

Master Marketer Marketing Risk Management

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UW-Extension | Ranch/Farm Management Specialist

Wyoming - February 2015



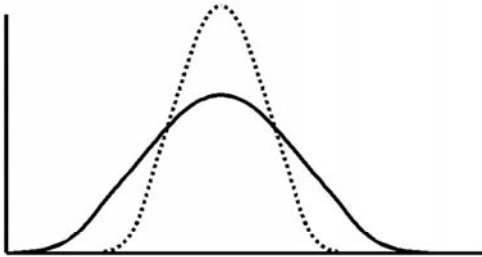
Sources of Risk in Agriculture - *Ag Risk 5*

1. Marketing/Price Risk
2. Production Risk
3. Institutional/Legal Risk
4. Human Risk
5. Financial Risk

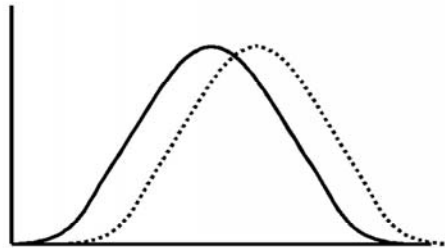


Strategy Impacts

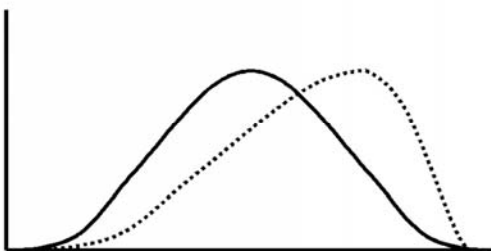
Panel 1: Same Mean, Less Dispersion



Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



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Risk Controls

Market Risk - Production Risk - Institutional/Legal Risk - Human Risk - Financial Risk

Market Risk

- risk associated with the uncertainty around markets and prices for inputs and outputs

1. Livestock Prices

- USDA Agricultural Marketing Service: [Colorado Weekly Summary](#)
- USDA Agricultural Marketing Service: [Montana Weekly Summary](#)
- USDA Agricultural Marketing Service: [New Mexico Combined Wtd Avg - Cattle \(weekly\)](#)
- USDA Agricultural Marketing Service: [Washington Weekly Livestock Auction Summary](#)
- USDA Agricultural Marketing Service: [Wyoming Weekly Summary](#)
- USDA Agricultural Marketing Service: [Livestock and Seed](#)
- USDA Agricultural Marketing Service: [ALL](#)
- [Beef Basis](#) - provides cattle producers with information and analytics to improve marketing decisions influenced by cattle basis risk.

2. Grain Prices

- USDA Agricultural Marketing Service: [California Weekly Grain Report](#)
- USDA Agricultural Marketing Service: [Montana Cash Grain Prices](#)
- USDA Agricultural Marketing Service: [Utah Daily Grain Report](#)
- USDA Agricultural Marketing Service: [Eastern New Mexico Grain Report](#)
- USDA Agricultural Marketing Service: [Wyoming/Western Nebraska Elevator Grain Bids](#)

3. Hay Prices

- USDA Agricultural Marketing Service: [California Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [Colorado Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [Idaho Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [Montana Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [New Mexico Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [Oregon Weekly Hay Report](#)
- USDA Agricultural Marketing Service: [Utah Weekly Hay Market Report](#)
- USDA AMS: [Washington-Oregon \(Columbia Basin\) Weekly Hay](#)
- USDA AMS: [Wyoming, West Nebraska, and SW South Dakota Hay Report \(weekly\)](#)
- USDA Agricultural Marketing Service: [Wyoming Weekly Summary](#)

4. Lease Rates/Grazing Fees

- USDA AMS: [Wyoming, West Nebraska and SW Dakota Grazing Fee Report](#)
- USDA National Agricultural Statistics Service: [Cash Rents by County](#)

5. Price Protection (Insurance)

Risk Controls



<http://RightRisk.org/controls>

Farm Service Agency Disaster Assistance Programs

Supplemental Revenue Assistance (SURE)

- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Emergency Livestock Assistance Program (ELAP)



Farm Service Agency Disaster Assistance Program (NAP)

USDA FSA **FACT SHEET**
 UNITED STATES DEPARTMENT OF AGRICULTURE
 FARM SERVICE AGENCY
 August 2011
 Noninsured Crop Disaster Assistance Program (NAP) for 2011 and Subsequent Years

Overview
 USDA's Farm Service Agency's (FSA) Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to producers of noninsurable crops when low yields, loss of inventory or prevented planting occur due to a natural disaster.

