Materials Prepared for

Federation of Southern Cooperatives
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Pasture, Rangeland, Forage Insurance Program

by Karen R. Krub

FLAG
FARMERS' LEGAL ACTION GROUP, INCORPORATED

Farmers' Legal Action Group, Inc.
360 North Robert Street, Suite 500
Saint Paul, Minnesota 55101-1589

Phone: 651.223.5400
Fax: 651.223.5335

Email: lawyers@flaginc.org
Web site: www.flaginc.org

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CAUTION: These materials are for training purposes only. To learn the details about any certain point, refer to the applicable statute, regulations, handbooks, and policy notices.

Pasture, Rangeland, Forage Insurance Program

The Pasture, Rangeland, Forage Insurance Program (PRF) is a federal crop insurance program providing coverage for forage crop losses on pastures and rangeland due to adverse weather conditions.

Grazed and hayed forage crops have several characteristics that have made them a poor fit for standard crop insurance programs. Both the yield and price components of a traditional multi-peril policy are difficult to quantify for forage crops, particularly for grazed forage. PRF resolves these difficulties by using area-wide data to calculate both the coverage level selected by the producer and the amount of loss experienced in a given year.

This program is designed to insure against widespread loss of production in a designated area. It is primarily intended for use by those producers whose forage production correlates with the average production for the selected area. **It is possible for a producer to have reduced forage production on insured acreage and still not receive a payment under this plan.**

PRF was first offered for the 2007 crop year in selected counties in nine states. The program was expanded for each of the 2008 and 2009 crops years and is now available in 18 states: **Alabama**, Kansas, Missouri, Montana, Nebraska, North Carolina, Virginia, and Wyoming, and selected counties in Colorado, Idaho, Oklahoma, Oregon, New York, North Dakota, Pennsylvania, South Carolina, South Dakota, and Texas.[1]

In any particular county where PRF is offered, coverage for forage losses will be based on one of two standardized measures: **rainfall** or **vegetation greenness**.

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1 RMA Fact Sheet, "Pasture, Rangeland, Forage Pilot Insurance Program" (Jan. 2009).

I. Generally Applicable PRF Provisions

A. Eligibility for PRF

1. *Crop Eligibility*[2]

Any pasture, rangeland, and forage crops produced for haying or grazing by livestock are eligible for PRF.

The acreage must be established with a perennial crop. Any initial planting of a forage crop must be completed by July 1 to be eligible for PRF coverage in the following year.

Annual crops are not covered under PRF, but overseeding of established forage is permitted.

2. *Land Eligibility*

Land is insurable under PRF if it is established hayland, grazingland, or pasture, or is planted to forage with the intent to be harvested by haying or grazing.[3] The land must be suitable for the intended purpose, that is, not too steep, too wet, too far from water, etc., to be used for grazing or haying.

Acreage enrolled in USDA conservation programs is not insurable under PRF.

B. Important Differences Between PRF and Traditional Crop Insurance

1. *Coverage Is Based on Area-Wide Effects Rather Than Individual Losses*

PRF shares many characteristics with the group risk crop insurance policies. Most importantly, PRF coverage is based on area-wide effects rather than actual losses to the insured producer's crop. It is possible for an insured producer to have a good year and still receive a PRF indemnity if the grid as a whole suffered a precipitation shortfall or loss of vegetative greenness. Conversely, it is possible for an insured producer to suffer significant crop losses and not

[2] Rainfall Index Plan, PRF Crop Provisions, "2. Insured Crop" (Policy No. 09-RI-PRF); Vegetation Index Plan, PRF Crop Provisions, "2. Insured Crop" (Policy No. 09-VI-PRF).

[3] Rainfall Index Plan, PRF Crop Provisions, "1. Definitions, 'Grazingland,' 'Hayland,'" "3. Insured and Insurable Acreage(e)" (Policy No. 09-RI-PRF); Vegetation Index Plan, PRF Crop Provisions, "1. Definitions, 'Grazingland,' 'Hayland,'" "3. Insured and Insurable Acreage(e)" (Policy No. 09-VI-PRF).

receive a PRF indemnity if the grid as a whole had a normal year or had shortfalls that were not severe enough to trigger coverage under the producer's policy.

However, unlike other group risk crop insurance coverage, which is based on county-wide effects, PRF coverage is based on effects in standardized grids of either 12 square miles or 4.8 square miles, depending on which measure of forage loss is used. The smaller size of the grids makes the PRF results more sensitive to local weather variations. These grids also ensure that, regardless of county size, PRF's sensitivity to local weather variations will be consistent across the country.

2. *Producer Can Choose Which Acreage to Cover*

Unlike most other crop insurance programs, PRF does not require that a producer obtain insurance for all acreage planted to a particular crop.[4] Instead, a producer may choose to purchase PRF coverage only on desired acreage, perhaps leaving more marginal acreage uninsured.

