

RIGHT RISK™

RIGHT RISK NEWS

DATES TO REMEMBER

NAP Coverage
(Spring-planted crops)
- county specific deadlines

Annual Forage Insurance Plan
- July 15

Spring crop acreage reporting deadline
- July 15

Margin Protection Program Dairy (MPP-D)
- 2019 crop year
July 1 - Sept. 30th, 2018

For more information see:
<http://www.rma.usda.gov>
<http://www.fsa.usda.gov>

Annual Forage Insurance: Does it fit your operation?

An annual Forage Insurance Plan (AFIP) is a pilot insurance program first offered in 2014 by the USDA Risk Management Agency (RMA) in the states of Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas. Beginning in 2016, coverage availability was expanded to include Colorado. New Mexico was added to the list in 2017.

AFIP is designed to meet the needs of producers planting annual forage crops for use as livestock feed or fodder.

One of the biggest risks when planting annual forages, especially on non-irrigated ground, is getting the right amount of precipitation to make it grow. If the annual forage is taking the place of a fallow period, there may also be concerns about the effect it has on soil moisture available for the primary crops in the rotation.

AFIP is based on precipitation index data provided by the National Oceanic and Atmospheric Administration-Climate Prediction Center (NOAA-CPC). Data is available for four separate growing seasons, tied to 3-month planting periods and cover the entire year, starting July 16 and running through July 15 the following year.

Each growing season has a 6-7 month coverage period. The producer has the opportunity to buy insurance against precipitation index levels falling below a specific coverage level for selected two-month intervals.

- Growing Season 1 - planting dates: Jul 16 – Oct 15; rainfall coverage available: Sep 1 - Mar 31
- Growing Season 2 - planting dates: Oct 16 – Jan 15; rainfall coverage available: Dec 1 - Jun 30
- Growing Season 3 - planting dates: Jan 16 – Apr 15; rainfall coverage available: Mar 1 - Sep 30
- Growing Season 4 - planting dates: Apr 16 – Jul 15; rainfall coverage available: June 1 - Nov 30

Producers select a coverage level ranging from 70 to 90 percent of the Expected Grid Index Precipitation across a series of two-month intervals within the rainfall coverage period for each growing season. Premium subsidies range from 51 percent to 59 percent, depending on the coverage level selected. The signup deadline is July 15 for all growing seasons in the coming year.



Public Domain, Geograph.org

Table 1: Annual Forage Insurance Plan Buy-Up Coverage National Summary

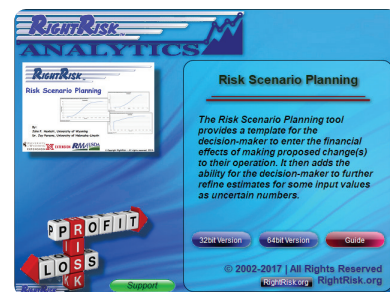
Crop Year	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
2014	1,185	533	507	\$5.2 million	\$7.0 million	1.34
2015	2,321	897	782	\$8.7 million	\$6.5 million	0.75
2016	3,164	552	417	\$7.9 million	\$4.8 million	0.61
2017	4,966	1,007	902	\$33.8 million	\$41.0 million	1.21

Catastrophic (CAT) coverage is also available under AFIP. CAT coverage offers 65 percent coverage for the entire growing season. Fewer than one hundred CAT policies were purchased nationwide between 2014-17 and only seven of those

How Much Risk is Right for You?

HIGHLIGHTED TOOL

Struggling to weigh the alternatives in a management decision? The *Risk Scenario Planning* tool is designed to help managers evaluate an uncertain future by thinking through the costs and benefits, as well as the uncertainty. RSP relies on a partial-budget framework to capture the financial effects of making proposed changes. It then allows the user to further refine estimates by defining one or two input values as uncertain. This produces a more complete analysis of the proposed change and a more thorough understanding of the possible outcomes if changes are implemented.



To access the *Risk Scenario Planning* tool, see RightRisk.org > Resources > Risk Management Tools.

ANNUAL FORAGE INSURANCE CONTINUED FROM PG. 1



policies earned indemnities due to a catastrophic loss, as one might expect with catastrophic coverage.

There has been a steady increase in the number of AFIP policies sold since 2014 (Table 1). However, in 2017 there was a sharp increase both in the number of policies sold and in the total premiums collected. AFIP has been most popular in the southern states of Texas and Oklahoma since its inception in 2014. Producers in Colorado and New Mexico began purchasing a significant number of policies in 2017 (Table 2). In particular, Colorado was the state with the highest amount of coverage in place with \$14.8 million in premiums paid into the program.

A total of 2,989 AFIP policies earned a premium and 2,608 or 87 percent paid an indemnity over the years 2014-17. The overall loss ratio (total indemnities/total premiums) for AFIP is 1.07, indicating actuarially fair premiums. The average subsidy level has remained steady at 52 percent over the period, indicating most producers are insuring at the 90 percent rainfall coverage level. The average indemnity per dollar-of-producer-premium paid over the 2014-17 period is \$2.22, after taking subsidies into account.

Producers interested in learning more about Annual Forage Insurance Plan coverage are encouraged to contact a local crop insurance agent soon, as the July 15 deadline is fast approaching. Information, including a decision support tool, is available at <http://www.rma.usda.gov/policies/ri-vi/annualforage.html>. Nebraska Extension has also produced a webinar explaining the insurance that is available at <http://beef.unl.edu> along with a NebGuide, G2300 “Precipitation Risk Management for Annual Forages.”

Table 2: Annual Forage Insurance Plan 2017 State Buy-Up Coverage Summaries

State	Number of Policies Sold	Policies Earning Premium	Policies Indemnified	Total Premiums	Total Indemnities	Loss Ratio
Colorado	793	84	75	\$14.8 million	\$24.7 million	1.67
Kansas	206	59	50	\$1.7 million	\$1.4 million	0.85
Nebraska	57	16	11	\$290,331	\$108,964	0.38
New Mexico	176	43	42	\$2.6 million	\$3.2 million	1.20
North Dakota	57	24	23	\$93,935	\$162,197	1.73
Oklahoma	1,154	334	328	\$5.9 million	\$5.2 million	0.88
South Dakota	159	59	55	\$538,836	\$529,006	0.98
Texas	2,364	388	318	\$7.9 million	\$5.7 million	0.72

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How much risk is right for you and your operation?

RightRisk helps decision-makers discover innovative and effective risk management solutions.

RightRisk News is brought to you by the RightRisk Team

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