Unit Rates for 2012

	No Trend	Trend	No Trend	Trend
Coverage	85%	80%	85%	75%
$ Coverage	$280.02		$280.02	
Coverage Trend		$304.45		$285.70
Unsubsidized Premium per Acre	$68.55		68.55	
Unsubsidized Premium per Acre		$82.61		$72.08
Added Coverage	$16.47		$32.94	
Added Coverage Trend		$40.90		$38.62
Added Subsidy for Trend		$13.60		$13.59
Unsubsidized Rate Per $100	**$24.48**		**$24.48**	
Unsubsidized Rate Per $100		**$27.13**		**$25.23**
Farm Paid Rate Per $100	$15.18		$15.18	
Farm Paid Rate Per $100		$14.11		$11.35

Public Policy Objective?

1. Enhance farm income?
2. Reduce farm financial risk? Should government subsidize risk management?
3. Provide risk transfer for commercial size farmers or just "small" farmers.
4. Farm Bill Title I also includes the interest of Ag lenders, Landlords, commodity brokers, crop insurance agents, input suppliers, FSA employees, RMA employees, etc.

Converting the Farm Bill to Risk Management

1. There are only 2 variables, price and yield.
2. Measure price by prior history to give protection across crop years or price risk within growing season.
3. Price measured across crop years reduces any overlap with crop insurance.
4. Measure price with futures prices, Marketing Year Average price, selected months of the MYA, or Posted County Price?

Converting the Farm Bill to Risk Management

1. Yield; measured at farm level, county, district or state?
2. A payment factor (co-pay, quota share) or pay only base acres, or 85% of planted base acres.
3. A payment factor that pays a share of the calculated loss will reduce costs and adverse selection and any overlap with crop insurance.
4. Payment Limit?

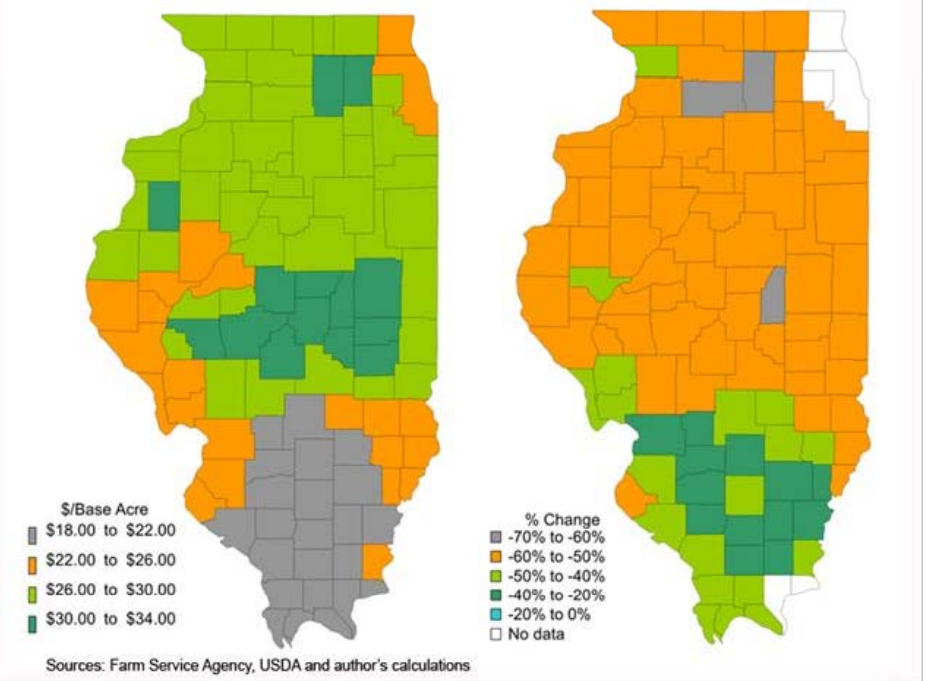
Proposed Farm Bill from Ag Committees

1. Eliminates Direct Payments, Counter-Cyclical Payments, ACRE, and SURE

2. Crop Insurance
   a. Increases T-yields
   b. Creates stand-alone supplemental revenue protection program for cotton
   c. Creates supplemental area-wide revenue coverage for other crops

Estimates by Nick Paulson, University of Illinois

Figure 1. Direct payments per base acre for Illinois corn (left) and estimated percentage changes in expected support under county-level ARC program (right)



Sources: Farm Service Agency, USDA and author's calculations

Proposed Farm Bill from Ag Committees
(Pick Option 1 or 2)

"Simplified Risk Management"

1. **Ag Risk Coverage (ARC) Program**
   a. Covers losses from 75 to 87% of farm's 5-year Olympic average revenue
   b. Payment made on 60 percent of planted (and prevented planted) acres
   c. Average revenue = farm yields * Max [MYA price or Target Price]
2. **Target Price Coverage Option**
   a. Offers payments on 85% of planted acres whenever NASS MYA prices (1st 5 months) are below target prices