Eligible Producers
 An eligible producer is a landowner, tenant or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop. As authorized by the Food, Conservation, and Energy Act of 2008 (2008 Act), an individual's or entity's average nonfarm adjusted gross income (AGI) limitation cannot exceed \$500,000 to be eligible for NAP.

Eligible Crops
 Eligible crops must be commercially produced agricultural commodity crops for which the catastrophic risk protection level of crop insurance is not available and be any of the following:

- Crops grown for food.
- Crops planted and grown for livestock consumption, including, but not limited to grains and forage crops, including native forage.
- Crops grown for fiber, such as cotton and flax (except for trees).
- Crops grown in a controlled environment, such as mushrooms and floriculture.
- Specialty crops, such as honey and maple sap.
- Value loss crops, such as aquaculture, Christmas trees, giftwood, ornamental nursery and turfgrass sod.

and turfgrass sod.

- Sea oats and sea grass and.
- Seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Producers must contact a crop insurance agent for questions regarding insurability of a crop in their county.

For further information on whether a crop is eligible for NAP coverage, producers must contact the FSA county office where their farm records are maintained.

Eligible Natural Disaster
 An eligible natural disaster is any of the following:

- Damaging weather, such as drought, freeze, hail, excessive moisture, excessive wind or hurricanes;
- An adverse natural occurrence, such as earthquake or flood. A condition related to damaging weather or an adverse natural occurrence, such as excessive heat, plant disease, volcanic smog (VOG), insect infestation or;
- Any combination of these conditions.

The natural disaster must occur during the coverage period, before or during harvest and must directly affect the eligible crop.

Applying for Coverage
 Eligible producers must apply for coverage of noninsurable crops using Form CCC-471, "Application for Coverage," and pay the applicable service fee at the FSA office where their farm records are maintained. The application and service fee must be filed by the application closing date as established by the FSA State Committee.

The service fee is the lesser of \$250 per crop or \$750 per producer per administrative county, not to exceed a total of \$1,875 for a producer with farming interests in multiple counties. This fee is authorized by the 2008 Act.

Limited resource producers may request a waiver of the service fee. To qualify for an administrative service fee waiver, the producer must meet both of the following criteria:

- Earn no more than \$100,000 gross income in farm sales from each of the previous two years (to be increased starting in FY 2004 to adjust for inflation, using the prices paid by farmers index as compiled by the National Agricultural Statistics Service (NASS)).
- Have a total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household for both of the previous two years.

Limited resource producer status may be determined using the USDA and Rancher Online Self Determination Tool located on the Limited Resource Farmer and Rancher (LRF/R) home page at www.fsa.usda.gov. The automated system calculates and displays adjusted gross farm sales per year and the higher of the national poverty level or county median household income.

Page 1

Grazing records:

- Dates
- Number of Grazing Days
- Carrying Capacity

NAP Price for grazing is Nationally established

Gazing coverage:

- Buy up protection **not** available for grazing
- Grazing covered at basic CAT level 50/55

Premiums:

\$ 250 per crop per administrative county
 \$ 750 per producer per administrative county
 \$1,875 per crop across all counties

Payments:

