



PASTURE, RANGELAND, FORAGE RAINFALL INDEX CROP INSURANCE PROGRAM

Alternative Recommendations

September 21, 2020

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Overview

This report provides additional recommendations that the Risk Management Agency (RMA) has received from stakeholders on the Pasture, Rangeland, Forage Rainfall Index (PRF-RI) crop insurance program. These recommendations are in addition to the contractor recommendations. Stakeholders are encouraged to review and provide comments on all recommendations in this report and the contractor's recommendations. The purpose of RMA asking for comments is to help strengthen the integrity of the PRF program and make it a sustainable risk management tool for livestock and forage producers. In addition to recommendations that are included, RMA encourages stakeholders to submit other ideas that they believe will contribute to the enhancement of the program.

Alternative Recommendation 1: Block Out Winter Intervals

- Currently, a producer can pick intervals in winter months when precipitation has no impact on forage growth. Should RMA eliminate intervals (e.g. October 1 to March 1) in areas where precipitation in that time period is of less value for forage growth?

Alternative Recommendation 2: Lengthen the Intervals

- One issue with the current two-month interval is that a significant rainfall event on one day could cause a producer to not receive an indemnity, even though a loss occurs. For example, in the semi-desert environment of the northern plains, a small additional rainfall may be the difference between receiving an indemnity or not. A single rainfall event would have less impact on the outcome for a longer interval (e.g., 4 months).
 - Should RMA consider lengthening intervals to 4 months or define a crop season interval appropriate for the region and typical forage growth patterns?

Alternative Recommendation 3: Factoring in Livestock Numbers

- Should RMA insure the number of head of livestock grazing the insured acreage rather than the acreage itself? RMA could use a producer's livestock numbers to determine how liability is calculated in order to ensure producers are insuring an appropriate amount of acreage for their operations.
- An alternate method for livestock numbers is stocking to 70% of the lands carrying capacity. The Farm Service Agency publishes Animal Unit Month (AUM) data for certain states which could be utilized to determine if the producer owns enough livestock in order to stock at 70% of the lands carrying capacity. Should RMA use livestock carrying capacity to determine the number of acres that can be insured?

- Minimum Number of Livestock Requirement Example:
 A typical 1,200 lb. cow Animal Unit (AU) eats about 30lbs of dry matter forage/day. It takes approximately 11,000 lbs of forage to feed that AU per year. The insured acreage produces 1,800 lbs of forage/acre per year.
 $11,000\text{lbs}/1,800\text{lbs}=6.1 \text{ acres/AU}$.

If a producer has coverage on 10,000 acres of rangeland, the max number of head that acreage could hold is 1,639 head. This number of head could then be used to set a minimum number of head required on that acreage. For example, RMA could require producers to stock the acreage at 70% of the maximum, in this example the producer would need to have 1,147 cows. The producer would also need to be able to provide records for the number of head if requested by the Approved Insurance Provider (AIP) or RMA.

Alternative Recommendation 4: Weighted County Base Values (CBV) by Intervals:

- Should RMA modify the maximum allowable percent per interval to align with the historical proportion of annual precipitation per interval? For example, if the Apr-May interval historically receives 30% of the year's precipitation, the Apr-May interval will have an interval CBV value of $\text{CBV} \times 0.30$. With this option, producers will no longer need "Percent of Value," and producers will be able to select from one to six intervals that do not overlap.

Alternative Recommendation 5: Move the PRF SCD

- Move the PRF Sales Closing Date (SCD) to Dec 1st. This may be helpful to producers who are being asked to sign up during the busiest time of the year

Alternative Recommendation 6: Utilize Smaller Grid Sizes

- The current National Oceanic and Atmospheric Administration Climate Prediction Center grid size has generally been effective for the Rainfall Index programs, but there are times when the grid size does not accurately capture the variance in small rainfall events. A potential solution is to utilize a smaller grid size that could potentially account for the variations in these events. While there would not be any additional weather stations reporting, the interpolation process could provide more accurate results at the small grid size level.

Alternative Recommendation 7: Limit Grid Selection to Physical Location of Acreage

- RMA could limit insurance to 1) the actual grid ID where the acreage is physically located; or 2) limiting contiguous acreage to the County/grid ID where the majority of the acreage is physically located (NOTE: this change has already been made at the state

level, and this would further limit to the county level) and require producers to select the same intervals for all acreage within the county.

Comment Period:

Comments may be submitted via email to rma.kcviri@usda.gov or by mail to Director, Product Administration and Standards Division, Risk Management Agency, United States Department of Agriculture, P.O. Box 419205, Kansas City, MO 64133-6205. RMA will accept comments regarding the results of this contracted study and alternative recommendations until close of business November 5, 2020. All comments received on or before November 5, 2020, will be considered and evaluated prior to making any changes for the 2022 crop year.