

Drought risk management & tools to evaluate your strategy

Oregon State UNIVERSITY

Extension Service

KCC

Klamath Community College

The USDA's Risk Management Agency, Klamath Community College, 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.

Program #1

Friday, March 8th 2013

9:00 - noon

**Klamath Community College - Bldg #6 Rm #103
7390 South 6th Street, Klamath Falls OR**



Welcome & Overview

Willie Riggs, OSU Outreach Regional Administrator & Director Klamath Basin Agriculture Research and Extension Center



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

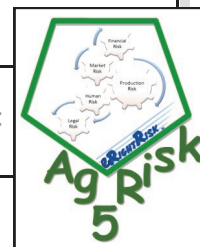
Dr. Jay Parsons, Risk Management Specialist, Colorado State University



Pasture, Rangeland, Forage (PRF) and Forage Risk Management



Introduction to tools to Evaluate Your Risk Management Strategies



Program #2

Friday, March 8th 2013

1:00 - 4:00 p.m.



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



How Much Risk Is Right For You?

Local Contact: For more information or to request special accommodations you may need, please contact Willie Riggs by phone at 541-883-7131 or by email at willie.riggs@oregonstate.edu

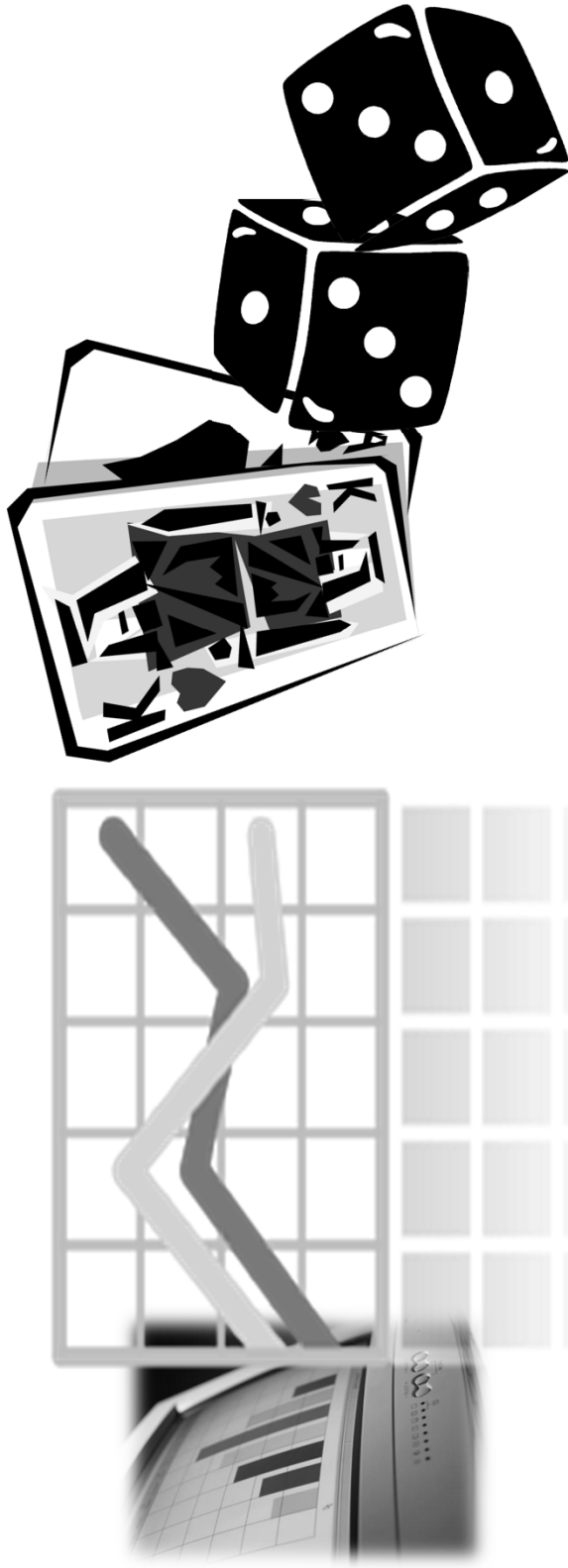
Registration - No registration fee required

To attend contact:
Willie Riggs - Oregon State University
541-883-7131 ~ willie.riggs@oregonstate.edu



Drought Risk Management and Tools to Evaluate Your Strategy

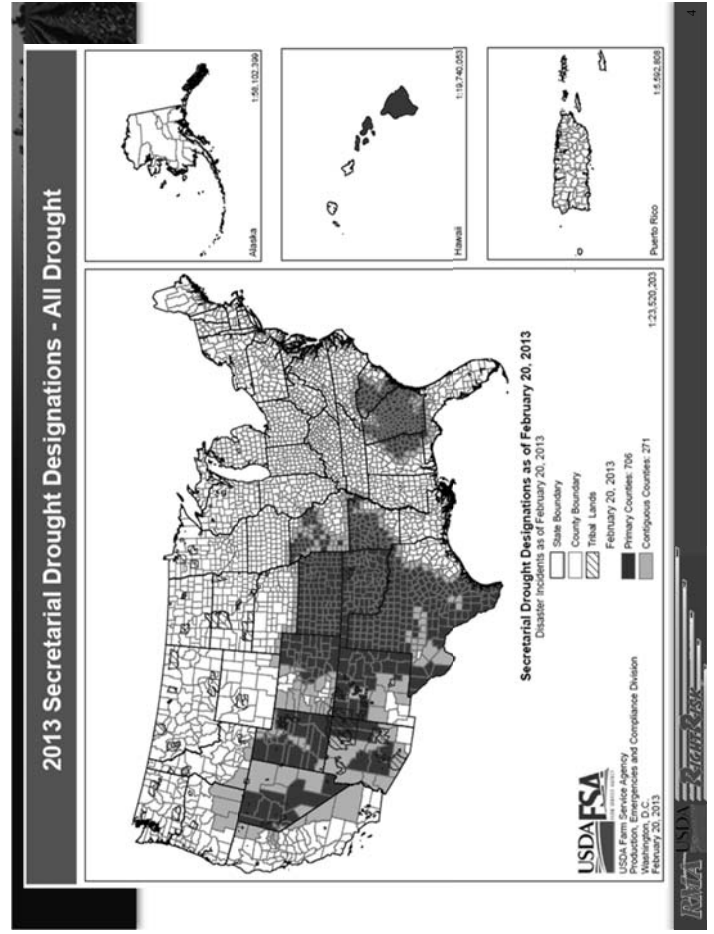
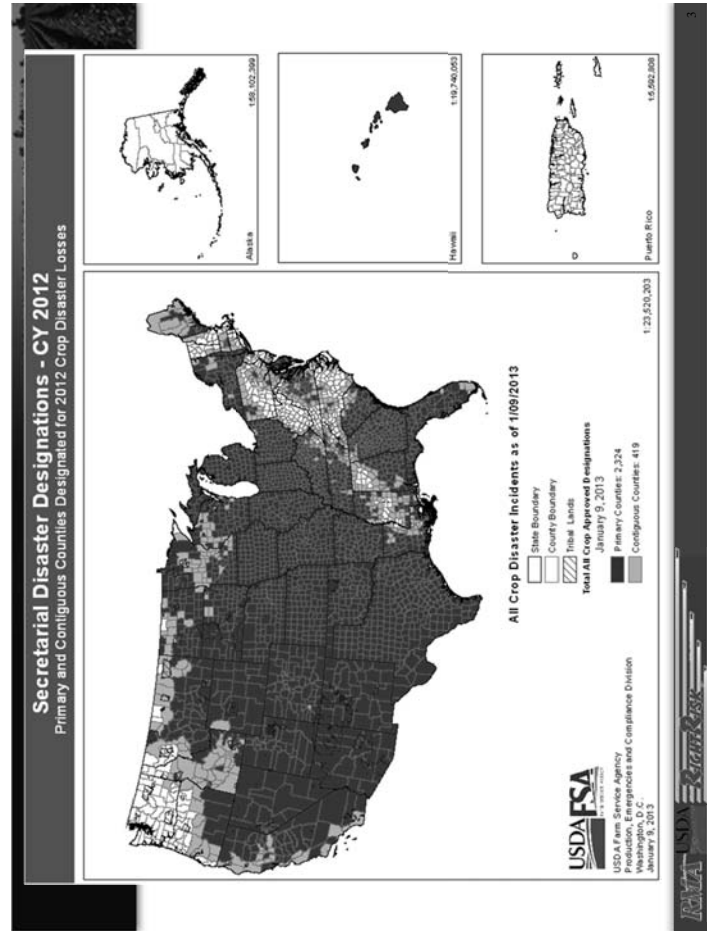
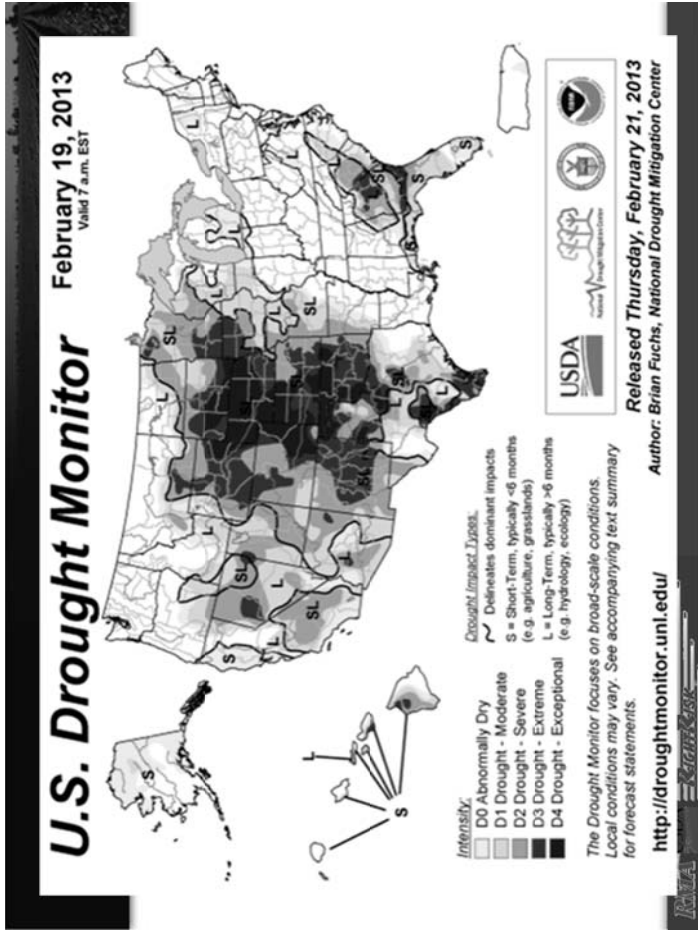
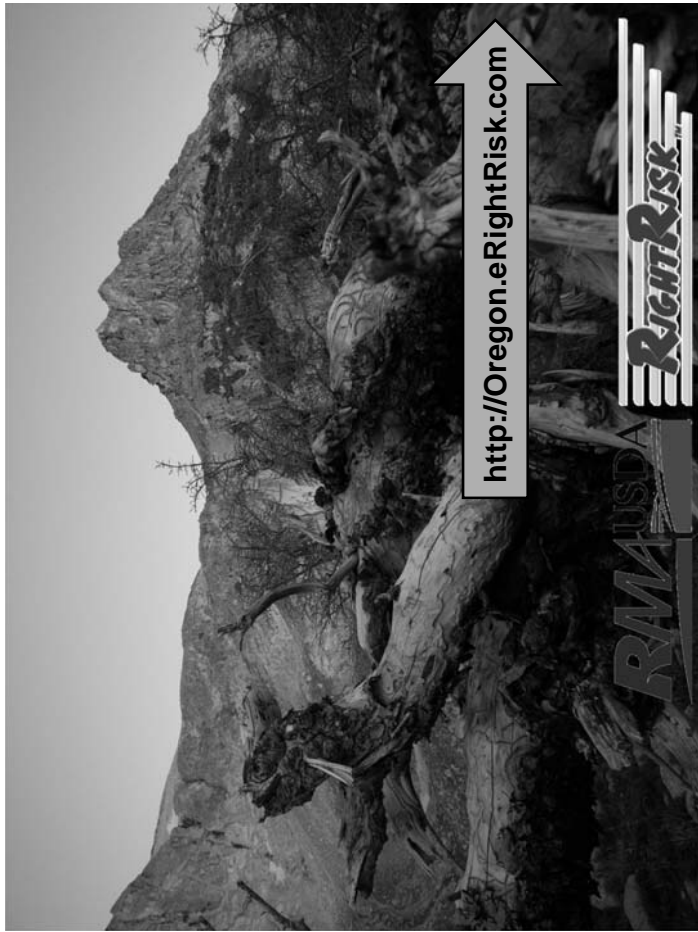
Risk Management Tools
for Oregon Livestock Operators



