



Getting Started in Ag: Managing Risk with RI-PRF Insurance

The deciding factor in forage production for a farm or ranch is nearly always rainfall (or lack thereof). This has been especially true for a large part of the western U.S. over the last several years.

You may not be aware there is a program specifically designed to address risk of loss associated with drought in forage production if you are new or just starting out in production agriculture. Utilizing crop insurance programs is one way to mitigate revenue losses due to drought.

Pasture, Rangeland, Forage - Rainfall Index insurance (RI-PRF) is an area-based insurance plan that protects against revenue losses due to reduced forage production stemming from a lack of precipitation. Pasture and hay are eligible for protection under the plan on a county-by-county basis. Producers can purchase coverage for both leased and owned acres and can select coverage based on their needs and forage production capacity of the land.

RI-PRF policies are based on 17x17 mile grid areas for the rainfall index determined by the National Oceanic and Atmospheric Administration (NOAA). Coverage is divided into 11 index intervals, each of which cover two months. A county per-acre base value is established for each grid area. Coverage is established using the county base value and the producer's selection of coverage level, productivity factor and index intervals. The ending or actual rainfall index is used to determine if an indemnity payment is due and is expressed as a percentage of the expected index. An expected index

of 100 would result from average rainfall in a given grid area. Therefore, an ending index value of less than 100 is necessary to trigger an indemnity payment.

The rainfall index is calculated using actual precipitation from weather reporting stations and computer estimates. Actual precipitation received at specific locations within the grid area, like your property, does not influence coverage or indemnity payments. In other words, the rainfall index may or may not correspond with the rainfall received at your location.

Index intervals selected for coverage must be non-consecutive, with no more than 70 percent of the coverage in any one interval. For instance, if the April-May interval is selected, the next closest interval available for coverage is June-July. Coverage choices range from 70–90 percent of the county base value.

Producers can also select a productivity factor of up to 150 percent of the county base value. This feature allows producers to better tailor coverage to match their forage resources. For example, if you value forage production in a pasture higher than the per-acre county base value, you can increase the productivity factor to reflect the estimated forage value. Indemnities are triggered if the actual index value falls below the expected index and are paid automatically.

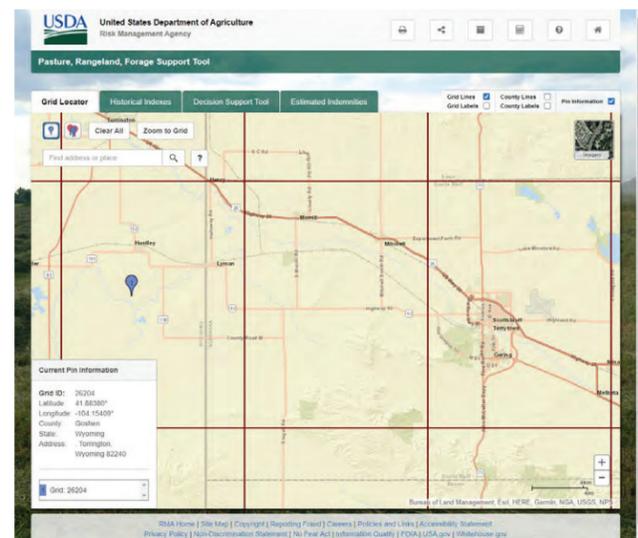
RI-PRF DECISION SUPPORT TOOL

Great resources are available to help evaluate RI-PRF coverage. Starting at rma.usda.gov and selecting RI-PRF from the tools menu, users can walkthrough the process of establishing RI-PRF coverage for their operation. The tool is divided into four sections: Grid Locator, Historical Indexes, Decision Support Tool and Estimated Indemnities.

The **Grid Locator** allows users to identify their location and the subsequent Grid ID number from a map. Once the Grid ID is determined, the user can select the **Historical Index** tab to display Grid Index values for each year back to 1948 and for each interval period. This weather data can reveal historical trends for precipitation, as well as allow the user to compare historical data for their location to the reported index from interval periods of interest.

The **Decision Support Tool** is the next section of the online toolbox. It calculates the coverage, premium, and possible indemnities based on the coverage levels and production intervals selected by the user.

As an example, we select grazing or haying for the Intended Use, Maximum Coverage of up to 90 percent and a Productivity Level of up to 150 percent. We enter 2,000 for Insured Acres, select the desired



The Grid Locator allows users to determine a locations' Grid ID.



production year for comparison and enter the coverage percentages in the desired intervals (50 percent May-Jun; 50 percent Jul-Aug).

