Risk Management

At 4:00 PM, the last afternoon session was **Risk Management Tools for Forage & Pasture Producers** moderated by Mr. Ken Miller. He introduced Ms. Erin Roche, Crop Insurance Education Program Manager, Cooperative Extension, University of Maine. The title of her presentation was the session title. Ms. Roche asked a series of questions to gauge where her audience's interest lied so she could speak to the issues of most concern. She began her presentation talking about Federal Crop Insurance as it applies to forage crops administered by the Risk Management Agency of USDA.

Forage seedings can be insured for multi-peril protection during the crop year under the dollar plan. Forage crop must be at least 50% legume to be eligible. In the Northeast, these states are eligible for the crop insurance: ME, MD, NJ, NY, PA, and VT. Other states in the Northeast can be included under special provisions. A dollar guarantee is selected by the producer; typically range from $201 (55% coverage) to $274/acre (75% coverage). Maximum guarantee is $365/acre (100% coverage). No farmer premium at catastrophic level - 55%. Loss occurs if there are less than 9 forage plants per square foot. As an example, a farmer chose 65% coverage, protection at $238/acre on 50 acres of forage seeding. This insures the forage seeding for $11,900.00. If 10 acres of the seeding failed, he would receive $238 X 10 acres = $2380.00. Coverage ends on May 21 of the following year for a spring seeded forage planting. If it is a fall seeded forage planting, then coverage ends on October 15 of the following year.

Forage crop production policies are available for fields of forage crops at least one year old (after forage seeding coverage ends) using actual production history to determine loss. It must have an adequate stand to begin with and be at least 25% alfalfa. Northeast Region states in this program are ME, MD, NJ, NY, PA, and VT. **The farmer is insuring his actual production history so records must be kept on how much hay/silage was produced each year on the farm**. A loss occurs when the yield of forage is below the farm average actual production. For those farmers who have participated in the grain crop insurance program, forage production loss that is paid on is the same as it would be for corn or small grains. For instance, if the farm has an actual average yield history of 4 tons of forage per acre and the farmer selects an insured level of 65%, this means he is willing to risk getting only 65% of the 4 ton/acre yield or 2.6 tons/acre. If the actual yield for the year the crop is insured is only 2 tons/acre, he gets paid on the 0.6 ton/acre difference between the actual yield and the coverage level he selected of 2.6 tons/acre. There is no premium if catastrophic coverage is selected which in this case is 50% of average actual historic forage yield of the farm. In the example farm, this would be 2.0 tons/acre. Therefore, the year the farm only produced 2.0 tons/acre, the cost for insurance would be nothing, but there would be no loss payment either. Hence the name catastrophic, yields really have to be hurting as they would due to major drought, winterkill, or flood to receive a crop insurance check. The farmer has to decide how much risk to accept and sign-up accordingly.

Next, Ms. Roche covered the Rainfall Index (RI) Pasture, Rangeland, and Forage (PRF) Technology and crop insurance program. The Risk Management Agency's (RMA) Pasture, Rangeland, Forage (PRF) Pilot Insurance Program is designed to provide insurance coverage for a farm with pasture, rangeland, or forage acres. This pilot program is based on precipitation - Rainfall Index. This program is designed to give farmers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay, which result in increased costs for feed, destocking, depopulating, or other actions. The Rainfall Index uses National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC) data and each grid is 0.25 degrees in latitude by 0.25 degrees in longitude, which translates to approximately 11- by 12-mile square grid in Maine. On-line at the RMA website, a farm's location can be pin-pointed to the grid it falls in using the PRF Grid locator. At this same screen a decision support tool is available to calculate cost of coverage and possible insurance payments that could have been received or would be received after the coverage year is over. You will be asked to make several choices when insuring your grazing or hay production, including coverage level (70-90%), index intervals, irrigated practice, productivity factor, and number of acres. You should work with your crop insurance agent to view the Grid ID Locator map and index grids for your area, and assign acreage to one or more grids based on the location and use of the acreage to be insured. Sales closing is November 15.

The program is designed to allow maximum flexibility to meet the risk management needs of any operation. No one is required to insure all their acres, but they cannot exceed the total number of grazing or haying acres they operate. The program provides protection while allowing farmers to insure only those acres that are important to their grazing program or hay operation. By selecting a productivity factor, a farmer can establish a value between 60 and 150 percent of the county base value and match the amount of protection to the value of forage that best represents their specific grazing or hay operation.

A new program was covered by Erin called Whole-Farm Revenue Protection Pilot Program (WFRP). WFRP provides a risk management safety net for all commodities on the farm under one insurance policy and is available in all counties nationwide. This insurance plan is tailored for any farm with up to $8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. Whole-Farm Revenue Protection provides protection against the loss of insured revenue due to an unavoidable natural cause of loss that occurs during the insurance period and also provides carryover loss coverage if you are insured the following year. The approved revenue amount is determined from the Farm Operation Report and is the lower of the expected revenue or the whole-farm historic average revenue.

WFRP protects farm owners against the loss of farm revenue that they earn or expect to earn from:
- Commodities produced on the farm during the insurance period, whether they are sold or not;
- Commodities bought for resale during the insurance period; and
- All commodities on the farm except timber, forest, forest products, and animals for sport, show, or pets.

The policy also provides replant coverage:
- For annual crops, except those covered by another policy (e.g. multi-peril crop insurance);
- Equal to the cost of replanting, up to a maximum of 20 percent of the expected revenue; and
- When 20 percent or 20 acres of the crop needs to be replanted.

Diversification matters. The number of commodities produced on the farm are counted using a calculation that determines:

- If the farm has the diversification needed to qualify for the 80 and 85 percent coverage levels (there is a minimum 3-commodity requirement);
- The amount of premium rate discount that can be received due to farm diversification; and
- The subsidy amount. Farms with 2 or more commodities receive a whole-farm subsidy and farms with one commodity receive a basic subsidy.

The sales closing date, cancellation date, and termination date is March 15 for calendar year 2016 so anyone interested will have to wait until early next year to apply. Contact the local crop insurance agent for more information.

The last program covered was the Beginning Farmer and Rancher Benefits for Federal Crop Insurance. Beginning farmers and ranchers are eligible for certain benefits designed to help them start their operation. These benefits include:

- No administrative fees for catastrophic and additional coverage policies;
- Additional 10 percentage points of premium subsidy for additional coverage policies that have a premium subsidy;
- Use of the production history of farming operations that they were previously involved in the decision making or physical activities; and
- An increase in the substitute Yield Adjustment, which allows them to replace a low yield due to an insured cause of loss, from 60 to 80 percent of the applicable transitional yield (T-Yield).

To qualify for beginning farmer or rancher status:

- They must be an individual. Business entities may receive benefits only if all of the substantial beneficial interest holders (10 percent or more) of the business entity qualify as beginning farmers or ranchers.
- They must not have actively operated and managed a farm or ranch anywhere, with an insurable interest in any crop or livestock for more than 5 crop years. They may exclude a crop year's insurable interest if they were under the age of 18, enrolled in post-secondary studies (not to exceed 5 crop years) or on active duty in the U.S. military.

Erin wrapped on this session explaining that there are a variety of risk management programs. Anyone interested in any of these programs should get in touch with their local private crop insurance agent. It is important to understand exactly what you are insuring and be comfortable with risk level being assumed. Erin handed out a questionnaire for participants to fill out to find out who is being reached and how well received the training was on the 2015-2016 Crop Insurance Education Program. Ken Miller thanked Erin for her comprehensive coverage of risk management programs available to livestock and forage growers.