Drought risk management & tools to evaluate your strategy

Oregon State University Extension Service

The USDA's Risk Management Agency, RightRisk and Oregon State University invite you to join us for Drought Risk Management and Tools to Evaluate Your Strategy a risk management workshop that will help your farm *thrive* in today's challenging environment. Workshop presentations and activities are designed to help you and your family or business partners gain a better understanding of how to manage risk in your farm operation.

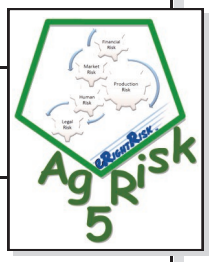
How Much Risk Is Right For You?

Program #1

Wednesday, March 6th 2013
4:00 - 6:30 PM

Deschutes County Extension office
3893 SW Airport Way, Redmond, OR
Deschutes County Fairgrounds - just off parking lot D

- ✓ **Welcome & Overview**
  Toni Stephan, OSU Horticulture and Small Farms Instructor, Deschutes County
- ✓ **Overview of Risk and the Human Dimension of Risk Management**
  John Hewlett, Ranch/Farm Management Specialist, University of Wyoming
- ✓ **Livestock Risk Protection (LRP) and Price Risk Management**
  Dr. Jay Parsons, Risk Management Specialist, Colorado State University
- ✓ **Pasture, Rangeland, Forage (PRF) and Forage Risk Management**
- ✓ **Introduction to tools to Evaluate Your Risk Management Strategies**



Program #2

Wednesday, March 6th 2013
7:00 - 9:00 PM

- ✓ **Practice Using Tools to Evaluate Your Risk Strategies:**
  Partial Budgets, the Enterprise Risk Analyzer, RDFinancial Buy Hay vs. Sell Cows Evaluator, and More . . .
- ✓ **Wrap up: Where do we go from here?**
  John Hewlett and Jay Parsons

Local Contact: For more information or to request special accommodations you may need, please contact Toni Stephan by phone at 541-548-6088 or by email at Toni.Stephan@oregonstate.edu

Registration $20/person (meal included) - To attend contact:
Toni Stephan - Oregon State University
541-548-6088 ~ Toni.Stephan@oregonstate.edu

RightRisk™

USDA Western Region Sustainable Agriculture Research and Education CSREES RMA

Funded by USDA-RMA Project #12-IE-53102-088,
Project Director Rodney Sharp, RightRisk, LLC

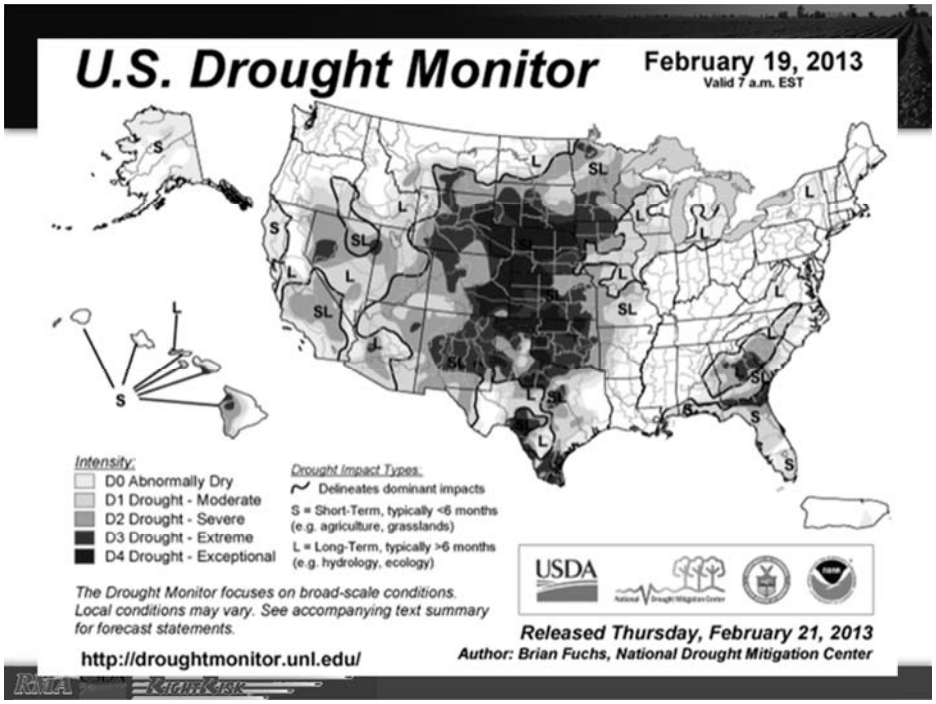
http://eRightRisk.com

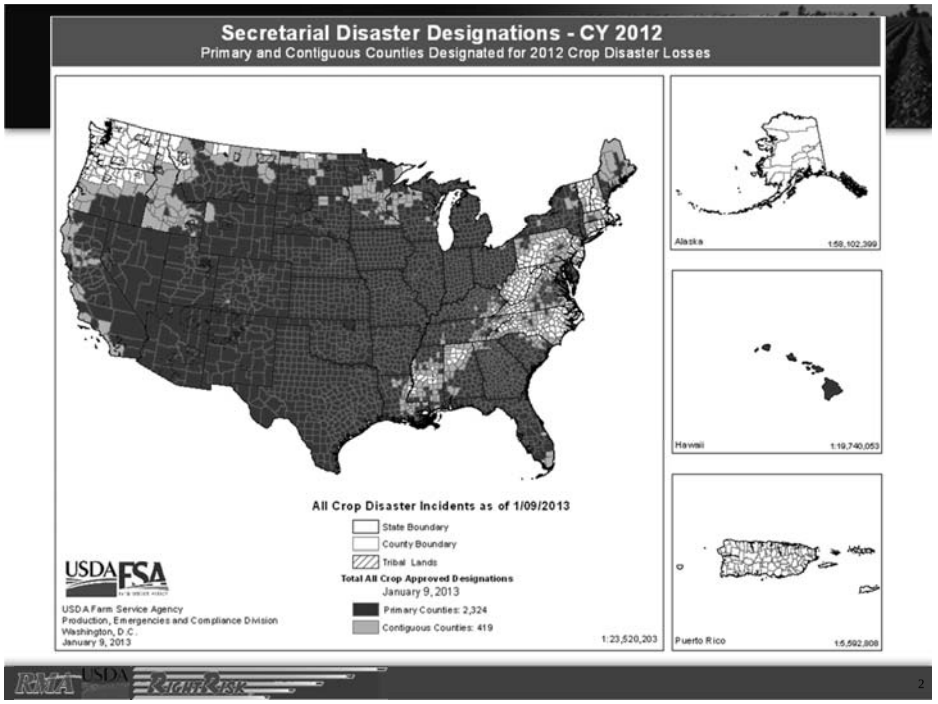
Drought Risk Management and Tools to Evaluate Your Strategy

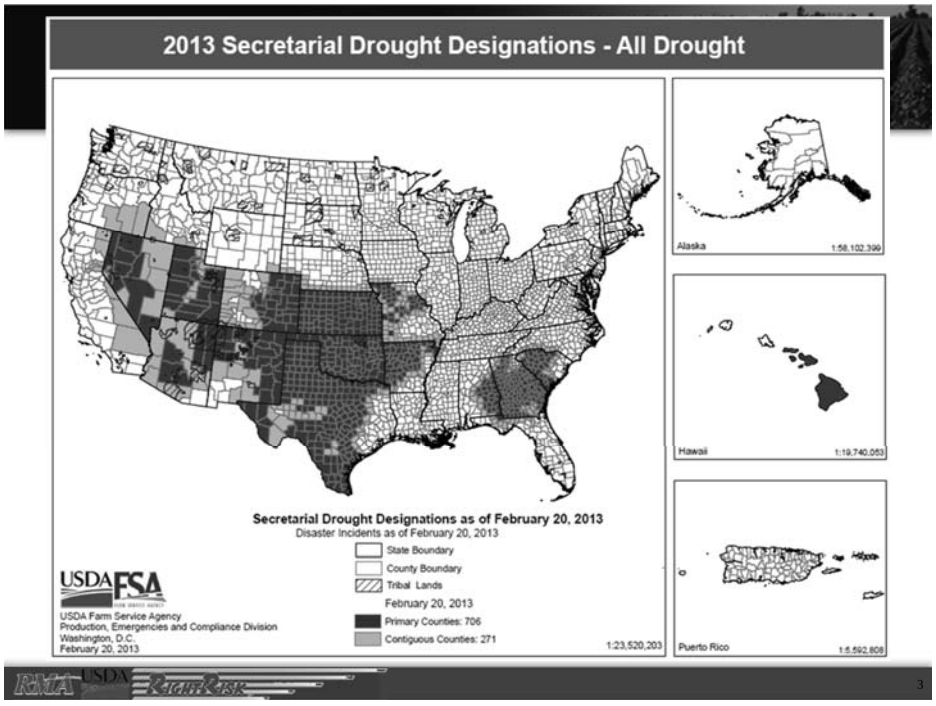
Risk Management Tools
for Oregon Livestock Operators

John P. Hewlett – UW Farm/Ranch Management Specialist

Dr. Jay Parsons – CSU Risk Management Specialist

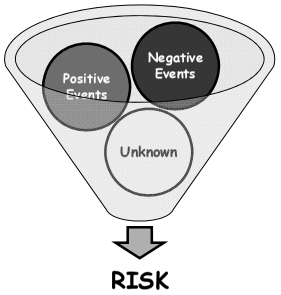






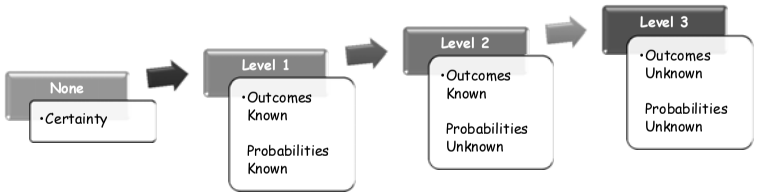
What is RISK?

- **Certainty**- lack of doubt
- **Uncertainty**- doubt about future events
- **RISK**- potential variation in the outcome of future events



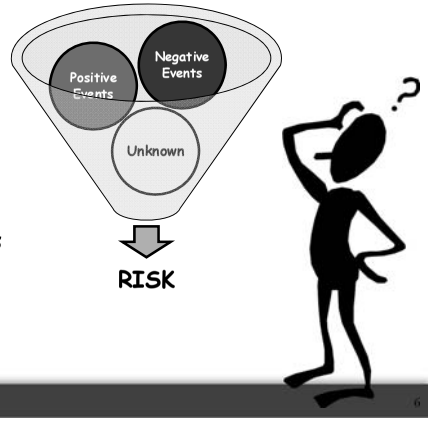
What is RISK?

- **RISK**- potential ***variation*** in the outcome of future events



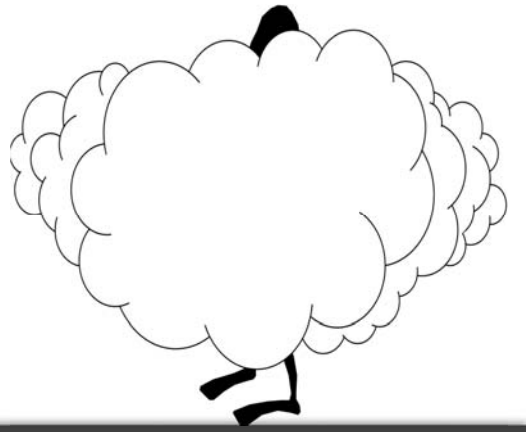
What is RISK?

- **Cost of Loss**
  - *Income*
  - *Resources*
  - *Productive capacity, etc.*
- **Cost of Uncertainty**
  - *Worry, doubt, fear, misallocation of resources, etc.*
  - *With potential for gain or loss comes moral or ethical implications*



The HUMAN Dimension of Risk

- Emotionally we **avoid risk (uncertainty)** to avoid the shame of:
  - *Failure,*
  - *Being wrong,*
  - *Being laughed at*
  - *Being made fun of,*
  - *Loosing the farm, etc.*



Personal Perspectives on Risk

- Generational differences
- Gender differences
- Life stage/family differences
- Life experiences

dynamic and changing over time.

The HUMAN Dimension of Risk

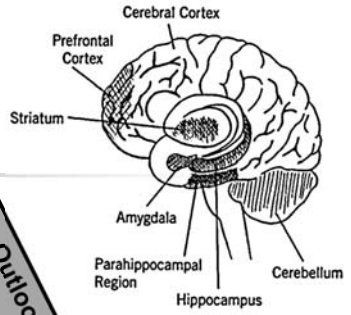
- Humans tend to be **loss averse** more than **risk adverse**

- **Emotion can cloud** the ability to decide rationally
- The **way questions about risk are framed** will influence attitudes about risk
- **Obtaining more information** about certain risks tends to promote a willingness to take those risks

- People tend to ignore that runs of luck tend to **regress to the mean** over time
- Humans do not possess **all information** necessary to decide in an economically rational manner
- Human choice is often based on **inadequate sampling**

Tversky and Kahneman, 1992

Risk Tolerance: Emotional Style*



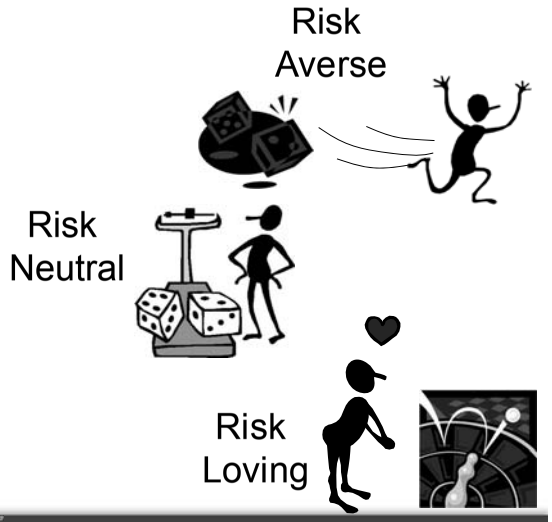
Risk Navigator SRM

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

What is RISK?

- The probability of an event occurring that can negatively impact:
  - *Current profit level*
  - *Financial situation* (equity position)
  - *Satisfaction and well-being*

Types of Risk Preference



Sources of Risk in Agriculture – *Ag Risk 5*

1. Marketing/Price Risk
2. Production Risk
3. Institutional/Legal Risk
4. Human Risk
5. Financial Risk

Sources of Risk

- Business Risks: *Business risks are those risks that occur independently of the way a firm (or farm) is financed. Even with 100% equity (no debt obligations) these risks still exist.*
  - Market/Price risk
  - Production risk
  - Institutional/Legal risk
    - Social risk
    - Legal risk
  - Human risk
- Non-Business Risk: *arise from the obligations created when external financing is used to leverage business operations.*
  - Financial Risk