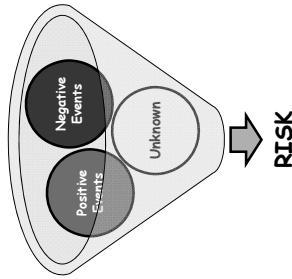
John P. Hewlett – UW Farm/Ranch Management Specialist

Dr. Jay Parsons – CSU Risk Management Specialist

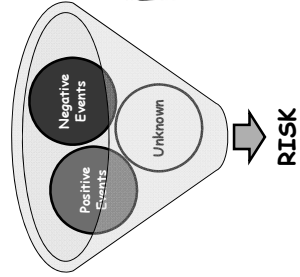




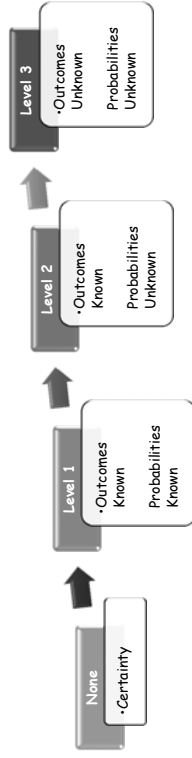
- **Certainty**- lack of doubt
- **Uncertainty**- doubt about future events
- **RISK**- potential variation in the outcome of future events



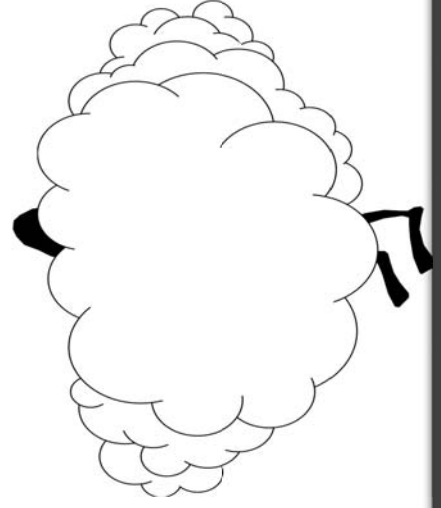
- **Cost of Loss**
 - *Income*
 - *Resources*
 - *Productive capacity, etc.*
- **Cost of Uncertainty**
 - *Worry, doubt, fear, misallocation of resources, etc.*
 - *With potential for gain or loss comes moral or ethical implications*



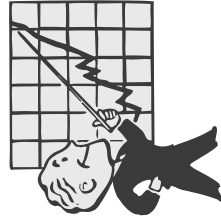
- **RISK**- potential variation in the outcome of future events



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



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



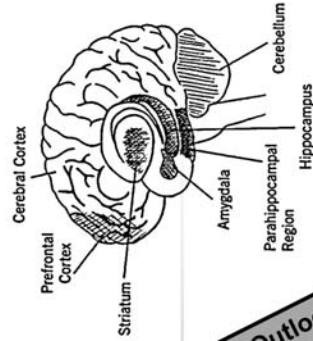
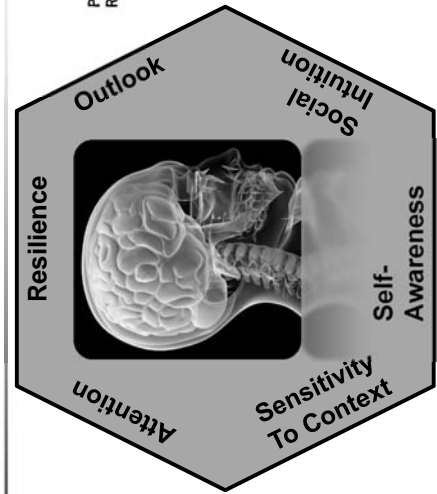
*dynamic and
changing over time.*

Tversky and Kahneman, 1992

- 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



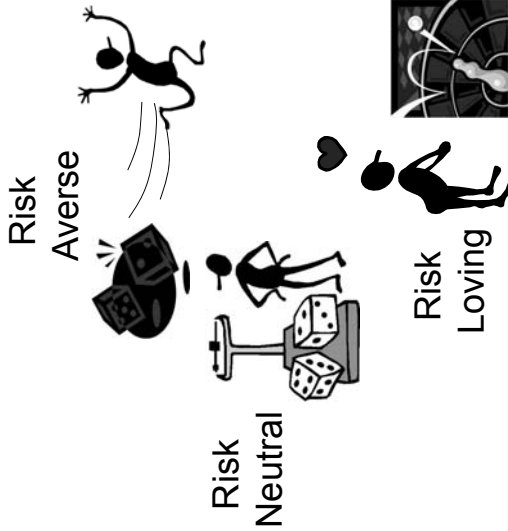
Risk Tolerance: Emotional Style*



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



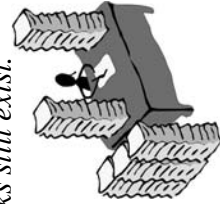
* The Emotional Life of Your Brain, Davidson and Begley, 2012.



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



Profits are returns for taking risks

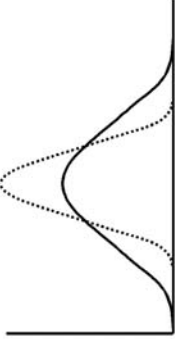
- **Upside:** Greater risk taking usually leads to greater wealth over time
- **Downside:** Losses from risk taking can potentially be devastating
- Managing risks are a matter of **evaluating tradeoffs**
- How much **risk** (uncertainty) are you willing to accept for **possible higher returns?**



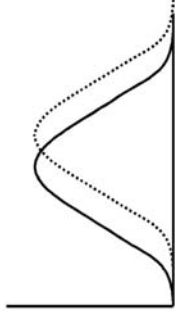
1. Avoid it
2. Reduce it
 - a) Reduce the probability it will happen
 - b) Reduce the impact if it does happen
3. Transfer it outside the business
 - a) Insurance
 - b) Contracting
4. Increase capacity to bare
 - a) Increase reserves
 - b) Maintain flexibility
5. Accept it



Panel 1: Same Mean, Less Dispersion



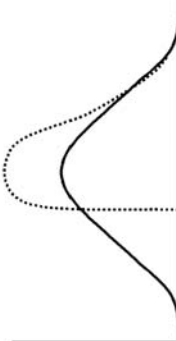
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



Year	Premium	Net Acres	Liability	Gross	Losses	Loss Ratio
1998	3.787	860.859	147,660.489	4,231.658	9,256.911	2.21
1999	3.638	864.081	147,550.234	16,550.234	20,371.211	1.82
2000	3.676	860.996	147,550.234	16,550.234	20,371.211	1.82
2001	3.670	864.699	147,550.234	16,550.234	20,371.211	1.80
2002	3.670	864.699	147,550.234	16,550.234	20,371.211	1.80
2003	3.739	860.443	147,550.234	16,550.234	20,371.211	1.80
2004	3.673	860.443	147,550.234	16,550.234	20,371.211	1.80
2005	3.673	860.443	147,550.234	16,550.234	20,371.211	1.80
2006	3.508	860.312	147,550.234	16,550.234	20,371.211	1.80
2007	3.416	860.014	147,550.234	16,550.234	20,371.211	1.80
2008	3.337	860.014	147,550.234	16,550.234	20,371.211	1.80
2009	3.283	1,061.400	147,550.234	16,550.234	20,371.211	0.20
2010	3.449	1,061.400	147,550.234	16,550.234	20,371.211	0.15
2011	3.573	867.926	147,550.234	16,550.234	20,371.211	0.17
2012	3.512	867.926	147,550.234	16,550.234	20,371.211	0.17

Year	Premium	Net Acres	Liability	Gross	Losses	Loss Ratio
1998	3.787	860.859	147,660.489	4,231.658	9,256.911	2.21
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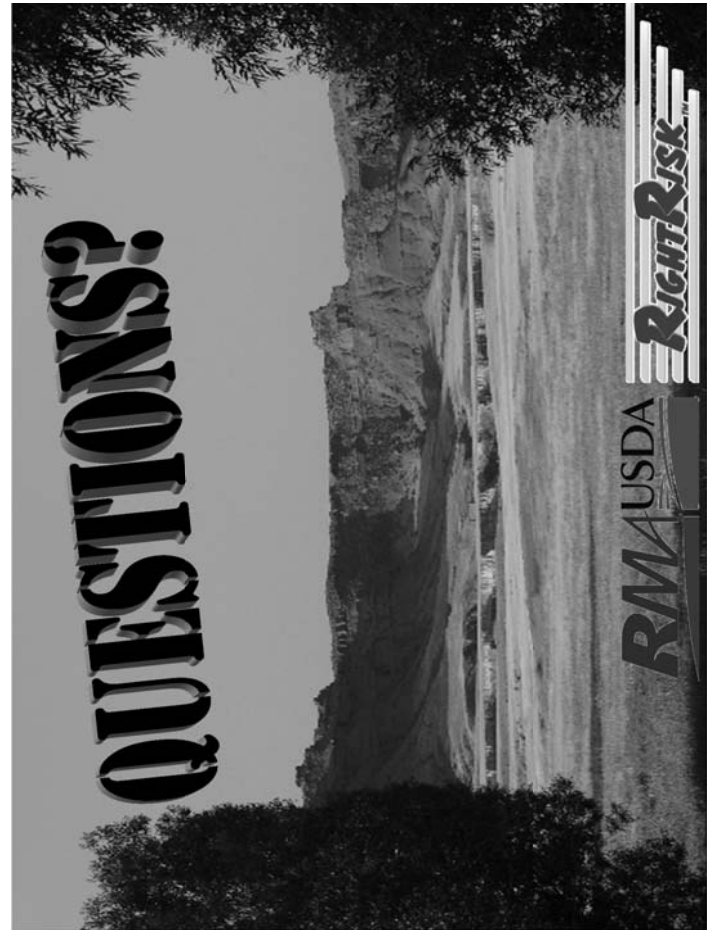
Farm Service Agency: Noninsured Crop Disaster Assistance Program

