

Twelve Things to Know About Forage Drought Insurance

Brent Carpenter, July, 2013

- The government label for this coverage is PRF which stands for pasture, rangeland, and forage.
- PRF was first offered for Missouri in 2009.
- In aggregate for our state, indemnities have exceeded the farmer share of premiums in each of the last four years. For the drought year of 2012, policies paid \$3.81 for each \$1.00 premiums.
- Like other crop insurance programs, the total cost is government subsidized. Subsidies range from 51 to 59 percent, depending on coverage level.
- PRF insures against one peril: below normal precipitation. It does not cover other potential causes of loss, such as fire, hail, or insects.
- PRF is for perennial forage crops only. It does not work for annuals of any kind. Crops planted after July 1, 2013 will not be eligible for PRF coverage in 2014.
- A single policy covers either pasture or hay ground, but a farm may purchase several policies. Premiums and potential payments are much less for grazing than for haying.
- Indemnity payments are not triggered by actual yield loss. Instead, payments are made when rainfall within a specific geographic area (about 17 by 13 miles) is less than the long-term average precipitation. Thus, there is a remote possibility that a policy holder could receive a payment without actually suffering a yield loss. The opposite is also true. An actual loss might occur without triggering a payment.
- Producers can (and must) select time intervals of protection by pairs of months. The idea is to select months when a rainfall deficit would do the most damage. For example, a producer might choose the months of April-May and August-September for a pasture policy.
- The level of financial protection available varies slightly by county. However, producers may select within a wide range of choices. For example, a hay field in Pettis County can be insured at levels ranging from \$60 to \$192 per acre. Corresponding premiums range from \$4 to \$16 per acre. The maximum coverage for pasture is \$56 with a premium of \$4 per acre.
- The deadline to purchase a policy will likely be mid-November. Your crop insurance agent can provide more details.
- No surprise, the number of acres currently covered in Missouri doubled from 2012 to about 119,000. That's about one percent of the eligible pasture and hay acreage.
- A new MU Extension publication explains the mechanics of the program. It is available here <http://extension.missouri.edu/p/G457>
- USDA has provided a really nice calculator to estimate premiums and test different scenarios here <http://agforceusa.com/rma/ri/prf/dst>