BARNYARDS & BACKYARDS

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Carbon County ranchers seek to cover risk in retained ownership – Part II

By James Sedman and John Hewlett

In a previous article we learned that Carbon County ranchers Norm and Belinda Bell are examining their risk management options for retaining ownership on their 155 head of steers.

The Bells are concerned about a decline in cattle prices now that they made a commitment to retain ownership. They plan to place them on feed in central Nebraska and have several options available, including do nothing, Livestock Risk Protection insurance (LRP), Livestock Gross Margin insurance (LGM), futures and options markets, and prepaying feed. We will examine how LRP might work for the Bells.

Table 1. Bell Livestock Available LRP Coverage

Ending cattle weights	Policy length	Beginning coverage price ($/cwt)	Coverage Level	Actual coverage price	Total insurance coverage	Premium rate	Premium cost (w/13% subsidy)	Premium cost (per cwt)
1,300 pounds	**34**	**$126.58**	**0.98**	**$124.05**	**$249,957.53**	**0.052261**	**$11,364.84**	**$5.64**
		$126.58	0.95	$120.25	$242,305.77	0.037093	$7,819.43	$3.88
		$126.58	0.92	$116.45	$234,654.00	0.025127	$5,129.65	$2.55
		$126.58	0.9	$113.92	$229,552.83	0.020377	$4,069.51	$2.02

Using LRP

LRP policies protect a wide range of cattle producers from cow-calf to feedlot operations. These contracts are available for both fed and feeder cattle with contract lengths varying in four-week increments from 13 to 52 weeks. A producer applies for coverage and selects a contract length for their production period along with the cattle type, number of head, and expected weight at sale time (up to 900 pounds in the case of feeder cattle, 1,000 to 1,400 pounds for fed cattle).

A Chicago Mercantile Exchange (CME) price index determines the price used to calculate the insured value. Indemnities occur if the revenue determined by CME prices at sale time is below the insured value. Remember, the actual price received for the cattle at sale time or slaughter does not have anything to do with an indemnity calculation.

The Bells plan to wean steer calves in mid-October weighing 600 pounds. Previously sold steers have consistently averaged 3 pounds per day gain on feed from weaning to fat weight, which we will assume is 1,300 pounds. Their contract length then becomes 34 weeks (234 days on feed with the 34-week contract being the closest available match).

The Bells' insurance agent determines that the available coverage price is $126.58/cwt and offers them coverage from 90 to 98 percent. The results of their available coverage are shown in Table 1. The coverage price available for their 34-week contract is $126.58 per cwt, which the Bells believe is an acceptable price level. That price is then multiplied by the desired coverage level yielding the actual coverage price; this is multiplied by the 155 head and 13 cwt to yield the total dollar amount of coverage. Like other forms of insurance, as coverage levels decline, so do premiums. LRP premiums are subsidized at 13 percent.

Advantages of LRP

The Bells like that LRP allows them to lock-in a favorable price for a relatively low cost. This premium cost is a one-time, fixed cost when compared to futures and options contracts. It also allows the Bells to take advantage of price increases in the cash market while they are only responsible for the up-front premium payment.

Another advantage is that, if the Bells' cattle are of a particular value-added variety able to beat market prices, they may be able to receive an indemnity payment and still beat the insurance/market price.

In our next installment, we will discuss another of the Bells' risk management options.

For more information

Visit a local crop insurance agent to learn more about Livestock Risk Protection insurance and other risk management options or visit the Risk Management Agency's website at www.rma.usda.gov.

For more information on livestock risk management and other risk management topics on the Web, visit the Western Risk Management library online at riskmgt.uwagec.org.

Prior articles

To see previous articles in this series, go to http://InsuringSuccess.org and click on the newspaper.

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Sainfoin: A potential forage legume in the West

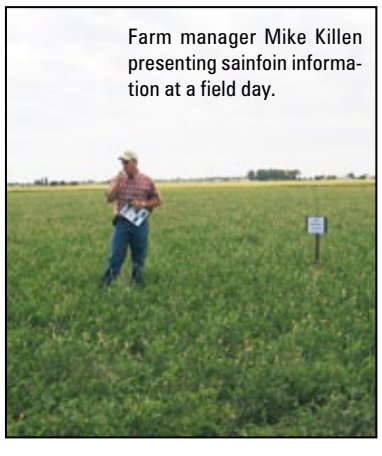
Sainfoin seed production plots at the Powell Research and Extension Center.