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	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
FED CATTLE											
OREGON	LRP	2	2	1	5	1	573	23,819	3,097	3,018	.13
FEEDER CATTLE											
OREGON	LRP	23	11	8	24	12	2,267	79,886	10,384	95,394	1.19
LAMB											
OREGON	LRP	29	22	22	70	69	66,817	376,431	48,937	2,132,625	5.67
Grand Total		54	35	31	99	82	69,657	460,136	62,418	2,231,037	4.65

Federal Crop Insurance Corporation
Reinsurance Year Statistics for 2013
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Nationwide Summary - By Commodity/State

State	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	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
FEEDER CATTLE											
OREGON	LRP	2	1	0	1	0	50	77,719	1,801	234	0 .00
FEEDER CATTLE											
OREGON	LRP	12	9	1	17	2	1,504	1,676,463	55,246	7,181	345 .01
LAMB											
OREGON	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	Units Earn Prem	Units Indem	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
FED CATTLE											
LRP	LRP	360	54	28	7,427	11,169,089	376,127	48,901	32	120,153	1.10
FEEDER CATTLE											
LRP	LRP	4238	1174	579	177,645	184,055,335	4,444,706	57,817	1,10	4,880,428	1.10
CATTLE											
LGM	LGM	29	2	1	65	93,210	2,835	8,870.72	0	4,484	1.58
DAIRY CATTLE											
LGM	LGM	1787	900	110	40,534,158	704,863,515	18,162,929	8,870.72	0	1,295,499	.07
LAMB											
LRP	LRP	362	284	275	809,808	227,439,484	4,002,700	639,706	6,03	29,670,081	6.03
SWINE											
LGM	LGM	36	27	21	105,720	17,471,053	657,733	982,384	0	982,384	1.49
SWINE											
LRP	LRP	106	23	14	33,690	5,575,340	286,540	37,252	23	64,843	2.3
SWINE Total		142	50	35	139,410	23,046,393	944,273	1,047,227	37,252	1,047,227	1.11
Grand Total		6,928	2,464	1,028	41,657,911	1,150,657,026	29,851,570	37,017,872	10,174,408	1,24	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	Units Earn Prem	Units Indem	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
FED CATTLE											
LRP	LRP	408	36	2	5,987	9,435,480	298,415	38,537	64	10,038	.04
FEEDER CATTLE											
LRP	LRP	4426	537	78	91,060	97,949,191	2,176,357	262,925	.11	231,999	.11
CATTLE											
LGM	LGM	64	3	0	135	208,054	4,873	0	0	0	.00
DAIRY CATTLE											
LGM	LGM	1697	650	0	29,697,664	581,272,190	15,053,082	6,842,701	0	6,842,701	.00
LAMB											
LRP	LRP	388	239	201	491,631	93,668,647	2,344,964	591,858	5.29	12,410,760	5.29
SWINE											
LGM	LGM	138	24	1	84,415	13,096,700	455,241	1,910	0	1,910	.00
SWINE											
LRP	LRP	117	9	0	15,571	1,752,816	56,870	7,240	0	7,240	.00
SWINE Total		255	33	1	99,986	14,849,516	510,911	1,910	7,240	1,910	.00
Grand Total		7,228	1,498	282	30,386,463	797,393,378	20,396,602	7,793,361	52	12,655,307	.52



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

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

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

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

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

Data as of January 2013



Risk Management Agency/USDA

CROP COVERAGE BY STATE / COUNTY

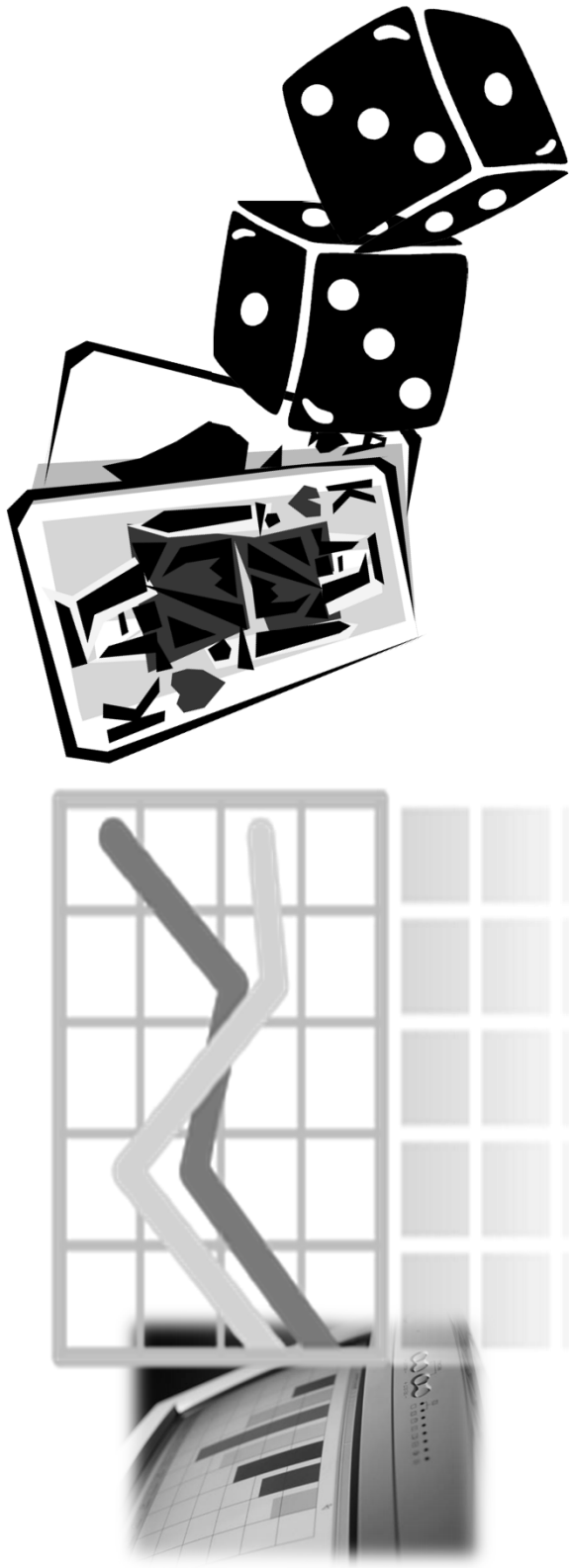
OREGON 2012		A L F A L F A	A P P L E	B A R L E Y	B L U E B E R R Y	C A B B A G E	C A N O L A	C O R N	C R A N B E R R Y	D R Y B E A N S	D R Y P E A S	F O R A G E	A P R I C O T E	N E C T A R I N E S	P E A C H E S	G R A P E S	G R E E N M I N T	M U S T A R D	N U R S E R Y	O A T S	O N I O N S	P L U M S	P E A R S	P O T A T O E S	C A N B E A N S	S O Y B E A N S	S U G A R B E E T S	S W E E T C O R N	W H E A T	
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	
037	Lake			X														X	X										X	
039	Lane		X	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	X	
045	Malheur	X	X	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	
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

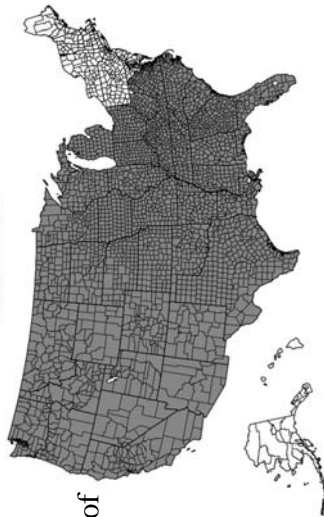
John P. Hewlett – UW Farm/Ranch Management Specialist



- LRP for feeder cattle offers *price* protection for feeder cattle producers. It does *not* cover sickness or death of the cattle or insure against possible rising feed costs.



Feeder Cattle (0801)
Livestock Risk Protection

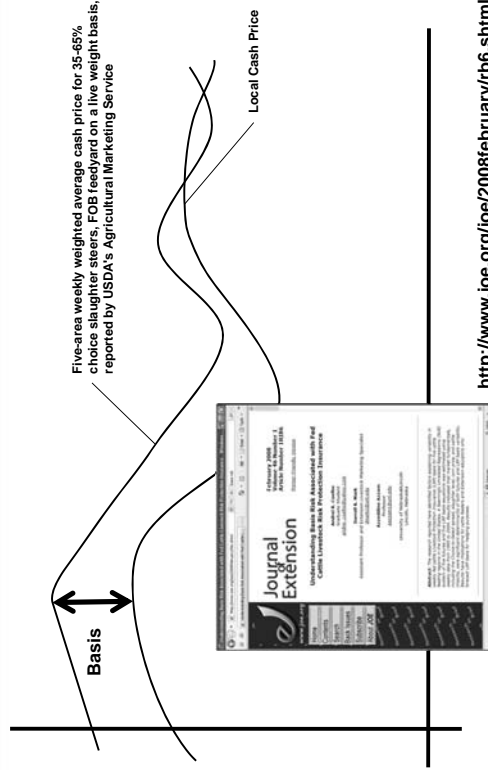


- Now available in all counties of Nebraska and across several other states

- Producers remain subject to *basis price risk*



<http://www.joe/joe/2008february/rb6.shtml>



- **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*



- **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*



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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 CRT	End Date	Actual End Value
41 Oregon	998 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	162,460	0.997300	0.031702	5.160	05/20/2013	
41 Oregon	999 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	160,200	0.963000	0.024532	3.811	05/20/2013	
41 Oregon	998 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	168,000	0.970300	0.018468	2.924	05/20/2013	
41 Oregon	999 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	165,800	0.966000	0.013713	2.137	05/20/2013	
41 Oregon	998 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	163,600	0.943300	0.009850	1.514	05/20/2013	
41 Oregon	999 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	149,200	0.916300	0.004960	0.740	05/20/2013	
41 Oregon	998 All Counties	13	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	162,802	144,800	0.880200	0.002491	0.361	05/20/2013	
41 Oregon	999 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	166,610	0.997300	0.025330	5.865	06/25/2013	
41 Oregon	998 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	163,910	0.964100	0.028445	4.660	06/25/2013	
41 Oregon	999 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	161,610	0.970000	0.022516	3.639	06/25/2013	
41 Oregon	998 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	169,410	0.977900	0.017630	2.916	06/25/2013	
41 Oregon	999 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	167,210	0.944000	0.013463	2.120	06/25/2013	
41 Oregon	998 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	162,910	0.916000	0.007939	1.168	06/25/2013	
41 Oregon	999 All Counties	17	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	166,452	148,410	0.891600	0.004573	0.679	06/25/2013	
41 Oregon	998 All Counties	21	0001 Feeder Cattle	009 Steers Weight 1	997 No Specified	2013	168,739	168,300	0.997400	0.037595	6.327	07/20/2013	

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LRP Coverage Prices, Rates, and Actual Ending Values Criteria

Select a Type. Type selection is not required.

