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SPRING PLANNING NEWSLETTER

MARCH, 2012

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"In preparing for battle I have always found that plans are useless, but planning is indispensable." - Dwight Eisenhower



As a farmer, I'd say this quote certainly applies to the battle we are about to engage in as well!! As we enter a new crop year, we all know that things will certainly not go exactly as we have planned. There are simply too many variables out of our control. When will things warm up? How much rain will we get in April? Will we have a late frost? So many questions we don't have answers to. However, this is *exactly* why planning before we get into the heat of the battle is so important to our success. Making your crop insurance coverage decisions is an important part of your plan that must be laid in place soon to ensure that you are prepared for whatever the coming months may throw your way. With some of the changes in crop insurance for 2012, we as producers now have even more decisions to make! Our mission is to make this part of your planning process as efficient and effective as possible.

Here's wishing you all a safe, productive and successful spring and may it go as close to planned as possible!!

Sincerely,

Henry Scherer—President, Ag Risk Solutions
henryscherer@ag-risk-solutions.com

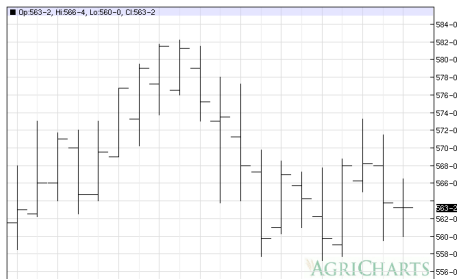
IMPORTANT!

GRASS BREAKING

IMPORTANT!

If you will be breaking any ground out of grass and planting it to an insurable crop this spring, notify your Service Rep immediately! New rules for 2012 require us to submit a request for insurability on these acres **prior to MARCH 15!** Also, you will not be able to use the same process as in past years to establish an Approved Yield on land being broken out of grass. These changes could have a dramatic impact on the amount of coverage you will have on these acres. Contact us immediately if you will be tearing out any grass!!!

2012 SPRING REVENUE PROTECTION PROJECTED BASE PRICES (as of 2-23-12)



CORN: \$5.69

GRAIN SORGHUM: \$5.54

SOYBEANS: \$12.48

SPRING PREMIUM BILLING DATE CHANGE

In the past, you have received the bill for your spring crop insurance premiums on October 1st. You had until October 31st to pay and have no interest charged. Thanks to changes made during the farm bill negotiations in 2008, you will now receive your spring crop insurance premium bill on August 15th. You will now have until September 30th (45 days) to pay and not have any interest charges. This was simply an accounting trick used by Congress to make the projected cost of the 2008 Farm Bill appear lower. Don't kill the messenger on this one! We are hoping this is something that will get readjusted in the next farm bill but be prepared to pay your premiums at least 30 days earlier this year!!

OWNERSHIP/SBI CHANGES

If you have any changes in your ownership structure from last year, please notify your Service Rep immediately! Examples of common changes would be: additional owner of shares in your corporation, owner deleted from your corporation, changes in ownership of your trust, divorce, marriage, death of a spouse, etc. It is imperative that we have all of this information correct on your policy or you could experience major problems in the event of a claim. Also, it is extremely important that you are selling your grain under the same name as what we have on your policy.

TREND-ADJUSTED APH

Trend-Adjusted APH (TA) is a pilot program for 2012 that allows producers in selected states and counties to increase their Approved Yields on certain crops to account for the fact that expected yields have been trending higher due to genetic improvements in these crops. Availability varies widely throughout our coverage area. Each selected county and crop has a "Trend-Adjustment Factor" that has been determined by RMA. These factors can also vary widely between counties. Here is the basic process for Trend-Adjusting a yield:

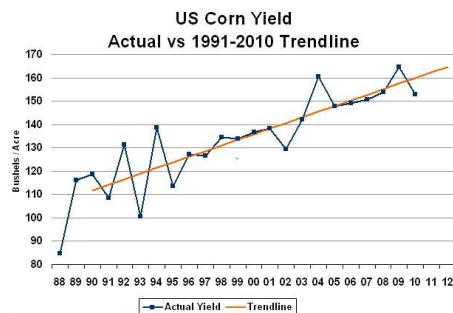
- 1) Determine the age of the actual yield in the database
- 2) Multiply the age of the yield by the applicable Trend-Adjustment Factor
- 3) Add the result of step 2 to the actual yield
- 4) Do this to each yield in the database
- 5) Take the simple average of the results of these calculations

