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Disclosure: Dr. Barnaby's research was the basis for the privately developed Crop Revenue Coverage.

IS THIS THE YEAR TO PURCHASE MPCCI ON SOYBEANS RATHER THAN ONE OF THE REVENUE INSURANCE PRODUCTS?¹

The Multi-Peril Crop Insurance (MPCI) soybean price election was set at \$4.92.² This is a 34 cent decrease from last year's \$5.26 soybean price election for MPCI. The MPCI price election was also lowered on corn from \$2.05 to \$2.00.

Many farmers may be considering the MPCI soybean contract as a method for taking advantage of the higher \$4.92 price election. There is a 42 cent difference between MPCI and the revenue insurance products price elections on soybeans. The revenue insurance price election was set at \$4.50 (Updated price elections for all revenue insurance products are posted on the WEB at <http://www.agecon.ksu.edu/risk/>). The revenue insurance price election was set on March 1 based on the February average of the November CBOT soybean contract.

In order to compare the potential soybean indemnity payments caused by the inverted price elections, an example farm was created assuming a 42.9 bushel Actual Production History (APH, average yield) and 70% coverage. If prices were to increase the Revenue Assurance without the harvest price option (RA)

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² Risk Management Agency, USDA has the option to increase the price election after sales closing until July 1, 2002.

would pay the least (figure 1). If price were to increase to \$4.92, MPCI, Revenue Assurance with the harvest price option (RA-HPO) and Crop Revenue Coverage (CRC) would all pay the same indemnity payment and payments would trigger at the same yield, i.e., 30 bushels and below for this example farm (see figure 1).

Notice that if the soybean price were to increase to \$4.92 the RA contract would require a yield below 27 bushels to trigger indemnity payments and those indemnity payments are less than the indemnities paid under the other contracts.

The worst case outcome for growers is a price increase to exactly \$4.92 and below average yields. Under this scenario, the example grower has already lost 30% of his/her revenue because of the deductible in the insurance policy, the revenue gained from higher market prices has been completely offset with the loss of the LDP payment (based on current markets the new crop potential LDP payment is approximately 42 cents per bushel), and the example grower has fewer bushels to sell at the higher market price. Under the scenario of a \$4.92 harvest price or higher, RA-HPO or CRC would cover more of this catastrophic risk. This is the major catastrophic risk that could happen on this year's soybean crop.

If this turns out to be a disaster year with substantial increases in soybean market prices, then RA's performance is even less attractive. If soybean market prices were to increase to \$7.00 at harvest, then RA without the harvest price option would pay less than MPCI and substantially less than CRC or RA-HPO (figure 2). The example RA insured soybean grower would need a yield below 19.5 bushels to trigger payments while MPCI, CRC, and RA-HPO would all trigger payments with yields below 30 bushels. A 70% RA insured grower would need a yield loss that is greater than 54% to trigger payments. This 70% RA insured grower has lost more than half of his/her average crop, receives no LDP payment because of the higher price, receives no RA indemnity payment and must still pay the RA premium!

Because the revenue gained in the cash market is lost from the reduction of the LDP payments, growers with normal yields will not gain revenue from rising prices until the market exceeds the loan rate for new crop soybeans. If one has normal yields, the potential new crop LDP payment functions similar to an in-the-money put. However, if one does not have normal yields then, unlike a put, there is no payment even if prices were to decline.

Under current markets, growers have little downside price risk because the expected new crop price for soybeans is already "deep" in to the LDP and the potential LDP currently exceeds 42 cents per bushel. If new crop prices decline from current levels, then it depends on the size of the price decline before MPCI indemnity payments exceed revenue insurance (RA, RA-HPO, and CRC) indemnity payments.

For example, if the October average soybean price were \$4.00, then all of the revenue insurance products would pay higher indemnity payments than MPCI, unless the yield drops below 14 bushels for this example grower with a 42.9 bushel average yield and 70% coverage (see figure 3). However, at \$4.00 the 70% coverage revenue insurance products will trigger indemnity payments for yields below 34 bushels while the MPCI contract requires yields below 30 bushels to trigger indemnity payments (see figure 3).