Effective Date: 02/26/2013

State: 41 Oregon

Commodity: 0001 Feeder Cattle

Type: 009 Steers weight 1

Report Type: * Web Output * Formatted for Printing

Holidays where LRP Sales Data will be Unavailable

- 03/20/2013 Good Friday (market holiday)
- 05/27/2013 Memorial Day (market holiday)
- 07/04/2013 Independence Day
- 09/02/2013 Labor Day
- 10/14/2013 Columbus Day
- 11/28/2013 Thanksgiving Day
- 12/25/2013 Christmas Day
- 01/01/2014 New Year's Day
- 02/20/2014 Birthday of Martin Luther King, Jr.
- 02/17/2014 Washington's Birthday

*LRP Sales Data will NOT be available on the Monday following these holidays for Lamb only.

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	0001 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	0001 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162,902	\$160,260	0.983600	0.024532	3.931	05/28/2013
41 Oregon	998 All Counties	13	0001 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	0001 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	162,902	\$155,860	0.956600	0.013713	2.137	05/28/2013
41 Oregon	998 All Counties	13	0001 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	0001 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	0001 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

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★ 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	0001 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	168,739	\$155,100	0.919200	0.010205	1.598	07/23/2013
41 Oregon	998 All Counties	21	0001 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	0001 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	0001 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	0001 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	0001 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169,840	\$162,800	0.958500	0.022738	3.701	08/27/2013
41 Oregon	998 All Counties	26	0001 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	0001 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	0001 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	169,840	\$151,800	0.893600	0.009558	1.299	08/27/2013

★ 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
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★ 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

- Suppose 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**

- This is independent of the actual (cash) marketing decision and outcome

Livestock Insurance:
LRP for Feeder Cattle Example

- Suppose 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.**

Livestock Risk Protection

What is LRP?
 LRP is a voluntary, optional program that allows producers to protect their livestock from price risk. It is a type of insurance that pays out if the price of the livestock falls below a certain level.

How does LRP work?
 Producers purchase LRP contracts for a specific number of animals. The price of the contract is based on the current market price of the livestock. If the price falls below the contract price, the producer will receive a payment from RMA.

Who is eligible for LRP?
 Producers of cattle, hogs, and sheep are eligible for LRP. Producers of other livestock may be eligible in the future.

What are the benefits of LRP?
 LRP provides a guaranteed price for the livestock, protecting producers from price risk. It is a simple and easy-to-use program that can be purchased for a small fee.

Contract Specifications

- Contract Size: 100 head
- Contract Term: 12 months
- Contract Price: \$1.00 per head
- Contract Start Date: 1/1/21
- Contract End Date: 12/31/21
- Contract Location: All US States
- Contract Type: Standard

Contract Summary

Contract Price	\$1.00
Contract Term	12 months
Contract Size	100 head
Contract Start Date	1/1/21
Contract End Date	12/31/21
Contract Location	All US States
Contract Type	Standard

Price Risk Analysis: Futures, Options, LRP Comparison

Summary Results: **Save, Load, Delete a Scenario**

Item	Futures	Options	LRP
Current Futures Price-Initial Position	\$115.55	\$114.00	\$121.50
Put Option Strike Price at Purchase	\$6.00	\$6.00	\$6.00
Put Option Premium @ Strike Price	\$4.55	\$4.55	\$4.55
Expected Basis at Sale Time	\$21.50	\$21.50	\$21.50
LRP Coverage Price Level Selected	\$115.00	\$115.00	\$115.00
LRP Premium For Coverage Level	\$4.55	\$4.55	\$4.55
Futures Price @ Sale/Offset Time	\$115.00	\$115.00	\$115.00
Local Cash Price at Sale Time	\$121.00	\$121.00	\$121.00
Actual Basis at Sale Time	\$6.00	\$6.00	\$6.00
CHE Cash Settlement Index @Sale/Offset	\$115.00	\$115.00	\$115.00
Total Cost of Production Cows Cal	\$105.00	\$105.00	\$105.00

Click Current LRP Coverage Levels at the RMA Web Site

Click 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
- Expected Average Cwt at Time of Sale
- LRP Ownership Share of these cattle
- Number of Feeder Contracts Needed
- Number of Feeder Contracts Purchased
- Percent Hedged

MouseOver for Help Off/On

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

Thank You!

RMA USDA RightRisk



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.

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.

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

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

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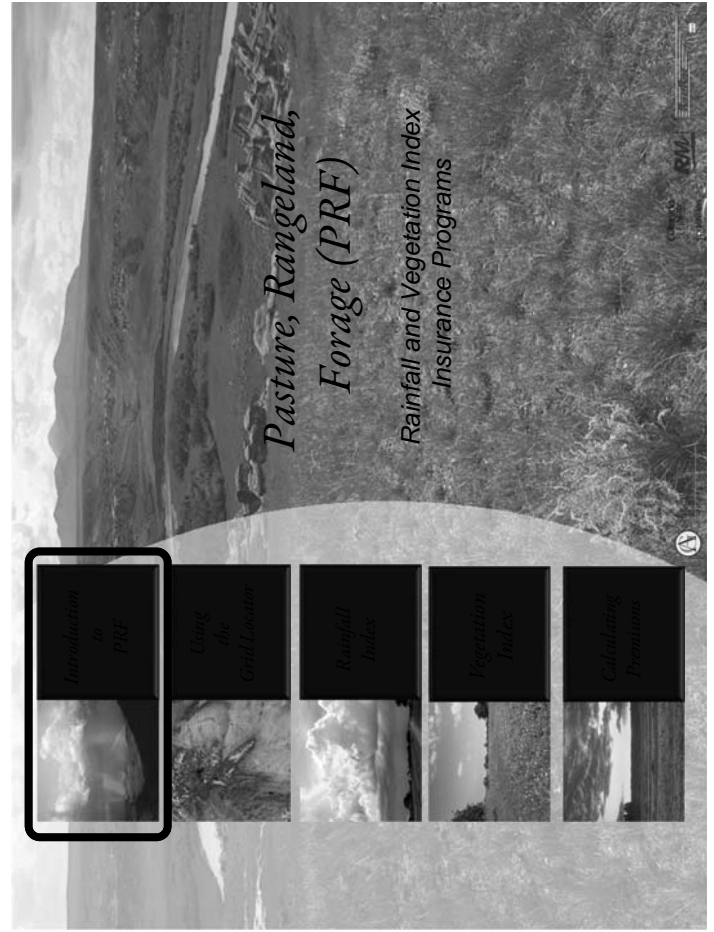
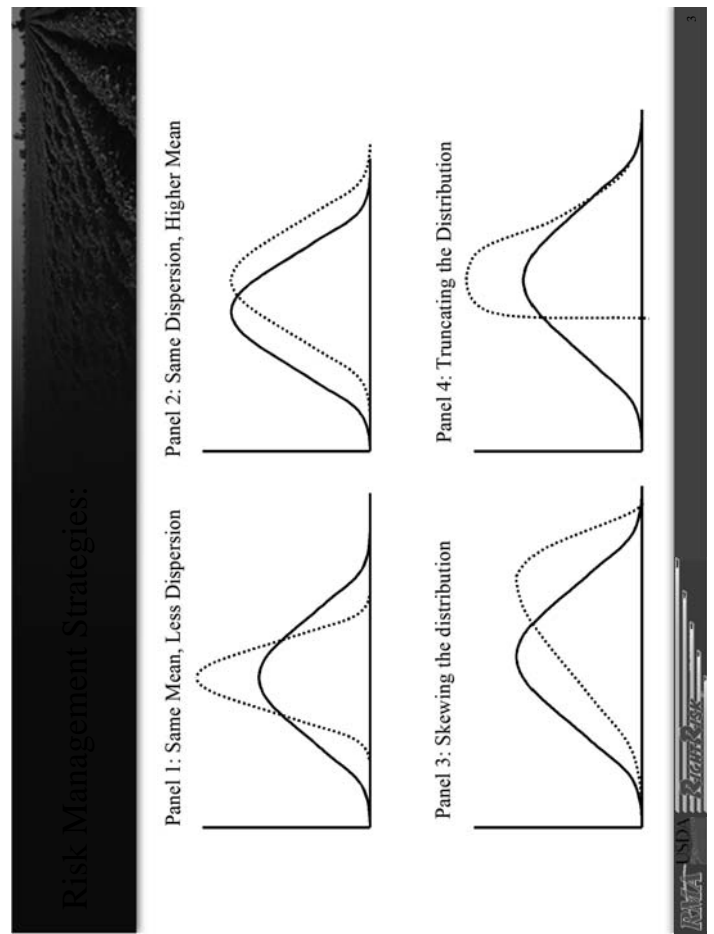
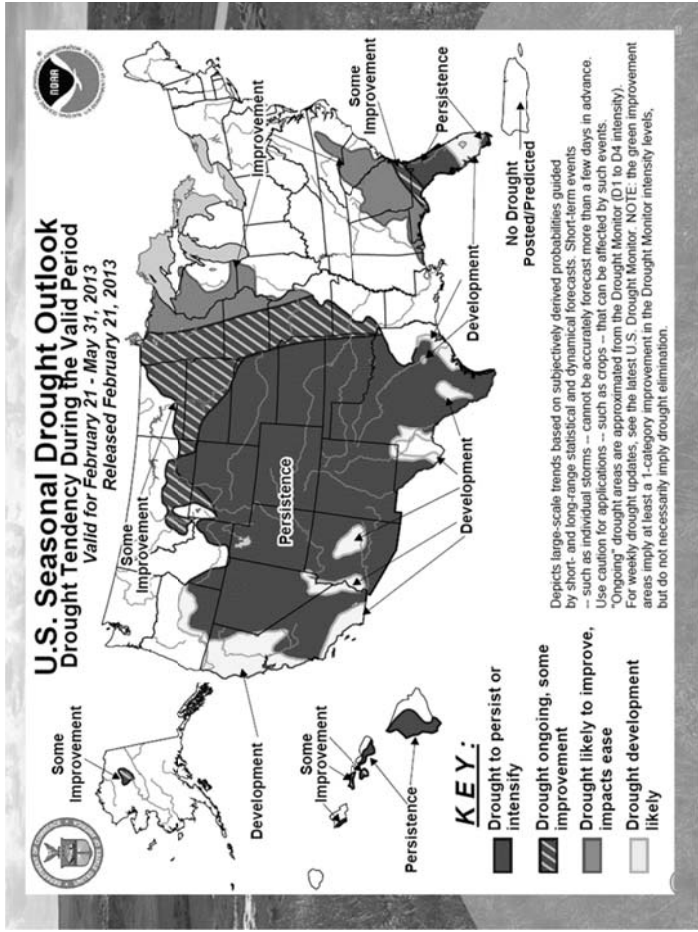
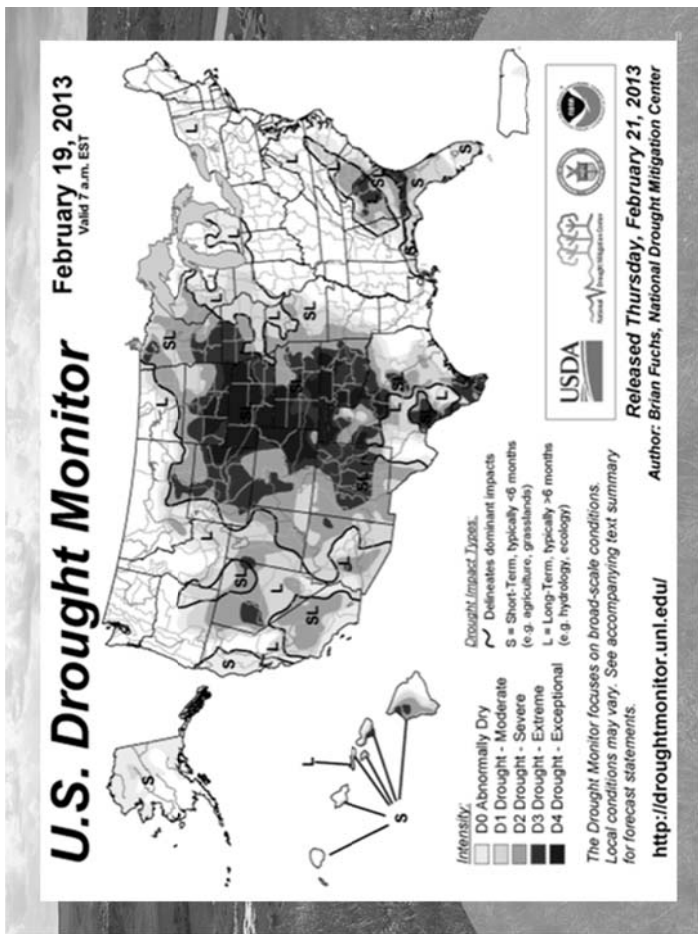
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Managing Drought Risk Using Vegetation Index – Pasture, Rangeland, Forage Insurance