Here is an example of an APH database for Corn in a county with a trend-adjustment factor of 1.95 that has had Trend-Adjustment applied:

Crop Year	Actual Yield	Age	TA Addition	TA Yield
2000	110	12	23.40	133
2001	94	11	21.45	115
2003	64	9	17.55	82
2004	185	8	15.60	201
2005	142	7	13.65	156
2007	127	5	9.75	137
2008	136	4	7.80	144
2009	168	3	5.85	174
2010	154	2	3.90	158
2011	171	1	1.95	173
Approved Yield Without TA:				135
Approved Yield With TA:				147
Increase In Approved Yield:				12

TREND-ADJUSTED APH (cont.)

As you can see from this example, the TA option can significantly increase your approved yield in some situations. However, the effect that the TA option has will vary greatly between units, crops and counties.



There is also an additional premium charged on each unit if the coverage is increased by the TA option. The amount of additional premium charged depends on how much the TA option increased the coverage on each particular unit. Therefore, the cost of this option can also vary greatly between units, crops and counties.

As one of our clients, your Service Rep is fully prepared to dig deep into this issue and provide you with accurate examples for your farms. This is not a simple decision but our goal is to provide you with all the information you'll need to make an informed decision and try to help you through the process as much as possible.

LOWER PREMIUM RATES FOR 2012

RMA has lowered the premium rates for Corn and Soybeans for most counties in our territory. This is the result of a study they conducted which concluded that a lowering of premium rates could be justified by the loss ratios observed in recent history. In addition to that, it appears from looking at past premium quotes for our clients, that the Enterprise Unit discount factor has been increased for 2012. In comparison to last year we are seeing premiums 4% - 9% lower for Optional Unit coverage and 10% - 20% lower for Enterprise Unit coverage.

Of course, the fact that our base prices project to be lower than they were in 2011 will also translate to lower premiums. Unfortunately, this will also result in slightly lower coverage.

DO YOU HAVE WHEAT PLANTED?

We are hearing reports that the winter wheat crop is in pretty good shape for the most part throughout our territory. Of course it may be a very different story as it comes out of dormancy, so please keep the following in mind before deciding to destroy wheat:

- Be sure to have an adjuster inspect and release any acreage you won't take to harvest prior to destroying it.
- If you have wheat that you are sure will not be harvested (grazed, for instance) and you notify us before March 15, we may be able to "short rate" the premium.
- If you have a hail policy and will not harvest the wheat, it may be possible to revise or cancel the hail coverage.

REPLANT REMINDER

As we approach spring planting, please remember that if you have to replant any insured crop an adjuster must inspect the affected acres and release them before you can replant, if you wish to be paid an indemnity. We recommend calling us as soon as you suspect that replanting may be necessary. We can get an adjuster there in plenty of time for you to replant and this may even help you make the decision of whether or not to actually replant the crop.

BIOTECHNOLOGY ENDORSEMENT ENDED

The Biotechnology Endorsement, which offered small premium discounts for producers who planted certain varieties of biotech corn, has been discontinued for 2012. This program had burdensome record keeping requirements and major penalties for non-compliance. It was not an extremely popular program and the premium savings should be easily offset by the premium modifications for 2012 mentioned elsewhere in this newsletter.

PRIVATE PRODUCTS

With input costs and grain prices as high as they are and so much money being on the line each year, many of our clients are strengthening their risk management plans by supplementing their MPCI policies with various private products. Private products are named-peril insurance plans developed, rated and administered by insurance companies with no subsidy of the premium by the government. These products vary in cost, procedures and coverage by company and include:

Hail Insurance

- Dollar Plan Hail Coverage
- Production Plan Hail Coverage
- Companion Plan Hail Coverage

Hail Policy Endorsements

- Wind Damage Coverage
- Green Snap damage Coverage



Replant Extra—Increases indemnity in replant situations.

Contact your Ag Risk Solutions Service Rep for details specific to your area.

UPCOMING IMPORTANT DATES

March 15: This is the deadline to change your coverage for the 2012 crop year, insure any new crops or counties, change your unit structure or change agents. This is also the deadline to notify us if you plan to destroy any of your planted wheat and would like to request a short-rated premium.

April 29: This is the deadline to submit any 2011 Spring Crop yields or amend any yields you submitted that are incorrect.

E-NEWSLETTER

If you are interested in receiving our newsletter via e-mail please send an e-mail to: solutions@ag-risk-solutions.com