Growers considering the MPCI contract in a declining market will be trading off indemnity payments that occur with less yield loss under revenue insurance versus potentially higher indemnity payments under MPCI, if yield losses are severe. In addition, the MPCI contract may be less expensive than the revenue insurance products but that is not necessarily the situation for soybean growers in higher yield risk counties. Soybean growers in high yield risk counties may pay less for RA-HPO than MPCI.

Corn. The decision is much easier on corn because the revenue products contain a higher price election than MPCI. Based on the February average closing price of CBOT December 2002 corn contract, the

revenue insurance price election will be \$2.32 versus \$2.00 for MPCI.² If prices increase, then CRC and RA-HPO will each pay more than the MPCI contract.

An example corn farm with a 142.9 bushel APH, 70% coverage and a revenue price election of \$2.32, was created to examine the outcomes. The MPCI, RA-HPO and CRC all trigger payments once yields drop below 100 bushels for this example farm, if market prices increase. However, the Revenue Assurance contract without the harvest price option will pay less than MPCI and require a larger yield loss to trigger payment, if market prices increase.

For example, if price were to increase to \$3.00, yields would need to drop below 78 bushels before RA would trigger indemnity payments and MPCI, even with the lower price election, would pay higher indemnity payments than RA until yields drop below 32 bushels (see figure 4). Under all conditions, CRC and RA-HPO would pay more than the RA contract under a higher price scenario (see figure 4).

If prices were to decline, then all of the revenue insurance products would pay more than MPCI. For example, if price were to fall to \$2.00, based on the October average closing price of the CBOT December 2002 corn contract (CRC harvest price),³ then this example grower with 142.9 bushel average yield would only need a yield below 114 bushels to trigger a revenue insurance payment. While the MPCI insured corn grower would require a yield below 100 bushels to trigger an indemnity payment. In addition, the MPCI indemnity payment would be substantially less than the indemnity payment provided by any of the revenue insurance products (figure 5).

Summary. RA-HPO and CRC provide more coverage than MPCI on corn under all conditions. Revenue Assurance without the harvest price option will provide more coverage than MPCI if prices fall. However, if prices increase, RA without the harvest price option will provide less protection than MPCI and substantially less protection than RA-HPO or CRC.

The soybean decision is a much closer call because of the inverted price elections. Soybeans are further complicated by the fact that price for new crop soybeans is substantially below the loan rate currently, projecting LDP payments in excess of 42 cents per bushel. Therefore, growers have little downside price risk because as prices fall the LDP payment increases. Growers' big risk in a falling market is the loss of production because one must have production to sell in the cash market and to collect the LDP payment. Therefore, the really large catastrophic risk is to have market prices increase to \$4.92 combined with a yield loss. Under this scenario, clearly RA would provide the least protection and would not cover this major risk exposure that soybean growers have on the 2002 contract. If prices rise then RA-HPO and CRC would all provide substantially better protection than RA without the harvest price option. Therefore, the real risk on soybeans this year is low yields and higher prices.

The best outcome would be a "large" yield and very low prices that would trigger one of the revenue insurance products and collect the LDP payment on the same bushels. However, the worst outcome would be a harvest price increase to \$4.92 because growers with normal yields would collect nothing from the revenue products, they would lose their LDP payment, and they gain no additional revenue by selling into the cash market until prices exceed the loan rate. If prices increase above the loan rate then the RA contract without the harvest price option provides even less protection than the MPCI contract. Under this worst case scenario, the RA-HPO and CRC would provide the best protection against this catastrophic risk.

³ RA measures the corn harvest price based on the November average closing price of December 2002 corn futures. The long run expected indemnity payment is the same for RA-HPO and CRC but clearly one of the harvest price measurements will generate higher indemnity payments this fall. But I have no reason to expect the payment will be higher using the October average price.