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





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.



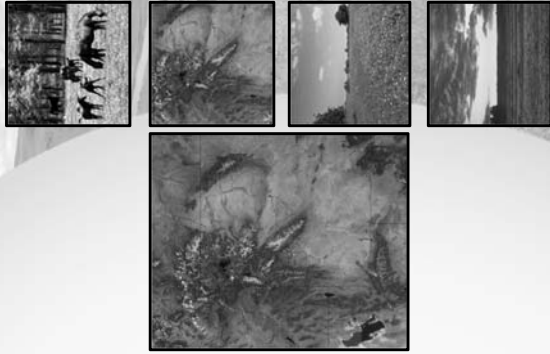
Introduction to PRF Pilot Insurance Program

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

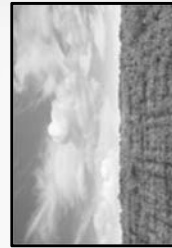
Rainfall Index or Vegetation Index

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

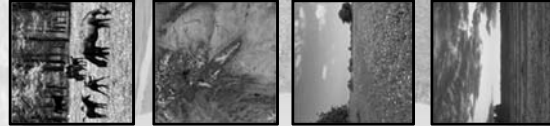
There are two separate indices: the rainfall index, and the vegetation index.



Rainfall Index



Vegetation Index



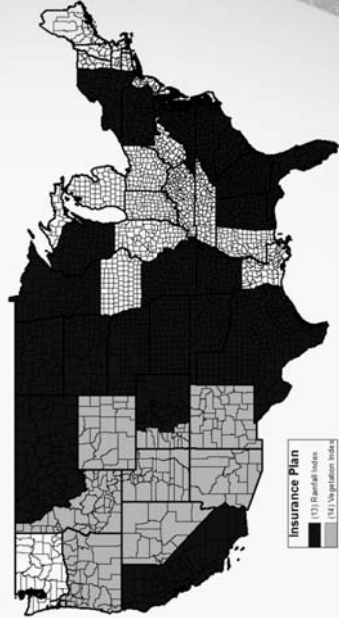
Introduction to PRF Pilot Insurance Program

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](#).

2013 and Succeeding Crop Years - Pasture, Rangeland, Forage Availability



Insurance Plan
(B) Rainfall Index
(W) Vegetation Index



Introduction to PRF Pilot Insurance Program

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.**



Introduction to PRF Pilot Insurance Program

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

Graph

Type: * Index Values © Estimated Indemnities

Range: Start 1889 End 2012

Intervals:

- Jan-Mar
- Feb-Apr
- Apr-Jun
- May-Jul
- Jun-Aug
- Jul-Sep
- Aug-Oct
- Sep-Nov
- Oct-Dec



Introduction to PRF Pilot Insurance Program

Index Intervals

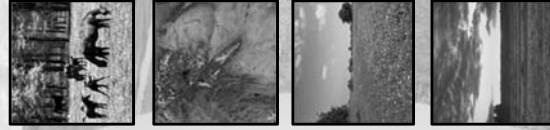
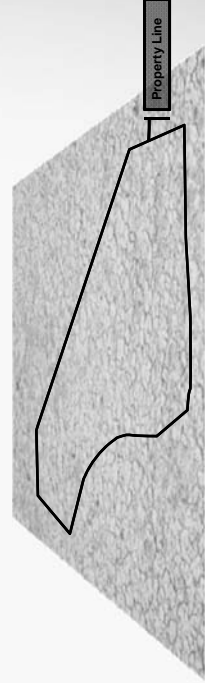
Producers must select the appropriate time frames or index intervals to apply for PRF insurance coverage. It's important to select intervals when forage and pasture production is critical for your operation, and to follow guidelines for your index, county, and grid.

April-2010							May-2010							June-2010																								
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S																		
4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12								
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

Introduction to PRF Pilot Insurance Program

Grid ID Number

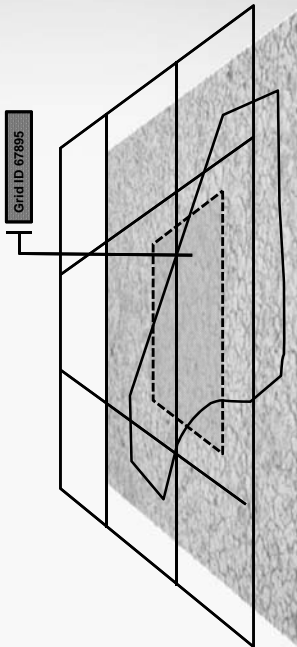
Producers must also select a reference point on the grid that best represents the location of the grazinglands or haylands they want to insure.



Introduction to PRF Pilot Insurance Program

Grid ID Number

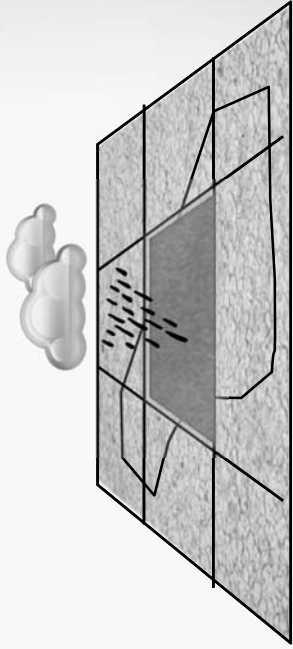
Each grid segment is identified by a grid ID. Rainfall index and vegetation index programs use different grid sizes, so the grid ID will be different depending on which plan is available.



Introduction to PRF Pilot Insurance Program

Expected Index Values

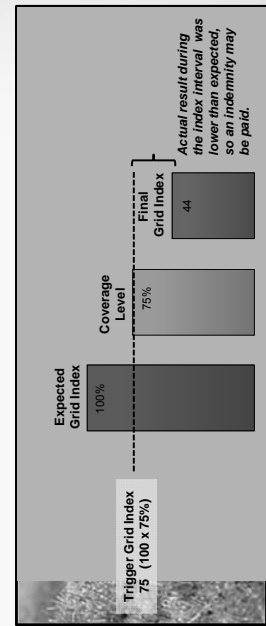
Historical data for each grid is used to determine the expected index value for either precipitation or vegetation greenness.



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.



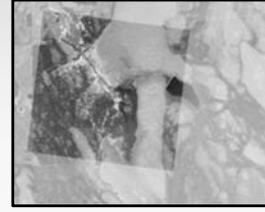
Introduction to PRF Pilot Insurance Program

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.*

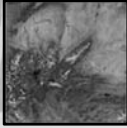


Introduction to PRF Pilot Insurance Program

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
						31

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

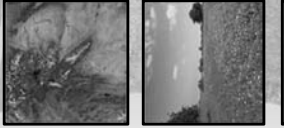
December						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
						31

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.



Introduction to PRF Pilot Insurance Program

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

- **LGM**
Livestock Gross Margin
- **LRP**
Livestock Risk Protection
- **MPCI**
Multi Peril Crop Insurance
- **AGR-Lite**
- **NAP**
Non-Insured CROP DISASTER Assistance Program

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

Introduction to PRF Pilot Insurance Program

Enter a Location to Find

Introduction to PRF Pilot Insurance Program

Find the Property

Grid Locator
Please Select a Location: State: Oregon County: Harney Grid: 59154

Production Information: Index Interval: 50 Policy Rate per Acre: \$100 Premium Subsidy: \$0 Actual Index Value: 50

Productivity Factor (%): 100 Insurable Acres: 100 Sample Year: 2011

Grid Type: Index Values Estimated Indexes

Range: Start: 1989 End: 2012

Months: Jan-Mar Feb-Apr May Apr-Jun Mar-Jul Jun-Aug Jul-Sep Aug-Oct Oct-Dec Oct-Dec

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

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

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool
Pasture, Rangeland, Forage

Please Select a Location: State: Oregon County: Harney Grid: 59154

Production Information: Index Interval: 50 Policy Rate per Acre: \$100 Premium Subsidy: \$0 Actual Index Value: 50

Productivity Factor (%): 100 Insurable Acres: 100 Sample Year: 2011

Grid Type: Index Values Estimated Indexes

Range: Start: 1989 End: 2012

Months: Jan-Mar Feb-Apr May Apr-Jun Mar-Jul Jun-Aug Jul-Sep Aug-Oct Oct-Dec Oct-Dec

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.

