



Farm Management

(Continued from Page 14)

haven't reached our objective of marketing balance.

2. Crop Revenue Coverage (CRC) insurance. This product, and its cousin, income protection, have evolved greatly from the old MPC. They potentially take us another step closer to where we ultimately want to be. They're cost effective because the government greatly underwrites the cost. The problem with a stand alone insurance approach is that it still misses the target of marketing balance.

For example, with CRC, coverage is limited to 75% of the price/yield calculation. That's like insurance on your home with a high deductible and no replacement cost coverage it's definitely not painless if you have a claim.

Given that CRC utilizes a spring or fall value, this insurance product does provide insulation from catastrophic loss, but does not truly protect profits. Adding to the potential coverage gap from this strategy is the fact that the price components are established during the portion of the growing season that is typically less volatile.

About half the time, prices rally significantly, only to fall to a price between the two pricing windows. Thus, our objective of upside opportunity is essentially unavailable unless the insurance product is used in conjunction with a marketing decision.

For a more balanced and integrated approach toward managing revenue and marketing risk, and to take yet another step closer to our balanced objective, the producer could utilize a crop insurance product in conjunction with a minimum price cash grain contract strategy

Absorbing this combined concept is a little more difficult to understand. It begins to integrate the management of production risk with the management of price risk, but doesn't necessarily take a problem to contribute benefits, because the payout comes from the market. This moves us closer to a true loss indemnification function that also provides real profit assurance, catastrophic loss insulation, and upside revenue opportunity.

Summary

If we find any slow time this winter, let's think about.

- * Farming as a business
- * Evaluating the various risks as an integrated package and
- * Managing the risks for more dependable profitability and long term farm success.

I'll close with this quotation that sums up my attitude toward this process.

".. If a man look sharply and attentively, he shall see Fortune, for though she is blind, she is not invisible." Francis Bacon

Max Armstrong, one of America's best-known farm broadcasters, is the voice of the farmer to millions of people throughout the United States. For over 20 years, he's reported and

commented on the issues and news that impact the industry of agriculture in broadcasts from all 50 states, and from more than 30 countries. He's interviewed presidents, and talked to farmers

who call into his radio show on cell phones from the cabs of their tractors.

He's a vocal advocate of agriculture, explaining issues as wide-ranging as the benefits of genetically modified crops to the importance of farmland preservation, to a general public who doesn't fully understand the business of farming.

Armstrong will be appearing locally on November 23 at the Lancaster Host Resort when he makes the keynote speech at the 23rd Annual Agriculture-Industry Banquet of the Lancaster Chamber of Commerce & Industry.

As a widely-followed ag journalist, being the voice of the farmer is a role Armstrong takes seriously.

"It puts a responsibility on you, to fairly represent the industry, to represent the producers who rely on us for information every day," he says. "Farmers appreciate our reports because in many instances, there is nobody speaking for them, so they're glad to see somebody at the microphone to defend their industry."

Armstrong's daily broadcast reaches a huge audience on Chicago talk radio station WGN and on over 400 local radio stations. He also hosts a weekly television program, "U.S. Farm

Report." Farmers aren't the only ones who listen to his program. Armstrong says that the majority of his audience is the non-farming public.

"Many people want a connection with agriculture," says Armstrong. "Basically people like farmers a lot. They admire the lifestyle. They tend to be very sympathetic when they understand what a farmer goes through. We always try to remind our audience that every country in the world supports its agriculture industry, and there is a very good reason to do so."

Armstrong doesn't hesitate to let his listeners know how important he feels the agriculture (Turn to Page 18)

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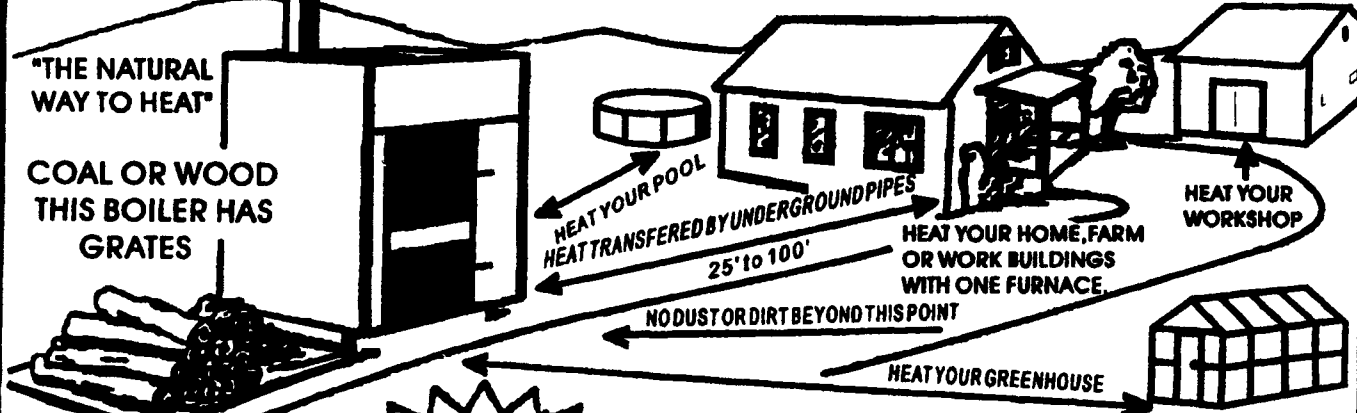
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