MAY be paid under **both** NAP and LIP/LFP/ELAP

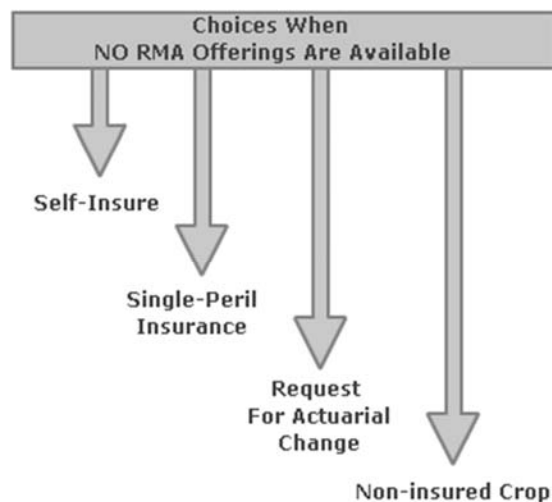
RMA Insurance Overview: Categories of Insurance

- These are three broad categories of RMA-approved insurance products:
 - **Yield insurance** pays indemnities when per acre yields are low
 - **Price insurance** pays indemnities when per unit output prices are low (currently this type of insurance is available only for certain classes of livestock)
 - **Revenue insurance** pays indemnities when per acre revenue (price \times quantity) is low or when whole farm revenue is low due to losses in production and declines in product quality and price



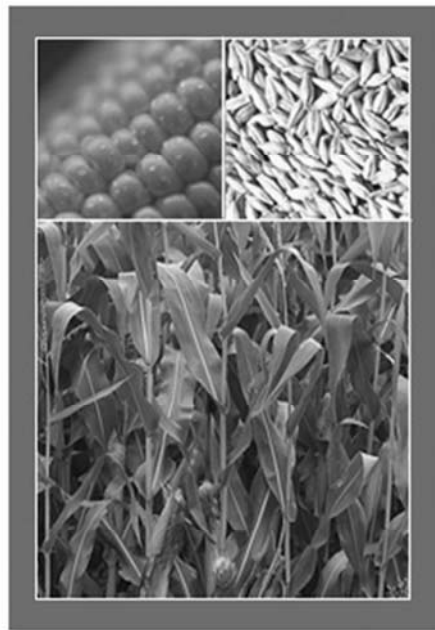
Production Risk Management in the Absence of RMA Products: Risk Options

- Self-Insured
- Single-Peril Insurance
- Request for Actuarial Change
- Non-insured Crop Disaster Assistance Program (NAP)



RMA Crop Production and Revenue Insurance Products

- Catastrophic Risk Protection Endorsement (CAT)- Overview
 - CAT is available if a YP-RP-RP/HPE product exists for a crop in a county
 - The premium is \$300 per crop in each county
 - You have an established APH
 - The fixed coverage level is 50% of the yield level
 - The fixed price election percentage is 55%
 - CAT is often a low cost for crop loss coverage



RMA Crop Production and Revenue Insurance Products

Crops Covered Under

Multi-peril Crop Insurance (MPCI):

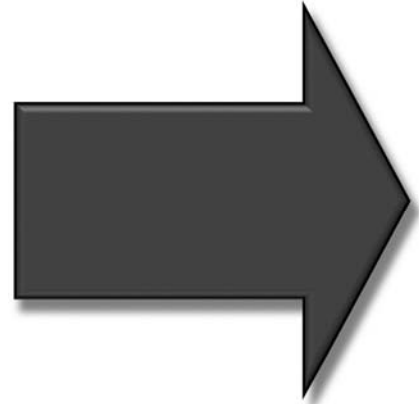
- | | |
|---------------------|------------------|
| • Alfalfa Seed | • Oats |
| • Barley* | • Potatoes |
| • Corn (for grain)* | • Sugar Beets |
| • Corn (for silage) | • Sunflowers* |
| • Dry beans | • Wheat* |
| • Millet | • Malting barley |

* Crops with Yield Protection, Revenue Protection or Revenue protection with Harvest Price Exclusion (YP-RP-RP/HPE)



Federal Crop Insurance: Older Options

- *Forage Seeding* (available since 1989+)
- *Forage Production* (available since 1989+)
- **LRP** feeder/fed cattle (starting June, 2003)
and swine (starting in 2001)