Complicating this decision will be the premium cost for the individual grower and there are substantial variations in premium costs by location, proven yield, etc. It is important when comparing premium costs that one receives quotes for the same price election, coverage level, and unit structure. In the more risky soybean growing areas, many growers will find the RA-HPO will provide them “better” coverage for less premium than the MPCCI contract. These growers are giving up potentially small additional payments with extremely low yields and low prices but will gain more protection from the catastrophic risk of rising prices combined with low yields and pay lower premiums. Under these conditions one would expect those growers to buy RA-HPO.

In the less risky growing regions CRC maybe less expensive then RA-HPO. CRC is always more expensive than MPCCI. Therefore, the decision to purchase CRC versus MPCCI would be a more difficult decision because one would have to consider the trade off from potentially lower indemnity payments should prices fall combined with severe yield losses.

The only easy decision is for the corn and soybeans growers who have decided to purchase replacement-revenue coverage. They will likely select between RA-HPO and CRC based on premium cost. The CRC and RA-HPO would have paid exactly the same indemnity payment on soybeans and nearly the same on corn over the past 30 years. However, some farmers have bought RA without the harvest price option but with the understanding they have the same coverage as CRC and that is NOT true. When comparing premium cost, make sure the unit structure, price election, and coverage levels are the same.

Question?

Have you done any analysis as to which is the better product for the producer to buy because of the inverted price elections on soybeans? We have been telling farmers, “if you want to guarantee revenue then go with the CRC or RA, but if you are looking at total dollars of insurance go with MPCCI”. What are your thoughts? Thanks.

Concerned Insurance Company Executive

Dear Mr. Executive,

In counties where Revenue Assurance with the harvest price option (RA-HPO) has a cheaper rate than MPCCI, I am suggesting growers consider higher coverage under RA-HPO for about the same money as MPCCI at a 5% lower coverage level. Figure 6 shows the payouts under the assumption that the harvest price does not change. This is the worst outcome for RA-HPO. However, there is very little difference in the payments between 70% MPCCI and 75% RA-HPO. The 75% RA-HPO would require a smaller yield loss to trigger payments and only with a very severe yield loss would the 70% MPCCI contract pay more.

If prices fall to \$4.00, then 75% RA-HPO would pay a much larger payment than 70% MPCCI unless crop yields were near zero (figure 7). If this turns out to be a disaster year with substantial increases in soybean market prices, then RA’s performance without the harvest price option is very unattractive. Under the scenario of a soybean price increase to \$7.00, this example grower with a 42.9 bushel average yield would need a yield below 20.5 bushels to trigger payments and those payments would be substantially less than the payments under MPCCI or the replacement-revenue insurance products (see figure 8).

In counties where the RA-HPO rate is higher than MPCCI, then it will depend on the yield risk. If price falls the RA-HPO will trigger payments with smaller yield losses and payments will be larger until they

lose about 93% of the crop. So if one doesn't expect to lose more than 80% of the crop, then one would probably select RA-HPO with a 5% higher coverage level.

If very low yields are likely in high risk growing areas then MPCI will look more attractive. However, these are the locations where RA-HPO receives the largest premium discounts on the higher coverage levels, and growers may just want to buy more coverage under RA-HPO. For example, in one high yield risk county 75% RA-HPO premium costs were only \$1.73 an acre more than the 70% MPCI coverage, but the grower is more likely to collect an indemnity payment from the 75% RA-HPO contract. The 75% CRC contract would provide the same coverage as 75% RA-HPO but the premium costs were \$5.69 an acre more than 70% MPCI.

With these rates, it appears the best coverage is provided by RA-HPO and given these premium offers one would expect most farmers to agree.

Question?

I am confused about something; you state that there is no difference between CRC and RA/HPO. I would like to know how you justify that statement given the fact that the final harvest price for both products will be figured at different times. The CRC harvest price will be the October average closing price for December CBOT corn futures and RA will be the November average closing price for December CBOT corn futures. In each case scenario, I find that the RA is a better product. If you have some time please let me know how you come to the conclusion that the two products are exactly the same. I would really like to be able to tell my customers honestly what the best product is for them.