Index Interval	Policy Rate per Acre	Premium Subsidy	Actual Index Value
50	\$100	\$0	50
100	\$200	\$0	100
150	\$300	\$0	150
200	\$400	\$0	200
250	\$500	\$0	250
300	\$600	\$0	300
350	\$700	\$0	350
400	\$800	\$0	400
450	\$900	\$0	450
500	\$1000	\$0	500
550	\$1100	\$0	550
600	\$1200	\$0	600
650	\$1300	\$0	650
700	\$1400	\$0	700
750	\$1500	\$0	750
800	\$1600	\$0	800
850	\$1700	\$0	850
900	\$1800	\$0	900
950	\$1900	\$0	950
1000	\$2000	\$0	1000

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

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Pasture, Rangeland, Forage

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Productivity Factor (%): 100 Insurable Acres: 100 Sample Year: 2011

Grid Type: Index Values Estimated Indexes

Range: Start: 1989 End: 2012

Months: Jan-Mar Feb-Apr May Apr-Jun Mar-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec Oct-Dec

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)

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool
Pasture, Rangeland, Forage

Please Select a Location: State: Oregon County: Harney Grid: 59154

Production Information: Index Interval: 50 Policy Rate per Acre: \$100 Premium Subsidy: \$0 Actual Index Value: 50

Productivity Factor (%): 100 Insurable Acres: 100 Sample Year: 2011

Grid Type: Index Values Estimated Indexes

Range: Start: 1989 End: 2012

Months: Jan-Mar Feb-Apr May Apr-Jun Mar-Jul Jun-Aug Jul-Sep Aug-Oct Oct-Dec Oct-Dec

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

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool Pasture, Rangeland, Forage

Please Select a Location: State: Oregon County: Harney Grid: S9154

Protection Information
 Miretype Use: Grazing
 Coverage Level (%): 50
 Productivity Factor (%): 100
 Insured Acres: 100
 Sample Year: 2011

Graph
 Type: Index Values Estimated Indemnities
 Range: Start 1989 End 2012
 Interval: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec

Index	Percent of Value	Actual Index	Insured Acres	Insured Acres Value
JAN-MAR	100	100	100	\$48
FEB-APR	100	100	100	\$48
MAR-MAY	100	100	100	\$48
APR-JUN	100	100	100	\$48
MAY-JUL	100	100	100	\$48
JUN-AUG	100	100	100	\$48
JUL-SEP	100	100	100	\$48
AUG-OCT	100	100	100	\$48
SEPT-NOV	100	100	100	\$48
OCT-DEC	100	100	100	\$48
Total	100	100	100	\$480

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)

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool Pasture, Rangeland, Forage

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 Insured Acres: 100
 Sample Year: 2011

Graph
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APR-JUN	100	100	100	\$48
MAY-JUL	100	100	100	\$48
JUN-AUG	100	100	100	\$48
JUL-SEP	100	100	100	\$48
AUG-OCT	100	100	100	\$48
SEPT-NOV	100	100	100	\$48
OCT-DEC	100	100	100	\$48
Total	100	100	100	\$480

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%

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool Pasture, Rangeland, Forage

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Protection Information
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 Coverage Level (%): 50
 Productivity Factor (%): 100
 Insurable Interest (%): 100
 Insured Acres: 100
 Sample Year: 2011

Graph
 Type: Index Values Estimated Indemnities
 Range: Start 1989 End 2012
 Interval: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec

Index	Percent of Value	Actual Index	Insured Acres	Insured Acres Value
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FEB-APR	100	100	100	\$48
MAR-MAY	100	100	100	\$48
APR-JUN	100	100	100	\$48
MAY-JUL	100	100	100	\$48
JUN-AUG	100	100	100	\$48
JUL-SEP	100	100	100	\$48
AUG-OCT	100	100	100	\$48
SEPT-NOV	100	100	100	\$48
OCT-DEC	100	100	100	\$48
Total	100	100	100	\$480

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

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool Pasture, Rangeland, Forage

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 Productivity Factor (%): 100
 Insurable Interest (%): 100
 Insured Acres: 100
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 Type: Index Values Estimated Indemnities
 Range: Start 1989 End 2012
 Interval: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec

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JUN-AUG	100	100	100	\$48
JUL-SEP	100	100	100	\$48
AUG-OCT	100	100	100	\$48
SEPT-NOV	100	100	100	\$48
OCT-DEC	100	100	100	\$48
Total	100	100	100	\$480

Step 7: Select the Sample Year for Insurance Coverage

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

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool

Pasture, Rangeland, Forage

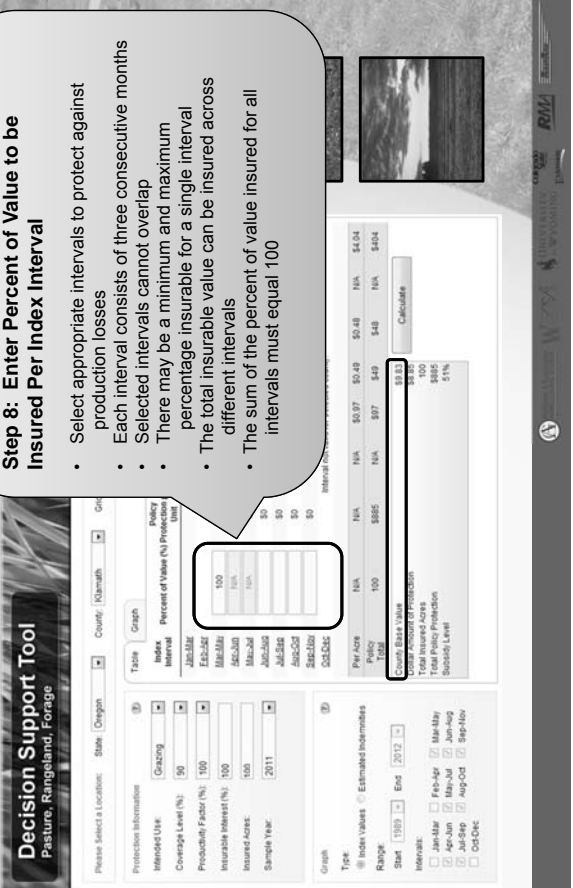
Please Select a Location: State: Oregon County: Harney Grid: 59154

Production Information
 Intended Use: Grazing Coverage Level (%): 90
 Productivity Factor (%): 100 Insurable Interest (%): 100
 Insured Acres: 100 Sample Year: 2011

Graph
 Type: Index Values Estimated Indemnities
 Range: Start: 1959 End: 2012
 Intervals: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec

Interval	Min	Max	Min	Max	Min	Max	Min	Max
1959	100	100	50.48	50.48	50.48	50.48	50.48	50.48
2012	100	100	50.48	50.48	50.48	50.48	50.48	50.48

- 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

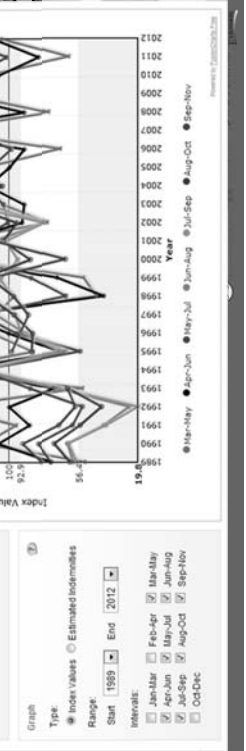
Decision Support Tool

Pasture, Rangeland, Forage

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 Insured Acres: 100 Sample Year: 2011

Graph
 Type: Index Values Estimated Indemnities
 Range: Start: 1959 End: 2012
 Intervals: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec



Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool

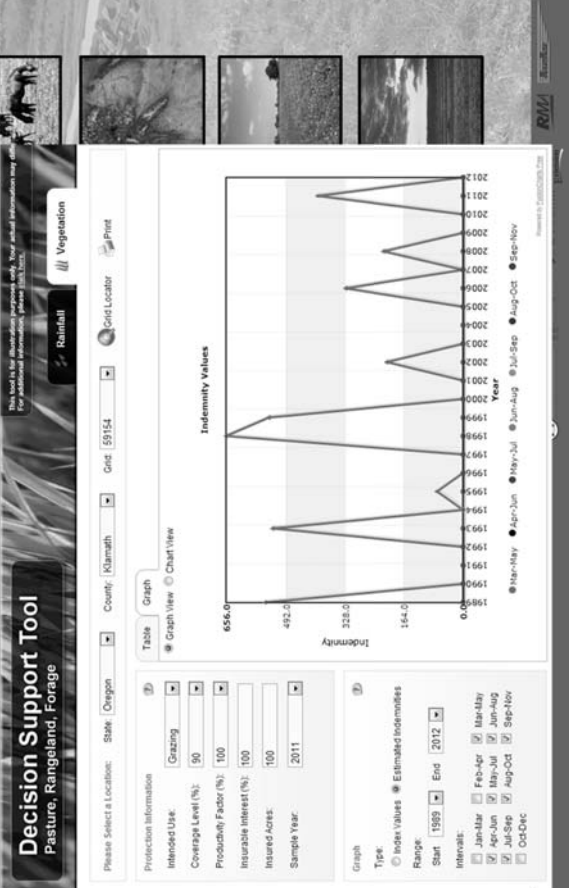
Pasture, Rangeland, Forage

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Production Information
 Intended Use: Grazing Coverage Level (%): 90
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 Insured Acres: 100 Sample Year: 2011

Graph
 Type: Index Values Estimated Indemnities
 Range: Start: 1959 End: 2012
 Intervals: Jan-Mar Feb-Apr Mar-May Apr-Jun May-Jul Jun-Aug Jul-Sep Aug-Oct Sep-Nov Oct-Dec

Year	Jan-Mar	Feb-Apr	Mar-May	Apr-Jun	May-Jul	Jun-Aug	Jul-Sep	Aug-Oct	Sep-Nov	Oct-Dec
2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2011	404.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2008	0.0	220.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2004	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2001	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1999	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1998	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1997	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1996	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1995	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1994	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1993	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1992	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0