By Anowar Islam and Mike Killen

Sainfoin (*Onobrychis viciifolia* Scop.) is an introduced perennial forage legume that can be a good alternative to alfalfa.

Sainfoin is well-adapted to calcareous soils (i.e., high calcium and high pH) with low phosphorus. It has excellent drought tolerance, very good cold hardiness but lowtolerance to poor drainage and high acidic soils (low pH). Sainfoin is comparable to alfalfa for quality and animal performance; however, hay yield may be slightly lower than alfalfa depending upon the location.

Sainfoin is highly palatable and nutritious and is preferred over alfalfa by cattle, sheep, deer, and other wildlife. Sainfoin does not cause bloat problems in cattle and has limited insect pests. A relatively new variety, Shoshone, is resistant to alfalfa stem nematode. Sainfoin is non-invasive and an excellent candidate for honey production.



Farm manager Mike Killen presenting sainfoin information at a field day.

Sainfoin plots at the Powell Research and Extension Center.

Initiate Test Plots

Do we have enough evidence in Wyoming or in the West to support the above? Department of Plant Sciences and the Agricultural Experiment Station of the University of Wyoming have initiated sainfoin studies at the Powell Research and Extension Center (PREC) in Powell, James C. Hageman Sustainable Agriculture Research and Extension Center (SAREC) near Lingle, and the Laramie Research and Extension Center (LREC) in Laramie to determine establishment and management strategies of sainfoin under Wyoming conditions.

Shoshone, Delaney, Eski, Remont, and Rocky Mountain Remont varieties were established in replicated plots at PREC in 2007. To compare the performance of sainfoin with alfalfa, a check variety, Ranger alfalfa, was also included. In the establishment year (2007), the sainfoin varieties produced about 1 ton of dry matter (DM) per acre from one harvest, which was about 0.5 ton lower than Ranger alfalfa. However, in the following years, all varieties of sainfoin produced similar or even higher DM yields than alfalfa from two cuts ranging from 5-7 tons per acre.

Shoshone yielded the most with up to 7 tons per acre. Forage quality of sainfoin was also similar to alfalfa (e.g., crude protein 17-19 percent; acid detergent fiber 32-35 percent; neutral detergent fiber 42-45 percent; total digestible nutrients 61-65 percent; and relative feed value 130-144 percent).

Similar results were observed at Lingle and Laramie trials. At Laramie, Shoshone even out-yielded Ranger alfalfa by about 1 ton per acre.

Although sainfoin seems to perform well in low phosphorus soils, anecdotal evidence suggests sainfoin may positively respond to phosphorus amendments.

Urge Caution

Regional interest in sainfoin has increased dramatically in recent years. Before plowing alfalfa fields and switching to sainfoin, take the following into account. In many trials, sainfoin has yielded similarly to alfalfa but over time slowly declines. Its regrowth is not as fast as alfalfa. Sainfoin seed is about three times larger than alfalfa so the seeding rate is also high (e.g., 30-35 pounds per acre). Hence, it costs money upfront; however, it may be considered in areas where alfalfa is not suitable to grow or for use as an alternative legume, especially for grazing to avoid bloat problems.

Following establishment, sainfoin competes well with weeds. Mowing helps control weeds in the seeding year – there are limited labeled chemical options for the establishment year. It is strongly recommended producers read labels carefully before any pesticide applications.

As with all legumes, sainfoin fixes nitrogen through a symbiotic relationship with bacteria, and sainfoin-specific inoculation is necessary. Consulting with your seed provider regarding inoculum sources prior to seed purchase is recommended (inoculants usually come with seeds). Seed cost is similar to or lower than alfalfa (about $2 per pound). Sainfoin seed is available through most seed dealers. Additional information can be obtained from the authors.

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