



Risk Management

Bridger Feuz

Livestock Marketing Specialist

University of Wyoming





USDA / RMA

Federal Crop Insurance Programs

Like Agriculture Itself, USDA/RMA
Crop Insurance Programs are Dynamic...



The information in this presentation does not replace or supersede any procedures or modify any provisions contained in the complete insurance policies.



Program Sponsorship, Coordination, and Delivery

The USDA and RMA websites offer information and tools to help producers make better decisions about managing risk and using Federal crop insurance programs.

www.RMA.USDA.gov



The screenshot shows the USDA Risk Management Agency website. At the top, it features the USDA logo and the text "Risk Management Agency" and "United States Department of Agriculture". Navigation links include "About RMA", "Field Offices", "Contact Us", and "¡En Español!". A search bar is located on the right. Below the navigation, there are sections for "Popular Topics" (listing various resources like bulletins, policies, and frequently asked questions), "Quick Links" (providing direct access to tools like the agent locator and cost estimator), and "RMA's Priorities" (highlighting key areas like bulletins and handbooks). A central image collage shows various agricultural products like wheat, a chicken, a cow, corn, and tomatoes. On the right, a news item titled "RMA Announces Risk Management Education Awards" is featured, dated Wednesday 11/13/2013. At the bottom, there are sections for "Risk in Agriculture" and "Associated Agencies and Organizations with MOUs".

Associated Agencies and Organizations with MOUs

[USDA](#) | [FAS](#) | [FSA](#) | [NRCS](#) | [NASS](#) | [FFA](#) | [NOIS](#)

Associated Partners and Resources

[Agriculture Production](#)
[Ag Risk Education Library](#)
[Commodity Futures Trading Commission](#)



Program Sponsorship, Coordination, and Delivery

RMA Purpose:
To promote, support,
and regulate sound
risk management
solutions to preserve
and strengthen the
economic stability of
America's agricultural
producers.



When you buy insurance for this...



Is this what you are hoping for?





Why are we mad when we don't receive a payment on livestock or range insurance?

- Use insurance as a tool to mitigate risk not as a speculative money making strategy.



