

# RIGHT RISK™

## RIGHT RISK NEWS

### Pasture, Rangeland, Forage Insurance Subscriptions Increase

**D**rought or lack of rainfall is one of the primary risks for livestock producers dependent upon perennial forage production for grazing as a primary feed input throughout much of the year. Transferring risk outside the farm or ranch operation through insurance products is a good risk management strategy in many cases.

Pasture, Rangeland, Forage (PRF) insurance may be a viable option for livestock and forage producers. PRF is administered by the U.S. Department of Agriculture (USDA) – Risk Management Agency (RMA). It is available for purchase on a calendar year basis with a signup period that is currently open for 2019 but ends November 15.



#### DATES TO REMEMBER

**RI-PRF Coverage**  
November 15th, 2018 for 2019 crop year coverage

**Acres Reporting:**  
- November 15th

**Annual Forage (spring planted):**  
- December 15th

**Spring-planted crops sales deadline:**  
- March 15, 2019

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

How Much Risk is Right for You?

PRF insurance is designed to protect against low rainfall on perennial forages intended for use by livestock grazing or mechanical harvest. PRF first became available in 2007 in selected states but has since been expanded and updated and is now available in all 48 contiguous states.

PRF coverage is based on an index developed from precipitation data collected by the National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC). It is a group insurance policy based on grids roughly 17 miles by 17 miles. Policies offer the opportunity to insure 70 percent to 90 percent of the Expected Grid Index across a series of two-month intervals within the coverage period for each year.

Crop Year	Policies Earning Premium	Acres (millions)
2016	20,655	51.8
2017	24,163	74.9
2018	28,309	98.9

protection needs by selecting a productivity factor between 60 percent and 150 percent that is applied in combination with the county base value.

There are 28,309 PRF policies earning premiums in 2018 covering 98.9 million acres nationwide. These numbers represent increases of 17.2 percent and 31.9 percent, respectively, over 2017. This follows a similar increase in participation from 2016 to 2017, Table 1.

PRF is most popular in the southwestern U.S. with Texas, Arizona, and New Mexico representing the top three states in terms of acres insured in 2017, Table 2. Nine states reported more than 2 million acres insured. Nationwide, the loss ratio (total indemnities/total premiums) for 2017 was 0.90. This was higher than 2016 (0.64), but still slightly below the RMA target for actuarial sound policies (1.0).

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**Table 2: PRF Insurance 2017 Coverage Summary (top states by acres covered)**

State	Number of Policies Sold	Policies Earning Premium	Acres (millions)	Policies Indemnified	Total Premiums (millions)	Total Indemnities (millions)	Loss Ratio
Texas	9,502	7,653	25.3	7,298	\$98.1	\$84.0	0.55
Arizona	266	255	15.3	255	\$80.0	\$93.7	1.17
New Mexico	474	432	7.2	390	\$22.2	\$15.6	0.70
Nevada	103	93	4.5	83	\$6.7	\$2.8	0.42
South Dakota	2,194	2,073	3.1	1,997	\$22.3	\$25.9	1.16
California	503	436	2.9	402	\$16.0	\$15.7	0.98
Colorado	781	595	2.6	467	\$20.2	\$13.7	0.68
Nebraska	1,440	1,134	2.2	922	\$10.4	\$5.7	0.55
Wyoming	195	177	2.1	137	\$5.0	\$2.9	0.58
North Dakota	1,443	1,271	1.6	1,260	\$7.9	\$11.0	1.40
<b>NATIONAL TOTAL</b>	<b>28,474</b>	<b>24,163</b>	<b>74.9</b>	<b>22,133</b>	<b>\$380</b>	<b>\$341</b>	<b>0.90</b>

Premium subsidies for PRF insurance have remained steady over the last few years, trending between 53 and 54 percent. In 2017, the premium subsidy averaged 53.4 percent across the nation. This resulted in average indemnities per dollar-of-producer-premium equal to \$1.92 nationwide in 2017. In simple terms, this implies that each dollar in producer premium paid into the program returns \$1.92 on average.

Table 2 shows some of the variation across the top ten states in 2017. North Dakota reported the highest loss ratio at 1.40 on 1,271 policies earning a premium and 1,260 (99.1 percent) policies earning indemnities. Nevada reported only 93 policies earning a premium in 2017. Although 83 (89.2 percent) earned indemnities, the loss ratio for Nevada in 2017 was only 0.42. Overall, 92 percent of the policies earning premiums in 2017 were indemnified nationwide.

Drought remains a concern for livestock and forage producers across much of the U.S. Data reported in this newsletter is available via the RMA Summary of Business reports ([www.rma.usda.gov](http://www.rma.usda.gov)). A decision support tool is also available to assist producers to learn how a PRF policy might apply to their situation.

The November 15 signup deadline is only weeks away. Livestock and forage producers interested in purchasing PRF coverage for 2019 are encouraged to contact a local crop insurance agent soon to begin evaluating a policy that meets their risk management needs.



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*How much risk is right for you and your operation?*