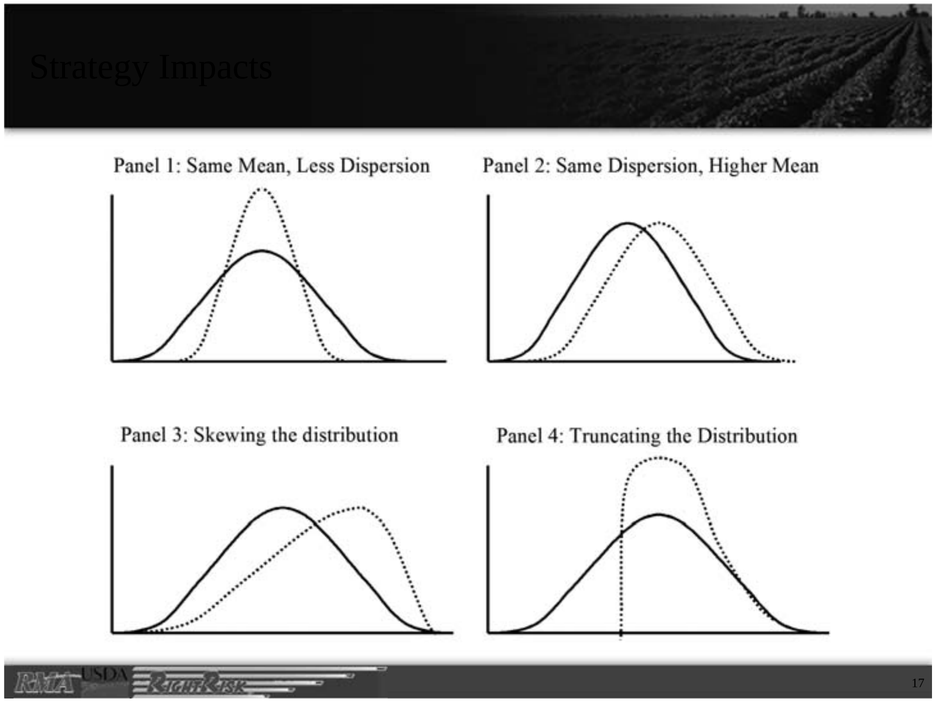
Risk Tradeoffs

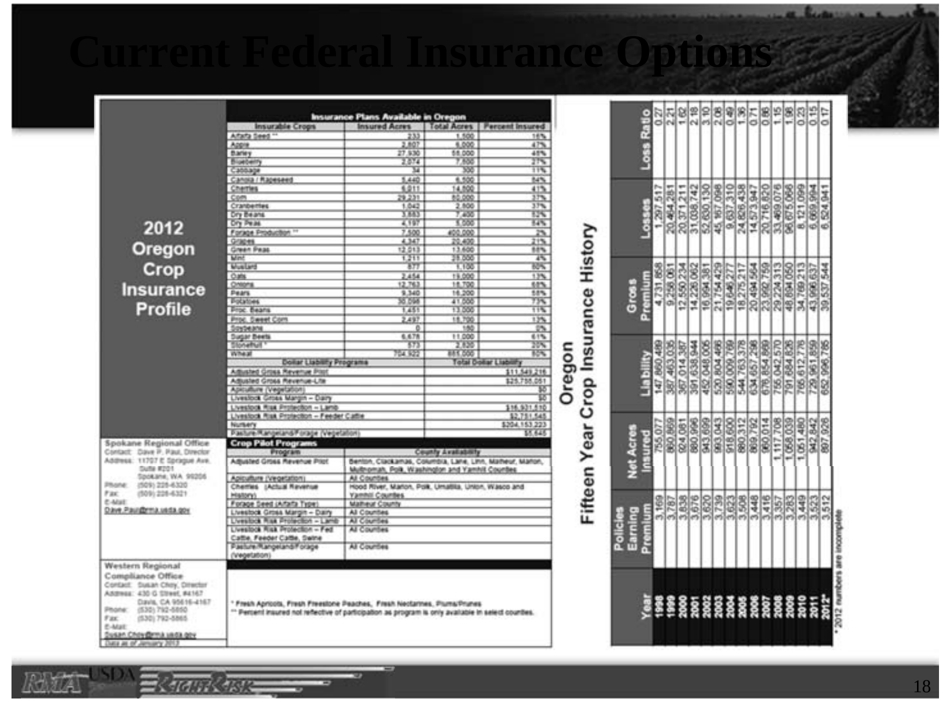
Profits are returns for taking risks

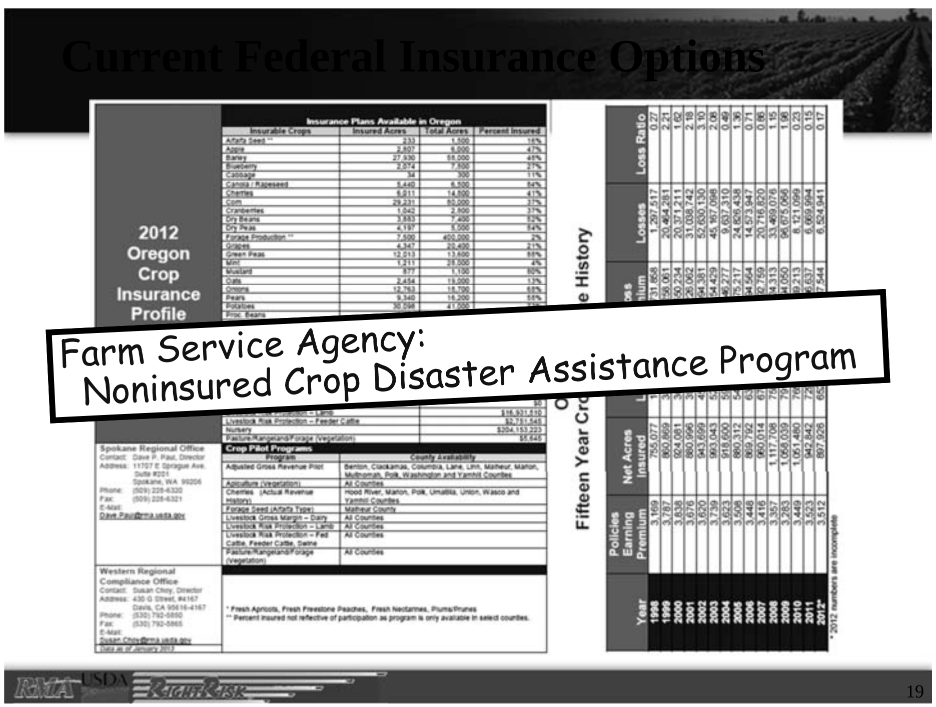
- **Upside**: Greater risk taking usually leads to greater wealth over time
- **Downside**: Losses from risk taking can potentially be devastating
- Managing risks are a matter of **evaluating tradeoffs**
- How much **risk** (uncertainty) are you willing to accept for **possible higher returns**?

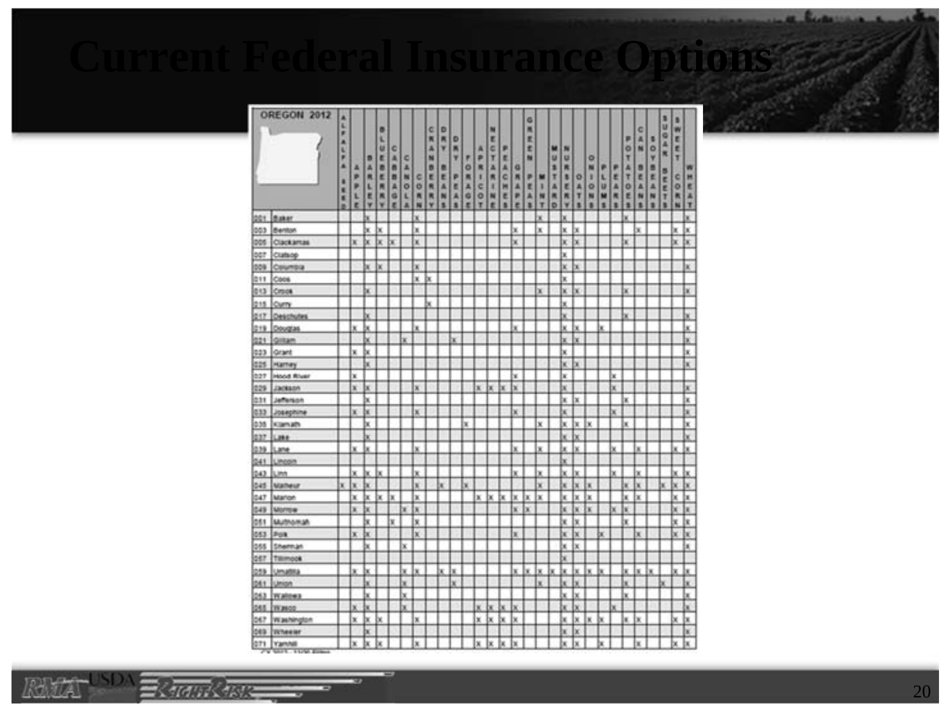
Strategies for Managing Risk

1. Avoid it
2. Reduce it
   a) *Reduce the probability it will happen*
   b) *Reduce the impact if it does happen*
3. Transfer it outside the business
   a) *Insurance*
   b) *Contracting*
4. Increase capacity to bare
   a) *Increase reserves*
   b) *Maintain flexibility*
5. Accept it


Strategy Impacts
Panel 1: Same Mean, Less Dispersion
Panel 2: Same Dispersion, Higher Mean
Panel 3: Skewing the distribution
Panel 4: Truncating the Distribution
17


Current Federal Insurance Options
2012 Oregon Crop Insurance Profile
Insurance Plans Available in Oregon
Oregon
Fifteen Year Crop Insurance History
18


Current Federal Insurance Options
2012 Oregon Crop Insurance Profile
Farm Service Agency:
Noninsured Crop Disaster Assistance Program
19


Current Federal Insurance Options
OREGON 2012
20

Federal Crop Insurance Corporation
Crop Year Statistics for 2012
As of: 2/25/2013
Nationwide Summary - By State/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON															
ADJUSTED GROSS REVENUE	AGR	8	8	0	8	0	0	11,796,160	417,209	220,789	0	0	0	0	.00
ADJUSTED GROSS REVENUE-LITE	AGRLT	93	89	0	89	0	0	25,755,051	1,177,913	642,718	0	0	0	0	.00
ALFALFA SEED	APH	4	3	0	3	0	233	93,436	5,372	4,012	0	0	0	0	.00
APPLES	APH	74	62	0	127	0	2,809	7,916,637	651,396	525,643	0	0	0	0	.00
BARLEY	RP	144	69	19	92	21	9,309	2,207,314	316,251	156,132	0	0	0	435,854	1.38
	RPHPE	82	21	1	31	1	2,841	555,015	71,619	37,609	0	0	0	6,125	.09
	YP	984	104	12	126	13	15,764	2,853,340	269,137	145,030	0	0	0	364,718	1.36
BARLEY Total		1,210	194	32	249	35	27,914	5,615,669	657,007	338,771	0	0	0	806,697	1.23
BLUEBERRIES	APH	32	30	0	33	0	2,074	5,767,860	290,502	270,749	0	0	0	0	.00
CABBAGE	APH	1	1	0	2	0	34	80,965	6,081	3,344	0	0	0	0	.00
CANOLA	RP	17	17	4	31	5	2,613	1,054,995	167,785	67,984	0	0	0	52,110	.31
	RPHPE	1	1	1	2	1	257	70,396	8,145	4,806	0	0	0	5,851	.72
	YP	171	13	5	16	5	2,570	696,303	69,272	38,428	0	0	0	117,956	1.70
CANOLA Total		189	31	10	49	11	5,440	1,821,694	245,202	111,218	0	0	0	175,917	.72
CHERRIES	ARH	185	168	44	268	52	6,008	21,326,201	1,331,096	791,401	0	0	0	986,674	.74
CORN	RP	15	11	2	23	2	3,189	2,488,736	223,889	133,056	0	0	0	13,353	.06
	YP	117	81	1	110	1	26,042	10,339,127	240,064	199,295	0	0	0	20,696	.09
CORN Total		132	92	3	133	3	29,231	12,827,863	463,953	332,351	0	0	0	34,049	.07
CRANBERRIES	APH	44	39	1	42	1	1,042	2,500,196	95,489	64,962	0	0	0	32,232	.34
DRY BEANS	APH	56	26	1	39	2	3,883	1,395,080	106,792	87,311	0	0	0	9,538	.09
DRY PEAS	APH	245	40	1	60	1	4,257	1,051,365	73,468	43,372	0	0	0	14,027	.19
FORAGE PRODUCTION	APH	75	54	0	61	0	7,500	1,911,628	96,130	91,860	0	0	0	0	.00
FRESH FREESTONE PEACHES	APH	3	1	0	2	0	56	70,675	3,449	2,311	0	0	0	0	.00
GRAPES	APH	112	94	6	281	14	4,342	8,278,428	447,108	289,401	0	0	0	66,475	.15
GREEN PEAS	APH	313	87	5	180	7	12,024	4,443,105	332,282	179,049	0	0	0	32,773	.10
MINT	APH	13	8	1	13	2	1,211	1,083,177	54,804	33,103	0	0	0	130,416	2.38
MUSTARD	APH	11	3	0	4	0	877	168,258	15,299	8,414	0	0	0	0	.00
NURSERY (FG&C)	DOL	67	52	0	79	0	0	204,153,223	2,308,432	2,292,117	0	0	0	0	.00
OATS	APH	104	16	0	17	0	2,454	331,797	23,187	16,306	0	0	0	0	.00
ONIONS	APH	81	56	3	91	3	13,763	[illegible]	[illegible]	[illegible]	0	0	0	97,739	.08
PASTURE,RANGELAND,FORAGE	VEGAT	2	1	0	1	0	320	5,645	530	271	0	0	0	0	.00
PEARS	APH	112	102	4	333	6	9,488	[illegible]	[illegible]	[illegible]	0	0	0	69,140	.12
PLUMS	APH	26	23	0	38	0	517	531,515	57,189	37,669	0	0	0	0	.00
POTATOES	APH	123	70	4	159	4	30,000	40,074,486	1,485,703	1,050,429	0	0	0	208,129	.14
PROCESSING BEANS	APH	34	12	2	16	2	1,451	956,923	59,560	37,334	0	0	0	1,404	.02
SUGAR BEETS	APH	47	35	4	70	6	6,678	4,676,315	123,209	93,224	0	0	0	16,663	.14
SWEET CORN	APH	44	11	0	18	0	2,906	1,626,817	82,083	50,354	0	0	0	0	.00
WHEAT	RP	1,756	1414	253	3,486	426	551,990	185,453,328	22,407,623	11,301,688	0	0	0	6,610,035	.29
	RPHPE	321	282	44	620	59	97,911	45,747,311	4,098,166	2,367,427	0	0	0	511,403	.12
	YP	652	407	20	569	25	54,148	15,406,151	628,059	410,377	0	0	0	155,735	.25
WHEAT Total		2,729	2,103	317	4,675	510	704,049	246,606,790	27,133,848	14,079,492	0	0	0	7,277,173	.27
OREGON Total		6,169	3,511	438	7,160	659	879,561	653,492,475	39,506,297	23,167,800	0	0	0	9,959,046	.25
Grand Total		6,169	3,511	438	7,160	659	879,561	653,492,475	39,506,297	23,167,800	0	0	0	9,959,046	.25

Federal Crop Insurance Corporation
Crop Year Statistics for 2013
As of: 2/25/2013
Nationwide Summary - By State/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON															
ADJUSTED GROSS REVENUE	AGR	8	3	0	3	0	0	9,069,788	419,932	228,051	0	0	0	0	.00
ADJUSTED GROSS REVENUE-LITE	AGRLT	54	17	0	17	0	0	6,510,180	318,408	178,302	0	0	0	0	.00
ALFALFA SEED	APH	5	3	0	4	0	292	195,788	13,576	8,463	0	0	0	0	.00
APPLES	APH	74	33	0	70	0	1,415	4,878,504	438,156	338,390	0	0	0	0	.00
BARLEY	RP	153	7	0	9	0	917	227,186	24,710	12,322	0	0	0	0	.00
	RPHPE	72	0	0	0	0	0	0	0	0	0	0	0	0	.00
	YP	934	2	0	2	0	16	2,898	401	153	0	0	0	0	.00
BARLEY Total		1,159	9	0	11	0	933	230,084	25,111	12,475	0	0	0	0	.00
BLUEBERRIES	APH	32	27	0	31	0	1,872	5,710,377	288,127	269,426	0	0	0	0	.00
CABBAGE	APH	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
CANOLA	RP	46	39	0	78	0	6,189	1,978,976	289,951	135,887	0	0	0	0	.00
	RPHPE	3	3	0	3	0	220	61,354	7,474	4,252	0	0	0	0	.00
	YP	137	16	0	22	0	3,135	832,717	78,828	44,824	0	0	0	0	.00
CANOLA Total		186	58	0	103	0	9,544	2,873,047	376,253	184,963	0	0	0	0	.00
CHERRIES	ARH	175	123	0	185	0	3,675	14,190,942	904,587	530,352	0	0	0	0	.00
CORN	RP	13	0	0	0	0	0	0	0	0	0	0	0	0	.00
	YP	114	0	0	0	0	0	0	0	0	0	0	0	0	.00
CORN Total		127	0	0	0	0	0	0	0	0	0	0	0	0	.00
CRANBERRIES	APH	46	23	0	25	0	624	1,635,977	52,007	40,363	0	0	0	0	.00
DRY BEANS	APH	58	0	0	0	0	0	0	0	0	0	0	0	0	.00
DRY PEAS	APH	238	0	0	0	0	0	0	0	0	0	0	0	0	.00
FORAGE PRODUCTION	APH	86	54	0	65	0	9,205	3,137,362	156,930	151,478	0	0	0	0	.00
FRESH FREESTONE PEACHES	APH	2	1	0	2	0	56	77,512	3,783	2,535	0	0	0	0	.00
GRAPES	APH	110	74	0	216	0	3,026	6,049,902	346,920	224,101	0	0	0	0	.00
GREEN PEAS	APH	309	0	0	0	0	0	0	0	0	0	0	0	0	.00
MINT	APH	11	3	0	6	0	269	352,093	25,535	14,215	0	0	0	0	.00
MUSTARD	APH	9	0	0	0	0	0	0	0	0	0	0	0	0	.00
NURSERY (FG&C)	DOL	53	39	0	75	0	0	183,997,665	2,107,617	2,034,301	0	0	0	0	.00
OATS	APH	95	0	0	0	0	0	0	0	0	0	0	0	0	.00
ONIONS	APH	79	3	0	3	0	188	[illegible]	43,657	43,657	0	0	0	0	.00
PASTURE,RANGELAND,FORAGE	VEGAT	9	6	0	10	0	53,582	702,652	142,066	72,537	0	0	0	0	.00
PEARS	APH	113	83	0	284	0	7,279	[illegible]	[illegible]	[illegible]	0	0	0	0	.00
PLUMS	APH	26	10	0	10	0	295	125,019	14,534	12,921	0	0	0	0	.00
POTATOES	APH	120	0	0	0	0	0	0	0	0	0	0	0	0	.00
PROCESSING BEANS	APH	32	0	0	0	0	0	0	0	0	0	0	0	0	.00
SUGAR BEETS	APH	46	0	0	0	0	0	0	0	0	0	0	0	0	.00
SWEET CORN	APH	42	0	0	0	0	0	0	0	0	0	0	0	0	.00
WHEAT	RP	1,830	515	0	1,165	0	190,584	70,606,501	8,336,829	4,114,945	0	0	0	0	.00
	RPHPE	263	33	0	83	0	13,195	5,676,413	469,157	274,672	0	0	0	0	.00
	YP	642	152	0	180	0	9,795	3,115,406	140,559	83,641	0	0	0	0	.00
WHEAT Total		2,735	700	0	1,428	0	213,574	79,398,320	8,946,545	4,473,258	0	0	0	0	.00
OREGON Total		6,040	1,269	0	2,548	0	305,829	339,430,987	15,121,075	9,150,813	0	0	0	0	.00
Grand Total		6,040	1,269	0	2,548	0	305,829	339,430,987	15,121,075	9,150,813	0	0	0	0	.00

