

EWRs for FSA Price Support Programs

eGrain, Inc. and the USDA Farm Service Agency (FSA) completed a trial system that allowed corn, soybean and wheat producers and warehouse operators to utilize EWRs for FSA's price support programs for the 2010 crop year. The trial system took place in the following states:

- Arkansas
- Illinois
- Iowa
- Kansas
- Missouri
- North Dakota
- South Dakota
- Texas

All participants have been extremely happy with the results of the trial system and we look forward to expanding the program to include more commodities and all states.

Elevators interested in participating in the program for the 2011 crop year should contact eGrain, Inc.



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REPURCHASE AGREEMENTS: INNOVATIVE FINANCING TOOL

Elevator managers are agonizingly aware of the overwhelming financing needs in today's high priced, volatile market. 2008 sent many elevators scrambling to get their financing in place and taught many of them valuable lessons. Elevators now have an innovative tool in their arsenal, the Repurchase Agreement or "Repo".

In a repo, the elevator sells stored grain to the lender and agrees to buy the grain back from the lender at a known basis at a specified time in the future. This basis typically represents the lender's financing fees for carrying the inventory and futures for the length of the transaction. The lender will often fund up to 100% on the value of the grain inventory and takes title to grain through negotiable warehouse receipts issued to and held by the lender. Today, many lenders involved in repos prefer to utilize electronic warehouse receipts (EWRs) for their added security and the ability to instantly transfer EWRs back and forth with the elevators.

The lender holds the hedge on the inventory, thus eliminating the elevator's obligation to make margin calls on the inventory and protecting the elevator from liquidity risk.

At settlement, the elevator purchases the grain at the current futures price plus the established basis and the lender returns the warehouse receipts.

BENEFITS FOR THE ELEVATOR

- Eliminates all risk of margin calls and wire transfer fees during the contract period
- Offers marketing flexibility as grain can be merchandised any time as long as delivery will not occur until after elevator regains title
- Expands elevator's overall financial capacity and is often used in addition to their bank working capital line
- Banks do not view repos as a competing loan and typically they promote them to their clients due to the benefits

Please contact eGrain, Inc. to learn more about repos or to get connected with a lender.



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