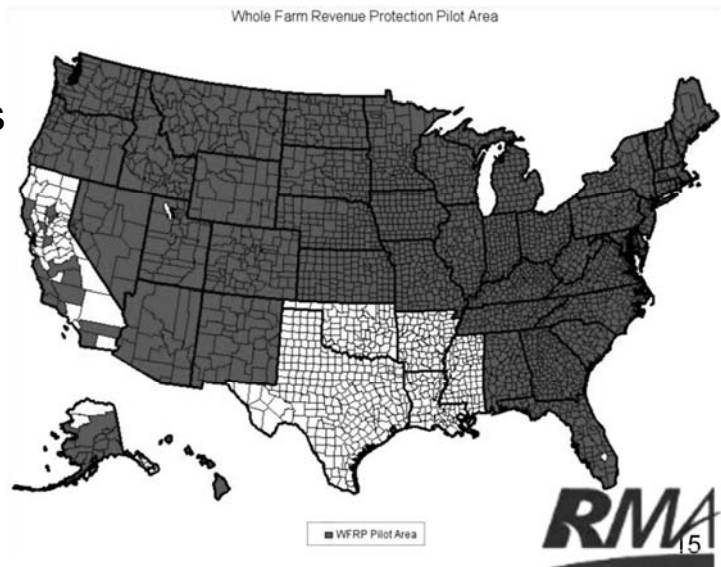


Federal Crop Insurance: Newer Options

- **LGM** cattle/swine (started January, 2006)
and dairy (started June, 2008)
- **LRP** Lamb (started Sept., 2007)
- **PRF-VI** or Pasture, Rangeland, Forage –
Vegetation Index (started Sept., 2007)
- **Apiculture-PRF** pilot index program (started 10/2008)
- **Whole-Farm Revenue Protection** (started 11/2014)

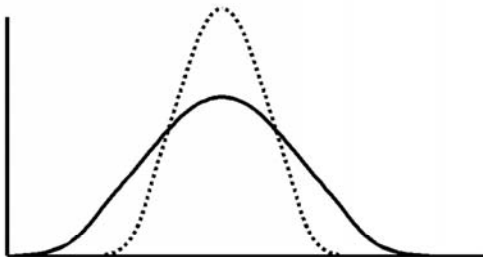
Whole-Farm Revenue Protection

- A whole-farm insurance product that provides producers with risk management protection for all eligible commodities on the farm under **one insurance policy**
- WFRP is a combination of Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite (AGR-Lite) policies

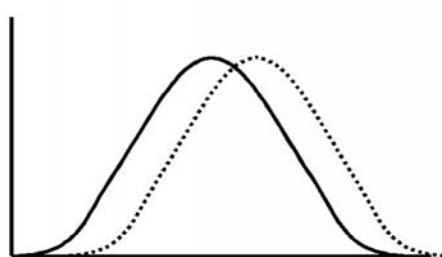


Strategy Impacts

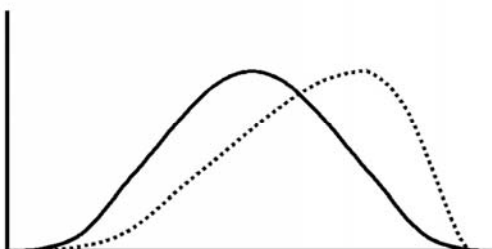
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Panel 2: Same Dispersion, Higher Mean