Federal Crop Insurance Corporation
Crop Year Statistics for 2012
As of: 2/25/2013
Nationwide Summary - By State/County/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON															
OREGON - Deschutes (017)															
BARLEY	YP	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
WHEAT	RP	1	1	1	1	1	15	6,422	969	465	0	0	0	2,398	2.47
	RPHPE	3	3	0	3	0	484	294,490	41,077	15,703	0	0	0	0	.00
WHEAT Total		4	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
OREGON - Deschutes Total		5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
OREGON Total		5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
Grand Total		5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06

Federal Crop Insurance Corporation
Reinsurance Year Statistics for 2012
As of: 2/26/2013
Nationwide Summary - By Commodity/State

State	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Number of Head *	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
FED CATTLE												
OREGON	LRP	2	2	1	5	1	573	818,071	23,819	3,097	3,018	.13
FEEDER CATTLE												
	LRP	23	11	8	24	12	2,267	2,751,545	79,886	10,384	95,394	1.19
LAMB												
	LRP	29	22	22	70	69	66,817	16,931,510	376,431	48,937	2,132,625	5.67
Grand Total		54	35	31	99	82	69,657	20,501,126	480,136	62,418	2,231,037	4.65

Federal Crop Insurance Corporation
Reinsurance Year Statistics for 2013
As of: 2/26/2013
Nationwide Summary - By Commodity/State

State	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Number of Head *	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
DAIRY CATTLE												
OREGON	LGM	2	2	0	2	0	75,000	1,525,500	20,551	10,276	0	.00
FED CATTLE												
	LRP	2	1	0	1	0	50	77,719	1,801	234	0	.00
FEEDER CATTLE												
	LRP	12	9	1	17	2	1,504	1,676,463	55,246	7,181	345	.01
LAMB												
	LRP	33	20	18	28	20	20,520	4,009,073	123,819	36,633	425,530	3.44
Grand Total		49	32	19	48	22	97,074	7,288,755	201,417	54,324	425,875	2.11

Federal State Insurance Corporation
Reinsurance Year Statistics for 2012
As of: 2/26/2013

Nationwide Summary - By Reporting Organization

Commodity	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Number of Head	Liabilities	Total Premium	Indemnity	Subsidy	Loss Ratio
FED CATTLE	LRP	390	54	28	7,427	11,169,089	376,127	120,153	48,901	.32
FEEDER CATTLE	LRP	4238	1174	579	177,045	184,055,335	4,444,706	4,880,428	577,817	1.10
CATTLE	LGM	29	2	1	65	93,210	2,835	4,484	0	1.58
DAIRY CATTLE	LGM	1767	900	110	40,524,158	704,863,515	19,162,929	1,295,499	8,870,732	.07
LAMB	LRP	362	284	275	809,806	227,439,484	4,920,700	29,670,081	639,706	6.03
SWINE	LGM	36	27	21	105,720	17,471,053	657,733	982,384	0	1.49
	LRP	106	23	14	33,690	5,575,340	286,540	64,843	37,252	.23
SWINE Total		142	50	35	139,410	23,046,393	944,273	1,047,227	37,252	1.11
Grand Total		6,928	2,464	1,028	41,657,911	1,150,667,026	29,851,570	37,017,872	10,174,408	1.24

Federal State Insurance Corporation
Reinsurance Year Statistics for 2013
As of: 2/26/2013

Nationwide Summary - By Reporting Organization

Commodity	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Number of Head	Liabilities	Total Premium	Indemnity	Subsidy	Loss Ratio
FED CATTLE	LRP	408	36	2	5,987	9,435,480	296,415	10,638	38,537	.04
FEEDER CATTLE	LRP	4426	537	78	91,060	97,949,191	2,176,357	231,999	282,925	.11
CATTLE	LGM	64	3	0	135	208,554	4,873	0	0	.00
DAIRY CATTLE	LGM	1697	650	0	29,697,664	581,272,190	15,053,082	0	6,842,701	.00
LAMB	LRP	388	239	201	491,631	93,668,647	2,344,964	12,410,760	591,858	5.29
SWINE	LGM	138	24	1	84,415	13,096,700	455,241	1,910	0	.00
	LRP	117	9	0	15,571	1,752,816	55,670	0	7,240	.00
SWINE Total		255	33	1	99,986	14,849,516	510,911	1,910	7,240	.00
Grand Total		7,238	1,498	282	30,386,463	797,383,578	20,386,602	12,655,307	7,763,261	.62

2012 Oregon Crop Insurance Profile

Insurance Plans Available in Oregon

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed **	233	1,500	16%
Apple	2,807	6,000	47%
Barley	27,930	58,000	48%
Blueberry	2,074	7,800	27%
Cabbage	34	300	11%
Canola / Rapeseed	5,440	6,500	84%
Cherries	6,011	14,800	41%
Corn	29,231	80,000	37%
Cranberries	1,042	2,800	37%
Dry Beans	3,883	7,400	52%
Dry Peas	4,197	5,000	84%
Forage Production **	7,500	400,000	2%
Grapes	4,347	20,400	21%
Green Peas	12,013	13,600	88%
Mint	1,211	28,000	4%
Mustard	877	1,100	80%
Oats	2,454	19,000	13%
Onions	12,763	18,700	68%
Pears	9,340	16,200	58%
Potatoes	30,098	41,000	73%
Proc. Beans	1,451	13,000	11%
Proc. Sweet Corn	2,497	18,700	13%
Soybeans	0	180	0%
Sugar Beets	6,678	11,000	61%
Stonefruit *	573	2,820	20%
Wheat	704,922	885,000	80%

Dollar Liability Programs	Total Dollar Liability
Adjusted Gross Revenue Pilot	$11,549,216
Adjusted Gross Revenue-Lite	$25,755,051
Apiculture (Vegetation)	$0
Livestock Gross Margin – Dairy	$0
Livestock Risk Protection – Lamb	$16,931,510
Livestock Risk Protection – Feeder Cattle	$2,751,545
Nursery	$204,153,223
Pasture/Rangeland/Forage (Vegetation)	$5,645

Crop Pilot Programs

Program	County Availability
Adjusted Gross Revenue Pilot	Benton, Clackamas, Columbia, Lane, Linn, Malheur, Marion, Multnomah, Polk, Washington and Yamhill Counties
Apiculture (Vegetation)	All Counties
Cherries (Actual Revenue History)	Hood River, Marion, Polk, Umatilla, Union, Wasco and Yamhill Counties
Forage Seed (Alfalfa Type)	Malheur County
Livestock Gross Margin – Dairy	All Counties
Livestock Risk Protection – Lamb	All Counties
Livestock Risk Protection – Fed Cattle, Feeder Cattle, Swine	All Counties
Pasture/Rangeland/Forage (Vegetation)	All Counties

Spokane Regional Office
Contact: Dave P. Paul, Director
Address: 11707 E Sprague Ave.
Suite #201
Spokane, WA 99206
Phone: (509) 228-6320
Fax: (509) 228-6321
E-Mail:
Dave.Paul@rma.usda.gov

Western Regional Compliance Office
Contact: Susan Choy, Director
Address: 430 G Street, #4167
Davis, CA 95616-4167
Phone: (530) 792-5850
Fax: (530) 792-5865
E-Mail:
Susan.Choy@rma.usda.gov

Data as of January 2013

* Fresh Apricots, Fresh Freestone Peaches, Fresh Nectarines, Plums/Prunes
** Percent insured not reflective of participation as program is only available in select counties.

Risk Management Agency/USDA

OREGON 2012		ALFALFA SEED	APPLE	BARLEY	BLUEBERRY	CABBAGE	CANOLA	CORN	CRANBERRY	DRY BEANS	DRY PEAS	FORAGE	APRICOT	NECTARINE	PEACHES	GRAPE	GREEN PEAS	MINT	MUSTARD	NURSERY	OATS	ONIONS	PLUMS	PEARS	POTATOES	CAN BEANS	SOYBEANS	SUGAR BEETS	SWEET CORN	WHEAT
001	Baker			X				X										X		X					X					X
003	Benton			X	X			X								X		X		X	X					X			X	X
005	Clackamas		X	X	X	X		X								X				X	X				X				X	X
007	Clatsop																			X										
009	Columbia			X	X			X												X	X									X
011	Coos							X	X											X										
013	Crook			X														X		X	X				X					X
015	Curry								X											X										
017	Deschutes			X																X					X					X
019	Douglas		X	X				X								X				X	X		X							X
021	Gilliam			X			X				X									X	X									X
023	Grant		X	X																X										X
025	Harney			X																X	X									X
027	Hood River		X													X				X				X						
029	Jackson		X	X				X					X	X	X	X				X				X						X
031	Jefferson			X																X	X				X					X
033	Josephine		X	X				X								X				X				X						X
035	Klamath			X								X						X		X	X	X			X					X
037	Lake			X																X	X									X
039	Lane		X	X				X								X		X		X	X			X		X			X	X
041	Lincoln																			X										
043	Linn		X	X	X			X								X		X		X	X			X		X			X	X
045	Malheur	X	X	X				X		X		X						X		X	X	X			X	X		X	X	X
047	Marion		X	X	X	X		X					X	X	X	X	X	X		X	X	X			X	X			X	X
049	Morrow		X	X			X	X								X	X			X	X	X		X	X				X	X
051	Multnomah			X		X		X												X	X				X				X	X
053	Polk		X	X				X								X				X	X		X			X			X	X
055	Sherman			X			X													X	X									X
057	Tillimook																			X										
059	Umatilla		X	X			X	X		X	X					X	X	X	X	X	X	X	X		X	X	X		X	X
061	Union			X			X				X							X		X	X				X			X		X
063	Wallowa			X			X													X	X				X					X
065	Wasco		X	X			X						X	X	X	X				X	X			X						X
067	Washington		X	X	X			X					X	X	X	X				X	X	X	X		X	X			X	X
069	Wheeler			X																X	X									X
071	Yamhill		X	X	X			X					X	X	X	X				X	X		X			X			X	X

CY 2012 - 11/30 Filing

AGR Pilot/AGR-Lite - Cherry ARH - Livestock Risk Protection - Livestock Gross Margin
Pasture, Rangeland and Forage - Apiculture (Honey)
Do Not Have CAT Level Coverage

Drought Risk Management and Tools to Evaluate Your Strategy

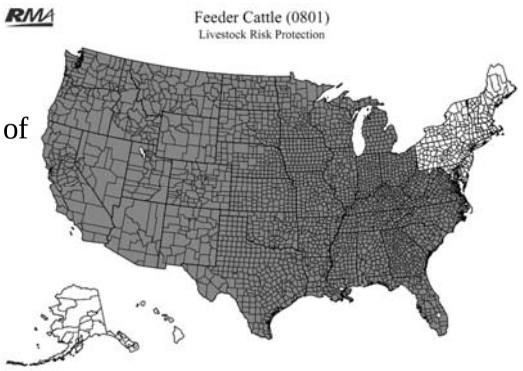
Livestock Risk Protection (LRP)

Dr. Jay Parsons – CSU Risk Management Specialist

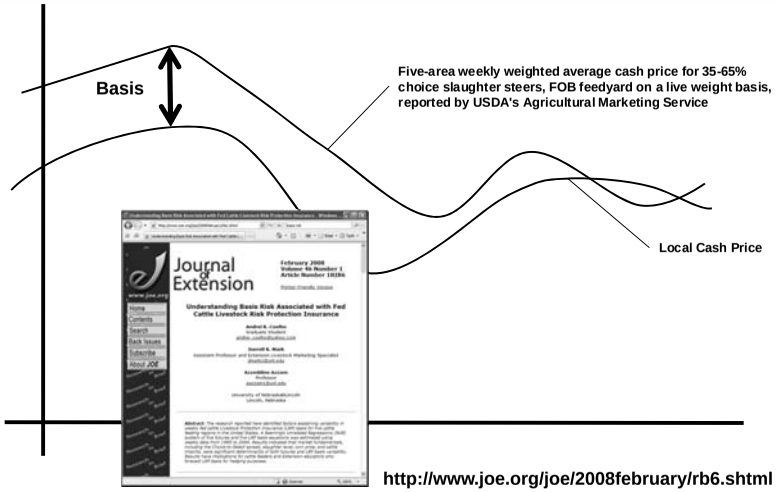
John P. Hewlett – UW Farm/Ranch Management Specialist

Livestock Insurance: LRP for Feeder Cattle Coverage

- LRP for feeder cattle offers *price* protection for feeder cattle producers. It does <u>*not*</u> cover sickness or death of the cattle or insure against possible rising feed costs.
- Now available in all counties of Nebraska and across several other states
- Producers remain subject to ***basis price risk***



Livestock Insurance: LRP for Feeder Cattle Coverage



http://www.joe.org/joe/2008february/rb6.shtml

Livestock Insurance: LRP for Feeder Cattle Basics of LRP

- **Product Offered:** Protection for producer against decline in cattle prices below the established coverage price
- **Insurance Period:** Offered for 13, 17, 21, 26, 30, 34, 39, 43, 47 or 52-week periods
  - *The producer will choose a time closest to the time cattle will be marketed or time when cattle will reach the desired weight*

Livestock Insurance: LRP for Feeder Cattle Basics of LRP (cont.)

- **Application:** An application is required to purchase insurance coverage
- **Specific Coverage Endorsement:** A producer must file a Specific Coverage Endorsement for each group of feeder cattle to be insured. Several endorsements may be filed under one application as long as beneficial interests are the same

Livestock Insurance: LRP for Feeder Cattle
Types and Weights of Feeder Cattle Insurable

- Steer feeder cattle < 6.0 cwt for steers and bulls and steers only from 6.0 to 9.0 cwt
- Heifer feeder cattle < 6.0 cwt and heifer feeder cattle from 6.0 to 9.0 cwt
- Predominantly Brahman heifers, steers, and bulls < 6.0 cwt and predominantly Brahman heifers and steers from 6.0 cwt to 9.0 cwt
- Predominately dairy heifers, steers and bulls < 6.0 cwt and predominately dairy heifers and steers 6.0 to 9.0 cwt

Livestock Insurance: LRP for Feeder Cattle
Types and Weights of Feeder Cattle Insurable (cont.)

- "Crop" year: [July 1 to June 30]
  - ***Annual Policy Limits:*** *The maximum number of head of feeder cattle that may be covered during a crop year is 2,000 head*
- Endorsement Limits:
  - *A limit of 1,000 head of feeder cattle may be insured under any one Specific Coverage Endorsement*

Livestock Insurance: LRP for Feeder Cattle
Coverage Prices and Levels

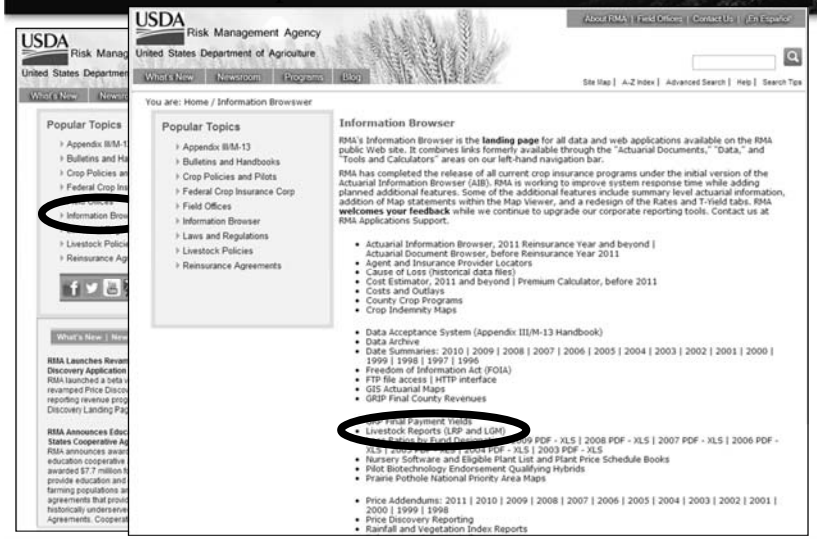
- Coverage Prices
  - *the prices that may be insured by the producer*
- Coverage Levels
  - *based on the chosen coverage price and range from 70 to 100% of the expected end value*
- Price Adjustment Factors
  - *account for differences between steer prices and prices of other types and weight of cattle*
  - *adjustments are applied prior to posting on the RMA website*

Livestock Insurance: LRP for Feeder Cattle
Actual and Expected End Value of Feeder Cattle

- Expected End Value
  - *This is the expected prices at the end of an insurance period for each specific type and weight of feeder cattle announced daily on the RMA website*
- Actual End Value
  - *This is the value of the cash settled CME feeder cattle index on the end date of the insurance period, adjusted by RMA for feeder cattle type and weight*
- Subsidy Level
  - *RMA provides a 13% subsidy on LRP feeder cattle*