Vegetation Index

Using the Vegetation Index Decision Support Tool

Year	Jan-Mar	Feb-Apr	Mar-May	Apr-Jun	May-Jul	Jun-Aug	Jul-Sep	Aug-Oct	Sep-Nov	Oct-Dec	Premium
2012	-	-	-	0	0	0	0	0	0	0	48
2011	-	-	404	0	0	0	0	0	0	0	48
2010	-	-	0	0	0	0	0	0	0	0	48
2009	-	-	0	0	0	0	0	0	0	0	48
2008	-	-	220	0	0	0	0	0	0	0	48
2007	-	-	0	0	0	0	0	0	0	0	48
2006	-	-	327	0	0	0	0	0	0	0	48
2005	-	-	0	0	0	0	0	0	0	0	48
2004	-	-	0	0	0	0	0	0	0	0	48
2003	-	-	0	0	0	0	0	0	0	0	48
2002	-	-	211	0	0	0	0	0	0	0	48
2001	-	-	0	0	0	0	0	0	0	0	48
2000	-	-	0	0	0	0	0	0	0	0	48
1999	-	-	538	0	0	0	0	0	0	0	48
1998	-	-	656	0	0	0	0	0	0	0	48
1997	-	-	0	0	0	0	0	0	0	0	48
1996	-	-	0	0	0	0	0	0	0	0	48
1995	-	-	72	0	0	0	0	0	0	0	48
1994	-	-	0	0	0	0	0	0	0	0	48
1993	-	-	527	0	0	0	0	0	0	0	48
1992	-	-	0	0	0	0	0	0	0	0	48
1991	-	-	0	0	0	0	0	0	0	0	48
1990	-	-	0	0	0	0	0	0	0	0	48
1989	-	-	547	0	0	0	0	0	0	0	48
NET:											1,152

NET: 2,350

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

Decision Support Tool
Pasture, Rangeland, Forage

Please Select a Location: State: Oregon County: Klamath Grid: 59154

Production Information
Meadow Use: Hay/209 Coverage Level (%): 90 Insurable Acres: 100 Sample Year: 2011

Graph Type: Index Values Estimated Indemnities Range: Start 1989 End 2012

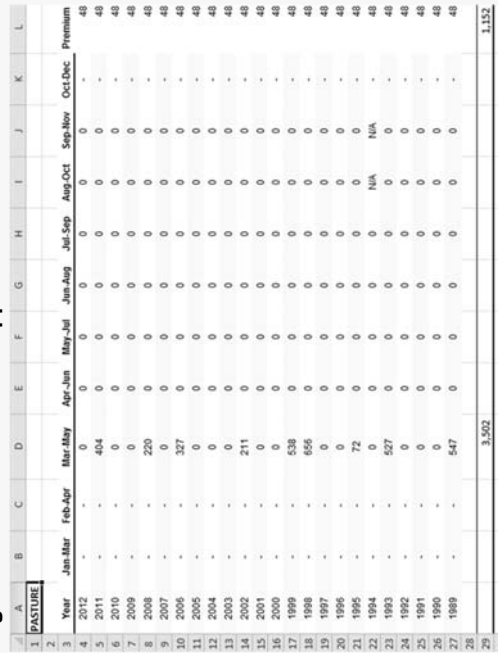
Index Interval	Percent of Value (%)	Policy Rate per Unit	Premium Interval \$100	Total Premium	Producer Satisfy	Actual Indemnity Value
Jan-Mar	100	\$48,947	10.97	\$5,359	\$2,738	\$2,631
Apr-Jun	NA	0	0	0	0	0
Jul-Sep	NA	0	0	0	0	0
Oct-Dec	NA	0	0	0	0	0
Per Acre	NA	NA	NA	\$53.69	\$27.38	\$26.31
Policy Total	100	\$48,947	NA	\$5,359	\$2,738	\$2,631
Actual Indemnity						\$223.52

NET: 130,693

NET: 130,693

Vegetation Index

Using the Vegetation Index Decision Support Tool



NET: 2,350

Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

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Pasture, Rangeland, Forage

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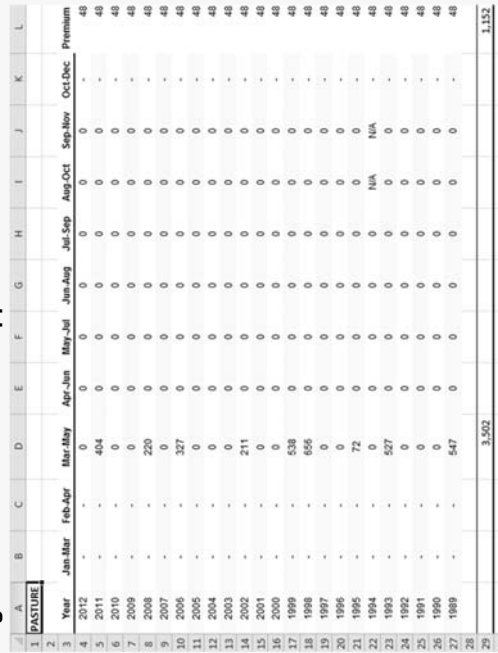
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Vegetation Index

Using the Vegetation Index Decision Support Tool



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Introduction to PRF Pilot Insurance Program

Using the Vegetation Index Decision Support Tool

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Pasture, Rangeland, Forage

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NET: 130,693

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Introduction to PRF Pilot Insurance Program

Finding Information about the Vegetation Index Program

Search RMA
Enter search text

Browse by Subject

- ▶ Bulletins and Handbooks
- ▶ Crop Policies and Pilots
- ▶ Federal Crop Insurance Corporation - FCIC
- ▶ Information By
- ▶ Laws and the
- ▶ Livestock Risk
- ▶ Reinsurance

Pasture, Rangeland, Forage

The United States currently comprises about 588 million acres of pasture and rangeland and 61.5 million acres of hay land. The following insurance program: for pasture, rangeland, and forage (PRF) utilize various indexing systems to determine crop condition. Also see livestock policies and resources.

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/>

Vegetation Index (VI) - is based on the U.S. Geological Survey's Earth Resources Observation and Science (EOS) normalized difference vegetation index (NDVI) data. It allows producers to observe long-term changes in greenness of vegetation of the earth since 1989.

- County Availability (PPF): Map | Text
- Basic Provisions (PPF)
- Policy Provisions (PPF)
- Policy Provisions (LFP)
- Grid ID Locator, Decision Support Tool, Historical Indices

Forage Production Index - is based on NASS county level hay yield data (all hay or alfalfa hay). The index reflects how much hay is produced relative to the long-term trend for the county. Coverage is available for forage production in select counties.

- Policy Provisions Handbook
- Final Payment Yield Reports

Disaster Assistance Programs

Supplemental Revenue Assistance (SURE)

- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Assistance Program (ELAP)



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	In Plan	Pol Sold	Pol Earn	Units Insured	Units Paid	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Share	Share Decrt	Indemnity	Loss Ratio
OREGON														
ADJUSTED GROSS REVENUE	8	8	8	0	0	0	21,796,980	1,177,209	842,738	0	0	0	0	0.00
ALFALFA	3	3	3	0	0	0	30,438	1,537,272	4,612	0	0	0	0	0.00
ALFALFA SEED	144	144	144	0	0	0	318,251	156,132	435,864	1,338	0	0	0	0.00
BARLEY	82	82	82	1	1	15,364	2,803,240	289,133	364,718	1,339	0	0	0	0.00
BARLEY VPF	164	164	164	35	35	5,615,609	657,607	148,000	806,697	1,23	0	0	0	0.00
BARLEY TSM	32	32	32	0	0	0	2,924	570,149	0	0	0	0	0	0.00
BULBERRIES	17	17	17	0	0	0	1,331,096	296,502	0	0	0	0	0	0.00
CANOLA	3	3	3	5	5	2,613	1,024,895	197,785	0	0	0	0	0	0.00
CANOLA TSM	11	11	11	5	5	2,370	696,303	69,272	38,428	0	0	0	0	0.00
CHERRIES	185	185	185	49	49	5,640	1,821,694	245,202	111,218	0	0	0	0	0.00
CORN	117	117	117	1	1	26,542	10,339,127	248,044	189,266	0	0	0	0	0.00
CORN TSM	132	132	132	3	3	29,231	12,827,893	453,935	332,281	0	0	0	0	0.00
CYPERUS	4	4	4	0	0	0	1,562	156,200	0	0	0	0	0	0.00
CYPERUS TSM	25	25	25	2	2	3,883	1,905,080	156,789	87,311	0	0	0	0	0.00
DRY BEANS	245	245	245	0	0	0	1,001,205	74,608	43,372	0	0	0	0	0.00
DRY PEAS	13	13	13	0	0	0	4,297	1,449	2,311	0	0	0	0	0.00
FRESH PEACHES	13	13	13	0	0	0	70,875	3,449	0	0	0	0	0	0.00
FRESH PEACHES TSM	313	313	313	7	7	12,024	4,442,126	32,269	179,049	0	0	0	0	0.00
GREEN PEAS	11	11	11	0	0	0	1,817	14,298	0	0	0	0	0	0.00
MUSTARD	67	67	67	0	0	0	204,133,222	2,308,432	2,292,117	0	0	0	0	0.00
MUSTARD TSM	11	11	11	0	0	0	1,817	14,298	0	0	0	0	0	0.00
NUTRITION	12	12	12	0	0	0	1,817	14,298	0	0	0	0	0	0.00
POTATOES	125	125	125	0	0	0	48,074,115	1,482,789	665,769	0	0	0	0	0.00
POTATOES TSM	34	34	34	2	2	1,451	896,823	59,560	37,338	0	0	0	0	0.00
PROCESSING BEANS	44	44	44	11	11	2,506	1,628,817	82,089	50,564	0	0	0	0	0.00
SWEET CORN	232	232	232	0	0	0	1,817	14,298	0	0	0	0	0	0.00
WHEAT	652	652	652	40	40	59,191	45,127,311	2,068,159	3,267,427	0	0	0	0	0.00
WHEAT TSM	1,189	1,189	1,189	659	659	879,951	633,462,475	30,509,297	23,167,800	0	0	0	0	0.00
OREGON Total	6,189	6,189	6,189	659	659	879,951	633,462,475	30,509,297	23,167,800	0	0	0	0	0.00
Grand Total	6,189	6,189	6,189	659	659	879,951	633,462,475	30,509,297	23,167,800	0	0	0	0	0.00



John P. Prescott



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

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Drought Risk Management and Tools to Evaluate Your Strategy