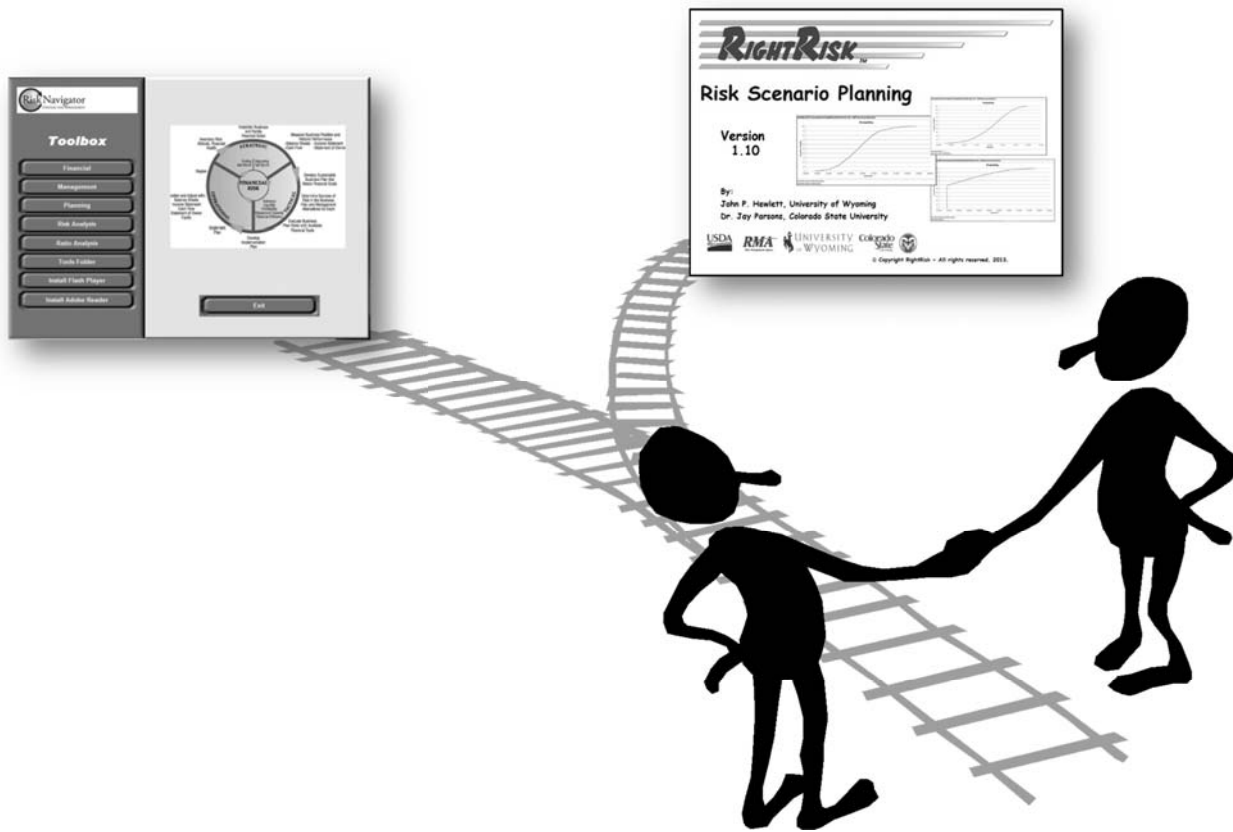
Panel 3: Skewing the distribution



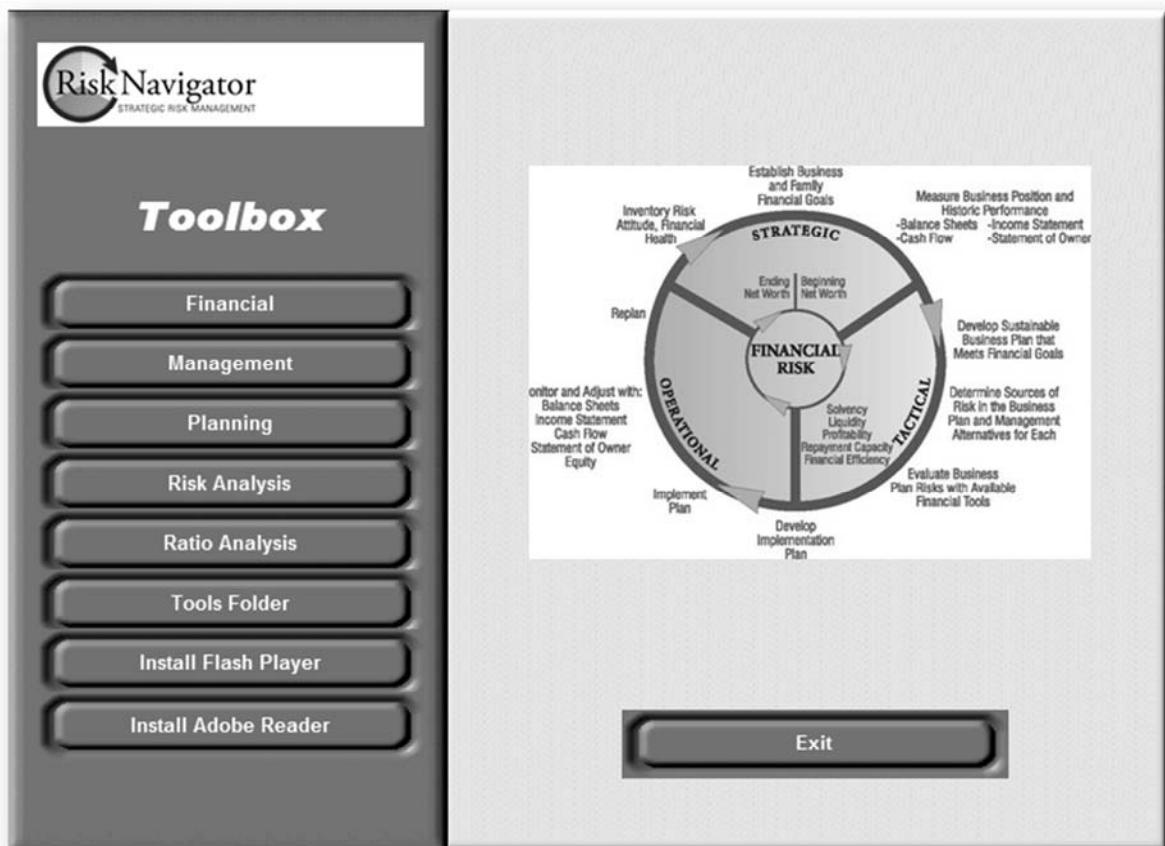
Panel 4: Truncating the Distribution



Evaluating Alternatives

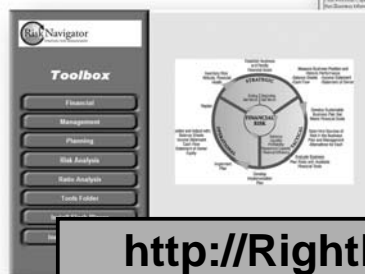
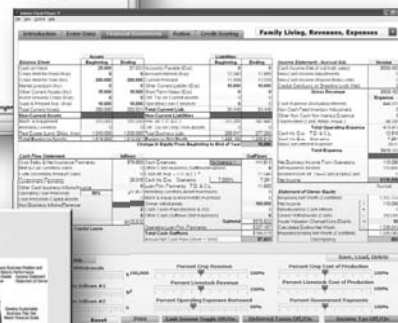
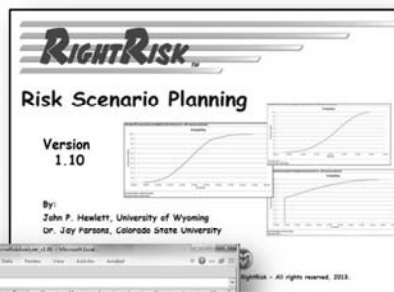


Risk Navigator Tool Box



Tools to Evaluate Alternatives

- **Risk Scenario Planner**
relatively minor changes
- **Enterprise Budget**
larger changes
- **Whole Farm Budget**
substantial changes
- **Risk Navigator Tool Box**
strategic risk management



<http://RightRisk.org/tools>

USDA Risk Management Agency
United States Department of Agriculture

Home Agent Locator Contact Us

RMAonline
Risk Management Agency / U.S. Department of Agriculture
Monday, September 23, 2013

Agent Locator

This application is designed to allow you state information in order to locate an agent area. You may search by any or all of the little, data as you prefer. Partial values may be entered in the search fields. However, the more specific your search criteria, the more accurate the results.

