United States
Department of
Agriculture

Risk
Management
Agency

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July 15, 2013

INFORMATIONAL MEMORANDUM

TO: Pacific Northwest Approved Insurance Providers

FROM: Dave P. Paul
Director

SUBJECT: Busch Ag Resources, LLC Contract Price

Busch Ag Resources, LLC (Busch) again has offered a basis type contract for 2013 malting type barley. The producer can commit their 2013 barley volumes by variety, leave the final contract price open, and fix their spread (basis) to the Chicago Board of Trade (CBOT) December 2013 wheat futures. With this option, the producer chooses when to lock their futures price from the contract begin date until October 1, 2013. 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 2013 wheat futures minus the basis that was set up front.

Like last year, the Spokane Regional Office contacted Busch Ag Resources, LLC right after the ARD (July 15) to get the closing price of the December CBOT Wheat contract. This price is what Busch would use if a producer priced their barley that day. 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) are shown below, and should only be used if the insured has not yet locked in their contract price.

- ARD of 7/15: The CBOT Dec 2013 Wheat Futures closing price for July 15th is $6.81
    - 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. 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.

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.

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Sent via Email