Proposed Target Prices

Crop	2008 Farm Bill Target Price	New Proposed Target Price	MYA Price 2006-2010
Wheat	$4.17	$5.50	$5.62
Corn	$2.63	$3.64	$4.01
Sorghum	$2.63	$3.87	$3.79
Soybeans	$6.00	$8.31	$9.49

Proposed Farm Bill from Ag Committees

"Simplified Risk Management"

1. Decision on which program to participate made for the life of the farm bill

2. Payment limitation = $105,000; If it is risk management then in most years there are no payment but in disaster years payments are "large" and "family farms" will exceed limit.

3. Ineligible for payment if AGI is greater than $950,000

Flake's (R-AZ) amendment to the 2008 Farm Bill would limit eligibility to less than $250K*

Estimated savings $2.26 billion

State	% Farm > $250K	$ Reduction
California	22.6%	$98 Million
Ariziona	15.1%	$41 Million
South Dakota	15.1%	$61 Million
Illionis	14.6%	$162 Million
Nebraska	13.7%	$107 Million
Iowa	10.4%	$178 Million
Kansas	8.1%	$84 Million
Tenneesee	4.7%	$41 Million
Kentucky	4.0%	$21 Million

Source: Eric Wailes, Eddie Chavez , Diana Danforth, Bruce Ahrendsen and Bruce Dixon, "Distributional Impacts of Capping Eligibility for Commodity Program Payments", http://www.farmdocdaily.illinois.edu/2012/01/distributional_impacts_of_capp.html, January 13, 2012.

Proposed Farm Bill from Ag Committees

1. Conservation spending reduced by $6 billion over 10 years
2. CRP acreage cap reduced from 32 to 25 million acres over several years
3. EQIP, CSP continue, other programs will be consolidated

Added Coverage from Area Plans

1. The major limitation on area plans is limited county data.
2. RMA has removed the GRIP/GRP offers on a "large" number of crops in a "large" number of counties.
3. Not all Kansas counties have a GRIP/GRP offer on wheat (Kansas & North Dakota are the largest wheat producing states), and even fewer counties have the offer on other crops.

Added Coverage from Area Plans

1. The number 1 planted wheat acre county in OK has no GRIP/GRP offer (Garfield County, Enid, OK).

2. Therefore, it is clear that a "lack of NASS" data is not the only reason for GRIP/GRP contracts being removed.

3. The additional data from farmer reported crop yields plus NASS data should allow RMA to add area plans on more crops and in more counties.

Area Plans' Policy Questions

1. Should the price measure change to a within growing season price, i.e. same as crop insurance.

2. Should only systemic risk be covered or should risk be covered at the farm level, similar to SURE?

3. Should the area plan payment limit float so that commercial size farms will have risk protection. For example for each 1% of coverage lost add $10,000 to payment limit that would vary by year and district/county.

4. Or make the only limit the $750K adjusted gross income.

50% Chance of Additional Cuts in Crop Insurance in Farm Bill?

1. Other many non-farm groups want to move USDA funds from crop insurance to other programs, i.e. food & nutrition, conservation, etc.
2. All cuts are not equal, alternatives….
3. Eliminate CAT or require farmers to pay a share of the premium.
4. Increase the farmer paid premium share by 5 points.
5. Eliminate subsidy on top coverages, >50%

50% Chance of Additional Cuts in Crop Insurance in Farm Bill?

6. Eliminate Revenue Coverage & offer YP only
7. Provide a flat dollar of subsidy per acre
8. Move sales and loss adjusting to FSA where it is "free", really?
9. Provide a flat % subsidy on all insurance types and coverage levels.

Summary

1. Elimination of Direct Payments, Counter Cyclical Payments, ACRE, and SURE
2. A price-based countercyclical program that triggers at higher levels than the CC.
3. Ag Risk Coverage (ARC) Program at the farm level.
4. STAX (GRIP) policy would be delivered by RMA for cotton.
5. SCO has no downside price limit and it is area coverage that require farmer paid premiums.

Summary

1. The Farm Bill was Agreed to as part of the Deficit Reduction but the "Super Committed fail to vote out an acceptable Bill.
2. As result, the Farm Bill debate will continue but with more interest groups in the mix.
3. The only 2 Ag programs with "significant" money are Direct Payments and Crop Insurance.
4. The Ag Programs are under attack for "free" trade issues too.

Future Issues

1. The final year for ACRE and new program in 2013, maybe?
2. Impact of non conversion of cash & futures and loss of MF Global will effect farmers who do not use futures and options
3. AgManager.info will cover these issues. Please leave me your email address if you would like to be on the AgManager.info list.