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RMAonline Enter search text Search

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Monday, September 23, 2013

Search Results

Displaying 55 agents that meet your search criteria

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Wyoming	Fremont	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Washakie	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Lincoln	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Sheridan	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Johnson	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Park	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Converse	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Goshen	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	All Counties	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Laramie	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	Natrona	Freeman, J.	(970) 834-1160	Ault	CO
Wyoming	All Counties	Hawker, T.	(208) 782-1464	Blackfoot	ID
Wyoming	All Counties	Hawker, T.	(208) 522-1260	Idaho Falls	ID
Wyoming	All Counties	Hawker, T.	(208) 734-1711	Twin Falls	ID
Wyoming	Carbon	Reisig, D.	(406) 665-1333	Hardin	MT

Risk Management Profiles



RISK MANAGEMENT PROFILES



VI-PRF pilot insurance minimizes feed risk for Z-F

Early fall 2010 on the Z-F Ranch found owners Bob and Betsy Zomer assessing risk management strategies for their cow-calf and yearling operation. The Zomers are situated on 12,000 acres of pasture and 200 acres of native hay in Fremont County. Both husband and wife were concerned about the coming production year. This year's late summer and early fall had been dry, and they were worried it would carry over into next year.

The Zomers looked at several options for addressing their production risks. They could:

1. Buy alfalfa hay to supplement native hay production. They knew this option might become expensive, though, with hay prices high and up-front cost tying up operating capital.
2. Rent additional pasture. Unfortunately, this option would be difficult to achieve (and expensive) due to the lack of locally available pasture. Plus, the Zomers would prefer not to travel long distances to their cattle.
3. Send the yearlings to a custom feed yard or sell them early. With high feed prices, this may or may not be economically viable.
4. Use the new Vegetative Index Pasture, Rangeland, Forage (VI-PRF) insurance. Bob recently became aware of a local extension meeting.
5. Insure against drought using Non-insured Crop Disaster Assistance Program (NAP) coverage.

Like many producers, the Zomers decided on a combination of available options. They chose to utilize VI-PRF insurance for 3,500 acres from April 1 to June 30; 5,500 acres from July 1 to September 30; and 200 acres of hay land from June 1 to August 30. They also chose to budget \$20,000 to purchase 200



Premium/acre	Indemnity/acre	Total indemnity	Total cost/acre
\$0.28	\$0.00	\$0	\$980
\$0.58	\$6.51	\$35,805	\$3,190
\$9.15	\$57.27	\$11,454	\$1,830
	Total	\$47,259	\$6,000

heads multiplied by 60 percent equals \$10,954.94. With the second method, calculate the carrying capacity of 19.48 acres per AU (or a normal carrying capacity of 462 AUs) multiplied by 30 days (\$15,860) multiplied by the daily feed cost (\$40.04/30 = \$1,334) multiplied by 60 percent to find a total payment of \$11,093.54. Therefore, the first calculation provides the smaller amount. If the Zomers had utilized NAP coverage in 2010, they would have received two added benefits.

<http://RightRisk.org/RiskManagementProfiles>

<http://RightRisk.org> > Courses

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NOVEMBER 2013

RIGHTRISK NEWS

DATES TO REMEMBER

- November 15, 2013: Pasture, Rangeland, Forage Insurance (PRF)
- November 15, 2013: Apiculture
- November 15, 2013: Noninsured Crop Disaster Assistance Program (NAP) acreage reporting deadline for forage crops including grazing
- December 1, 2013: NAP application deadline for fall seeded crops and forage

Risk Management Strategies for Livestock Producers

Livestock and bee producers have several risk management options to manage forage production risk. Given recent periods of extreme drought and price variability, managers might consider addressing forage risks using one or more insurance tools. Programs are available and can help protect against serious production losses, while helping to guarantee revenue levels.

Pasture, rangeland, forage (PRF) and Apiculture insurance protect against a decline in an index. The index is designed to serve as a proxy for pasture, range, and hay production in a specific area of land or grid.