Agent Prefers RA

Dear Agent,

Because of the 2002 changes made to Revenue Assurance with the harvest price option (RA-HPO), the Crop Revenue Coverage (CRC) and RA-HPO products now provide nearly the same coverage. For 65% and greater coverage with basic or optional units, the RA-HPO and CRC soybean indemnity payments will be **exactly** the same. Given most contracts are sold at these coverage levels, it does not seem to be an over simplification to state these products provide the same coverage on soybeans.

While most insurance professionals will agree there are some minor differences between RA-HPO and CRC on corn, there is no data to suggest the long run payout will be higher with either harvest price measurement. This is really an "academic argument" because in most Kansas locations RA-HPO is less expensive. The differences between the products are so minor on corn that most growers will select the product with the lowest premium cost. To turn the argument around why would anyone pay more for the CRC contract?

The long run expected pay out is statistically the same for the October harvest price and the November harvest price. October price paid more in 2000 while November paid more in 2001 (table 1). Clearly in one year one will prefer one harvest price month over the other one but the long run expected payout is the same.

Table 1 shows the historical payouts for the two different harvest price measurements. Because the October harvest price will pay the grower 30 days earlier than would otherwise be the case, the payments were adjusted for the time value of money using 6 percent. Also remember when price falls, the higher harvest price reduces payments. However, when prices increase, the higher harvest price increases payments.

The amount of yield will also impact the size of the payment difference. The most extreme payment difference was in 1993 when the October harvest price reduced the payment by 9.9% with a zero yield but only reduced the payment by 5% with production equal to half of the yield guarantee. The reverse was true in 1988 when the October harvest price increased payments by 9.5% with a zero yield and increased payments by 4.8% with production equal to half of the yield guarantee. But in most years, the payment difference was very small and if one sums the payment differences over the 29 year history the result is not statistically different from zero (October increased payments with half of yield by 0.2% or nearly zero). One of these harvest prices will give higher payments this fall, but there is no reason to believe that the November price is more likely to generate the higher payment.

There are some product differences between CRC and RA-HPO that unlike the harvest price will affect the long run payout. The really big difference is RA without the harvest price option that will pay less than CRC and under some conditions less than MPCCI.

RA and CRC do not use the same method for enterprise unit premium discounts. Growers that are buying enterprise units may find the CRC premium is less than the RA-HPO premium. It will depend on the number of acres and sections being farmed. Under enterprise units, Income Protection (IP) would provide the same coverage as basic RA, and most growers would select the contract with the lower premium cost. However, the enterprise unit is a small part of the market because any loss is averaged across the entire crop and provides little protection from spot losses, such as hail.

RA offers a “whole farm” unit that averages any loss across the soybean and corn crop. For example a good corn crop can offset a soybean loss. IP, CRC and MPCCI do not offer this unit structure.

CRC offers coverage at 50%, 55%, and 60% while RA makes no offers below 65% coverage. However, with the current subsidy system there are very few revenue contracts sold below 65% on corn, soybeans and wheat.

CRC is offered in Nebraska, Wisconsin, Texas, and other selected states where there is no RA offer. However, it is reasonable to assume RA will be filed in those states in the near future.

CRC is offered on grain sorghum and cotton but there is no RA offer. RA is offered on sunflowers and barley in selected states, but there is no CRC offer on those crops. IP is offered on grain sorghum, cotton and other selected crops in selected counties. IP provides similar protection to basic RA with enterprise units.

RA-HPO is an unlimited liability while CRC is a limited liability. However, there has never been a price increase large enough to exceed the CRC liability limit. If the market increase was large enough to exceed the CRC limit, then RA-HPO would pay more than CRC. Therefore, if RA-HPO and CRC were offered to growers for the same premium cost most growers would select RA-HPO. However, most growers would not pay extra for RA-HPO because they would never have collected on the additional coverage. One could argue this is an additional RA-HPO subsidy because if the market were to exceed the CRC liability limit the taxpayer would cover the loss. The stop loss in the standard reinsurance agreement (SRA) would shift the “extra” coverage to the government. But clearly this is a very small additional subsidy.