Feuz Ranch Example



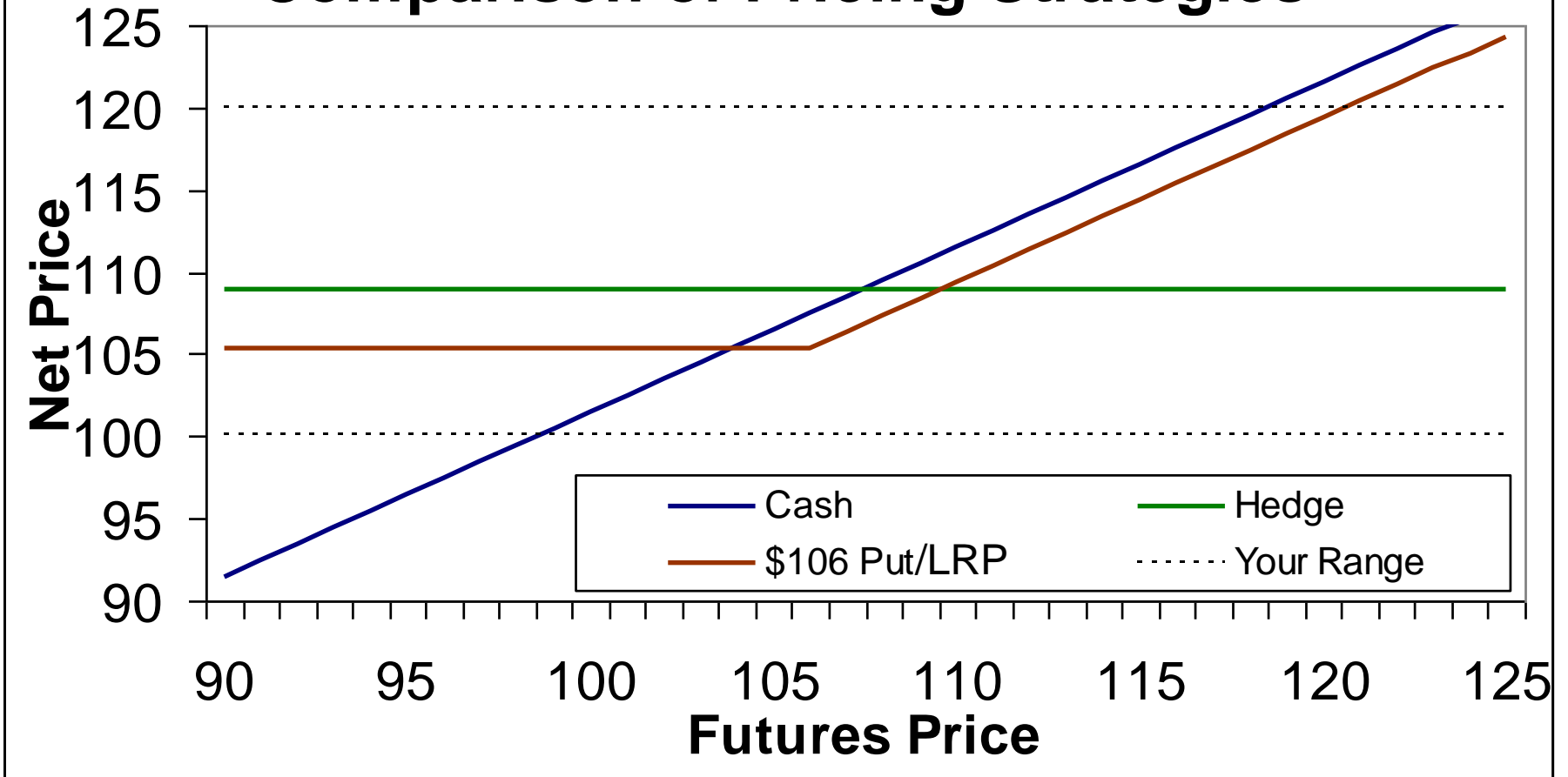


Price Risk is a real risk to producers

- Nebraska Auctions 600-650 Steer Calf Price
 - September 4, 2015 \$240.60 per cwt
 - October 9, 2015 \$205.05 per cwt
 - A difference of \$225 per calf sold
 - The prior 5 years the average difference was less than \$10 per head between Sept. and Oct.



Comparison of Pricing Strategies



Using LRP to Reduce Price Risk

- Livestock Risk Protection Insurance
 - Establishes a floor selling price
 - Pays producer if National cash price index falls below insured level
 - Does not insure your cash price
 - Very similar to purchasing a put option
 - Options are fixed in size (50,000 lbs)
 - LRP is flexible (1-1,000 hd)
 - LRP purchased through Crop Insurance Rep.
 - www.rma.usda.gov/pubs/rme/lrp-feeder-cattle.pdf

Use LRP to increase Market Power





Feeder Cattle LRP Example

- Aug 4, 2010, Expect to sell 100 head of 550 lb steer calves in 13 weeks
- Expect to Sell Nov 2, 2010
- Expected Ending Value = \$126.42/cwt
 - (Nov FC 114.93 X 1.10)
- Coverage Price = \$120.94/cwt
 - EEV X Coverage Level = \$126.42/cwt X 95.67%
- Rate = 0.01712
- Cost/Cwt = \$2.07/cwt

USDA Coverage Price X Rate = \$120.94/cwt X 0.01712





Feeder Cattle LRP Actual Result

- Coverage Price \$120.94
- Actual Ending Value \$122.67
 - CME FC Index \$111.52 X 1.10 = \$122.67
- Actual Ending Value is higher than Coverage Price
 - No indemnity paid
- Net Price is $\$118.91 - \$2.07 = \$116.84$





Feeder Cattle LRP (Lower Scenario)

- Coverage Price \$120.94
- Actual Ending Value \$115.50
 - CME FC Index \$105 X 1.10 = \$115.50
- Actual Ending Value is lower than Coverage Price
 - Indemnity paid of \$5.44
 - ($\$120.94 - \115.50)
- Net Price is $\$112 + \$5.44 = \$117.44$



Pasture, Rangeland and Forage Pilot- Overview

Intended Use - Grazing

- Established acreage of perennial forage
- Intended for grazing by livestock
- Acreage must be suitable for grazing

Intended Use - Haying

- Established acreage of perennial forage
- Intended for haying
- Acreage must be suitable for haying

Pasture, Rangeland and Forage Pilot- Overview

- Area plans only –
Losses cover an area called a grid
- No individual coverage –
Does NOT measure actual individual production
- Index – based on deviation from
normal/historical
- No loss adjustments, records, etc.
- Timely payments
- Does not reward poor management practices –
Producer cannot influence outcomes/losses



PRF *2015 Program Results

State	Policies	Acres Insured	Liability	Indemnities	Loss Ratio
CA	508	3.0M	\$44.5M	\$18.4M	1.49
ID	15	94,000	\$2.0M	\$687,648	1.69
NV	65	1.8M	\$26.9M	\$17.1M	2.57
UT	14	354,000	\$2.9M	\$1.1M	1.89
WY	173	1.5M	\$12.1M	\$326,891	.14
All U.S.	20,801	54.7M	\$1.0B	\$26.1M	.58



New for 2016

- Vegetation index no longer used
 - OR, ID, UT, WY, NV, AZ, NM and part of CO
- Rainfall index used in all states
 - 2016 crop year

Rainfall Index

- National Oceanic and Atmospheric Administration Climate Prediction Center
 - NOAA CPC Data
- Grid is approximately 17X17 miles
- Must select at least two 2-month periods

Supplemental Information -RMA Website

- Grid ID Locator
- Historical Indices Tool
- Decision Support Tool



Evaluation



A hand holding a gold pen points to a green sticky note. The note contains a checklist with four empty square boxes on the left and four corresponding labels on the right: Excellent, Good, Average, and Poor.

<input type="checkbox"/>	Excellent
<input type="checkbox"/>	Good
<input type="checkbox"/>	Average
<input type="checkbox"/>	Poor

Bridger Feuz

bmfeuz@uwyo.edu

www.uwyoextension.org/ranchtools

