

Forage and Range Production Risk Management

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Harvested Roughage Insurance Products

- Corn for Silage
- Forages
- Forage Seeding

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Corn for Silage

- MPCU
- Basic, Optional, or Enterprise Units
- Must Establish an APH
- Yield Election: 50, 55, 60, 65, 70, 75%
- Price Election: 60-100%

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Corn for Silage

- In Montana, Wyoming , western South Dakota, and western North Dakota corn for silage actuarial tables pertain primarily to irrigated production.

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Forages

- MPCI for alfalfa, alfalfa/grass, and grass/alfalfa
- Forages can be winter-grazed
- Basic, Optional, or Enterprise Units
- Must establish an APH
- Yield election: 50, 55, 60, 65, 70, 75%
- Price election: 55 – 100%
 - a. alfalfa price: \$84/ton
 - b. alfalfa/grass price: \$84/ton
 - c. grass/alfalfa price: \$75/ton

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Forages

- Insurable years after stand establishment
 - Irrigated alfalfa:
 - years 1 – 5
 - Irrigated alfalfa/grass:
 - years 1-7
 - Nonirrigated alfalfa:
 - years 1 – 3
 - Nonirrigated alfalfa/grass:
 - years 1 – 5
 - Nonirrigated grass/alfalfa:
 - after year 2

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Forage Seeding

- MPCI for irrigated and nonirrigated alfalfa and alfalfa/grass
- Spring planted forages (grazing not allowed)
- Basic, Optional, or Enterprise Units
- Coverage levels: 50, 55, 60, 65, 70, 75%
- Percent of insurance: 67 - 100%
- Insurance amounts:
 - a. irrigated: \$64 - \$127/Acre
 - b. nonirrigated: \$55 - \$82/Acre

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Forage Seeding

- Example: Select 90% of maximum amount of insurance at 70% coverage on 30 acres of irrigated alfalfa
 - $0.90 \times 0.70 \times \$127 = \$80/\text{acre}$
 - $\$80/\text{acre} \times 30 \text{ acres} = \$2,400$
 - Suppose a loss causes only 10 acres to have a 75% or greater stand
 - $10 \text{ acres} \times \$80 = \$800$
 - Indemnity: $\$2,400 - \$800 = \$1,600$

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Rangeland Insurance Product

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Rangeland GRP

- Pilot group risk plan
- Coverage levels: 65 – 90%
- Individual APH is not required
- NASS records on nonirrigated hay production per acre are used to determine expected county yields
- Producer trigger yield is the coverage level multiplied by expected county yield

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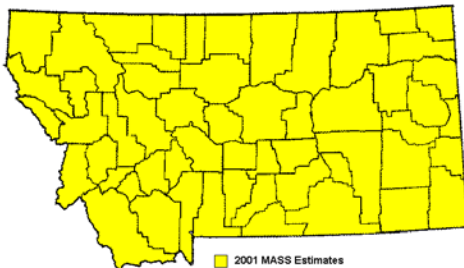
Rangeland

- NASS records on per acre production are used for actual yields
 - adjusted for dryland alfalfa, grain, hay, and CRP hay yields
- Producer receives an indemnity if actual county yield is below the producer's trigger yield
 - Producer's actual yield is inconsequential

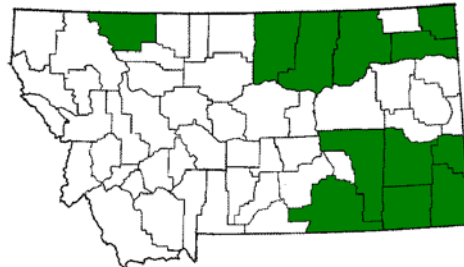
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Rangeland

Rangeland Production,
2001/2002 Crop Years



Insured Counties for Rangeland,
2002 MPCI Coverage (Pilot Program)



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Other Opportunities to Manage Harvested Roughage and Rangeland Production Risks

- Written Agreements
- NAP

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Written Agreements to Manage Harvested Roughage and Rangeland Production Risks

- The production must be in a county where no federal crop insurance actuarial table exists for the subject crop.
- There is no opportunity to file a Request for Actuarial Change when the insurance project is in pilot status, i.e., the rangeland GRP Pilot.

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Noninsured Crop Disaster Assistance (NAP) Program to Manage Harvested Roughage and Rangeland Risks

- The production must be in a county where no federal crop insurance actuarial table exists for the subject crop—with a noted exception.

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NAP to Manage Harvested Roughage Production Risks

- **The noted exception**
- In Montana there is NAP coverage available for **overage** stands of **irrigated** alfalfa and alfalfa grass mixtures.
 - After the fifth year beyond establishment year for alfalfa
 - After the seventh year beyond establishment year for mixtures
- Overage NAP coverage is **not** available on nonirrigated production.

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NAP to Manage Harvested Roughage Production Risks

- Available for grass hay
- Available for grain hay. The **initial intent** of the planting must be to harvest as hay (and the crop cannot be crop insured for grain production).

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NAP Coverage of Rangeland and Other Grazing

- Native (i.e., rangeland)
- Tame (i.e., improved range or pasture)
- Annually-planted for grazing
- This coverage is not available on Federal grazing permits.

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NAP Coverage of Rangeland and Other Grazing

- Normal carrying capacity is specified in a county for native, tame, and annually-planted grazing.
- Normal carrying capacity is expressed as **Animal Unit Days** per acre.
- An Animal Unit is considered for these purposes as having a daily net energy maintenance requirement of 13.6 mega calories.

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NAP Coverage of Rangeland and Other Grazing

- In the case of loss due to a natural disaster:
 - The Farm Service Agency's county committee requires an independent assessment of the average loss in grazing (independent of producer and FSA). Often this is done by a contract range scientist.
 - Only losses in excess of 50 percent of the normal carrying capacity will be compensated.
 - For 2002 the nationally-established rate was \$0.6599 per animal unit day; and financial assistance is based on 55 percent of that rate.

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NAP Coverage of Rangeland and Other Grazing

- Consider as an example Carter County in Montana
- The FSA specified a 215 day grazing period and the following details (see handout for other counties)

Classification	Acres/Animal Unit	Class
01 Grass, Nonirr	20.30	Native
01 Grass, Irr	N/A	Native
21 Tame, Nonirr	10.50	Tame
01 Perennial nonirr forage with legumes	6.30	Tame
01 Perennial irr forage with legumes	2.45	Tame
01 Annual nonirr forage	5.25	Annual
01 Annual irr forage	3.50	Annual

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NAP Coverage of Rangeland and Other Grazing

- Example: 640 acres of 01 grass, nonirrigated in Carter County with 20.30 acres per animal unit with a 215 day grazing period.

$$\text{Normal Production} : \left(\frac{640 \text{ Acres}}{20.3 \text{ Acres/AU}} \right) \times 215 \text{ days} = 6,788 \text{ animal unit days}$$

Assessed Production Loss : 70%, or 4,751 animal unit days

$$\text{Compensation} : [4,751 \text{ AUD} - (6,788 \text{ AUD} \times 0.50)] \times [(\$0.6599) \times 0.55] = \$492$$

$$\text{Compensation Per Acre} : \$492 / 640 \text{ Acres} = \$0.769 / \text{acre}$$

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