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Yesterday's Closing Prices

- December Corn
- November Soybeans
- December Cotton

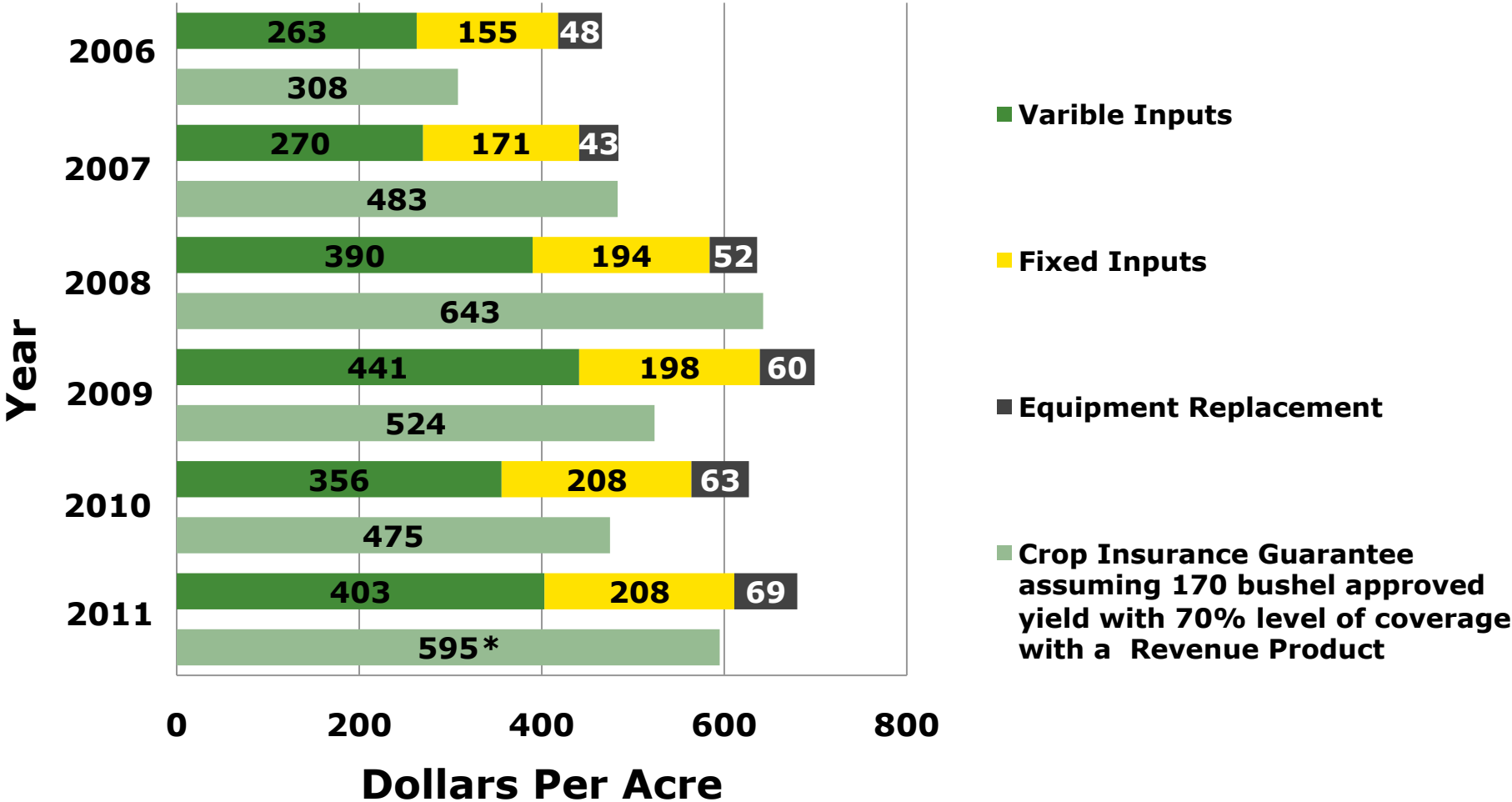


Insuring a Profit

- With adequate yield histories and the correct level of coverage, we are back in a period of time difference between insured value and cost of inputs.
- Higher levels of coverage provide enough liability where the insurance is above the cost of production, minus any basis risk.