Tools to Evaluate Your Strategies



John P. Hewlett

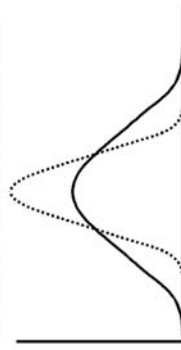
UW – Cooperative Extension Service

Dr. Jay Parsons

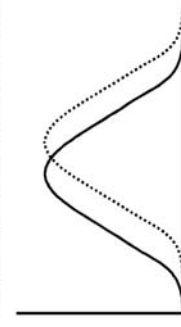
CSU – Risk Management Specialist



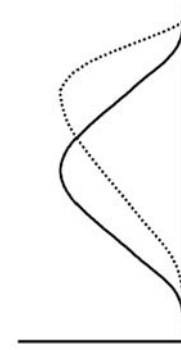
Panel 1: Same Mean, Less Dispersion



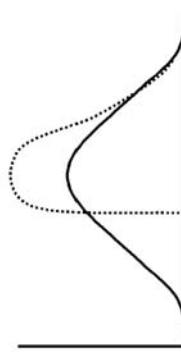
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



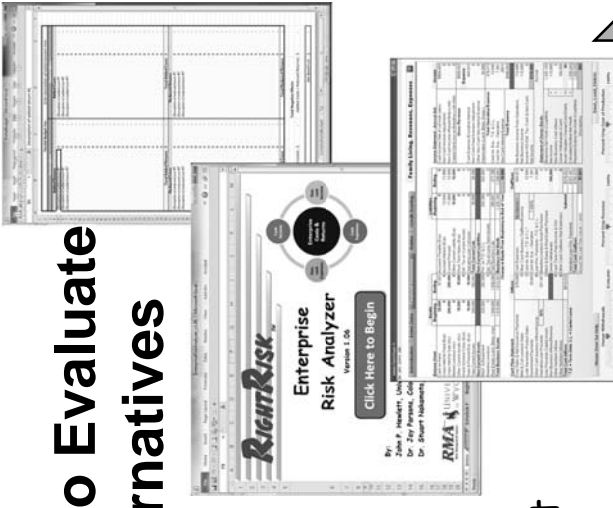
Panel 4: Truncating the Distribution



Tools to Evaluate Alternatives

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

<http://RightRisk.org> > Tools



Partial Budget

Item	Unit	Value	Net Benefit of \$
Partial Budget Item: Enter description of modification here			
1	1000 bushels	1000	1000
2	1000 bushels	1000	1000
3	1000 bushels	1000	1000
4	1000 bushels	1000	1000
5	1000 bushels	1000	1000
6	1000 bushels	1000	1000
7	1000 bushels	1000	1000
8	1000 bushels	1000	1000
9	1000 bushels	1000	1000
10	1000 bushels	1000	1000
11	1000 bushels	1000	1000
12	1000 bushels	1000	1000
13	1000 bushels	1000	1000
14	1000 bushels	1000	1000
15	1000 bushels	1000	1000
16	1000 bushels	1000	1000
17	1000 bushels	1000	1000
18	1000 bushels	1000	1000
19	1000 bushels	1000	1000
20	1000 bushels	1000	1000
21	1000 bushels	1000	1000
22	1000 bushels	1000	1000
23	1000 bushels	1000	1000
24	1000 bushels	1000	1000
25	1000 bushels	1000	1000
26	1000 bushels	1000	1000
27	1000 bushels	1000	1000
28	1000 bushels	1000	1000
29	1000 bushels	1000	1000
30	1000 bushels	1000	1000
31	1000 bushels	1000	1000
32	1000 bushels	1000	1000
33	1000 bushels	1000	1000
34	1000 bushels	1000	1000
Total Positive Effect (Added Income + Reduced Costs) \$			Net Benefit of \$



Enterprise Budget

	C	D	E	F	G
FARM REVENUE	Com-Cat	Native Hay	Out Hay	Allala	Establishment Allala - Baled
TOTAL FARM INCOME - CASH	121,755.00	12,380.00	2,802.00	2,306.00	25,040.00
TOTAL NON-CASH INCOME ADJUSTMENTS					
GROSS FARM REVENUE	121,755.00	12,380.00	2,802.00	2,306.00	25,040.00
FARM EXPENSES					
FARM EXPENSES - CASH	86,643.00	6,557.00	1,756.00	2,297.00	12,072.00
FARM EXPENSES - NON-CASH	11,530.00	11,530.00	2,782.00	5,233.00	15,333.00
GROSS FARM EXPENSES	108,173.00	18,087.00	4,538.00	7,530.00	27,405.00
NET FARM INCOME FROM OPERATIONS	(63,634.00)	(5,422.00)	(1,663.00)	(2,527.00)	(2,363.00)
Break-Even Price Analysis					
YIELD PER ENTERPRISE UNIT	Com-Cat	Native Hay	Out Hay	Allala	Establishment Allala - Baled
Minimum	17.75	1.5	4	4	4
Most Likely	37.87	1.5	4	2.54	4
Maximum	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	85.67	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



Whole Farm Budget

Introduction		Enter Data		Financial Statements		Ratios		Credit Scoring		Family Living, Revenues, Expenses																																																																																																																																																													
<table border="1"> <tr> <th colspan="2">Balance Sheet</th> <th colspan="2">Assets</th> <th colspan="2">Liabilities</th> <th colspan="2">Income</th> <th colspan="2">Expenses</th> <th colspan="2">Income</th> </tr> <tr> <td>Cash on Hand</td> <td>25,000</td> <td>Cash</td> <td>100,000</td> <td>Accounts Payable (Acc)</td> <td>10,000</td> <td>Accounts Payable (Ecn)</td> <td>10,000</td> <td>Accounts Payable (Ecn)</td> <td>10,000</td> <td>Accounts Payable (Ecn)</td> <td>10,000</td> </tr> <tr> <td>Notes Receivable</td> <td>0</td> <td>Notes Receivable</td> <td>0</td> <td>Current Principal (Ecn)</td> <td>0</td> <td>Current Principal (Ecn)</td> <td>0</td> <td>Current Principal (Ecn)</td> <td>0</td> <td>Current Principal (Ecn)</td> <td>0</td> </tr> <tr> <td>Accounts Receivable</td> <td>0</td> <td>Accounts Receivable</td> <td>0</td> <td>Other Current Liabilities (Ecn)</td> <td>0</td> <td>Other Current Liabilities (Ecn)</td> <td>0</td> <td>Other Current Liabilities (Ecn)</td> <td>0</td> <td>Other 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Drought Risk Management and Tools to Evaluate Your Strategy

Wrap up



John P. Hewlett

UW – Cooperative Extension Service

Dr. Jay Parsons

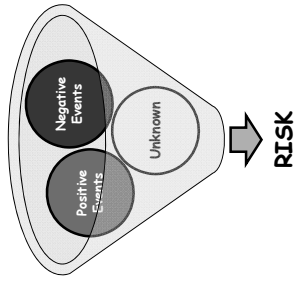
CSU – Risk Management Specialist





What is RISK?

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

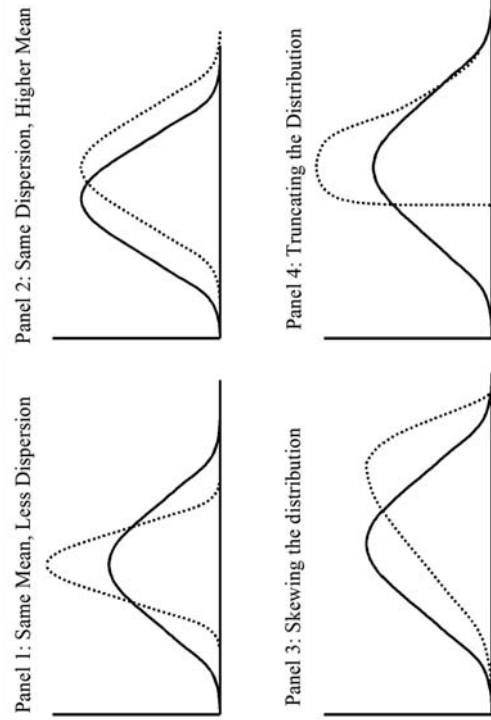


Strategies for Managing Risk

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**



RISK MANAGEMENT PROFILES

VI-PRF pilot insurance minimizes feed risk for 2-F

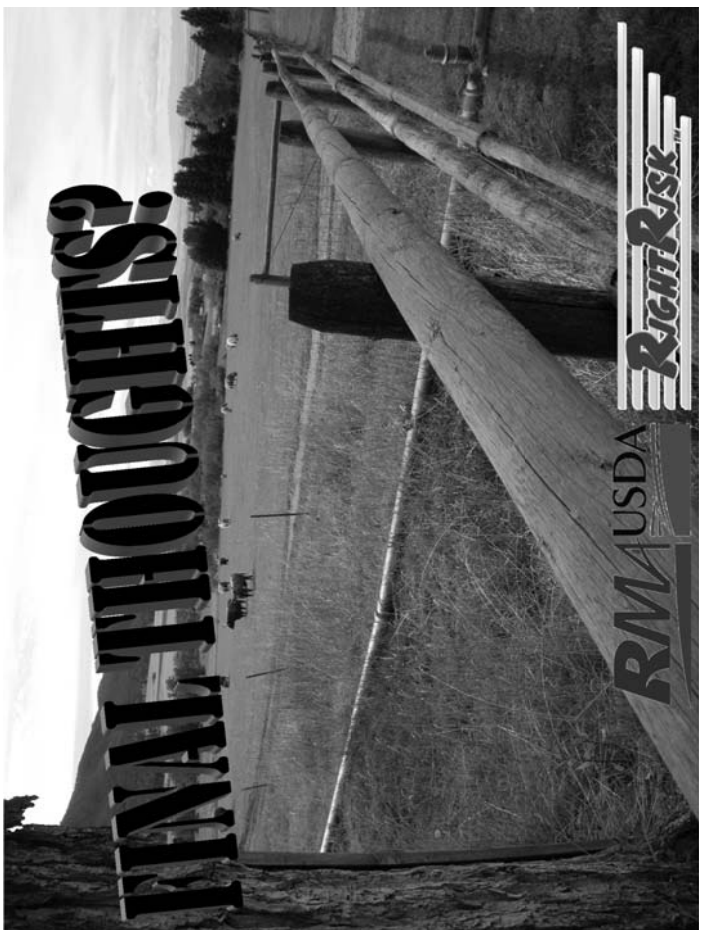
1. The state has implemented a new feed insurance program that allows producers to insure feed costs on 10,000 acres of pasture and 200 acres of cropland. The program is available to producers who have a feed inventory of 100,000 bushels or more. The program is available to producers who have a feed inventory of 100,000 bushels or more.
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Probability/area	Intensity/area	Total Intensity/area	Target Intensity/area
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500
50/50	50/50	2,500	500

Feed risk is calculated by multiplying the probability of a feed shortage by the total intensity of the feed shortage. The target intensity is the maximum amount of feed that can be stored on the farm. The feed risk is the difference between the total intensity and the target intensity.

<http://RightRisk.org> > Resources > RiskMgtProfiles

<http://RightRisk.org>





<http://Oregon.eRightRisk.com>

