



July 17, 2012

United States
Department of
Agriculture

INFORMATIONAL MEMORANDUM

Risk
Management
Agency

Spokane Washington
Regional Office

11707 E Sprague Ave
Suite 201
Spokane Valley, WA
99206-6125

509 228-6320
FAX 509 228-6321

TO: Pacific Northwest Approved Insurance Providers

FROM: Dave P. Paul
Director

SUBJECT: Busch Ag Resources, LLC Contract Price

Busch Ag Resources, LLC (Busch) offered a basis type contract for 2012. The producer can commit their 2012 barley volumes by variety, leave the final contract price open, and fix their spread (basis) to the Chicago Board of Trade (CBOT) December 2012 wheat futures. With this option, the producer chooses when to lock their futures price from the contract begin date until October 1, 2012. This contract does not carry a minimum price and will default to the contract's final day's futures price minus the basis if no action has been taken. The price received for malt barley will be the CBOT December 2012 wheat futures minus the basis that was set up front.

This type of pricing was discussed at the Northwest Regional State Committee meeting in Missoula, along with a follow-up e-mail (dated March 15th) on the specifics as to how this contract option will be handled for crop insurance purposes if the insured did not lock in their price by the acreage reporting date (ARD). Remember, if the insured has locked in their futures price with Busch by the ARD that will be the contract price used for insurance purposes.

The Spokane Regional Office agreed to contact Busch Ag Resources, LLC right after the two ARDs (June 30 for winter barley counties and July 15 for spring only counties) to get the closing price of the December CBOT Wheat contract (the price Busch would use if a producer priced their barley that day) and to provide directions on how to use the price to derive the insured's contract price under the specialty type or the additional value price under the Malting Barley Price and Quality Endorsement (MBPQE). This will give uniformity to the collection of the price as well as making sure all insured's with this Busch contract are treated equitably.

For your barley policy holders who have an ARD of:

- 6/30: The CBOT Dec 2012 Wheat Futures closing price for July 2nd (next business day after the ARD) is \$7.83
 - Remember to adjust this price with the fixed basis selected by the insured to get the contract price used for crop insurance purposes.



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

USDA is an Equal Opportunity Provider and Employer.

- 7/15: The CBOT Dec 2012 Wheat Futures closing price for July 16th (next business day after the ARD) is \$8.96
 - Remember to adjust this price with the fixed basis selected by the insured to get the contract price used for crop insurance purposes.

RMA will accept the contract price from malting barley contracts determined from a basis (plus or minus) applied to the wheat futures market. If the contract is not priced by the ARD, then the contract price will be determined from the method specified in the contract. For example, on the ARD the contract basis (plus or minus) will be applied to the wheat futures price on that date (listed above) to establish the contract price used for crop insurance purposes:

- This contract price will be used as the contracted price for specialty barley.
- For Option A and B the additional value price will be the determined contract price minus the feed barley projected price.

The producer may establish the contract price with the maltster at a date later than the ARD, but for crop insurance purposes a price must be determined (based on the direction above) even if the insured chooses not to set one with the maltster.

This material does not change the content or the meaning of current policy provisions, filed actuarial documents or approved procedures. If you have any questions or need further clarification, please do not hesitate to contact our office.

CC: Doug Hagel, Regional Director Billings
Robert Ibarra, Director Risk Management Services Division.

rw/DPaul

S:\7010 - 6 Barley MBPQE-Contract Price Busch Contract AIP memo July 2012.docx

Sent via Email