So while there are minor differences, most growers will buy the contract with the lowest premium cost. For most of Kansas, that has been the RA-HPO contract but not in all cases.

Question?

If we assume that the CRC product is rated correctly and the RA-HPO is rated incorrectly, what is the potential for the RMA to adjust the rates after sales closing due to an error in calculating the rates? And if they did adjust the rates would they put that burden of the extra premium onto the farmers? I have seen rates coming out \$3 to \$10 an acre less when comparing CRC to RA-HPO.

Worried Illinois Insurance Agent

Dear Agent,

There is no reason to worry because there is little (probably none) chance there is a math error in the RA rate. RMA approved the RA rates. Therefore, there is almost no chance that RMA will change the rate after sales closing. If they did change the rates after sales closing, RMA would be sued and my guess is they would lose in court. However, it is possible that rates will change before the next sales season.

The RA-HPO rates are lower than CRC in most but not all locations. The RA-HPO rates for coverage above 75% are even lower than MPCCI rates in many locations! One cause for the lower premium is the lower volatility value this year on corn that lowered the RA-HPO premium even more.

The MPCCI rate is the major reason for the rate difference between RA-HPO and CRC. MPCCI converts all contracts to 65% coverage and then sets the rates based on loss cost. RMA then takes that base 65% MPCCI rate and mathematically increases the rates at the higher coverage levels. RA follows the same procedure but MPCCI accelerates the rate increase faster than RA at the higher coverage levels. CRC follows the MPCCI rates at the higher coverages and the result is a higher CRC premium than RA-HPO **(The author has no opinion on which method is correct).**

Based on past loss history, Illinois is one of the states that may deserve a premium discount. I am sure the people who rated RA do not agree with your assumption that CRC and MPCCI are rated correctly. If this were a private insurance contract growers would also like the premium discounts but might be concerned about the insurance company's ability to pay claims.

This is not a concern for RA because even if the insurance company fails, the grower will still be paid because USDA-RMA is the reinsurer of last resort. Many companies also buy private reinsurance and they would also pay even if the primary insurance company fails.

While farmers will be paid, yours is not the only e-mail and phone call I have received on this issue. Because the RA sales are very large, that means most companies are looking at lower premium revenue with little or no reduction in expected indemnity payments.

In addition the lower premium also lowers the expense reimbursement paid to the insurance companies. Private insurance contracts must pay expenses from their premiums. However, growers do not pay the expenses under these RMA products. The crop insurance expenses are paid from a different USDA budget.

There is no "free" lunch even at USDA. If the CRC and MPCCI are over rated, then RA will increase returns. The lower premium will cause more growers to buy coverage and buy at higher levels. The companies and RMA will enjoy underwriting gains. However, if the lower RA premiums cause underwriting losses, then companies will likely pass more of the risk to USDA and may be forced to lower agent commissions but competition set those fees.

Thanks for the question, but this is just not something that growers and agents need to worry about.

Market Transition Payments. The FSA estimates for AMTA payments are listed in Table 2. Monthly NASS prices and historical wheat and feedgrain cash prices are presented in Table 3.

Farm Service Agency (FSA) Loans, Production Flexibility Contract Payment Rate (PFC) and RMA Price Elections. MPCl price elections for 2002 spring crops have been released. CRC and RA price elections were announced on March 1, 2002. Only the loan rates, MPCl price elections, CRC, RA, and IP market prices will apply under AFreedom to Farm@(Table 4).

