



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

November 14, 2003

INFORMATIONAL MEMORANDUM: R&D-03-047

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ *Tim B. Witt*
Deputy Administrator

SUBJECT: Revised Crop Revenue Coverage (CRC) Commodity Exchange
Endorsement for the 2004 Crop Year

On October 29, 2003, the Federal Crop Insurance Corporation Board of Directors (Board) approved modification of the existing CRC grain sorghum pricing methodology to better reflect the current crop year pricing relationship between grain sorghum and corn. The Risk Management Agency (RMA) has revised the CRC Commodity Exchange Endorsement to reflect the Board approved modification. The revised CRC Commodity Exchange Endorsement has been placed on the RMA Website at: <http://www.rma.usda.gov/> under "Crop Policies."

Since grain sorghum is not traded on an exchange such as the Chicago Board of Trade (CBOT), there is no futures market price discovery mechanism available. Currently, CRC grain sorghum uses 95 percent of the CRC corn base and harvest price from the CBOT. This methodology was originally based on an analysis of the historic market prices for grain sorghum and corn. Due to recent crop year changes in the price relationship, the 95 percent factor may not always represent the current year grain sorghum to corn price relationship. Beginning with the 2004 crop year, the CRC product will utilize the price percentage relationship between grain sorghum and corn, as determined by RMA, based on the January United States Department of Agriculture estimates of corn and grain sorghum prices. This will allow the grain sorghum price to be established based on the best, and most current information and analysis of the two commodities market potential.

If you have any questions, please contact David Clauser, Product Development Division, at (816) 926-7730.



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

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DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting/updating information and the disposal date is December 31, 2003.