



Barley Risk Management Strategies

Dr. Cole R. Gustafson

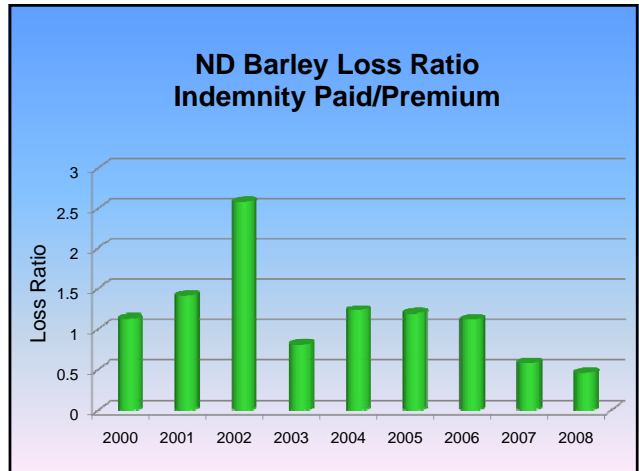
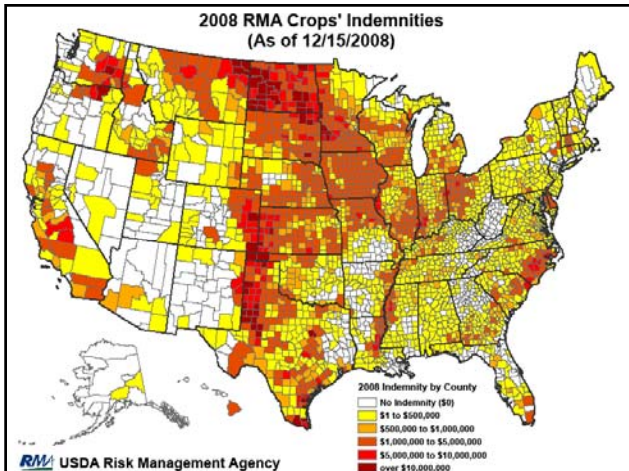
Barley Production and Management for Profit

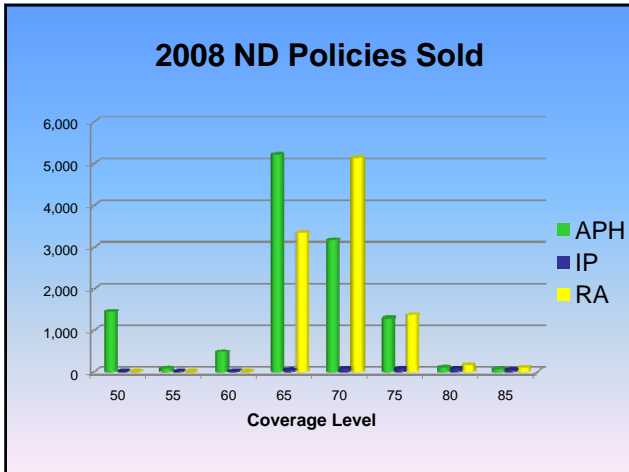
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cole.gustafson@ndsu.edu

Outline

- Overview of USDA barley crop insurance
- Revenue Assurance with Malt Option
- Barley for biofuels





- ### 2009 Barley Crop Insurance Options
- **Cat**
 - Basic Coverage,
 - 50% Yield
 - 55% Price (\$2.04)
 - \$300 fee in 2009
 - **APH**
 - 50-85% Yield Coverage
 - 60-100% Price (\$2.22-\$3.70)
 - **Revenue Assurance**
 - Yield - 65-85% APH
 - Price Election - 100% (\$5.05 in 2008)
 - Projected price - Feb. ave. of WCE Oct. futures price
 - Harvest price - Aug. ave. of WCE Oct. futures price
 - **Income Protection**
 - No units
 - Yield - 50-85% APH
 - Price Election - 100% (\$4.58 in 2008)
 - Projected price - 85% of Feb. ave. of CBOT Sept. futures price
 - Harvest price - 85% of Aug. ave. of CBOT Sept. futures price

- ### Optional RMA Policies
- Malt Barley Option "A" (3)
 - Contract is not required
 - 4 years of malt records required
 - +40% premium
 - \$1.25 Additional Price (2008)
 - Malt Barley Option "B" (1,068)
 - Contract is required
 - Price election can differ from APH,RA
 - Max. \$1.50-APH, **\$1.25-RA** (2008)
 - +40% premium
- Note: Both are on enterprise basis**
Not available for RA in ND in 2008

Why RA Matters?

	<u>APH</u>	<u>RA</u>
Base	\$4.50	\$5.05
Option B	<u>1.50</u>	<u>1.25</u>
Total	\$6.00	\$6.30

Market Distortions

- Lack of RA for barley in ND
 - Other barley producing states had RA. But largest producing state (ND) didn't
 - Other crops (wheat, corn, soybeans) competing with barley in ND had RA
- Market distortions: Discouraged barley plantings
 - In era of high prices, farmers want to protect revenue, not yield (malt growers are buying feed/RA instead of malt/APH)
 - RA is more responsive to market (\$9.25 APH/wheat versus \$11.11 RA/wheat)

Bottom Line

- Opportunity for higher coverage
- Higher value if malt barley is rejected

The “Rub” in 2009

- Why will \$5.00 RA malt barley be more expensive to insure in 2009 than \$5.00 barley in 2008?

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Year	Conventional Biofuel	Advanced Biofuel	Cellulosic Biofuel	Biomass-based Diesel
2008	9.0			
2009	10.5	0.60		0.5
2010	12.0	0.95	0.10	0.7
2011	12.6	1.35	0.25	0.8
2012	13.2	2.00	0.50	1.0
2013	13.8	2.75	1.00	*
2014	14.4	3.75	1.75	*
2015-2022	15.0	5.50-21.0	3.00-16.0	*

Insuring Barley for Ethanol

- Idaho, small scale barley fraction plant
- Appamattox Bio Energy Plant, VA, 60 mg
- Lancaster Biofuels, PA, 60 mg
- Great River Energy, Spiritwood, ND, biomass

Need Help With Contract!

- What moisture?
- Premiums/Discounts (purity, dirt,)
- Large square, round, small or loose?
- Storage payment?
- How much incentive to be a priority?