3. *Producer Selects Critical Time During the Calendar Year for Forage Productivity*

Under PRF, the producer selects which times in the year are particularly important for annual forage production. Area-wide data for the period(s) selected by the producer will be used to determine whether there has been a forage loss for the year.[5]

4. *Greatly Reduced Documentation Requirements*

Because PRF is based entirely on area-wide effects, producers are not required to provide the detailed production records required for yield- and revenue-based crop insurance policies.

NOTE: Although yield history and production records are not required for participation in PRF, such records will be expected for the years that a producer was insured under PRF if at some time in the future the producer wants to switch to a forage insurance program that uses individual yield history.

[4] Rainfall Index Plan, PRF Crop Provisions, "2. Insured Crop (b)" (Policy No. 09-RI-PRF); Vegetation Index Plan, PRF Crop Provisions, "2. Insured Crop (b)" (Policy No. 09-VI-PRF).

[5] RMA Fact Sheet, "Pasture, Rangeland, Forage Pilot Insurance Program" (Jan. 2009).

5. NAP Coverage Still Available

A producer who purchases PRF coverage for a forage crop will also be able to obtain coverage for the crop under the Farm Service Agency's Noninsured Crop Disaster Assistance Program (NAP). This is true for two reasons. First, NAP coverage is available for all crops that are not eligible for insurance at a catastrophic (CAT) level of coverage (50% yield and 55% price). Because PRF is only offered at higher levels of coverage, NAP is still available. Second, NAP coverage is available for causes of loss that are not covered by a particular insurance program. Because PRF only provides coverage for decreased precipitation or decreased vegetation greenness, NAP coverage is available for other causes of loss to a forage crop.

Although NAP coverage is available, producers must understand that they cannot receive payment for losses from both NAP and PRF. This exclusion even extends to acreage that is not insured under PRF but is enrolled in NAP, so long as the different parcels are put to the same use.[6]

C. Producer Choices in PRF

1. Coverage Level

RMA establishes a baseline level of normal rainfall or vegetation greenness for each county where PRF is offered. The producer selects how much of that baseline to insure: 90, 85, 80, 75, or 70 percent. The cost of the insurance will increase as the coverage level increases.

2. Productivity Factor

RMA also establishes a per-acre productivity value for each county. This represents the income that could be expected from grazing or haying under conditions of normal rainfall.

When obtaining PRF coverage, the producer chooses whether, and how much, to adjust this baseline productivity value to reflect the productivity of the particular land and crops being insured. The producer may adjust the productivity value down to as low as 60% of the baseline or up to as much as

[6] FSA Notice NAP-124, "Pasture, Rangeland, and Forage – Rainfall Index (PRF-RI) Pilot Policy and NAP Coverage" (July 1, 2009).

150% of the baseline, in 1% increments.[7] The cost of the insurance will decrease or increase based on the productivity factor selected by the producer.

Only one productivity factor may be selected by a producer for each county and crop type.

3. Critical Intervals

As mentioned above, under PRF, the producer selects which times in the year are particularly important for his or her forage production.[8] These are called "Index Intervals." The indemnity for each interval is calculated separately.

4. Acreage

As mentioned above, a producer can choose which acreage to insure under PRF. If a producer wishes to purchase PRF coverage for acreage that crosses the established grid lines for the program, the producer may choose whether to lump the acreage together for coverage or cover it separately.

D. Obtaining PRF Coverage

1. Purchase by November 30

The sales closing date for PRF is November 30.

2. Submit Acreage Report by November 30

By November 30, the producer must also submit an acreage report indicating for each separate segment to be insured:[9]

a. The number of acres.

b. The producer's share in the acreage.

c. The acreage type (hayland or grazingland).

d. The Index Interval(s) selected.

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[7] Rainfall Index Plan, Basic Provisions, "1. Definitions, 'Productivity factor'" (Policy No. 09-00RI); Vegetation Index Plan, Basic Provisions, "1. Definitions, 'Productivity factor'" (Policy No. 09-00VI).

[8] RMA Fact Sheet, "Pasture, Rangeland, Forage Pilot Insurance Program" (Jan. 2009).

[9] Rainfall Index Plan, Basic Provisions, "8. Report of Acreage(b)" (Policy No. 09-00RI); Vegetation Index Plan, Basic Provisions, "8. Report of Acreage(b)" (Policy No. 09-00VI).

e. The PRF grid where the acreage is located. For each grid where acreage is to be insured, the producer will be required to select a point of reference showing the acreage location and to certify that the location is representative of the acreage in the grid.[10]

Producers should be prepared to provide documentation supporting the acreage report, including proof of acreage and share interests.

3. Premium Billing Date Is October 1

Coverage under PRF will cost $30 per county in administrative fees plus a premium based on the level of coverage selected and amount of acreage being insured.

E. PRF Indemnities

The producer does not need to submit any documentation to make a claim for loss under a PRF insurance policy. The calculations are all based on rainfall data or satellite imagery collected and reviewed by RMA.

