United States Department of Agriculture

Program Aid Number 1896

A Risk Management Agency Fact Sheet

Pasture, Rangeland, Forage
Pilot Insurance Programs

Slightly Revised October 2007

The Risk Management Agency (RMA) now offers two new pilot Group Risk Protection risk management programs for pasture, rangeland, and forage (PRF). These innovative pilot programs are based on vegetation greenness and rainfall indices and were developed to provide livestock producers the ability to purchase insurance protection for losses of forage produced for grazing or harvested for hay.

These programs were developed to become a risk management tool for the 588 million acres of U.S. pastureland and the 61.5 million acres of hayland. Beginning with the 2007 crop year, the pilot programs were available for testing in selected States. The sales closing date for PRF is November 30. PRF insurance policies use innovative technology to assess losses in forage production across diverse range and pasture environments.

	Rainfall Index	Vegetation Index
States	Colorado*, Idaho*, Texas*, South Carolina*, North Dakota*, Pennsylvania*	Colorado*, Oklahoma*, Oregon*, Pennsylvania*, South Carolina*, South Dakota*
Additional States Beginning in 2008	Alabama	New York*, Wyoming
Sales Closing Date	November 30	November 30
Notes	* Select counties only	* Select counties only

In order to test each index in various climates, soils, and weather conditions, the programs are made available in six regions across the country: The warm and humid Southeast, the cool and humid Northeast, the Northern Great Plains, the Southern Great Plains, the semi-arid Southwest, and the intermountain region of the Northwest. The Rainfall Index and the Vegetation Index programs will be tested in select counties and States. A list of counties and States to be tested can be found at: http://www.rma.usda.gov/policies/pasturerangeforage/.

The Rainfall Index is based on National Oceanic and Atmospheric Administration (NOAA) data and uses an approximate 12 x 12 mile grid. Producers must select at least two, 2-month time periods in which precipitation is important during the growth and production of the forage species. These time periods are called index intervals. Insurance payments to a producer suffering a loss are calculated based on the deviation from normal precipitation within the grid and index interval(s) selected. This insurance coverage is for a single peril—lack of precipitation.

Precipitation data utilized by the Pasture, Rangeland, Forage Rainfall Index Pilot Program is developed and maintained by NOAA and is utilized by many government agencies and private parties for various purposes. This data does not directly reflect the precipitation amounts measured at a specific weather station within a given grid. Rather, it is validated and reflects a smoothed result of nearby weather station estimates in order to return an estimate for the grid. The dataset is the "Unified Rain Gauge Dataset (URD)" and goes through a vigorous set of quality control checks, including checks for extreme values, comparisons of observed amounts among nearby stations, and comparisons to NEXRAD weather radar system data. The outcome is a composite value for the entire grid that cannot be traced to a single point.

These methods and processes were developed and are maintained by NOAA and a more detailed description can be viewed at: http://www.cpc.ncep.noaa.gov/products/outreach/research_papers/ncep_cpc_atlas/7/toc.html

The Vegetation Index uses Normalized Difference Vegetation Index (NDVI) data from the U.S. Geological Survey Earth Resources Observation and Science data center. The NDVI is a measure of vegetation greenness and correlates to forage condition and productive capacity in approximately 4.8 x 4.8 mile grids. In general, the healthier the plants in a given grid, the higher the NDVI value. With this plan of insurance, producers may select one or more 3-month time period(s) that represent a producer's forage species production. These time periods are called index intervals. As with the Rainfall Index, the losses calculated using the Vegetation Index are indemnified based on the deviation from normal within the grid and index interval(s) selected.

The lengthy process of developing these products included discovering the value of forage for grazing and haying for each county in the program. RMA and the contractor used USDA Farm Service Agency Grassland Reserve Program prices for grazing land, USDA National Agricultural Statistics Service State hayland rates, and U.S. Geological Survey land-cover estimates, and expertly determined regional forage and hayland values to establish a county base value for each location.

In developing these new insurance products, conditions taken into consideration included public land versus private land, warm- and cool-season plants, different grazing patterns, and various forage species representing a wide range of relative feed values.

These products were designed to allow maximum flexibility for the producer. Producers are not required to insure all acres, but cannot exceed the total number of grazing or haying acres they operate. This allows a producer to insure only those acres that are important to his or her grazing program or hay operation. By selecting a Productivity Factor, a producer can establish a value between 60 and 150 percent of the County Base Value and match the amount of protection to the value of forage that best represents the specific grazing or hay operation, as well as the productive capacity of the land.

The producer is asked to make several choices when insuring grazingland or hayland production, including coverage level, index intervals, productivity factor, and number of acres. Producers work with their crop insurance agents to view the map and index grids for their area, and assign acreage to one or more grids based on the location and use of the acreage that is to be insured.

More detailed information about these two pilot programs is available on the RMA Web site, at: http://www.rma.usda.gov/policies/pasturerangeforage.

Contact Us

USDA/RMA

Mail Stop 0801

1400 Independence Ave., SW

Washington, DC 20250-0801

Web site: http://www.rma.usda.gov

E-mail: rma.mail@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at: http://www.rma.usda.gov/pubs/rme/fctsht.html