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## RISK ASSESSED MARKETING

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### Unlimited coverage in RA-HPO versus CRC <sup>1</sup>

Hi Art

Have you heard anything from RMA or the industry on the CRC hi/low factors for this year? I am from Midwest and in some areas CRC is now a better buy than RA-HPO. Even though CRC has a CAPs on price increases, \$2 an acre cheaper premiums at higher levels of coverage is too much to give up. But if RMA changes the H/L factors that could make a difference.

Ag Lender

Dear Ag Lender,

The CRC H/L factors will be posted on RMA's WEB site before I have them.

Farmers could buy calls that are out of the money and have unlimited coverage with CRC. The strike could be no smaller than the base price plus the price limit. For corn with a \$2.83 base price plus the \$1.50 price limit would equal \$4.33. Therefore the lowest strike one could buy and get unlimited coverage is a December corn call option with a \$4.30 strike. For soybeans with a \$6.72 base price plus the \$3.00 price limit would equal \$9.72. Therefore the lowest strike one could buy and get unlimited coverage is a November soybean call option with a \$9.60 strike. For spring wheat with a \$4.00 base price plus the \$2.00 price limit would equal \$6.00. Therefore the lowest strike one could buy and get unlimited coverage is a spring wheat call option with a \$6.00 strike. Growers would need to buy out of the money calls on the guaranteed bushels and that is unlikely to be an exact match.

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The market has never exceeded the CRC price limits at harvest when the claims are settled. But there is always the possibility that market prices could exceed the CRC limit. Just because it has never happened does not mean it couldn't happen. The price history is posted on this WEB site under education.

If the market were to exceed the CRC price limit, growers would collect from the calls even if they don't have a yield loss.

ART