

# RMA Programs Available to Livestock Producers

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# About the Risk Management Agency

- ▶ Purpose is to serve America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities
- ▶ RMA is committed to increasing the availability and effectiveness of Federal crop insurance as a risk management tool
- ▶ Approved Insurance Providers (AIP) sell and service Federal crop insurance policies in every state and in Puerto Rico through a public-private partnership with RMA. RMA backs the AIPs who share the risks associated with catastrophic losses due to major weather events

# Available Programs

- ▶ Livestock Gross Margin - Cattle, Dairy Cattle, Swine
- ▶ Livestock Risk Protection - Fed Cattle, Feeder Cattle, Swine, Lamb
- ▶ Dairy Revenue Protection - Milk
- ▶ Rainfall Index Plan of Insurance
  - ▶ Pasture, Rangeland, and Forage (PRF)
  - ▶ Annual Forage

# Livestock Gross Margin

- ❖ Insurance only covers the difference between the gross margin guarantee and the actual gross margin
- ❖ Does not insure against death or any other loss or damage to livestock
- ❖ Prices do not use actual prices you receive at the market
  
- ▶ Cattle
  - ▶ Provides protection against the loss of gross margin (market value of livestock minus feeder cattle and feed costs) on cattle
  - ▶ Uses futures prices to determine the expected gross margin and the actual gross margin
    - ▶ Prices are based on simple averages of futures contract daily settlement prices
  
- ▶ Dairy Cattle
  - ▶ Provides protection against the loss of gross margin (market value of milk minus feed costs) when feed costs rise or milk prices drop
  - ▶ Uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and actual gross margin
    - ▶ Prices are based on simple averages of Chicago Mercantile Exchange Group futures contract daily settlement prices
  
- ▶ Swine
  - ▶ Provides protection against the loss of gross margin (market value of livestock minus feed costs) on swine
  - ▶ Uses futures prices to determine the expected gross margin and actual gross margin

# Livestock Risk Protection

- ❖ Provides protection against declining market prices
- ❖ Insurance only covers the difference between the coverage price and actual ending value
- ▶ Fed Cattle
  - ▶ Uses ending values based on weighted prices from USDA's Agricultural Marketing Service
    - ▶ Prices are based on simple averages of futures contract daily settlement prices
    - ▶ Prices are not based on the actual prices the producer receives at the market
- ▶ Feeder Cattle
  - ▶ Uses ending values based on weighted average prices, from the Chicago Mercantile Exchange Group Feeder Cattle Index
- ▶ Lamb
  - ▶ Uses ending values based on the weekly average prices using the Calculated Formula Live Price from USDA's Agricultural Marketing Service
- ▶ Swine
  - ▶ Uses ending values calculated from price series data from USDA's Agricultural Marketing Service

# Dairy Revenue Protection - Milk

- ▶ Designed to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level
- ▶ The expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer
- ▶ The covered milk production is indexed to the state or region where the dairy producer is located
- ▶ Pricing Options
  - ▶ Class Pricing Option - uses a combination of Class III and Class IV milk prices as a basis for determining coverage and indemnities
  - ▶ Component Pricing Option - uses the component milk prices for butterfat, protein and other solids as a basis for determining coverage and indemnities
    - ▶ Under this option you may select the butterfat test percentage and protein test percentage to establish your insured milk price
- ▶ The actual ending milk or component values are based upon the monthly average prices announced by USDA's Agricultural Marketing Service
- ▶ The milk yields are based upon USDA's National Agricultural Statistics Service Milk Production report

# Livestock and Dairy Programs

- ▶ Visit with a Crop Insurance or Livestock Insurance agent
  - ▶ Availability
  - ▶ Insurance periods
  - ▶ Possible premium subsidy
  - ▶ Possible deductibles
  - ▶ Other required information

# Rainfall Index

- ▶ A risk management tool designed to insure against a decline in an index value that is based on the long-term, historical, average precipitation for the same area of land for the same period of time which are 2-month time periods called index intervals
- ▶ Designed to help protect a producer's operation from the risks of forage loss due to the lack of precipitation
  - ▶ Not designed to insure against ongoing or severe drought, as the coverage is based on precipitation expected during specific intervals only
- ▶ Insurance coverage is for a single peril - lack of precipitation in the NOAA CPC gridded data for a 2-month time period



# Rainfall Index

- ▶ Uses NOAA Climate Prediction Center (CPC) gridded interpolated precipitation data
  - ▶ Grids are created by NOAA CPC
  - ▶ Grid size covers an area equal to 0.25 degrees in latitude by 0.25 degrees in longitude

## Disclaimer

Coverage is based on the experience of the entire grid. It is not based on conditions at individual farms or ranches or specific weather stations in the general area

# Rainfall Index

- ▶ A loss occurs when the Trigger Index falls below the Expected Grid Index
- ▶ Expected Index = Average precipitation for the grid during an index interval based on NOAA CPC data from 1948 to present
- ▶ Final Grid Index = based on NOAA CPC gridded, precipitation data and expressed as a percentage
- ▶ Trigger Index = Expected Grid Index multiplied by your coverage level

# Rainfall Index

- ▶ Grid ID Locator, Decision Support Tool, Historical Indices
  - ▶ Located on the RMA website
- ▶ Two Programs Available
  - ▶ Pasture, Rangeland, and Forage
  - ▶ Annual Forage