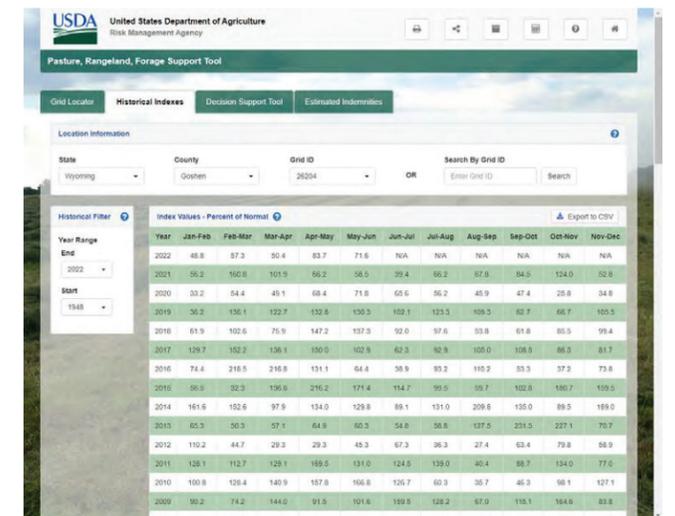
Clicking the Calculate button at the bottom of the table generates the estimated overall coverage, premium costs and **estimated indemnities** based on the production year selected. The ability to compare coverages and potential indemnities can be useful to examine what indemnity payments would have been in past drought years, as well as evaluate how helpful RI-PRF insurance might be in getting through those years.

IMPORTANT CONSIDERATIONS

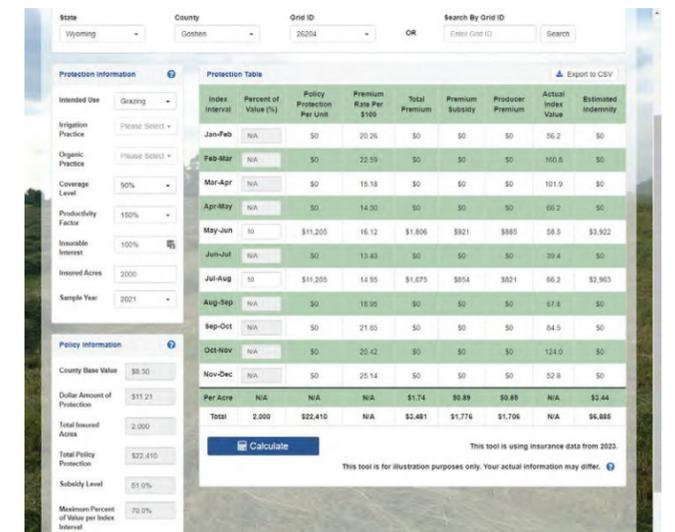
There are several important factors to consider when analyzing potential RI-PRF coverage. First, remember that the rainfall received on a specific site may not be indicative of the final rainfall index calculated; it is possible to receive an indemnity with rainfall or vice versa. Second, coverage must be purchased for periods where rainfall is most critical to forage production by selecting the appropriate index intervals. Third, total RI-PRF coverage results from a combination of the levels selected for maximum coverage, productivity level and insured acres. The level of coverage provided should be balanced against the value you estimate the harvested forage is worth.

When evaluating coverage, it is also important to remember that the goal is not to maximize potential indemnities. We frequently see producers fall into this trap. RI-PRF is insurance, not a guaranteed payout. Instead, the goal should be to purchase coverage that will provide some level of guaranteed revenue if drought conditions occur.

Finally, reduced premium rates are available to individuals who qualify as beginning or veteran farmers and ranchers. More information and details, including a premium cost estimator, are available at rma.usda.gov.



The Historical Index can be used to research precipitation trends.



The Protection Table displays coverage, premium and possible indemnities for the example situation.

RI-PRF SUPPORT TOOL AVAILABLE
Visit rma.usda.gov and select "PRF Rainfall" from the tools menu. This tool allows users to:

- Locate their grid area using satellite maps
- Compare various coverage levels and historical data as far back as 1948 in chart or form
- View estimated indemnities and coverage

FOR MORE INFORMATION

Pasture, Rangeland, Forage - Rainfall Index insurance (RI-PRF) is the most subscribed federal crop insurance available in Wyoming. Covering forage losses due to drought, it can be an important part of managing risk on a farm or ranch. For more information on RI-PRF coverage, visit a local crop insurance agent or rma.usda.gov. Further risk management resources related to drought and other topics can be found at RightRisk.org

IMPORTANT REMINDERS

- RI-PRF sign-up for 2023 coverage deadline is **December 1**.
- Planting deadline for fall-planted crops is approaching (check with a crop insurance agent for exact dates in your area).

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