



Comparing risk management options for hay and forage in Platte County operation – Part II

By James Sedman and John Hewlett

A previous article discussed the risk management strategies of Gates Creek Land and Livestock owners John and Marcia Smith for their alfalfa hay and corn silage production in Platte County.

The Smiths were concerned they would have difficulty finding feed for their cow-calf enterprise in times of high prices if an extreme weather event reduced their own forage production on 250 irrigated acres.

They examined several options and eventually chose to insure 150 acres of alfalfa with a multi-peril, actual production history (APH) forage insurance policy, 50 acres of alfalfa seeding with a forage seeding policy, and 50 acres of corn silage with a Yield Protection (YP) policy.

Storm Event and Indemnity Calculations

The Smiths had an average production year with adequate moisture

until late June and early July, when two severe storms with heavy rain and hail pummeled their forage crops over two weeks. These storms limited silage corn production to 7 tons per acre and total alfalfa production to 2.5 tons per acre. This compares with their APH yields of 21 tons per acre for corn silage and 4 tons per acre for alfalfa. The hail and heavy rain reduced their new seeding alfalfa to less than 5 acres with an acceptable stand remaining.

The multi-peril policy for the Smiths' alfalfa was for 75 percent coverage on their APH yield of 4 tons per acre at a price of \$108 per ton. This equates to total coverage of \$324 per acre. The YP policy for their corn silage was set up in a similar manner with a price of \$43 per ton set in the spring when the policy was written with 75 percent coverage resulting in total coverage of \$677.25 per acre.

The forage seeding policy is somewhat different from the

other two policies where it pays an indemnity based on the number of acres without an acceptable stand to count. In this case, the total coverage per acre was \$226; the Smiths selected 75-percent coverage resulting in a total of \$169.50 per acre. The different insurance policies are summarized in Table 1.

Storm damage to the Smiths' crops was covered by their crop insurance policies. Indemnity calculations are shown in Table 2. The new seeding was determined to have only 5 acres of acceptable stand and resulted in an indemnity payment of \$7,627.50 (50 acres times \$169.50 equals \$8,475, subtracting the production

Table 1. Crop Insurance Options Summary

Crop	Number of acres	APH yield (tons)	Coverage (%)	Price (\$)	Total coverage (\$ per acre)	Total crop coverage (\$)
Forage Seeding	50	–	75	\$ 226	\$ 169.50	\$ 8,475
Corn Silage	50	21	75	\$ 43	\$ 677.25	\$ 33,862.50
Alfalfa	150	4	75	\$ 75	\$ 324	\$ 48,600

Table 2. Yield Loss and Indemnity Payment

Crop	Actual yield	Actual revenue (\$ per acre)	Coverage (\$ per acre)	Indemnity (\$ per acre)	Total indemnity (\$)
Forage Seeding	5 acres	–	\$ 169.50	–	\$ 7,627.50
Corn Silage	7	\$ 301.00	\$ 677.25	\$ 376.25	\$ 18,812.50
Alfalfa	2.5	\$ 270.00	\$ 324.00	\$ 54.00	\$ 8,100.00

to count of 5 acres times \$169.50 or \$847.50 gives the payment of \$7,627.50). The corn silage YP and alfalfa multi-peril indemnities are determined by taking the value of actual production (calculated using the policy price) and subtracting it from the total coverage per acre.

Results

The combination of the Smiths' three insurance policies on their hay and forage crops resulted in a total indemnity payment of \$34,540. While this does not equal the revenue they expected from the three crops, it does help cover some of the feed needed by their cow-calf enterprise despite the crop losses. In the next installment, we will look at the risk management implications of the Smiths' marketing plan.

James Sedman is a consultant to the Department of Agricultural and Applied Economics in the University of Wyoming College of Agriculture and Natural Resources, and **John Hewlett** is a farm and ranch management specialist in the department. Hewlett may be reached at (307) 766-2166 or hewlett@uwyo.edu.



For more information

Vegetative Index-Pasture Rangeland and Forage Insurance (VI-PRF), Yield Protection, multi-peril insurance, and other programs such as the non-insured disaster assistance program (NAP) could provide protection against production risk for hay and forages in your operation.

For more information on crop insurance policies for hay and forages and how they might fit in risk management planning, visit your local crop insurance agent or the Risk Management Agency (RMA) website at www.rma.usda.gov. For more information on risk management, including interactive tools and software, visit the Western Risk Management Library online at riskmgt.uwagec.org.

University of Wyoming Extension offers Wyoming Master Woolgrower Program

By Bridger Feuz

Wyoming sheep producers can participate in an in-depth program focused on production and management.

The five-session Wyoming Master Woolgrower Program will be offered in Casper and Evanston. Patterned after the successful Wyoming Master Cattleman Program, sessions will be presented by University of Wyoming Extension specialists, area educators, and industry experts.

The objective is to promote the sustainability of Wyoming woolgrowers through a comprehensive production strategy and risk assessment program. Producers will receive training on goal setting, insurance options, risk management strategies, and financial enterprise analysis.



Producers will also receive information on marketing and innovative herd management strategies. To reinforce tools taught, participants

will practice risk assessment and partial budgeting for an example operation at the end of each production strategy session.

Program Dates and Locations

Casper – 2-5 p.m. Jan. 17, 24, 31, Feb. 7, and Feb. 14

Evanston – 2-5 p.m. March 6, 13, 20, 27, and April 3

Program Outline

Session 1 – Goal setting, financial recordkeeping and financial health

Session 2 – Enterprise analysis and production recordkeeping

Session 3 – Alternative and niche marketing, range management and predator control

Session 4 – Scientific tools for ram selection, ultrasound and herd health

Session 5 – Strategic risk management

Casper sessions may rotate between Casper, Douglas, and Kaycee

depending upon the group preference and number of participants from each area. Evanston sessions may rotate between Evanston, Rock Springs, and Kemmerer.

In today's industry with its volatile markets, how producers cope with risk often defines their levels of success. This program helps producers define individual risk and select management practices that match their risk preferences.

If interested in attending the programs, please contact me at bmfeuz@uwyo.edu or at (307) 783-0570.

Bridger Feuz is an educator and the livestock marketing specialist with the University of Wyoming Extension. He is based in Uinta County and also serves Lincoln, Sublette, Sweetwater, and Teton counties.