# Pasture, Rangeland, and Forage

- ▶ Available in all 48 contiguous states
- ▶ Pasture, Rangeland, and Forage grown for the intended use of grazing or haying
  - ▶ Initially planted prior to July 1 of the previous crop year
  - ▶ Initially present but was not planted, such as native perennial grasses
  - ▶ Over-seeding is allowable - as long as the initial crop is not destroyed in the process

# Pasture, Rangeland, and Forage

## Important Dates

- ▶ Sales Closing Date - November 15\*
- ▶ Acreage Reporting Date - November 15\*
- ▶ Premium Billing Date - September 1\*

\* 2020 Actuarial Documents and crop provisions have not been released and these dates are subject to change

# Pasture, Rangeland, and Forage

## Index Intervals

- ▶ January and February
- ▶ February and March
- ▶ March and April
- ▶ April and May
- ▶ May and June
- ▶ June and July
- ▶ July and August
- ▶ August and September
- ▶ September and October
- ▶ October and November
- ▶ November and December

## Producer/Rancher Selections

- ▶ You do not have to insure all of acres
- ▶ You cannot select consecutive index intervals
- ▶ Percent of Value by index interval
  - ▶ Example - 10% minimum, 40% maximum
  - ▶ May vary by county/state
- ▶ Coverage Level
  - ▶ 70 to 90% in 5% increments
- ▶ Productivity Factor
  - ▶ 60 to 150% in 1% increments

# Pasture, Rangeland, and Forage

## Haskell County, KS example

- ▶ 100 Acres of Non-Irrigated Grazing
- ▶ Rancher selects 90% coverage level, 110% productivity factor, and 50% of total value in the March/April interval
- ▶ County Base Value = \$27.00
  
- Dollar Amount of Protection per acre =  $\$26.73 \times 100 \text{ Acres} = \text{Total Value of } \$2,673$
- Policy Protection in March/April = \$1,337
- Trigger Index =  $90\% \text{ Coverage Level} \times \text{Expected Grid Index} = .9$
- Final Grid Index = 82.6%
- Estimated Indemnity = \$110

# Annual Forage

- ▶ Available in most counties in Colorado, Kansas, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas
- ▶ Annual plants seeded on planted acreage for forage or fodder
  - ▶ Crop Year begins September 1 and ends November 30 of next year
    - ▶ Growing Season 1 - Annual Forage planted on or after July 16 and on or before October 15
      - ▶ Index Intervals available are from September 1 through March 31
    - ▶ Growing Season 2 - annual forage planted on or after October 16 and on or before January 15
      - ▶ Index intervals available are from December 1 through June 30
    - ▶ Growing Season 3 - annual forage planted on or after January 16 and on or before April 15
      - ▶ Index intervals available are from March 1 through September 30
    - ▶ Growing Season 4 - annual forage planted on or after April 16 and on or before July 15
      - ▶ Index intervals available are from June 1 through November 30



# Annual Forage - Dual Use Option

- ▶ 2018 Farm Bill allows producers to purchase different policies for different uses of a single crop
- ▶ You could insure acreage under Annual Forage for grazing in the winter/early spring while also insuring the crop as grain under a separate policy and you would be eligible to maintain both benefits
  - ❖ Dual Use Option is only available during Growing Season 1 for Annual Forage
  - ❖ The Dual Use Option CBV is 40% of the full year Annual Forage CBV
  - ❖ Available in select counties in Colorado, Kansas, Nebraska, New Mexico, Oklahoma, and Texas
  - ❖ May be available on Barley, Oats, or Wheat dependent on short rate being available

# Annual Forage

## Important Dates for 2020

- ▶ Sales Closing Date - July 15, 2019
- ▶ Acreage Reporting Date
  - ▶ Growing Season 1 - October 15, 2020
  - ▶ Growing Season 2 - January 15, 2020
  - ▶ Growing Season 3 - April 15, 2020
  - ▶ Growing Season 4 - July 15, 2020
- ▶ Premium Billing Date - August 30, 2020

# Annual Forage

## Index Intervals

- ▶ September and October
- ▶ October and November
- ▶ November and December
- ▶ December and January
- ▶ January and February
- ▶ February and March
- ▶ March and April
- ▶ April and May
- ▶ May and June
- ▶ June and July
- ▶ July and August
- ▶ August and September
- ▶ September and October
- ▶ October and November

## Producer/Rancher Selections

- ▶ You must insure all of your acres
- ▶ You cannot select consecutive growing seasons
- ▶ You cannot select consecutive index intervals
- ▶ Percent of Value by index interval
  - ▶ Example - 10% minimum, 40% maximum
  - ▶ May vary by county/state
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# Annual Forage

## Haskell County, KS example

- ▶ 100 Acres of wheat planted on October 1 with intended use of grain/graze
- ▶ Rancher selects 90% coverage level, 110% productivity factor, and 35% of total value in the October/November interval
- ▶ County Base Value = \$173.01
  
- Dollar Amount of Protection per acre =  $\$171.28 \times 100 \text{ Acres} = \text{Total Value of } \$17,128$
- Policy Protection for October/November = \$5,995
- Trigger Index =  $90\% \text{ CL} \times \text{Expected Grid Index} = .9$
- Final Grid Index = 44.4%
- Estimated Indemnity = \$3,037

## For More Information

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