Table 1. Historical Market Price Changes for CRC based on October Harvest Price vs. November Harvest Price

Year	Feb	Nov	Harv.	Nov.	Oct	New	Maximum	Years	% Diff. in Corn ¹		
	Avg	Avg	Price		Price				Oct	Increased	With
	Price	Price	Discount	Avg.	Harv.	Oct	Pymt	Higher	using	50%	Zero
	Plant	Harv.	Rate	Change	Price	Price	From	Pymt	Yield	Yield	Yield
	Price	Price	6.0%		Price	Price	Oct				
1 2001	2.46	2.05	2.06	(0.40)	2.08	(0.38)	(0.03)	0	-1.4%	-0.4%	0.5%
2 2000	2.51	2.11	2.12	(0.39)	2.04	(0.47)	0.08	1	2.7%	1.6%	0.5%
3 1999	2.40	1.96	1.97	(0.43)	2.01	(0.39)	(0.05)	0	-2.3%	-0.9%	0.5%
4 1998	2.84	2.19	2.20	(0.64)	2.19	(0.65)	0.01	1	0.2%	0.4%	0.5%
5 1997	2.73	2.76	2.75	0.02	2.81	0.08	0.07	1	0.0%	1.2%	2.4%
6 1996	3.08	2.68	2.69	(0.39)	2.84	(0.25)	(0.14)	0	-5.0%	-2.3%	0.5%
7 1995	2.57	3.28	3.26	0.70	3.23	0.66	(0.04)	0	0.0%	-0.7%	-1.4%
8 1994	2.68	2.16	2.17	(0.51)	2.16	(0.52)	0.01	1	0.0%	0.3%	0.5%
9 1993	2.40	2.74	2.72	0.33	2.49	0.09	(0.24)	0	0.0%	-5.0%	-9.9%
10 1992	2.70	2.12	2.13	(0.58)	2.09	(0.62)	0.04	1	1.2%	0.8%	0.5%
11 1991	2.59	2.44	2.45	(0.14)	2.51	(0.08)	(0.06)	0	-2.8%	-1.2%	0.5%
12 1990	2.47	2.27	2.28	(0.19)	2.30	(0.18)	(0.01)	0	-1.0%	-0.2%	0.5%
13 1989	2.71	2.38	2.39	(0.32)	2.39	(0.32)	(0.00)	0	-0.4%	0.0%	0.5%
14 1988	2.17	2.69	2.68	0.51	2.89	0.72	0.21	1	0.0%	4.8%	9.5%
15 1987	1.69	1.83	1.82	0.13	1.83	0.14	0.01	1	0.0%	0.2%	0.4%
16 1986	2.11	1.70	1.71	(0.39)	1.69	(0.41)	0.02	1	0.5%	0.5%	0.5%
17 1985	2.66	2.38	2.39	(0.27)	2.23	(0.43)	0.16	1	5.6%	3.0%	0.5%
18 1984	2.86	2.73	2.74	(0.11)	2.78	(0.07)	(0.04)	0	-1.8%	-0.7%	0.5%
19 1983	2.88	3.49	3.47	0.59	3.48	0.59	0.00	1	0.0%	0.0%	0.0%
20 1982	3.00	2.33	2.34	(0.66)	2.20	(0.80)	0.14	1	4.5%	2.5%	0.5%
21 1981	3.77	2.77	2.78	(0.98)	2.91	(0.86)	(0.12)	0	-3.5%	-1.5%	0.5%
22 1980	3.12	3.81	3.79	0.67	3.61	0.49	(0.18)	0	0.0%	-3.0%	-5.9%
23 1979	2.59	2.68	2.67	0.08	2.78	0.19	0.11	1	0.0%	2.1%	4.3%
24 1978	2.27	2.29	2.28	0.01	2.31	0.04	0.03	1	0.0%	0.7%	1.3%
25 1977	2.73	2.22	2.23	(0.51)	2.09	(0.65)	0.14	1	4.9%	2.7%	0.5%
26 1976	2.72	2.43	2.44	(0.28)	2.65	(0.07)	(0.21)	0	-8.3%	-3.9%	0.5%
27 1975	2.72	2.69	2.70	(0.01)	2.91	0.19	0.20	1	-1.0%	3.2%	7.5%
28 1974	2.89	3.65	3.63	0.74	3.80	0.91	0.17	1	0.0%	3.0%	6.0%
29 1973	1.38	2.52	2.51	1.13	2.46	1.08	(0.05)	0	0.0%	-1.8%	-3.7%
Avg Price	2.610	2.529		(0.080)	2.543	(0.067)	0.007	16	-0.3%	0.2%	0.7%
Sd. Dev.	0.438	0.512		0.504	0.526	0.516					
Max Price Increase				1.126		1.076	0.206				
Max Price Decrease				(0.982)		(0.858)	(0.238)				

