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Panhandle Economic Focus

Pasture, Range, and Forage Insurance

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Pasture, Range, and Forage (PRF) Insurance is a risk policy designed to provide annual protection for farmers and ranchers who rely on forage products to support their cattle operations. Payment is not determined by individual damages, but rather area losses based on a standardized grid system. **The 2019 sign-up and acreage reporting deadline for this program is November 15, 2018. Premiums are billed on September 1, 2019.**

PRF covers any perennial acreage intended for grazing and haying purposes. Producers are not required to insure all eligible acres, but instead can select the portion relevant to their livestock entities. The enrollment process begins by choosing index intervals, which range from a **minimum** of two, two-month periods to a **maximum** of six, two-month periods per year. Next, coverage levels between 70 and 90 percent are designated.

Finally, the producer chooses a productivity factor between 60 and 150 percent. Productivity factor relates to the percentage of an established county base value for forage, which is a standard rate published by the Risk Management Agency (RMA) for each county. It is calculated based on estimated stocking rates and current hay prices. For example, Hansford County's grazing value is $20.40 per acre.

Once all selections are made, insured acres are spread between time periods and a Rainfall Index determines potential indemnity payments. This index uses National Oceanic and Atmospheric Administration (NOAA) Climate Prediction center data to calculate the deviation from normal precipitation within an area during selected intervals, based on a standardized grid system. Grid locations for individual farms and ranches can be found on the RMA website (https://prodwebnlb.rma.usda.gov/apps/prf).

Hansford County Example

County Base Value per Acre	$20.40
Subsidy Level	51%-59%
Maximum % of Value Index Interval	50%

Example: Joe Farmer has 500 acres of grassland in Hansford County. He insures the January/February interval and May/June interval. Joe places 250 acres (50% of Value) in each time period. If he chooses the 90% coverage level and 150% productivity factor, his total coverage per acre is $27.54 ($20.40/acre X 0.90 X 1.50).

In the face of uncertain moisture conditions, insurance becomes a critical component in producers' risk management portfolios

Calculations: If rainfall in Jan/Feb was 70% of normal, the producer is paid as follows:

0.90 coverage – 0.70 normal rainfall = 0.20
0.20 X 1.50 productivity factor = 0.30
0.30 X $20.4 base value = $6.12/acre insurance payment
$6.12/acre X 250 acres = **$1,530**

If rainfall in May/June was 20% of normal, the producer is paid as follows:

0.90 coverage – 0.20 normal rainfall = 0.70
0.70 X 1.50 productivity factor = 1.05
1.05 X $20.4 base value = $21.42/ac insurance payment
$21.42/acre X 250 acres = **$5,355**

Joe Farmer's total annual payout is $6,885, with an estimated premium cost of $1,100 ($2.20/acre). Premium expenses vary by coverage levels and intervals selected.

A PRF decision support tool is available at https://prodwebnlb.rma.usda.gov/apps/prf

Alfalfa and other irrigated hay can also be insured under a PRF policy at different coverage levels and higher base values. Contact your local insurance office for additional information.