Livestock Reports

Livestock Reports



Livestock Reports

2/26/2013

LRP Coverage Prices, Rates, and Actual Ending Values - Report

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$162.460	0.997300	0.031702	5.150	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$160.260	0.983800	0.024532	3.931	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$158.060	0.970300	0.018498	2.924	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$155.860	0.956800	0.013713	2.137	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$153.660	0.943300	0.009850	1.514	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$149.260	0.916300	0.004960	0.740	05/28/2013	
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$144.860	0.889200	0.002491	0.361	05/28/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$166.010	0.997300	0.035330	5.865	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$163.810	0.984100	0.028445	4.660	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$161.610	0.970900	0.022516	3.639	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$159.410	0.957700	0.017630	2.810	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$157.210	0.944500	0.013483	2.120	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$152.810	0.918000	0.007839	1.198	06/25/2013	
41 Oregon	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	166.452	$148.410	0.891600	0.004573	0.679	06/25/2013	
41 Oregon	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	168.739	$168.300	0.997400	0.037595	6.327	07/23/2013	

Livestock Reports

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT ★	End Date
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$162.460	0.997300	0.031702	5.150	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$160.260	0.983800	0.024532	3.931	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$158.060	0.970300	0.018498	2.924	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$155.860	0.956800	0.013713	2.137	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$153.660	0.943300	0.009850	1.514	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$149.260	0.916300	0.004960	0.740	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$144.860	0.889200	0.002491	0.361	05/28/2013

★Unsubsidized cost per cwt

Livestock Reports

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT ★	End Date
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$162.460	0.997300	0.031702	5.150	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$160.260	0.983800	0.024532	3.931	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$158.060	0.970300	0.018498	2.924	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$155.860	0.956800	0.013713	2.137	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$153.660	0.943300	0.009850	1.514	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$149.260	0.916300	0.004960	0.740	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$144.860	0.889200	0.002491	0.361	05/28/2013

★Unsubsidized cost per cwt

Livestock Reports

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT ★	End Date
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$162.460	0.997300	0.031702	5.150	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$160.260	0.983800	0.024532	3.931	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$158.060	0.970300	0.018498	2.924	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$155.860	0.956800	0.013713	2.137	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$153.660	0.943300	0.009850	1.514	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$149.260	0.916300	0.004960	0.740	05/28/2013
41 Oregon	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162.902	$144.860	0.889200	0.002491	0.361	05/28/2013

★Unsubsidized cost per cwt

Livestock Reports

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT ★	End Date
41 Oregon	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	168.739	$155.100	0.919200	0.010305	1.598	07/23/2013
41 Oregon	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	168.739	$150.700	0.893100	0.006577	0.991	07/23/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$169.400	0.997400	0.038890	6.588	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$167.200	0.984500	0.032868	5.496	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$165.000	0.971500	0.027393	4.520	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$162.800	0.958500	0.022736	3.701	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$160.600	0.945600	0.018589	2.985	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$156.200	0.919700	0.012514	1.955	08/27/2013
41 Oregon	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169.840	$151.800	0.893800	0.008558	1.299	08/27/2013

★Unsubsidized cost per cwt

Livestock Insurance: LRP for Feeder Cattle Example

Contract Data	Value
Number of Steers	300
Expected Weight	550
Current Date	Jan. 15
Marketing Date	Oct. 15
Insurance Period	39 Weeks
Expected Ending Value	178.805
Coverage Level	0.9228
Coverage Price	165.00

Livestock Insurance: LRP for Feeder Cattle Example

Contract Data	Value	Source
Insured Value	$272,250	300 hd x 5.5 cwt/hd x 165.00/cwt
Premium Rate	0.017240	RMA
Total Premium	$4,693	272,250 x 0.017240
Subsidy Rate	13%	RMA
Subsidy Amount	$610	4,693 x 0.13
Producer Premium	$4,083	4,693 – 610

Producer Premium = $4,083/(1,650 cwt) = $2.47/cwt

Livestock Insurance: LRP for Feeder Cattle Example

- **S**uppose the CME-reported actual ending value is $142.00/cwt. Would you receive an indemnity?
- **Indemnity calculation**

Indemnity = 300 hd x 5.5 cwt/hd x (165.00-142.00) = **$37,950**

- **T**his is independent of the actual (cash) marketing decision and outcome

Livestock Insurance: LRP for Feeder Cattle Example

- **S**uppose you actually market your steers for $141.00/cwt. at the local auction
- **Net Revenue Calculations:**

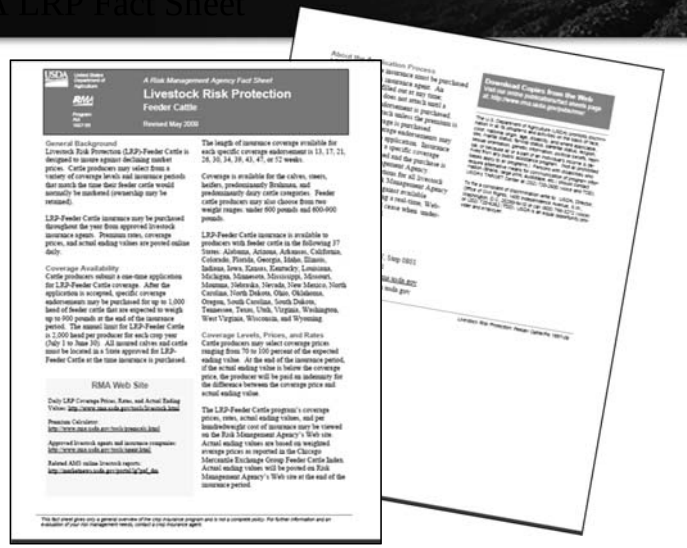
Sales Revenue = 300 hd x 5.5 cwt/hd x 141.00 = **$232,650**

- **Net Revenue = Sales + Indemnity – Producer Premium**

  Net Revenue = 232,650 + 37,950 – 4,083 = **$266,517**

  Net Revenue per cwt. = $266,517/(300 x 5.5) = **$161.53/cwt**.

RMA LRP Fact Sheet

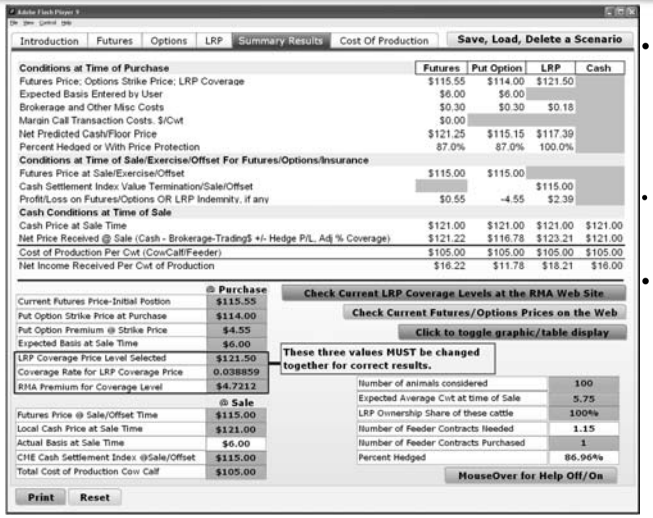


Livestock Risk Protection
Feeder Cattle

A Risk Management Agency Fact Sheet

Revised May 2008

Price Risk Analysis: Futures, Options, LRP Comparison



Introduction | Futures | Options | LRP | Summary Results | Cost Of Production | Save, Load, Delete a Scenario

Conditions at Time of Purchase	Futures	Put Option	LRP	Cash
Futures Price; Options Strike Price; LRP Coverage	$115.55	$114.00	$121.50	
Expected Basis Entered by User	$6.00	$6.00		
Brokerage and Other Misc Costs	$0.30	$0.30	$0.18	
Margin Call Transaction Costs, $/Cwt	$0.00			
Net Predicted Cash/Floor Price	$121.25	$115.15	$117.39	
Percent Hedged or With Price Protection	87.0%	87.0%	100.0%	
Conditions at Time of Sale/Exercise/Offset For Futures/Options/Insurance				
Futures Price at Sale/Exercise/Offset	$115.00	$115.00		
Cash Settlement Index Value Termination/Sale/Offset			$115.00	
Profit/Loss on Futures/Options OR LRP Indemnity, if any	$0.55	-4.55	$2.39	
Cash Conditions at Time of Sale				
Cash Price at Sale Time	$121.00	$121.00	$121.00	$121.00
Net Price Received @ Sale (Cash - Brokerage-Trading$ +/- Hedge P/L, Adj % Coverage)	$121.22	$116.78	$123.21	$121.00
Cost of Production Per Cwt (CowCalf/Feeder)	$105.00	$105.00	$105.00	$105.00
Net Income Received Per Cwt of Production	$16.22	$11.78	$18.21	$16.00

	@ Purchase
Current Futures Price-Initial Postion	$115.55
Put Option Strike Price at Purchase	$114.00
Put Option Premium @ Strike Price	$4.55
Expected Basis at Sale Time	$6.00
LRP Coverage Price Level Selected	$121.50
Coverage Rate for LRP Coverage Price	0.038859
RMA Premium for Coverage Level	$4.7212
	@ Sale
Futures Price @ Sale/Offset Time	$115.00
Local Cash Price at Sale Time	$121.00
Actual Basis at Sale Time	$6.00
CHE Cash Settlement Index @Sale/Offset	$115.00
Total Cost of Production Cow Calf	$105.00

Check Current LRP Coverage Levels at the RMA Web Site
Check Current Futures/Options Prices on the Web
Click to toggle graphic/table display

These three values MUST be changed together for correct results.

Number of animals considered	100
Expected Average Cwt at time of Sale	5.75
LRP Ownership Share of these cattle	100%
Number of Feeder Contracts Needed	1.15
Number of Feeder Contracts Purchased	1
Percent Hedged	86.96%

MouseOver for Help Off/On

Print | Reset

- Farm Management Wiki tool "Futures, Options, LRP Comparison"
- http://FarmManagement.org/Wiki
- Click on Contents > Tools > "Futures Options LRP Comparison"

United States Department of Agriculture

RMA

Program Aid 1667-09

A Risk Management Agency Fact Sheet

Livestock Risk Protection

Feeder Cattle

Revised May 2009

General Background

Livestock Risk Protection (LRP)-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and insurance periods that match the time their feeder cattle would normally be marketed (ownership may be retained).

LRP-Feeder Cattle insurance may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

RMA Web Site

Daily LRP Coverage Prices, Rates, and Actual Ending Values: http://www.rma.usda.gov/tools/livestock.html

Premium Calculator: http://www.rma.usda.gov/tools/premcalc.html

Approved livestock agents and insurance companies: http://www.rma.usda.gov/tools/agent.html

Related AMS online livestock reports: http://marketnews.usda.gov/portal/lg?paf_dm

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

LRP-Feeder Cattle insurance is available to producers with feeder cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates

Cattle producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency's Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency's Web site at the end of the insurance period.

About the Application Process

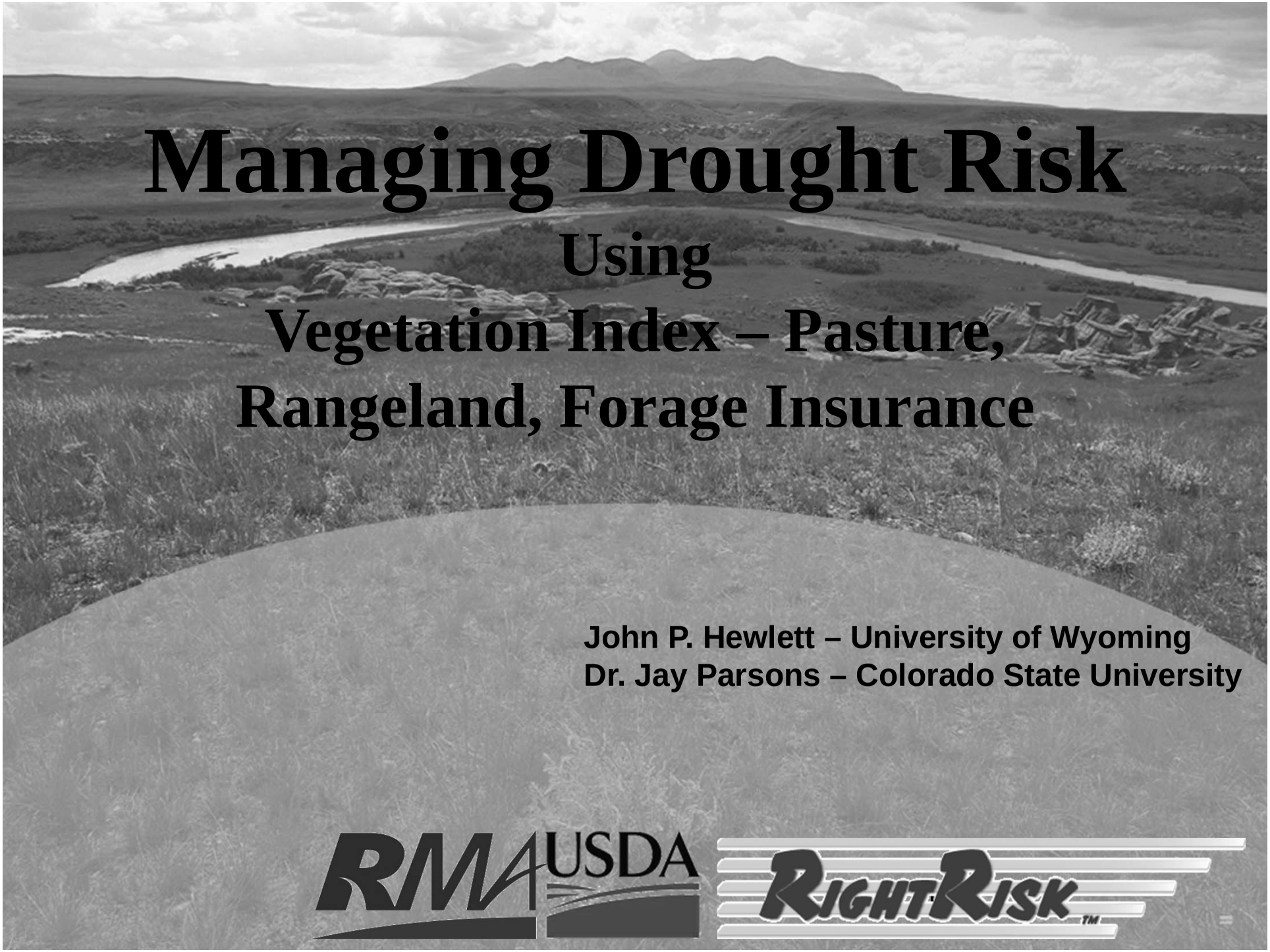
LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency. There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

Contact Us

USDA/RMA
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
RMA Web site: http://www.rma.usda.gov
E-mail: rmaweb.content@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at: http://www.rma.usda.gov/pubs/rme/



Managing Drought Risk

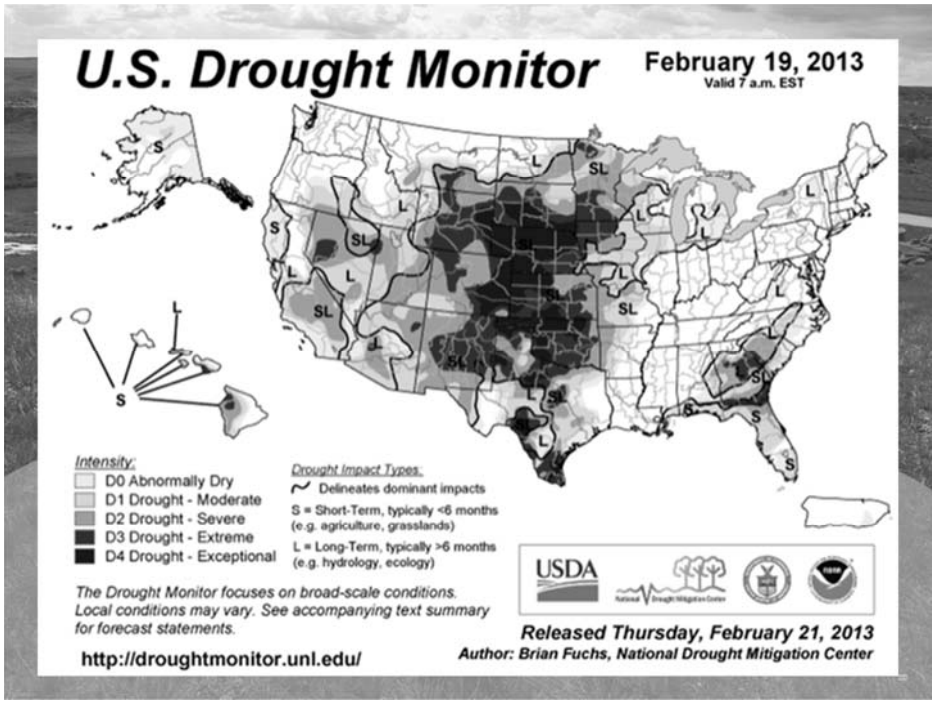
Using

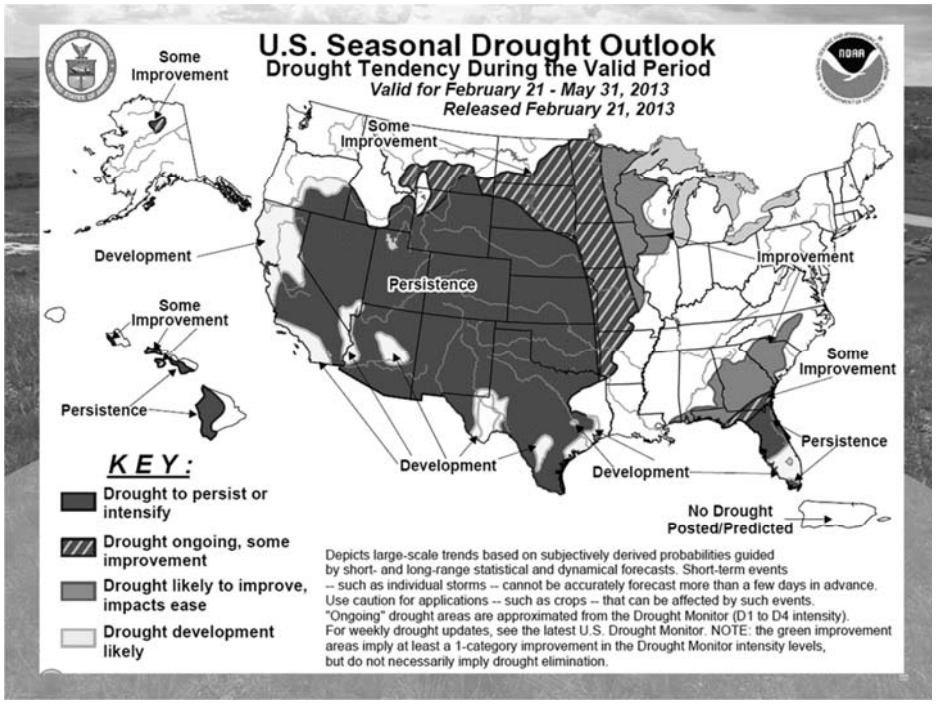
Vegetation Index – Pasture, Rangeland, Forage Insurance