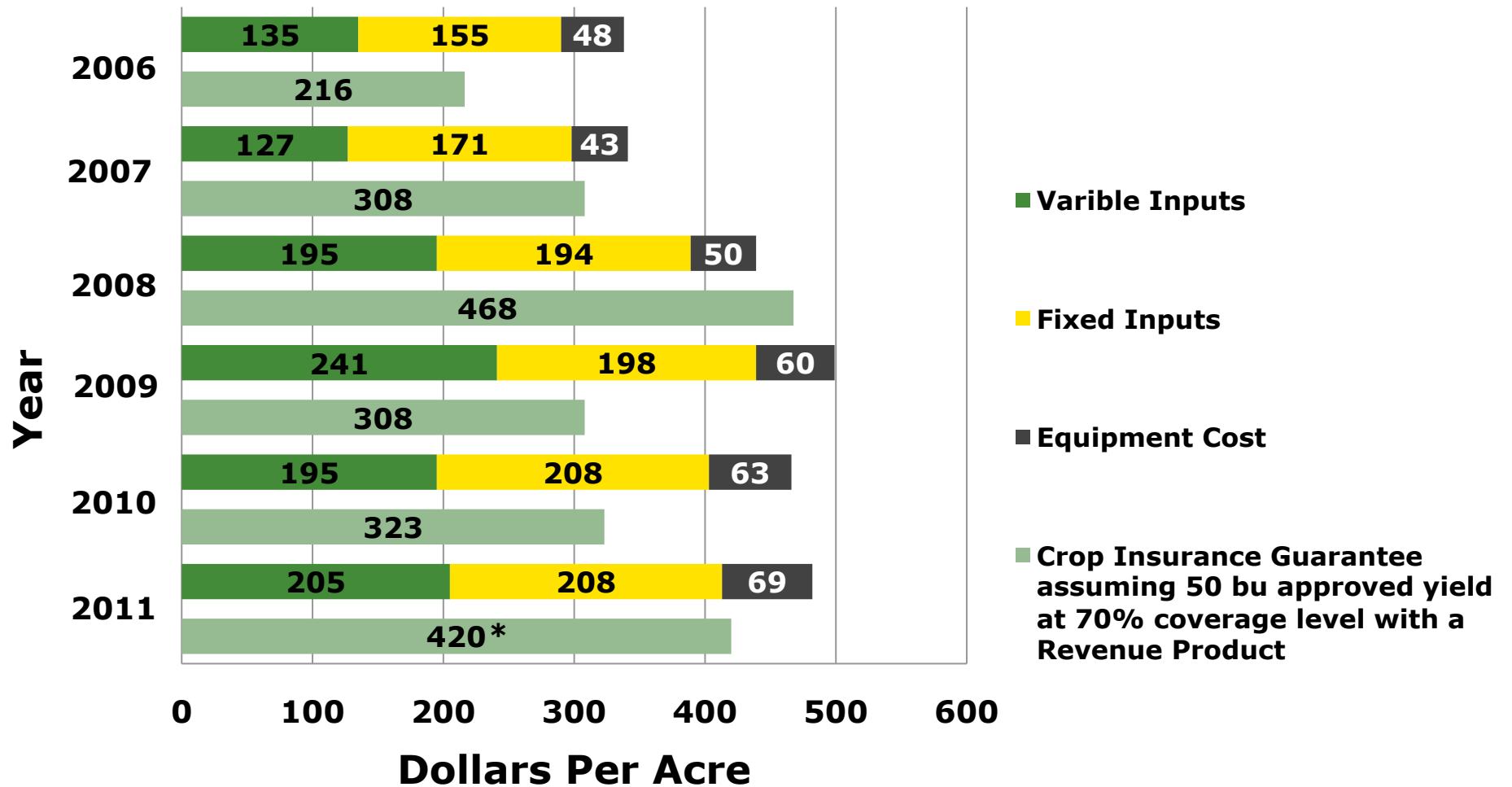


Expenses vs. Insurance Coverage (Corn)



* Estimation

Expenses vs. Insurance Coverage (Soybeans)



* Estimation

Protect Your Working Capital With Adequate Insurance Coverage

| | End of 2010 | 2011 (Using 75% Level of Coverage) |
|-----------------|--------------------|---|
| Owner's Equity | \$2,000,000 | \$2,000,000 |
| Working Capital | \$400,000 | \$400,000 |



Working Capital At Risk

Without Adequate Insurance Coverage

| | End of 2010 | 2011 (Using 65% level of Coverage) |
|-----------------|-------------|------------------------------------|
| Owner's Equity | \$2,000,000 | \$1,915,000 (95.8%) |
| Working Capital | \$400,000 | \$315,000 (78.8%) |

\$85,000 Difference

Recalibrate Your Crop Insurance to Your Marketing Plan

- **Think about what sales you have in place**
- **Think about what sales you still plan to make**
- **Consider the plan of insurance you are using**
 - **Does it mesh with your marketing plan?**

Know the New Terms

New plans of insurance on the top ten commodities:

| 2010 Policy | Converted for 2011 Crop Year |
|---|--|
| Crop Revenue Coverage | Revenue Protection Plan |
| Revenue Assurance with Fall Harvest Price Option | Revenue Protection Plan |
| Revenue Assurance without Fall Harvest Price Option | Revenue Protection Plan with Harvest Price Exclusion |
| Actual Production History | Yield Protection |

Commodity Exchange Price Provisions

- New to the policy
- Road map of how your crop insurance prices are set
- Vary by state instead of by product



Know the Changes that Could Affect Your Operation



- Prevented planting will now only be paid of the projected price
 - This could create a gap in a forward contracting plan
- Enterprise Units on Yield Plan
 - This option could increase your SURE guarantee

Importance of Accuracy

- With the tie-in to other programs, accuracy of crop reporting has become even more important
- A discrepancy can hold up or even stop a payment
- Any claim on a crop county basis that exceeds \$100,000 requires a review
 - This could be as simple as 1 year or as complex as 3 years
- Ability to not lose unit structure



Take Advantage of the Technology

- Do your research
 - There is a lot of information available online
- Use cost estimators or premium calculators
- Use the technology of your equipment to its fullest



Conclusion

- What can you do to be a more informed producer?
- What are you doing to protect your working capital?
- What is your marketing plan?
- Can you take advantage of the technology?
- How will you put together the best risk management plan for your operation this year?



Works Cited

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