

# Barley Pricing Methodology

Actuarial and Product Design Division

Risk Management Agency

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In past years, barley has periodically been traded on various futures exchanges, most recently the Intercontinental Exchange (ICE); however, trade activity, has never been sufficient for program purposes. The pricing methodology for barley uses a factor applied to corn prices. The factor is the same for all sales closing dates and both projected and harvest prices for a given crop year. All three plans of insurance for barley under the Common Crop Insurance Policy use the same methodology to determine a factor. Data are gathered from the National Agricultural Statistics Service (NASS) and Barchart.com.

**Feed Barley, All states and counties except Alaska**

A 10-year simple average of yearly data is used as the factor methodology for barley. Two price series are used to establish the relative values of barley and corn. The first is the NASS marketing year average price for feed barley. The second is the CBOT September corn contract price. CBOT September corn quotes from August 1<sup>st</sup> to August 31<sup>st</sup> are compiled for each year then averaged in the same manner as prescribed by the Commodity Exchange Price Provisions (CEPP). This timeframe represents the most common harvest period for barley in the CEPP, as well as the most common for the major barley producing states. For each year, the ratio between the feed barley price and CBOT corn price is calculated, and then the most recent 10 years of ratios are averaged. This final calculation results in a factor. The factor is then applied to the discovered corn prices as instructed by the CEPP. The formula is expressed as:

$$\frac{\left( \sum_{i=t-11}^{t-2} \frac{Barley_{NASS_i}}{Corn_{CBOT_i}} \right)}{10} \times Corn_{CBOT_t}$$

Given the lag between the most recently reported marketing year average price for feed barley and the CBOT corn contract used to price the current insurance offer, the factor uses data from two years prior to the current offer as the most recent. For example, for the 2017 CY, the factor is calculated with data from 2006 – 2015.

**Feed Barley, Alaska only**

A 5-year simple average of yearly data is used as the factor methodology for Alaska barley. Two price series are used to establish the relative values of Alaska barley and corn. The first is the NASS marketing year average price for Alaska barley. The second is the CBOT September corn contract price. CBOT September corn quotes from August 1<sup>st</sup> to August 31<sup>st</sup> are compiled for each year then averaged in the same manner as prescribed by the CEPP. For each year, the ratio between the feed barley price and CBOT corn price is calculated, and then the most recent 5 years of ratios are averaged. This final calculation results in a factor. The factor is then applied to the discovered corn prices as instructed by the CEPP.

Given the lag between the most recently reported marketing year average price for Alaska barley and the CBOT corn contract used to price the current insurance offer, the factor uses data from two years prior to the current offer as the most recent. For example, for the 2017 CY, the factor is calculated with data from 2006 – 2015.