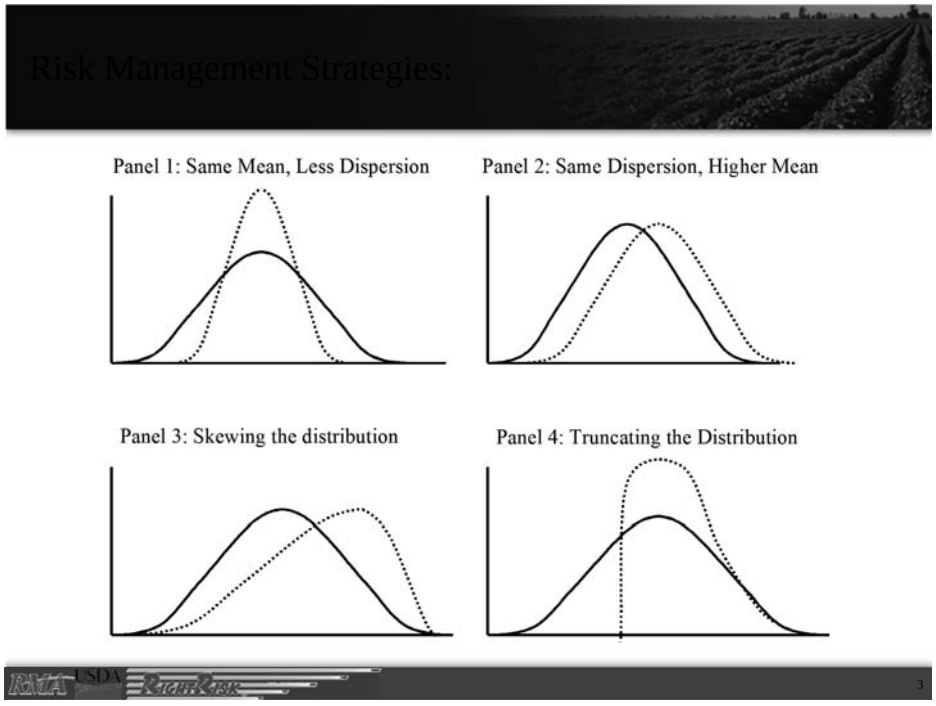
John P. Hewlett – University of Wyoming
Dr. Jay Parsons – Colorado State University

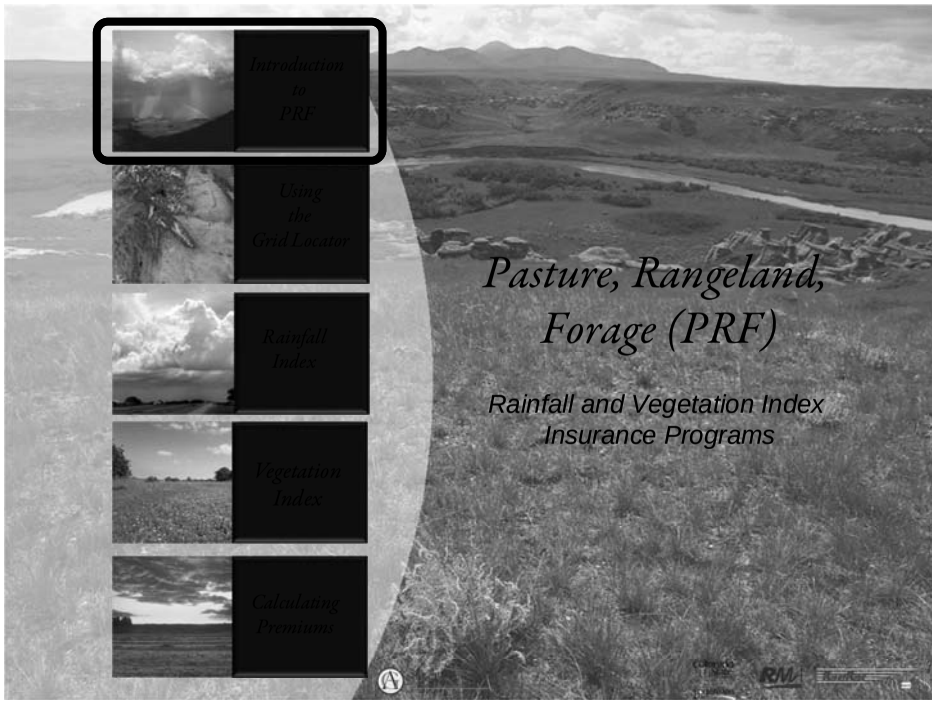
RMA USDA

RightRisk™


U.S. Drought Monitor
February 19, 2013
Valid 7 a.m. EST
Intensity:
D0 Abnormally Dry
D1 Drought - Moderate
D2 Drought - Severe
D3 Drought - Extreme
D4 Drought - Exceptional
Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
L = Long-Term, typically >6 months (e.g. hydrology, ecology)
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.
http://droughtmonitor.unl.edu/
USDA
Released Thursday, February 21, 2013
Author: Brian Fuchs, National Drought Mitigation Center


U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period
Valid for February 21 - May 31, 2013
Released February 21, 2013
Some Improvement
Development
Persistence
Improvement
KEY:
Drought to persist or intensify
Drought ongoing, some improvement
Drought likely to improve, impacts ease
Drought development likely
No Drought Posted/Predicted
Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.


Risk Management Strategies:
Panel 1: Same Mean, Less Dispersion
Panel 2: Same Dispersion, Higher Mean
Panel 3: Skewing the distribution
Panel 4: Truncating the Distribution
RMA USDA RightRisk
3


Introduction to PRF
Using the Grid Locator
Rainfall Index
Vegetation Index
Calculating Premiums
Pasture, Rangeland, Forage (PRF)
Rainfall and Vegetation Index Insurance Programs

Introduction to PRF Pilot Insurance Program

The Purpose of PRF

Agricultural production is financially risky. Forage losses from natural hazards, especially drought, are frequent.

PRF insurance is a group risk plan that can help forage and livestock producers manage for potential production losses.

These plans are now available to producers in selected counties and states.

Introduction to PRF Pilot Insurance Program

Indexing

What is an *index?*

An index is a number derived from a series of observations which is used as an indicator or measure.

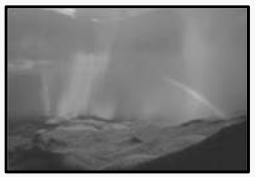
PRF insurance uses indexing to measure and compare conditions that affect forage production in specific areas over time.

Introduction to PRF Pilot Insurance Program

Rainfall Index or Vegetation Index

PRF insurance helps producers manage for production losses when the final grid index falls below the trigger grid index.

There are two separate indices: the rainfall index, and the vegetation index.



Rainfall Index

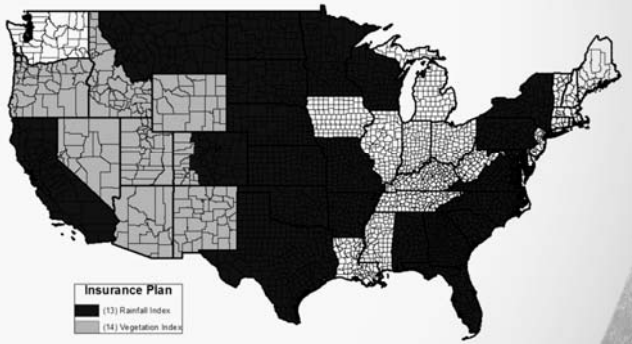
Vegetation Index

Introduction to PRF Pilot Insurance Program

PRF Program Availability for 2013

The PRF program is a pilot program, and is only available in selected states and counties.

Note: The most current coverage information is available on the USDA-RMA website.



Vegetation Index

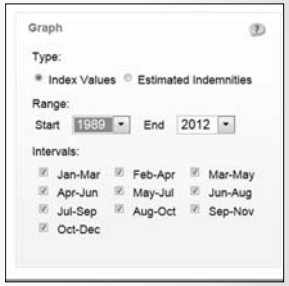
In some states the vegetation index is available. The vegetation index utilizes the Normalized Difference Vegetation Index (NDVI) Data from U.S. Geological Survey EROS to measure the density of photosynthetic biomass on the ground. Losses are calculated based on deviation from the vegetation index for the grid during particular time intervals.

The insurance coverage is multi-peril, losses caused by natural occurrences. Coverage is based on the long-term historical average for the same area of land for the same period of time, **not actual production of individual farms or ranches**.

How the Vegetation Index is Established

NDVI data is used to establish vegetation indices for each grid. One index is calculated for each three-month interval in a twelve-month period.

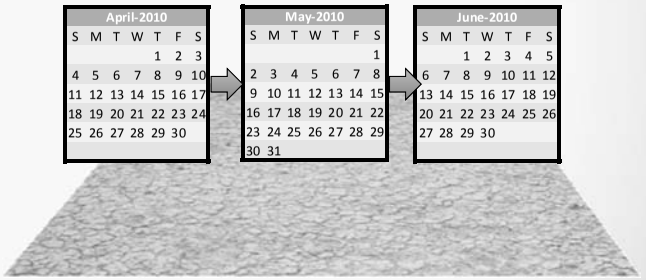
You select one or more 3-month period that represents your pasture, rangeland, or forage practices.



Coverage is based on losses within the grid rather than individuals producer's losses

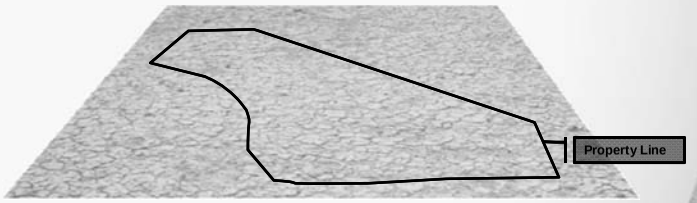
Index Intervals

Producers must select the appropriate time frames or index intervals to apply for PRF insurance coverage. It's important to select intervals when forage and pasture production is critical for your operation, and to follow guidelines for your index, county, and grid.



Grid ID Number

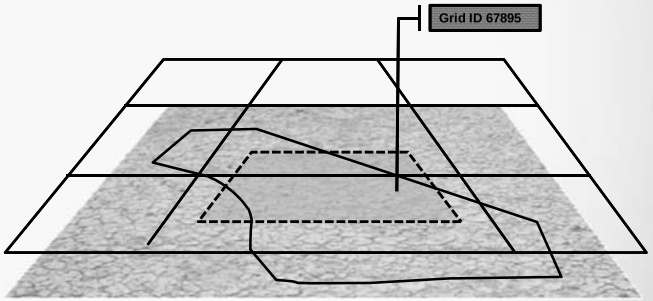
Producers must also select a reference point on the grid that best represents the location of the grazinglands or haylands they want to insure.



Introduction to PRF Pilot Insurance Program

Grid ID Number

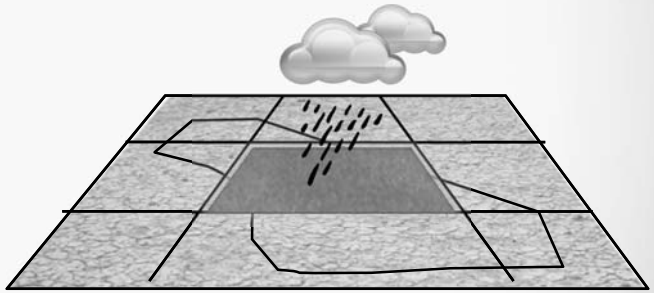
Each grid segment is identified by a grid ID. Rainfall index and vegetation index programs use different grid sizes, so the grid ID will be different depending on which plan is available.



Introduction to PRF Pilot Insurance Program

Expected Index Values

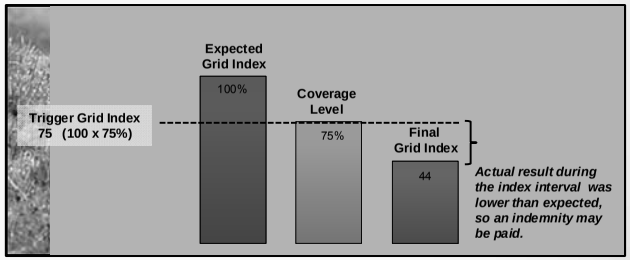
Historical data for each grid is used to determine the expected index value for either precipitation or vegetation greenness.



Introduction to PRF Pilot Insurance Program

Using Grid Indices

The expected grid index is compared to the final grid index. Producers may receive an indemnity if the actual final index falls below the trigger grid index, which is adjusted based on the coverage level.

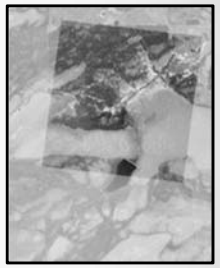


Introduction to PRF Pilot Insurance Program

Key Characteristics of PRF

Coverage is based **on the experience of the entire grid area—not individual losses.** PRF does not take into consideration the exact situation of the producer. It is possible that …

- Grid conditions might have been normal, while a specific property was experiencing drought. A *producer might not receive a payment, even if he or she incurred losses.*
- Final grid indices may have been less than expected, while a producer may not have suffered losses. A *payment might be awarded even though there was no loss of production.*



Introduction to PRF Pilot Insurance Program

Property that Extends Beyond the Grid Area

- A producer can base his or her insurance coverage on a single grid ID or on multiple grid IDs.
- Non-contiguous acres must be insured using the same coverage parameters if they are in the same grid.
- If the non-contiguous acres are in different grids, the coverage parameters can be different.

The rules are complex. Producers should contact an insurance agent familiar with PRF if they have questions.

Introduction to PRF Pilot Insurance Program

Important Dates

January

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

February

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

March

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

November

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

December

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Introduction to PRF Pilot Insurance Program

Flexible Risk Management Strategies

The PRF insurance program is one more option for farmers and ranchers to manage potential losses.

Agricultural operations can choose PRF insurance:

- As a standalone product.
- In combination with other risk management strategies or insurance products.

Producers considering PRF should work closely with an insurance agent to understand their options.

