



## Using insurance to combat drought effects – Part II

By James Sedman and John Hewlett

Last month, we reviewed the Vegetative Index-Pasture Rangeland and Forage insurance options of two Niobrara County ranches seeking to insure production on 2,000 acres of pasture from July to September.

Ranch A utilized a protection factor of 150 percent of the county base value giving a value of protection of \$11.94/acre. Ranch B selected a 75-percent protection factor yielding a value of protection of \$5.97/acre. Ranch A's premium is \$1.40/acre and Ranch B's premium is \$0.31/acre.

The effectiveness of each policy depends on each operation's risk management goals. Ranch A seeks the highest dollar amount of coverage available while Ranch B seeks to purchase minimum coverage and maximize dollars of effective coverage.

Assume both ranches experience production losses. Varying levels of loss are shown in Table 1, along with the corresponding indemnity payments. At a 25-percent loss level, Ranch A will receive an indemnity payment greater than their premium (\$1.80/acre).

**Table 1. VI-PRF Strategy Comparison:**

**Niobrara ranches insuring 2,000 acres in the July to September interval.**

	County base value	Productivity factor (%)	Value of protection (\$/acre)	Total coverage per acre (at % of Productivity factor covered)		
				90%	80%	70%
<b>Ranch A:</b>	\$7.96	150	\$11.94	\$10.75	\$9.55	\$8.36
Premium/acre				<b>\$1.40</b>	<b>\$0.96</b>	<b>\$0.62</b>
\$ of coverage/\$ of premium				\$7.70	\$9.97	\$13.52
Indemnity at 25% loss			\$8.96	\$1.80	\$0.60	\$0.00
Indemnity at 50% loss			\$5.97	\$4.78	\$3.58	\$2.39
Indemnity at 75% loss			\$2.99	\$7.77	\$6.57	\$5.38
<b>Ranch B:</b>	\$7.96	75	\$5.97	\$5.37	\$4.78	\$4.18
Premium/acre				<b>\$0.70</b>	<b>\$0.48</b>	<b>\$0.31</b>
\$ of coverage/\$ of premium				\$7.69	\$9.98	\$13.53
Indemnity at 25% loss			\$4.48	\$0.89	\$0.30	\$0.00
Indemnity at 50% loss			\$2.99	\$2.39	\$1.80	\$1.20
Indemnity at 75% loss			\$1.49	\$3.88	\$3.29	\$2.69

While Ranch B's premiums were considerably less than Ranch A's, a greater than 50-percent production loss is required to simply recover the premium. Ranch B's coverage is basically catastrophic coverage, paying a substantial indemnity only in the event of a near 100-percent production loss.

Every livestock operation has different risk management needs.

Minimal, catastrophic-type coverage may work for some operations; however, purchasing at least a higher production factor policy to maximize the total amount of effective coverage may be advisable. In this case, either ranch could more than double the amount of coverage for as little as \$1.09 per acre in additional premium.

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### For more information

Vegetative Index-Pasture Rangeland and Forage insurance (VI-PRF) protects against losses on pasture and hay land using satellite data to determine productivity.

Producers can insure some or all of their pasture or hay land at different production intervals throughout the growing season to fit their risk management needs.

Wyoming operators looking to enroll portions of their forage production for 2013 have until Thursday, November 15 (the sign-up deadline was previously September 30).

To learn more about VI-PRF insurance and how it may work for a specific situation, visit [www.rma.usda.gov](http://www.rma.usda.gov) or your local crop insurance agent. Producers may use the cost estimator link at the Risk Management Agency's website to determine coverage and premium costs and view historical indices. An online course outlining VI-PRF is also available at [InsuringSuccess.org](http://InsuringSuccess.org). For information on this and other risk management topics on the Web, visit the Western Risk Management Library online at [agecon.uwyo.edu/riskmgt](http://agecon.uwyo.edu/riskmgt).

## UW Extension offers two Wyoming ranch management institutes

By Bridger Feuz

The Wyoming Master Cattleman team is gearing up for Ranch Management Institutes at Bear River Lodge near Evanston and at The Ranch at Ucross.

These institutes are three-day sessions with an intensive focus on

ranch management. Agriculture has been and will continue to be a business with significant risk. Drought, highly variable input costs, and fluctuating prices are just a few of the risks producers face. This institute will teach strategies and tools to help producers make

good decisions that lead to sustainable operations.

Participants will roll up their sleeves and not only learn to use the tools, they will also be guided through the process of completing analyses on their own ranches. Just like many other jobs on a ranch,

management is hard work. We expect participants to work hard and complete the tasks during these institutes.

Each location is limited to 15 participants. The fee for the institute is \$350 per person and includes two night's lodging, meals, and the

potential for a new netbook computer. Participants must complete all assignments to receive the computer at the end of the institutes.

Participants from the Wyoming Master Cattleman program have overwhelmingly said they would recommend the program to others. These institutes are the next step in learning tools to make good decisions on a ranch. Participants learn the use of the tools, practice using the tools in real ranch situations, and walk away from the program with a netbook computer with all of the tools and information from the institute.

All participants must RSVP by registering for the institute of their choice. Register by emailing me at [bmfeuz@uwyo.edu](mailto:bmfeuz@uwyo.edu) or calling me at 307-783-0570.

**Bridger Feuz** is a University of Wyoming Extension educator serving southwest and western Wyoming with expertise in livestock marketing.



### Locations, Dates

#### February 11-13

Bear River Lodge (near Evanston)

#### February 25-27

The Ranch at Ucross

Each institute begins at 1 p.m. Monday and finishes 5 p.m. Wednesday.

### Agenda

#### Day 1

Whole ranch marketing assessment and financial analysis

#### Day 2

Time for completing assignments from day one

- Partial budgeting and investment analysis tools
- Ranch modeling tools
- Basis management tools

#### Day 3

Time for completing assignments from day two

- Analysis tools available at [www.uwyoextension.org/ranchtools](http://www.uwyoextension.org/ranchtools)
- Livestock risk protection and RightRisk