Because coverage for each Index Interval is calculated independently, payments under a PRF policy can come at different points throughout the year.

It appears that PRF indemnity payments are typically made approximately four months after the end of a given PRF Index Interval. RMA takes roughly two months to calculate the final rainfall or vegetation greenness values and payment factors, and insurance providers have 60 days after receiving notice of those calculations to issue payment to insured producers.[11]

10 Rainfall Index Plan, Basic Provisions, “8. Report of Acreage(b)(4)” (Policy No. 09-00RI); Vegetation Index Plan, Basic Provisions, “8. Report of Acreage(b)(4)” (Policy No. 09-00VI).

11 Rainfall Index Plan, Basic Provisions, “7. Payment Calculation Factor and Indemnity Calculation(c)” (Policy No. 09-00RI); Vegetation Index Plan, Basic Provisions, “7. Payment Calculation Factor and Indemnity Calculation(c)” (Policy No. 09-00VI).

II. Rainfall Index (PRF-RI)

Lack of precipitation is the only cause of crop loss covered under PRF-RI.[12]

A. Coverage Based on Recorded Rainfall

Coverage under PRF-RI is based on the extent to which recorded rainfall in the grid where the acreage is located differs from normal during the selected Index Intervals.[13] The rainfall data is taken from National Oceanic and Atmospheric Administration (NOAA) records as an average across the grid and is not specific to any particular location.

The coverage for each Index Interval is calculated separately. That is, higher rainfall in one interval will not cancel out lower rainfall in another interval.

B. Grid Size

The grid size under PRF-RI is 12 square miles.[14]

C. Index Intervals

The PRF-RI calendar is divided into six two-month intervals:

- Interval I is February — March.
- Interval II is April — May.
- Interval III is June — July.
- Interval IV is August — September.
- Interval V is October — November.
- Interval VI is December — January.

The PRF-RI crop year is from February 1 to January 31.

A producer may choose which intervals will be covered under the PRF-RI policy, though a minimum of two intervals must be chosen. Thus, the producer can choose

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12 RMA Fact Sheet, "Rainfall Index Pilot" (Feb. 2009).

13 RMA Fact Sheet, "Rainfall Index Pilot" (Feb. 2009).

14 RMA Fact Sheet, "Rainfall Index Pilot" (Feb. 2009).

which two-month periods during the year have the most critical rainfall, as determined by the crops grown and the location.

A producer can choose to divide the insured acreage among as many intervals as desired, but any interval selected must include at least 10% of the producer's insured acreage.

D. Web Tool Available to Explore PRF-RI Coverage Options

RMA, together with a couple of insurance providers, has created a web-based tool to help producers learn more about PRF-RI coverage options. This is available at http://agforceusa.com/rma/ri/prf/dst. The tool includes data going back to 1948, so producers who have experienced past forage production losses may test how the program would have paid out in past years under various coverage scenarios. This should help a producer decide what coverage levels and index intervals are most appropriate for that producer's acreage.

III. Vegetation Index (PRF-VI)

Loss of vegetation greenness is the only cause of crop loss covered under PRF-VI.[15] Weather conditions and events which damage forage crops or slow their growth without affecting greenness will not trigger payment under PRF-VI.

A. Coverage Based on Vegetation Greenness

Coverage under PRF-VI is based on the extent to which vegetation greenness changes from normal levels during a selected Index Interval.[16] Greenness levels are calculated from satellite images of the grid.

The coverage for each Index Interval is calculated separately.

B. Grid Size

The grid size under PRF-VI is 4.8 square miles.[17]

[15] RMA Fact Sheet, "Vegetation Index Pilot" (Feb. 2009).

[16] RMA Fact Sheet, "Vegetation Index Pilot" (Feb. 2009).

[17] RMA Fact Sheet, "Vegetation Index Pilot" (Feb. 2009).

C. Index Intervals

The PRF-VI calendar is divided into four three-month intervals:

- Interval I is April — June.
- Interval II is July — September.
- Interval III is October — December.
- Interval IV is January — March.

The PRF-VI crop year is from April 1 to March 30.

A producer may choose which interval or intervals will be covered under the PRF-VI policy. Thus, the producer can choose in which three-month period forage production losses are most likely to show as decreased vegetation greenness, depending on the crops grown and the location.

A producer can choose to divide the insured acreage among as many intervals as desired. However, depending on the PRF-VI provisions applicable to the particular county, any interval selected will probably have to include at least 10% of the producer's insured acreage.

D. Web Tool Available to Explore PRF-VI Coverage Options

RMA, together with a couple of insurance providers, has created a web-based tool to help producers learn more about PRF-VI coverage options. This is available at http://agforceusa.com/rma/vi/prf/dst. The tool includes data going back to 1948, so producers who have experienced past forage production losses may test how the program would have paid out in past years under various coverage scenarios. This should help a producer decide what coverage levels and index intervals are most appropriate for that producer's acreage.