MPCI
Multi Peril Crop Insurance

LGM
Livestock Gross Margin

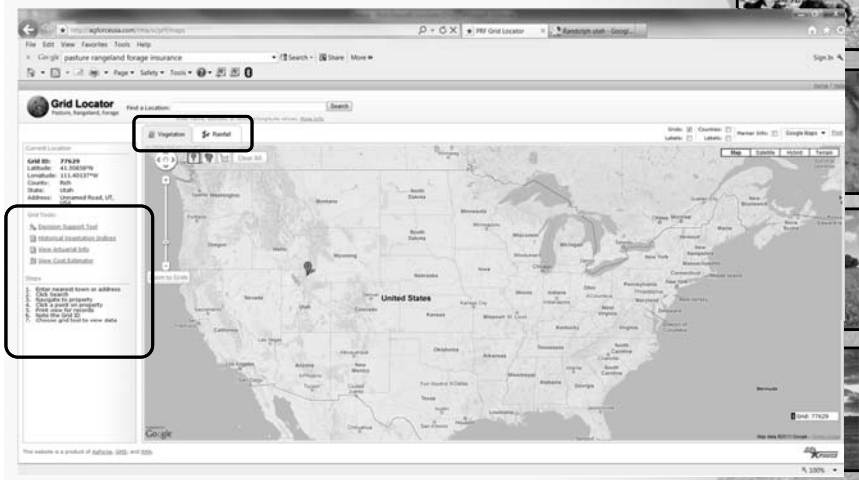
AGR-Lite

LRP
Livestock Risk Protection

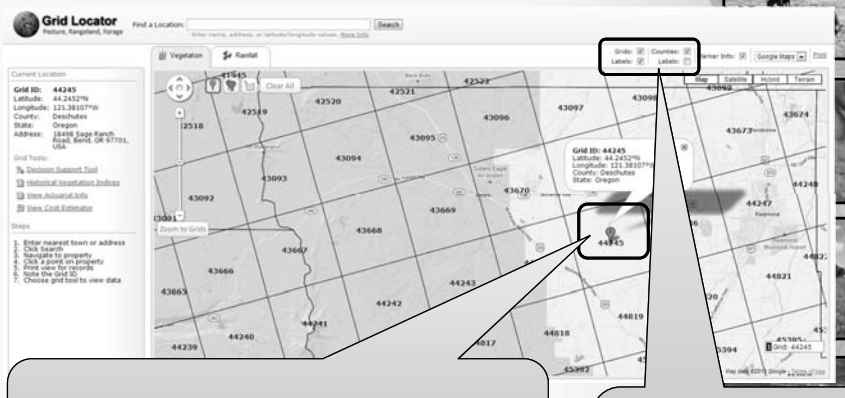
NAP
Non-Insured CROP DISASTER Assistance Program

Introduction to PRF Pilot Insurance Program

Enter a Location to Find



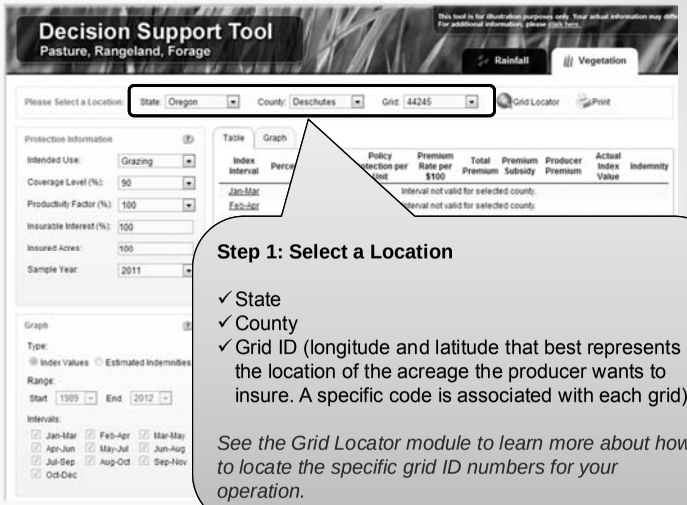
Find the Property



Navigate to the Property
1. Place the cursor close to the location of the property and click on the map to insert a location pointer

Display Checkboxes
To see the borders of counties and grid areas, select
- ✓Counties (blue outlines)
- ✓Grids (red outlines)
- ✓Labels (red numbers)

Using the Vegetation Index Decision Support Tool

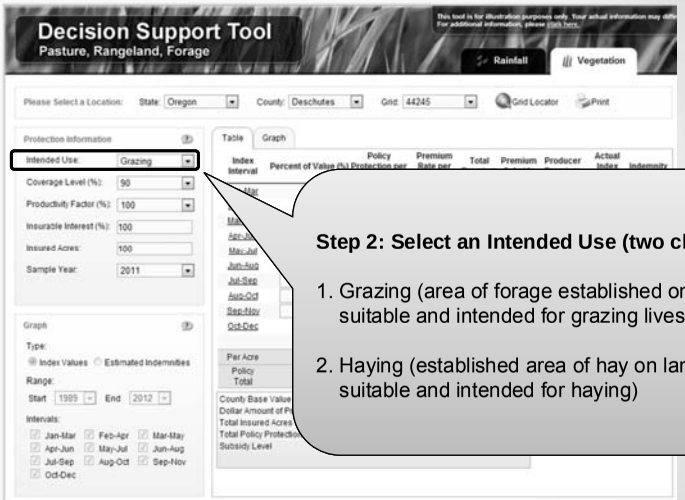


Step 1: Select a Location

- ✓State
- ✓County
- ✓Grid ID (longitude and latitude that best represents the location of the acreage the producer wants to insure. A specific code is associated with each grid)

See the Grid Locator module to learn more about how to locate the specific grid ID numbers for your operation.

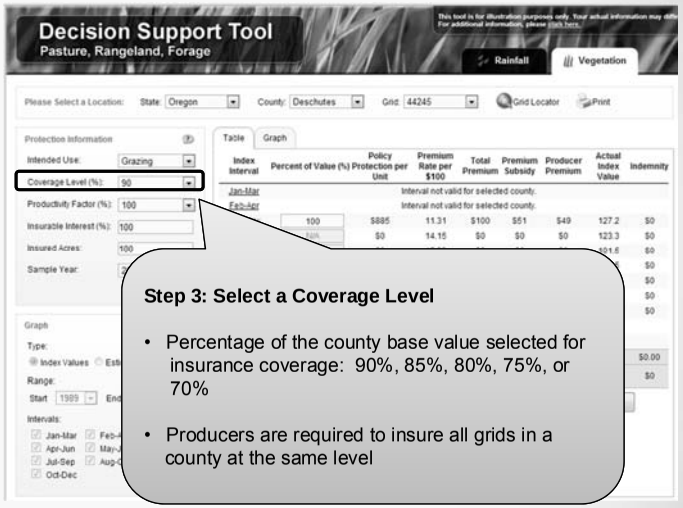
Using the Vegetation Index Decision Support Tool



Step 2: Select an Intended Use (two choices)

1. Grazing (area of forage established on land suitable and intended for grazing livestock)
2. Haying (established area of hay on land suitable and intended for haying)

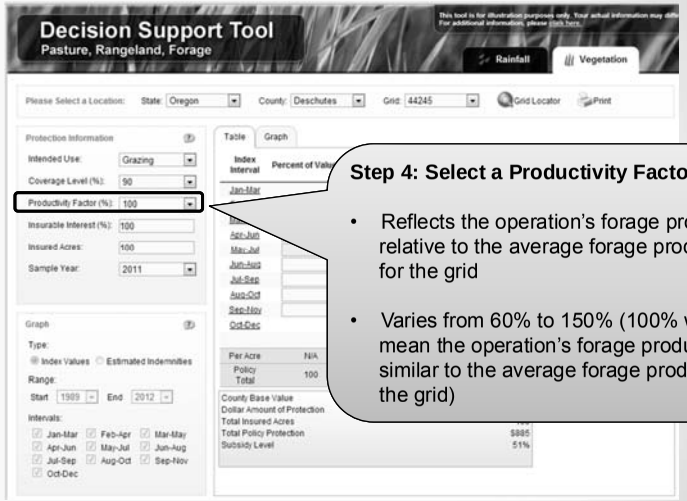
Using the Vegetation Index Decision Support Tool



Step 3: Select a Coverage Level

- Percentage of the county base value selected for insurance coverage: 90%, 85%, 80%, 75%, or 70%
- Producers are required to insure all grids in a county at the same level

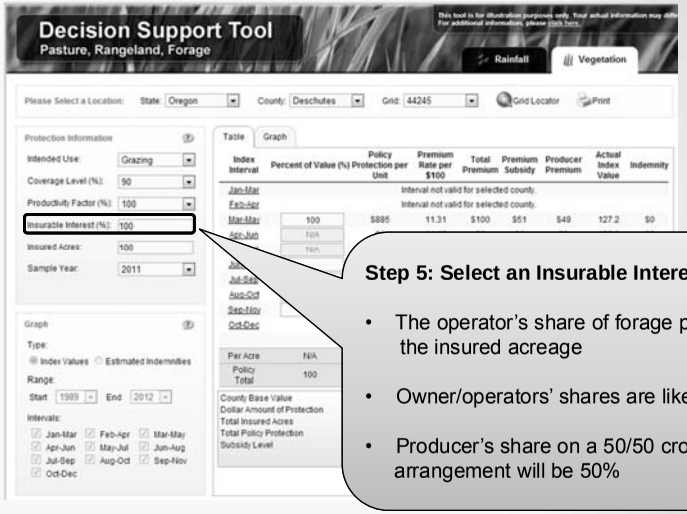
Using the Vegetation Index Decision Support Tool



Step 4: Select a Productivity Factor

- Reflects the operation's forage productivity relative to the average forage productivity for the grid
- Varies from 60% to 150% (100% would mean the operation's forage productivity is similar to the average forage productivity for the grid)

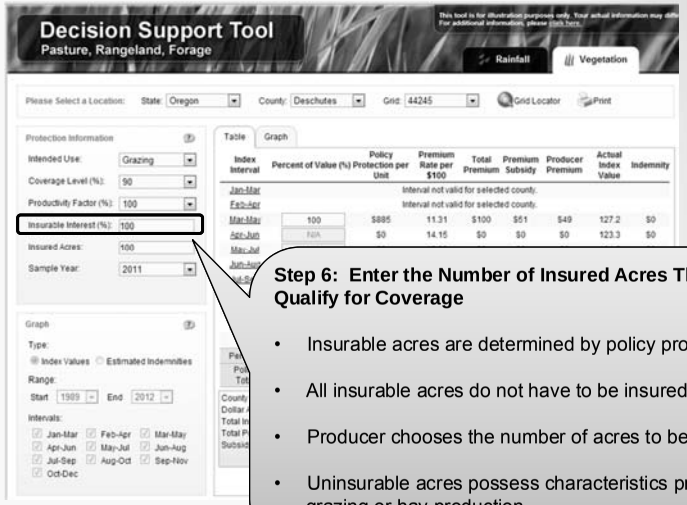
Using the Vegetation Index Decision Support Tool



Step 5: Select an Insurable Interest (%)

- The operator's share of forage production on the insured acreage
- Owner/operators' shares are likely to be 100%
- Producer's share on a 50/50 crop share arrangement will be 50%

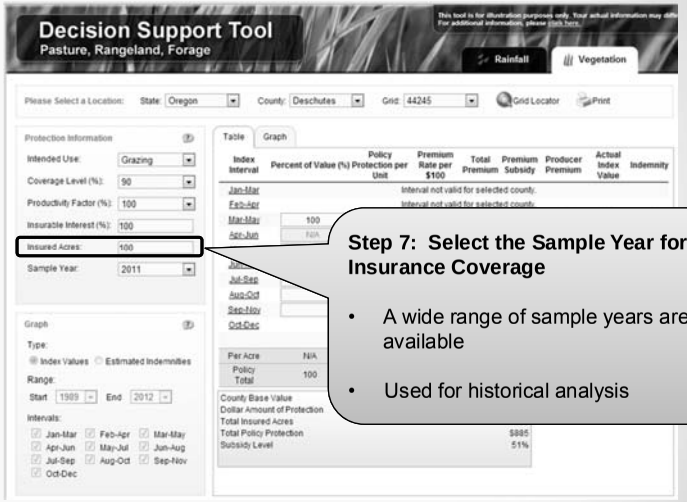
Using the Vegetation Index Decision Support Tool



Step 6: Enter the Number of Insured Acres That Qualify for Coverage

- Insurable acres are determined by policy provisions
- All insurable acres do not have to be insured
- Producer chooses the number of acres to be insured
- Uninsurable acres possess characteristics precluding grazing or hay production

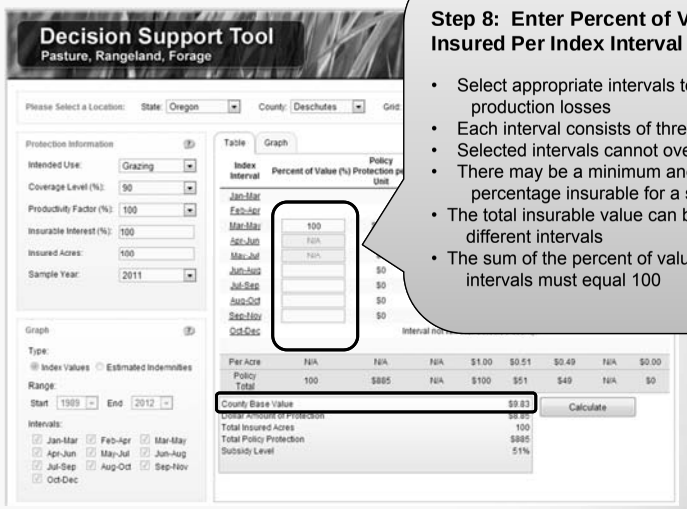
Using the Vegetation Index Decision Support Tool



Step 7: Select the Sample Year for Insurance Coverage

- A wide range of sample years are available
- Used for historical analysis

Using the Vegetation Index Decisi



Step 8: Enter Percent of Value to be Insured Per Index Interval

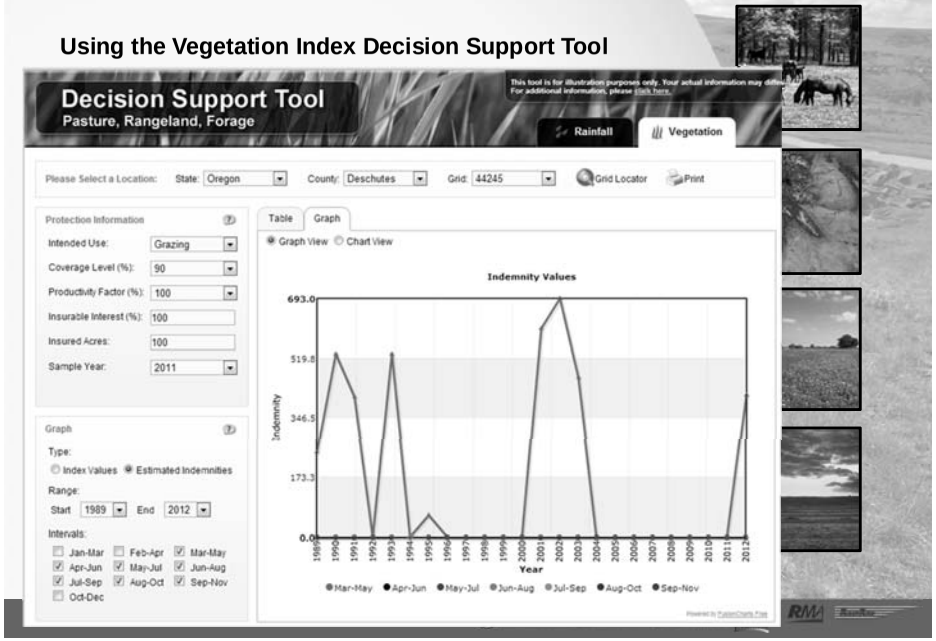
- Select appropriate intervals to protect against production losses
- Each interval consists of three consecutive months
- Selected intervals cannot overlap
- There may be a minimum and maximum percentage insurable for a single interval
- The total insurable value can be insured across different intervals
- The sum of the percent of value insured for all intervals must equal 100

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

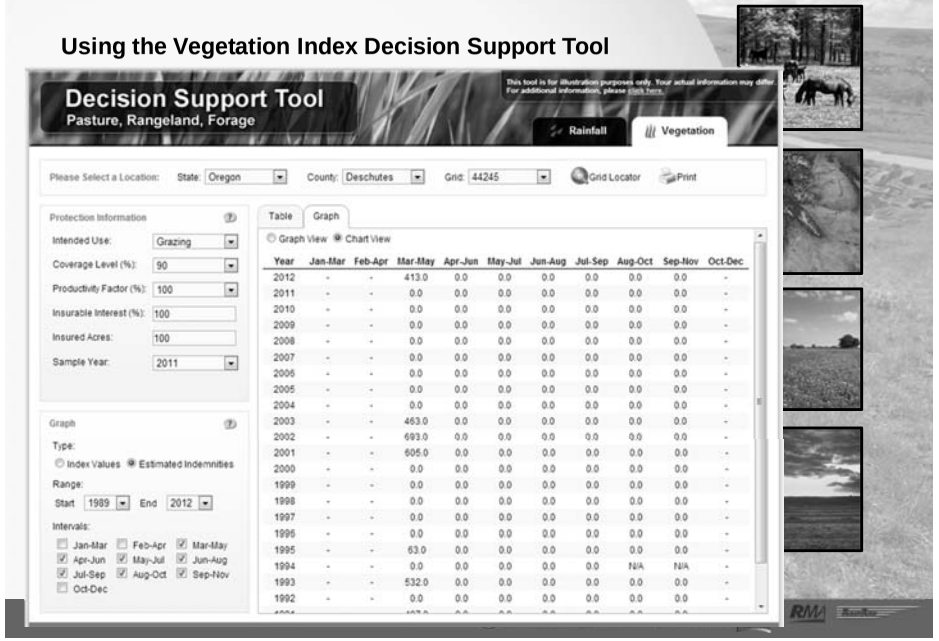
Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool



Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool



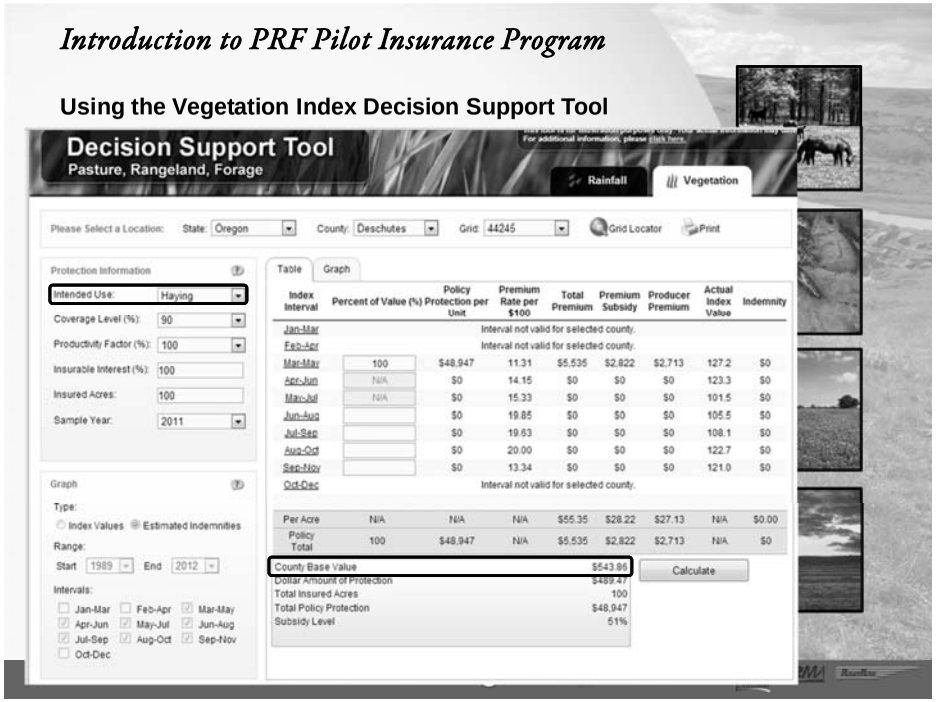
Vegetation Index

Using the Vegetation Index Decision Support Tool

	A	B	C	D	E	F	G	H	I	J	K	L
1	PASTURE											
2												
3	Year	Jan-Mar	Feb-Apr	Mar-May	Apr-Jun	May-Jul	Jun-Aug	Jul-Sep	Aug-Oct	Sep-Nov	Oct-Dec	Premium
4	2012	-	-	413	0	0	0	0	0	0	-	49
5	2011	-	-	0	0	0	0	0	0	0	-	49
6	2010	-	-	0	0	0	0	0	0	0	-	49
7	2009	-	-	0	0	0	0	0	0	0	-	49
8	2008	-	-	0	0	0	0	0	0	0	-	49
9	2007	-	-	0	0	0	0	0	0	0	-	49
10	2006	-	-	0	0	0	0	0	0	0	-	49
11	2005	-	-	0	0	0	0	0	0	0	-	49
12	2004	-	-	0	0	0	0	0	0	0	-	49
13	2003	-	-	463	0	0	0	0	0	0	-	49
14	2002	-	-	693	0	0	0	0	0	0	-	49
15	2001	-	-	605	0	0	0	0	0	0	-	49
16	2000	-	-	0	0	0	0	0	0	0	-	49
17	1999	-	-	0	0	0	0	0	0	0	-	49
18	1998	-	-	0	0	0	0	0	0	0	-	49
19	1997	-	-	0	0	0	0	0	0	0	-	49
20	1996	-	-	0	0	0	0	0	0	0	-	49
21	1995	-	-	63	0	0	0	0	0	0	-	49
22	1994	-	-	0	0	0	0	0	N/A	N/A	-	49
23	1993	-	-	532	0	0	0	0	0	0	-	49
24	1992	-	-	0	0	0	0	0	0	0	-	49
25	1991	-	-	407	0	0	0	0	0	0	-	49
26	1990	-	-	532	0	0	0	0	0	0	-	49
27	1989	-	-	245	0	0	0	0	0	0	-	49
28												
29				3,953								1,176
30												
31		NET:		2,777								

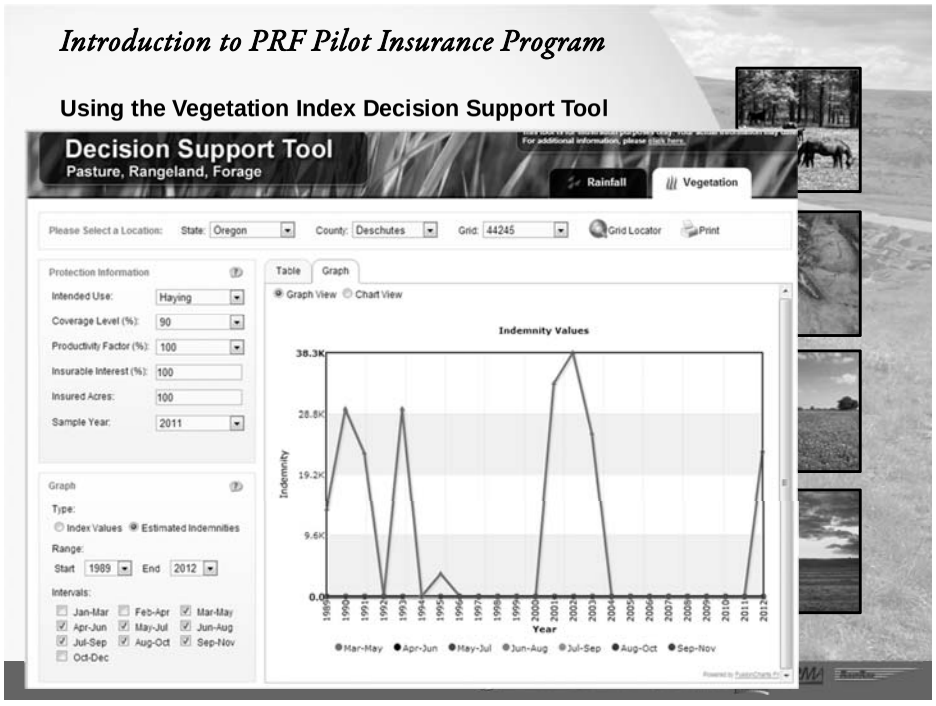
Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool



Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool



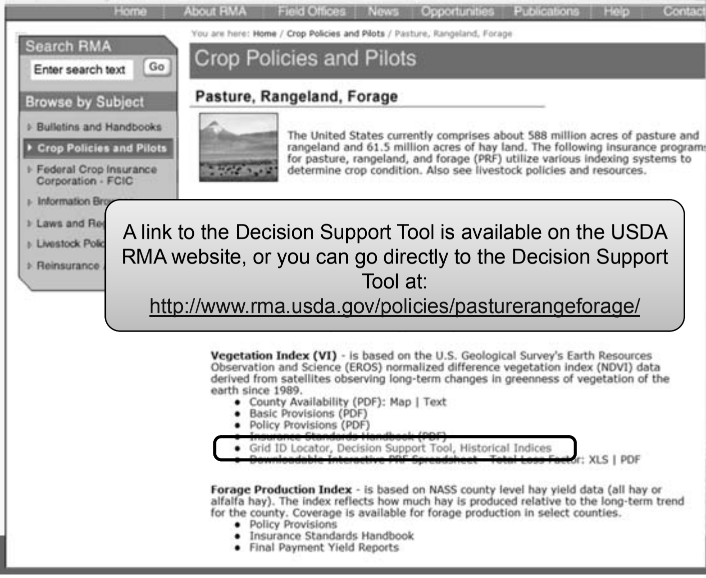
Vegetation Index

Using the Vegetation Index Decision Support Tool

	A	B	C	D	E	F	G	H	I	J	K	L
1	HAYLAND											
2												
3	Year	Jan-Mar	Feb-Apr	Mar-May	Apr-Jun	May-Jul	Jun-Aug	Jul-Sep	Aug-Oct	Sep-Nov	Oct-Dec	Premium
4	2012	-	-	22,842.00	0	0	0	0	0	0	-	2,713
5	2011	-	-	0	0	0	0	0	0	0	-	2,713
6	2010	-	-	0	0	0	0	0	0	0	-	2,713
7	2009	-	-	0	0	0	0	0	0	0	-	2,713
8	2008	-	-	0	0	0	0	0	0	0	-	2,713
9	2007	-	-	0	0	0	0	0	0	0	-	2,713
10	2006	-	-	0	0	0	0	0	0	0	-	2,713
11	2005	-	-	0	0	0	0	0	0	0	-	2,713
12	2004	-	-	0	0	0	0	0	0	0	-	2,713
13	2003	-	-	25,616.00	0	0	0	0	0	0	-	2,713
14	2002	-	-	38,342.00	0	0	0	0	0	0	-	2,713
15	2001	-	-	33,447.00	0	0	0	0	0	0	-	2,713
16	2000	-	-	0	0	0	0	0	0	0	-	2,713
17	1999	-	-	0	0	0	0	0	0	0	-	2,713
18	1998	-	-	0	0	0	0	0	0	0	-	2,713
19	1997	-	-	0	0	0	0	0	0	0	-	2,713
20	1996	-	-	0	0	0	0	0	0	0	-	2,713
21	1995	-	-	3,508.00	0	0	0	0	0	0	-	2,713
22	1994	-	-	0	0	0	0	0	N/A	N/A	-	2,713
23	1993	-	-	29,450.00	0	0	0	0	0	0	-	2,713
24	1992	-	-	0	0	0	0	0	0	0	-	2,713
25	1991	-	-	22,516.00	0	0	0	0	0	0	-	2,713
26	1990	-	-	29,450.00	0	0	0	0	0	0	-	2,713
27	1989	-	-	13,542.00	0	0	0	0	0	0	-	2,713
28												
29				218,713								65,112
30												
31		NET:		153,601								

Introduction to PRF Pilot Insurance Program

Finding Information about the Vegetation Index Program



A link to the Decision Support Tool is available on the USDA RMA website, or you can go directly to the Decision Support Tool at:
http://www.rma.usda.gov/policies/pasturerangeforage/

Disaster Assistance Programs

- ~~Supplemental Revenue Assistance (SURE)~~
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Assistance Program (ELAP)

RMA USDA RightRisk 38

Vegetation Index

Oregon PRF

Federal Crop Insurance Corporation
Crop Year Statistics for 2012
As of: 2/25/2013
Nationwide Summary - By State/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON															
ADJUSTED GROSS REVENUE	AGR	8	8	0	8	0	0	11,796,160	417,209	220,789	0	0	0	0	.00
ADJUSTED GROSS REVENUE-LITE	AGRLT	93	89	0	89	0	0	25,755,051	1,177,913	642,718	0	0	0	0	.00
ALFALFA SEED	APH	4	3	0	3	0	233	93,436	5,372	4,012	0	0	0	0	.00
APPLES	APH	74	62	0	127	0	2,809	7,916,637	651,396	525,643	0	0	0	0	.00
BARLEY	RP	144	69	19	92	21	9,309	2,207,314	316,251	156,132	0	0	0	435,854	1.38
	RPHPE	82	21	1	31	1	2,841	555,015	71,619	37,609	0	0	0	6,125	.09
	YP	984	104	12	126	13	15,764	2,853,340	269,137	145,030	0	0	0	364,718	1.36
BARLEY Total		1,210	194	32	249	35	27,914	5,615,669	657,007	338,771	0	0	0	806,697	1.23
BLUEBERRIES	APH	32	30	0	33	0	2,074	5,767,860	290,502	270,749	0	0	0	0	.00
CABBAGE	APH	1	1	0	2	0	34	80,965	6,081	3,344	0	0	0	0	.00
CANOLA	RP	17	17	4	31	5	2,613	1,054,995	167,785	67,984	0	0	0	52,110	.31
	RPHPE	1	1	1	2	1	257	70,396	8,145	4,806	0	0	0	5,851	.72
	YP	171	13	5	16	5	2,570	696,303	69,272	38,428	0	0	0	117,956	1.70
CANOLA Total		189	31	10	49	11	5,440	1,821,694	245,202	111,218	0	0	0	175,917	.72
CHERRIES	ARH	185	168	44	268	52	6,008	21,326,201	1,331,096	791,401	0	0	0	986,674	.74
CORN	RP	15	11	2	23	2	3,189	2,488,736	223,889	133,056	0	0	0	13,353	.06
	YP	117	81	1	110	1	26,042	10,339,127	240,064	199,295	0	0	0	20,696	.09
CORN Total		132	92	3	133	3	29,231	12,827,863	463,953	332,351	0	0	0	34,049	.07
CRANBERRIES	APH	44	39	1	42	1	1,042	2,500,196	95,489	64,962	0	0	0	32,232	.34
DRY BEANS	APH	56	26	1	39	2	3,883	1,395,080	106,792	87,311	0	0	0	9,538	.09
DRY PEAS	APH	245	40	1	60	1	4,257	1,051,365	73,468	43,372	0	0	0	14,027	.19
FORAGE PRODUCTION	APH	75	54	0	61	0	7,500	1,911,628	96,130	91,860	0	0	0	0	.00
FRESH FREESTONE PEACHES	APH	3	1	0	2	0	56	70,675	3,449	2,311	0	0	0	0	.00
GRAPES	APH	112	94	6	281	14	4,342	8,278,428	447,108	289,401	0	0	0	66,475	.15
GREEN PEAS	APH	313	87	5	180	7	12,024	4,443,105	332,282	179,049	0	0	0	32,773	.10
MINT	APH	13	8	1	13	2	1,211	1,083,177	54,804	33,103	0	0	0	130,416	2.38
MUSTARD	APH	11	3	0	4	0	877	168,258	15,299	8,414	0	0	0	0	.00
NURSERY (FG&C)	DOL	67	52	0	79	0	0	204,153,223	2,308,432	2,292,117	0	0	0	0	.00
OATS	APH	104	16	0	17	0	2,454	331,797	23,187	16,306	0	0	0	0	.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PASTURE,RANGELAND,FORAGE	VEGAT	2	1	0	1	0	320	5,645	530	271	0	0	0	0	.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PLUMS	APH	26	23	0	38	0	517	531,515	57,189	37,669	0	0	0	0	.00
POTATOES	APH	123	70	4	159	4	30,000	40,074,486	1,485,703	1,050,429	0	0	0	208,129	.14
PROCESSING BEANS	APH	34	12	2	16	2	1,451	956,923	59,560	37,334	0	0	0	1,404	.02
SUGAR BEETS	APH	47	35	4	70	6	6,678	4,676,315	123,209	93,224	0	0	0	16,663	.14
SWEET CORN	APH	44	11	0	18	0	2,906	1,626,817	82,083	50,354	0	0	0	0	.00
WHEAT	RP	1,756	1414	253	3,486	426	551,990	185,453,328	22,407,623	11,301,688	0	0	0	6,610,035	.29
	RPHPE	321	282	44	620	59	97,911	45,747,311	4,098,166	2,367,427	0	0	0	511,403	.12
	YP	652	407	20	569	25	54,148	15,406,151	628,059	410,377	0	0	0	155,735	.25
WHEAT Total		2,729	2,103	317	4,675	510	704,049	246,606,790	27,133,848	14,079,492	0	0	0	7,277,173	.27
OREGON Total		6,169	3,511	438	7,160	659	879,561	653,492,475	39,506,297	23,167,800	0	0	0	9,959,046	.25
Grand Total		6,169	3,511	438	7,160	659	879,561	653,492,475	39,506,297	23,167,800	0	0	0	9,959,046	.25

Vegetation Index

Oregon PRF

Federal Crop Insurance Corporation
Crop Year Statistics for 2012
As of: 2/25/2013
Nationwide Summary - By State/County/Crop

Crop	Ins Plan	Delivery	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON																
OREGON - Deschutes (017)																
BARLEY	YP	RCAT	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
WHEAT	RP	RBUP	1	1	1	1	1	15	6,422	969	465	0	0	0	2,398	2.47
	RPHPE	RBUP	3	3	0	3	0	484	294,490	41,077	15,703	0	0	0	0	.00
WHEAT Total			4	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
OREGON - Deschutes Total			5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
OREGON Total			5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06
Grand Total			5	4	1	4	1	499	300,912	42,046	16,168	0	0	0	2,398	.06

Federal Crop Insurance Corporation
Crop Year Statistics for 2013
As of: 2/25/2013
Nationwide Summary - By State/County/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
OREGON															
OREGON - Deschutes (017)															
BARLEY	YP	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
WHEAT	RP	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
	RPHPE	2	0	0	0	0	0	0	0	0	0	0	0	0	.00
	YP	1	0	0	0	0	0	0	0	0	0	0	0	0	.00
WHEAT Total		4	0	0	0	0	0	0	0	0	0	0	0	0	.00
OREGON - Deschutes Total		5	0	0	0	0	0	0	0	0	0	0	0	0	.00
OREGON Total		5	0	0	0	0	0	0	0	0	0	0	0	0	.00
Grand Total		5	0	0	0	0	0	00	0	0	0	0	0	0	.00

RMA USDA RightRisk™

United States Department of Agriculture

Program Aid Number 1896

A Risk Management Agency Fact Sheet

Pasture, Rangeland, Forage

Pilot Insurance Program

November 2010

The Risk Management Agency has modified the Pasture, Rangeland, Forage Pilot Insurance Program, which uses two separate Basic Provisions; the Rainfall Index Basic Provisions and the Vegetation Index Basic Provisions. Basic provisions are the terms and conditions included in all policies under these plans. These innovative pilot programs are based on vegetation greenness and rainfall indices, and are designed to give forage and livestock producers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay.

