Is Pasture, Rangeland, and Forage (PRF) Insurance right for me?

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Finances are tight for many farmers right now. Is it worthwhile to pay for crop insurance? To answer that question, farmers need to carefully evaluate their business risks as well as the costs and potential benefits of crop insurance. Pasture, Rangeland, Forage (PRF) Insurance can compensate your farm when low levels of rainfall (or other forms of precipitation, including snowfall)[i] limit forage or hay production. Unlike other commodity insurance options, "indemnity" payments (the money you receive when something goes wrong) are based solely on rainfall levels, rather than your yield or revenue.

Area Insurance

PRF Insurance pays indemnities based on rainfall within your "grid" (a typical rural NY county contains all or part of 4-6 grids, while St. Lawrence has all or part of nearly 20), not rainfall on your fields. On one hand, this eliminates the need for record keeping related to current forage yields and provision of historic records. There is no need to submit a claim, indemnities are automatically paid out based on actual rainfall in your area. On the other hand, if rainfall is different for your fields than in your grid, you may not receive an indemnity even if you experience rainfall-related forage loss. *It is critical to take into account this possibility when making PRF decisions.*

Know Your Risks

Without crop insurance, what forage-related risks is your business exposed to? Start by assessing your farm's projected bottom line. How much does your profitability depend on the productivity of your pasture? For example, if your business is projected to make $20,000 in profits after expenses but you depend on your own pasture and/or hay for at least $20,000 worth of forage value, a very dry year could eliminate your profits (if your pasture can't feed your animals and you have to buy feed from elsewhere or cull or sell smaller animals). If feed or grazing value is an important input to your farm business, you may want to protect yourself from risks in this area. Be aware, however, that PRF only helps farmers when there is a lack of rainfall. Even if wet weather causes issues for harvesting forage, above-average rainfall levels will not result in indemnity payments.

How Much to Insure

Coverage level:

Farmers must choose a "coverage level" for their crop insurance. Your chosen coverage level represents the point at which low rainfall triggers an indemnity payment. For example, if you purchase coverage at the 90% level, and your area receives 90% of the average rainfall "index value," you can receive an indemnity. You may choose a coverage level between 70% and 90%.

Productivity factor:

You must also choose a "productivity factor." This is a percentage of the County Base Value (CBV) that the USDA Risk Management Agency (RMA) estimates can be produced per acre on pasture and hayland in your county. You can select anywhere from 60%-150% of the CBV, based on how your normal

productivity compares to the CBV. In St. Lawrence County in 2018, the base value for hayland is $248 (non-irrigated) and $186 (irrigated), and the base value for pasture is $57.90.

When to Insure

Index intervals:

With PRF, you choose which months to insure. You must choose a minimum of at least two, two-month "index intervals." Many northeast farmers purchase PRF coverage for summer months, given that that is when our animals are grazing or when we are producing hay. However, if you depend on a certain level of snowfall, winter coverage could also be helpful. Review historical precipitation levels to see how your needs compare to normal weather patterns.

Percent of value:

You will not be compensated at the full coverage level for each index interval. Rather, each index interval selected is assigned a "percent of value" of at least 10% and no greater than 70%, and when added together, all of the 'percents of value' selected must sum to 100%.

What will it cost?

The federal government helps share the cost of crop insurance premiums with farmers. Depending on your coverage level, 51-59% of your premium cost is covered by the government.

To calculate your approximate premium costs, visit the RMA Pasture, Rangeland, Forage Support Tool at https://prodwebnlb.rma.usda.gov/apps/prf# . Here's how to use the tool:

- Starting with the "Grid Locator" tab, enter your farm address to identify your "Grid ID." Any payment you receive is based on the average rainfall in your grid.
- Once you know your Grid ID, you can use it to view historical precipitation levels (as a percent of "normal" index levels) in the "Historical Indexes" tab.
- You can also use your Grid ID to estimate your premiums and indemnities in the "Decision Support Tool" tab. You will need to enter your chosen coverage level and productivity factor, as well as information about your intended use of the land and its acreage, in the "Protection Information" area. You will choose index intervals and their corresponding percent of value for each index interval in the "Protection Table" – click "Calculate" to see your premiums and estimated indemnities.
- In the "Estimated Indemnities" tab, the tool will use your selections to give you information about the indemnity payments which would have resulted from those same choices in past years.

Sign Up Soon!

The deadline to enroll in PRF for 2018 is November 15th, 2017. To enroll, contact a crop insurance agent. Find an agent by asking a neighbor or using the Agent Locator tool at rma.usda.gov/tools/agent.html

Visit ag-analytics.org/cropinsurance for more information about crop insurance.

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[i] This article will use rainfall as shorthand to refer to all forms of precipitation.