¹The difference in indemnity payments will change with the amount of the yield. The payment based on the November price was discounted using a 6% interest rate for the 30 day earlier payment.

TABLE 2. FSA FINAL PRODUCTION FLEXIABILITY CONTRACTS AND MARKET LOSS ASSISTANCE

		Final 1996	Final 1997 ¹	Final 1998 ²	Final 1999 ²	Final 2000 ²
Corn	\$/bu	\$0.25079171	\$0.48564721	\$0.564	\$0.726	\$ 0.697
Sorghum	\$/bu	\$0.32330671	\$0.5437488	\$0.677	0.870	0.835
Barley	\$/bu	\$0.33223088	\$0.27650630	\$0.425	0.542	0.522
Oats	\$/bu	\$0.028508814	\$0.03066456	\$0.470	0.600	0.580
Wheat	\$/bu	\$0.87376813	\$0.63085831	\$0.990	1.280	1.230
Cotton	\$/cwt	\$0.0881945	\$0.07625055	\$0.1223739	0.1576	0.1518

¹Corn and sorghum includes funds from growers who repaid their 1995 deficiency payments.

²Payments included AMTA payments and the additional market loss payments provided in recent disaster aid bills. Payment rates have been rounded.

TABLE 2. FSA ESTIMATES OF MARKET TRANSITION PAYMENTS

		Final 2001	Est. 2002
Corn	\$/bu	.26	.25
Sorghum	\$/bu	.30	.29
Barley	\$/bu	.18	.17
Oats	\$/bu	.02	.02
Wheat	\$/bu	.47	.46
Cotton	\$/cwt	0.0599	0.0547