The original Pasture, Rangeland, Forage Program was designed as a risk management tool for the 588 million acres of pastureland and the 61.5 million acres of hayland in the United States. In 2007, Pasture, Rangeland, Forage insurance was available for testing in selected States. The program has been expanded and revised for the 2009 crop year. The Risk Management Agency has replaced its Group Risk Plan Basic Provisions with the Rainfall Index and Vegetation Index Basic Provisions. The new basic provisions will be applied to all Pasture, Rangeland, Forage crop policies.

The Pasture, Rangeland, Forage Pilot Insurance Programs are only available in selected States and counties. To test each index in various climates, soils, and weather conditions, these pilot programs are available in six regions across the country: the warm and humid Southeast, the cool and humid Northeast, the Northern Great Plains, the Southern Great Plains, the semi-arid Southwest, and the intermountain region of the Northwest. You can see the States and counties where the Rainfall Index and the Vegetation Index pilot programs are available at: http://www.rma.usda.gov/policies/pasturerangeforage/2011availabilitymap.pdf

The Rainfall Index uses National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC) data and each grid is 0.25 degrees in latitude by 0.25 degrees in longitude. You must select at least two, 2-month time periods where rain is important to your operation in your area. These time periods are called index intervals. Your insurance payments will be calculated using NOAA CPC data for the grid(s) and index interval(s) you have chosen to insure. When the final grid index falls below your "trigger grid index" (coverage level multiplied by the expected grid index), you may receive a loss payment. This insurance coverage is for a single peril—lack of rain. **Coverage is based on the experience of the entire grid. It is NOT based on individual farms or ranches or specific weather stations in the general area.** (You can find more detailed information at the NOAA Web site: http://www.cpc.ncep.noaa.gov/products/outreach/research_papers/ncep_cpc_atlas/7/toc.html)

The Vegetation Index uses data from the U.S. Geological Survey Earth Resources Observation and Science data center called the *Normalized Difference Vegetation Index (NDVI)*. The NDVI is a measure of vegetation greenness and is used to estimate plant condition in approximately 4.8 x 4.8 mile grids. This index is not a direct measure of your production. It is a measure of all vegetation in a grid. In general, the healthier the plants in a given grid, the higher the NDVI value will be. With this insurance plan, you may select one or more 3-month time periods that represent your pasture, rangeland, or forage practices. These time periods are called index intervals. **Coverage is based on losses within the 4.8 x 4.8 mile grid rather than on an individual producer's losses.** Losses for the Vegetation Index are paid based on the difference between the normal NDVI data (expected grid index) and the actual grid index experience during the index interval(s) you have chosen to insure. When the final grid index falls below your "trigger grid index" (coverage level times the expected grid index), you may receive a loss payment.

The process of developing these products included determining the value of forage for

grazing and haying for each county in the program. RMA and its partner used USDA Farm Service Agency Grassland Reserve Program prices for grazing land, USDA National Agricultural Statistics Service State hayland rates, U.S. Geological Survey land-cover estimates, and regional forage and hayland values determined by experts to establish a county base value for each location.

While developing these new insurance products, the Risk Management Agency considered public land versus private land, warm- and cool-season plants, different grazing patterns, and various forage species representing a wide range of relative feed values.

Pasture, Rangeland, Forage insurance was designed for maximum flexibility. You are not required to insure all your acres, but you cannot exceed the total number of grazing or haying acres you operate. This allows you to insure only those acres that are important to your grazing program or hay operation. By selecting a Protection Factor, you can establish a value between 60 and 150 percent of the County Base Value and match the amount of your protection to the value of forage that best represents your specific grazing or hay operation, as well as the productivity of your land.

You will be asked to make several choices when insuring your grazing or hay production, including coverage level, index intervals, protection factor, and number of acres. You should work with your crop insurance agent to view the Grid ID Locator map and index grids for your area, and assign acreage to one or more grids based on the location and use of the acreage to be insured. **The Vegetation and Rainfall indices do not measure your direct production or loss.** You are insuring a rainfall or vegetation index that is expected to estimate your production. **Please review the historical indices for your area to make sure that this product will be helpful to you.**

The Pasture, Rangeland, Forage Rainfall Index and Vegetation Index pilot programs are being tested in select counties and States. You can view a map and a list of the counties and States where each index is available at: http://www.rma.usda.gov/policies/pasturerangeforage.

Please visit your crop insurance agent for more information. If you do not have an agent, you can find one online using the RMA agent locator at: http://www.rma.usda.gov/tools/agent.html or at any USDA Service Center.

Contact Us

USDA/RMA

Mail Stop 0801

1400 Independence Ave., SW

Washington, DC 20250-0801

Web site: http://www.rma.usda.gov

E-mail: rma.cco@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at:
http://www.rma.usda.gov/pubs/rme/fctsht.html

Drought Risk Management and Tools to Evaluate Your Strategy

Tools to Evaluate Your Strategies

John P. Hewlett

UW – Cooperative Extension Service

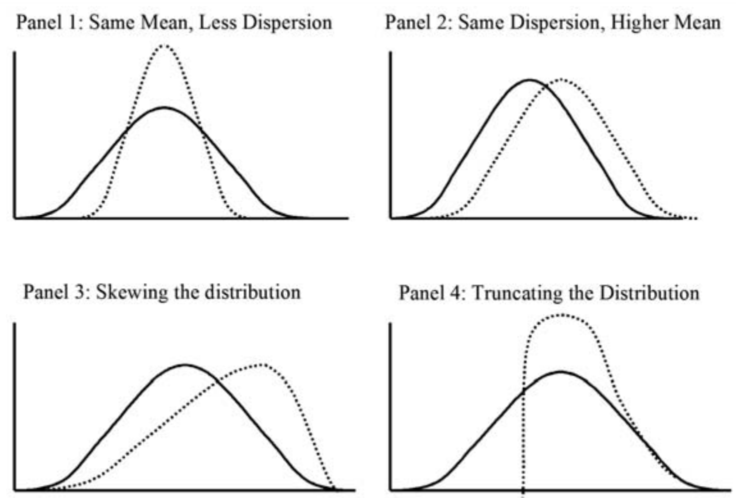
Dr. Jay Parsons

CSU – Risk Management Specialist

RMA

Risk Management Agency

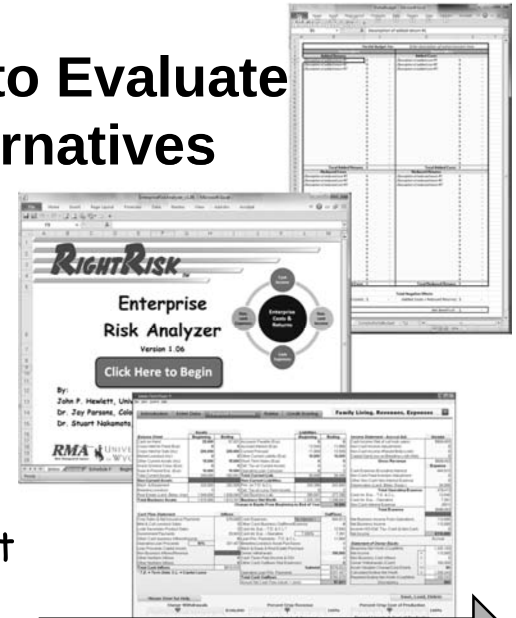
Risk Management Strategies:



RMA USDA RightRisk 1

Tools to Evaluate Alternatives

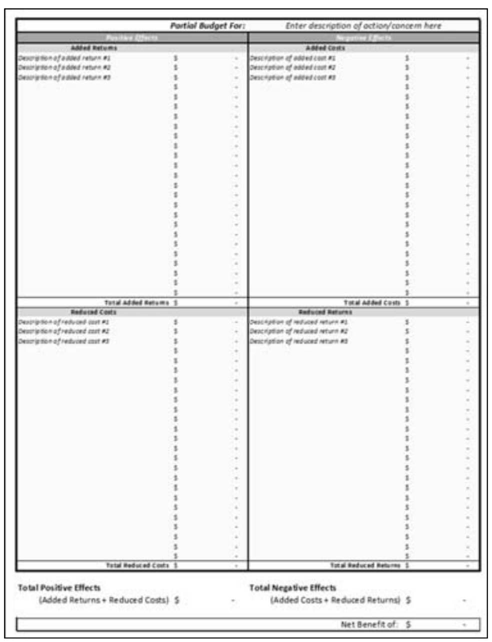
- Partial Budget
  relatively minor changes
- Enterprise Budget
  larger changes
- Whole Farm Budget
  substantial changes



http://RightRisk.org > Tools

RMA USDA RightRisk

Partial Budget


Partial Budget For: Enter description of action/concern here

Positive Effects / Negative Effects

Added Returns		Added Costs	
Description of added return #1	$ -	Description of added cost #1	$ -
Description of added return #2	$ -	Description of added cost #2	$ -
Description of added return #3	$ -	Description of added cost #3	$ -
Total Added Returns	$ -	Total Added Costs	$ -
Reduced Costs		**Reduced Returns**	
Description of reduced cost #1	$ -	Description of reduced return #1	$ -
Description of reduced cost #2	$ -	Description of reduced return #2	$ -
Description of reduced cost #3	$ -	Description of reduced return #3	$ -
Total Reduced Costs	$ -	Total Reduced Returns	$ -

Total Positive Effects (Added Returns + Reduced Costs) $ -

Total Negative Effects (Added Costs + Reduced Returns) $ -

Net Benefit of: $ -

RMA USDA RightRisk

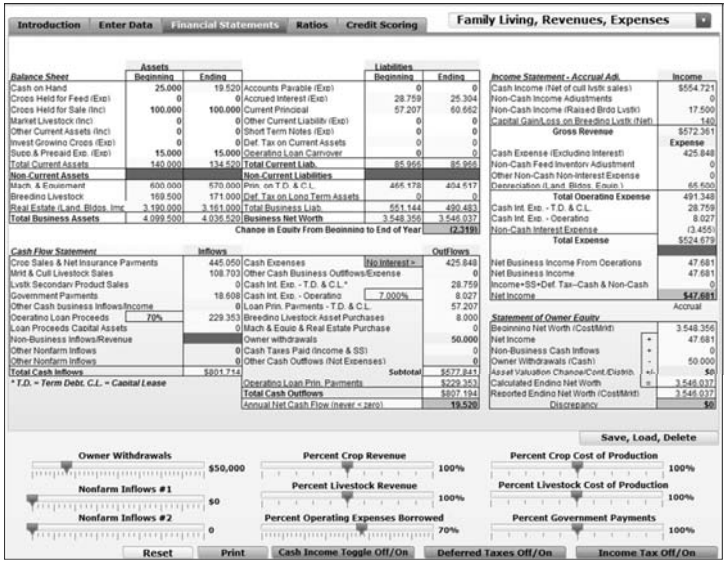
Enterprise Budget

	Cow-Calf	Native Hay	Oat Hay	Alfalfa Establishment	Alfalfa - Baled
FARM REVENUE					
TOTAL FARM INCOME - CASH	121,759.00	12,380.00	2,802.00	2,306.00	25,040.00
TOTAL NON-CASH INCOME ADJUSTMENTS					
GROSS FARM REVENUE	121,759.00	12,380.00	2,802.00	2,306.00	25,040.00
FARM EXPENSES					
FARM EXPENSES - CASH	86,843.00	6,557.00	1,756.00	2,297.00	12,072.00
FARM EXPENSES - NON-CASH EXPENSE ADJUSTMENTS	98,550.00	11,245.00	2,709.00	2,536.00	15,331.00
GROSS FARM EXPENSES	185,393.00	17,802.00	4,465.00	4,833.00	27,403.00
NET FARM INCOME FROM OPERATIONS	(63,634.00)	(5,422.00)	(1,663.00)	(2,527.00)	(2,363.00)

Break-Even PRICE Analysis	Cow-Calf	Native Hay	Oat Hay	Alfalfa Establishment	Alfalfa - Baled
YIELD PER ENTERPRISE UNIT					
Maximum	400	1.75	4	4	4
Most Likely	**373.97**	**1.5**	**3**	**2.54**	**3**
Minimum	350	1	1.5	1.5	1.5
BREAK-EVEN PRICE - CASH EXPENSES					
Minimum	0.59	32.30	33.77	44.17	29.02
Most Likely	**0.64**	**37.68**	**45.03**	**69.56**	**38.69**
Maximum	0.68	56.53	90.05	117.79	77.38
BREAK-EVEN PRICE - GROSS EXPENSES					
Minimum	1.27	87.69	85.87	92.94	65.87
Most Likely	**1.36**	**102.31**	**114.49**	**146.37**	**87.83**
Maximum	1.45	153.47	228.97	247.85	175.66
Probability Analysis (*click button at right*)	Graph	Graph	Graph	Graph	Graph

RMA USDA RightRisk

Whole Farm Budget



Drought Risk Management and Tools to Evaluate Your Strategy

Wrap up

John P. Hewlett

UW – Cooperative Extension Service

Dr. Jay Parsons

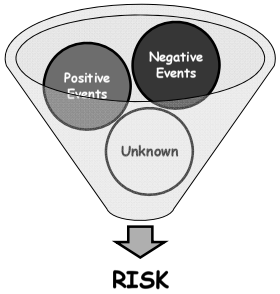
CSU – Risk Management Specialist

RMA

Risk Management Agency

What is RISK?

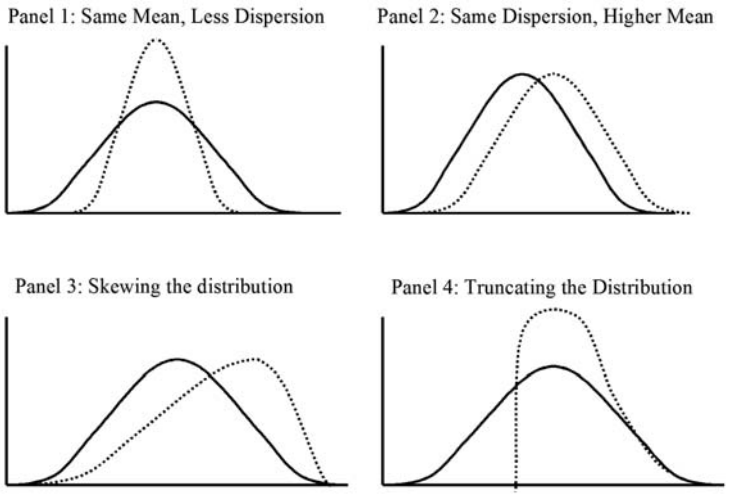
- **Certainty**- lack of doubt
- **Uncertainty**- doubt about future events
- **RISK**- potential variation in the outcome of future events



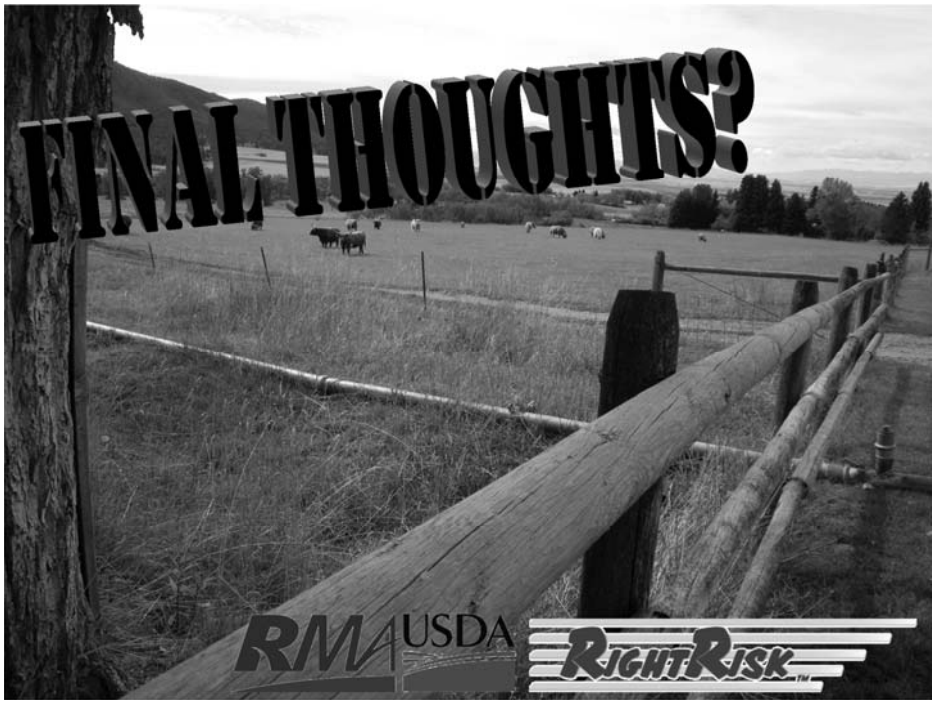
Strategies for Managing Risk

1. Avoid it
2. Reduce it
   a) *Reduce the probability it will happen*
   b) *Reduce the impact if it does happen*
3. Transfer it outside the business
   a) *Insurance*
   b) *Contracting*
4. Increase capacity to bare
   a) *Increase reserves*
   b) *Maintain flexibility*
5. Accept it

Risk Management Strategies:



Risk Management Profiles:
Nine Risk Management Scenarios




http://Oregon.eRightRisk.com
RMA
USDA
RightRisk™