The Noninsured Crop Disaster Program (NAP), administered by the Farm Service Agency (FSA) is designed to provide low cost catastrophic loss coverage to producers when federal crop insurance is not available.

The Noninsured Crop Disaster Program (NAP), administered by the Farm Service Agency (FSA) is designed to provide low cost catastrophic loss coverage to producers when federal crop insurance is not available.


NAP coverage may be used separately but not in conjunction with PRF and Apiculture insurance to provide protection against low yields, loss of inventory or prevented planting that occur due to natural disasters for a typical ranch such as grains planted for hay (and not insured as grain), native (grass) hay and certain mixed forages, and grazingland.

Coverage begins 30 days following sign-up. NAP covers losses of 50 percent or greater of expected production, at 55 percent of the market price (set by the state committee).

The 2008 Farm Bill required that livestock and apiculture producers enroll under either NAP coverage or crop insurance for all pastures, rangeland and native hay forage crops to qualify for certain disaster assistance programs including the Livestock Forage Disaster Program (LFP) and Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP). These requirements are expected under the new Farm Bill (or extension program (E-LAP)). These requirements are expected under the new Farm Bill (or extension program (E-LAP)). These requirements are expected under the new Farm Bill (or extension program (E-LAP)).

Recent bulletins that outline how these programs may work for operators include: "Production Risk Management Options for Wyoming Ranches: Crop Insurance and Federal Disaster Programs" and "Risk Management Programs for Honey Bee Producers in Wyoming" and may be found in the Western Risk Management Library located under <http://riskmg.usdage.org>.

More information is available for the programs mentioned in this article on the Internet at: www.rightrisk.org, www.fsa.usda.gov, or www.fsa.usda.gov.



How Much Risk is Right for You?

RISK MANAGEMENT PROFILE

VI-PRF pilot insurance minimizes feed risk for Z-F. Early fall 2010 on the Z-F Ranch found owners Bob and Betsy Zomer assessing risk management strategies for their cow-calf and yearling operation. The Zomers are situated on 12,000 acres of pasture and 200 acres of native hay in Fremont County, Wyoming. Both husband and wife were concerned about the coming production year. This year's late summer and early fall had been dry, and they were worried it would carry over into next year.



To read more see:
RightRisk.org > Resources > Risk Mgt Profiles

HIGHLIGHTED COURSE

The Pasture, Rangeland, Forage (PRF) Pilot Insurance Program course available at RightRisk.org offers a step-by-step approach to learn more about PRF insurance and how PRF can be applied. The course includes audio and interactive features, while example farm profiles demonstrate application to real-world examples.

Course materials provide maps to assist in first deciding the type of PRF insurance available in the area. Links to appropriate Web pages help determine the grid identification numbers for individual grids. The next two sections in the course go into greater depth on Vegetative and Rainfall Index policies.

A section of the PRF course explains how to go online to the RMA website and make the most of the cost estimator. Finally, users are encouraged to compare their own yield/historical experience for their grids with that presented in the online decision tool/cost estimator Web pages.



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Education
Coaching
Research

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How much risk is right for you and your operation?

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2014 Farm Bill - WYOMING

1. Farm Bill Update Meetings - WYOMING
- A flyer outlining program dates and locations for presentations across Wyoming.

2. Farm Bill Information Links
- Agricultural Act 2014 (Farm Bill) text

- Farm Service Agency pages:
+ Farm Bill general information
+ Farm Bill ARC/PLC general information
+ Farm Bill conservation compliance information
+ ARC/PLC WEB tool from the National Association of Agricultural and Food Policy (NAAFP)
+ ARC/PLC WEB tool from the National Coalition for Producer Education (NCPE)
+ Dairy-MPP WEB tool from the National Program on Dairy Markets and Policy is working with the University of Illinois led consortium National Coalition for Producer Education
+ disaster assistance programs

- Risk Management Agency pages:
+ Farm Bill general information
+ Supplemental coverage option (SCO) fact sheet
+ Crop insurance decision tool

- US Department of Agriculture pages:
+ Farm Bill general information
+ Farm Bill news
+ Farm Bill implementation status

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