TABLE 3. NASS REPORTED MONTHLY AVERAGE PRICES FOR KANSAS AND THE UNITED STATES

	Wheat		Corn		Beans		Milo ¹	
	All Classes							
	KS	U.S.	KS	U.S.	KS	U.S.	KS	U.S.
Jan 99	2.74	2.80	1.98	2.06	5.06	5.32	2.93	3.05
Feb	2.49	2.74	1.96	2.05	4.58	4.80	3.04	3.16
Mar	2.53	2.65	2.00	2.06	4.44	4.61	3.02	3.17
Apr	2.41	3.06	2.02	2.34	4.54	N/A	2.93	3.69
May	2.32	2.53	1.91	2.00	4.42	4.51	2.83	2.93
June	2.33	2.50	1.91	1.97	4.27	4.44	2.75	2.87
July	2.15	2.23	1.86	1.74	4.30	4.20	2.64	2.83
Aug	2.31	2.52	1.85	1.75	4.53	4.39	2.86	2.89
Sep	2.33	2.57	1.87	1.75	4.54	4.57	2.61	2.82
Oct	2.20	2.58	1.82	1.69	4.46	4.47	2.37	2.51
Nov	2.24	2.66	1.76	1.70	4.35	4.45	2.48	2.58
Dec	2.16	2.52	1.73	1.82	4.26	4.44	2.55	2.65
Jan 2000	2.31	2.50	1.81	1.90	4.41	4.62	2.79	2.86
Feb	2.39	2.54	1.95	1.98	4.59	4.79	2.96	3.08
Mar	2.36	2.59	1.97	2.03	4.88	4.91	3.09	3.21
Apr	2.28	2.57	2.02	2.03	5.10	5.00	3.11	3.24
May	2.35	2.59	2.08	2.10	5.25	5.19	3.26	3.38
June	2.59	2.50	1.89	1.91	4.96	4.92	2.79	3.32
July	2.43	2.32	1.74	1.64	4.55	4.53	2.46	2.81
Aug	2.43	2.41	1.67	1.53	4.49	4.45	2.57	2.73
Sep	2.58	2.44	1.90	1.61	4.57	4.57	2.64	2.77
Oct	2.77	2.68	1.96	1.74	4.46	4.45	2.93	3.01
Nov	2.84	2.83	2.07	1.86	4.54	4.55	3.19	3.27
Dec	2.88	2.87	2.09	1.97	4.70	4.78	3.49	3.54
Jan 2001	2.92	2.85	2.06	1.98	4.53	4.68	3.28	3.37
Feb	2.82	2.83	2.02	1.96	4.36	4.46	3.27	3.48
Mar	2.92	2.87	2.06	1.95	4.22	4.39	3.21	3.29
Apr	2.71	2.86	2.02	1.89	4.01	4.22	2.89	3.06
May	2.98	2.99	1.88	1.82	4.22	4.32	3.17	3.21
June	2.74	2.74	1.92	1.77	4.42	4.46	3.28	3.63
July	2.71	2.63	2.03	1.88	4.87	4.79	3.27	3.72
Aug	2.64	2.73	1.97	1.90	4.97	4.83	3.35	3.50
Sep	2.53	2.85	1.99	1.91	4.64	4.53	3.25	3.46
Oct	2.66	2.86	2.02	1.84	3.89	4.09	3.22	3.30
Nov	2.67	2.88	1.99	1.85	4.06	4.16	3.22	3.29
Dec	2.68	2.89	2.04	1.98	4.07	4.20	3.20	3.26
Jan	2.74	2.87	2.01	1.97	4.08	4.22	3.28	3.34
Feb ²	2.66	2.85	2.01	1.93	4.07	4.19	3.14	3.24

¹ Milo prices are reported in dollars per CWT. ² Mid Month Value.

TABLE 4. PRODUCTION FLEXIBILITY CONTRACT PAYMENT RATE (PFC), LOANS AND MPCI PRICE ELECTIONS FOR THE 2001 AND 2002 CROP.

2001								
	Est. ³ Pymt	Loan ¹	MPCI	CRC (RA)	Hrvst CRC Price	Hrvst RA	IP	Hrvst IP
Wheat (KC)	0.47	2.58	\$2.80	\$3.31	\$3.09	\$3.00	\$2.97	\$2.57
Corn	0.26	1.89	2.05	2.46	2.05	2.05		
Milo	0.30	1.74	1.80	2.34	1.95	-		
Barley	0.18	1.59	1.60					
Oats	0.02	1.13	1.15					
Soybeans		5.26	5.26	4.67	4.37	4.37		
Confectionary Sunflowers		0.093	0.127					
Oil Sunflowers		0.093	0.093					
Cotton	0.0599	0.5192	0.60	0.61	0.336	-		

2002							
	Est. ³ Payment	Est. Loan ¹	MPCI	CRC/ RA ²	Hrvst CRC Price	IP	Hrvst IP
Wheat (KC)	0.46	2.58	\$3.15	\$3.34	\$3.02	\$3.04	
Corn	0.25	1.89	2.00	2.32			
Milo	0.29	1.74	1.85	2.20			
Barley	0.17	1.59	1.95				
Oats	0.02	1.13	1.20				
Soybeans		5.26	4.92	4.50			
Confectionary Sunflowers		0.093	0.136				
Oil Sunflowers		0.093	0.93				
Cotton	0.0547	0.5192	0.50	0.43			

¹Oilseeds, wheat and feedgrains have a marketing loan that does not result in a price "floor." The loan rates have not been announced for 2002.

²CRC and RA rates for spring crops are based on the February market prices.

³The estimated payment is based on a forecasted high participation. It is likely that the payment will be higher than the estimate. The payment will be multiplied times a grower's FSA program yield times 85%.







