Ten Things to Know about Pasture Rangeland and Forage Insurance

After several years of below normal precipitation, livestock producers are constantly reminded how much they rely on the productivity and health of their pastures. However, there are tools available to help ease some of the stress, fund feed purchase and reduce the risk of receiving little rainfall for the next grazing season. Provided by the USDA Risk Management Agency (RMA), one tool is the Pasture Rangeland & Forage (PRF) insurance program. While it will not solve a drought, it may soften the impact of little precipitation on the producer’s bottom line.

Here are ten key facts about the program given by Jennifer Ifft, agricultural policy extension specialist.

1. PRF makes automatic payment (indemnity) for hay or grazing acreage when local rainfall (precipitation) falls below the historic average.
2. Producers can select different triggers for payments, or coverage levels. 90% is the maximum and pays whenever rainfall drops below 90% of the historic average. 70% is the minimum.
3. Higher coverage levels pay out more often and cost more. Lower coverage levels pay out less often and cost less.
4. Payments are triggered by rainfall/precipitation in your local area, or USDA-defined grid (approximately 17 by 13 miles). There is a risk of NOT getting an indemnity when you experience low rainfall or receiving an indemnity when you have adequate or high rainfall.
5. The Federal government pays for part of the crop insurance premium, from 59% of the premium cost at the lowest coverage level of 70%, to 51% of the premium cost at the highest coverage level of 90%.
6. While the Federal government cost share or premium subsidy percentage decreases as coverage levels increase, the dollar amount or total dollar value of the premium subsidy typically increases as coverage levels increase.
7. In the long run, producers should receive more money in indemnities than they pay in premiums, due to the premium subsidy. However, there is no guarantee of this and several years can pass without any indemnities.
8. Producers must select at least 2 intervals and at most 6 intervals per year. Intervals are 2 adjacent months, for example June and July.
9. Summer months or summer intervals correspond to when producers typically face forage production risk.
10. Summer intervals have lower premiums and expected indemnities. Winter intervals have higher premiums and expected indemnities.

Below is discussion from Jennifer Ifft’s article Safety Net Program Payments and Drought Costs. Full article found in the September 2022 issue of Beef Tips www.asi.k-state.edu

Having to purchase costly hay or other feedstuffs, coupled with high transportation costs, is a difficult decision, especially with uncertainty when precipitation and soil moisture will return to normal. Likewise, selling healthy, still-productive cows or breeding stock can be both financially and personally painful. While each operation is unique, the financial tradeoff many producers face is to (1) purchase forage for cows until growing conditions improve, (2) increase culling rates and restock when feed prices and growing conditions improve, and/or (3) a combination of (1) and (2). Paying for feed now allows a producer to take advantage of current high feeder cattle prices and be at or closer to capacity when growing conditions improve but involves uncertainty when precipitation will return and if the feed cost can ever be recouped. Increasing culling rates saves on feed costs but can significantly increase the time it takes for an operation to return to normal or regular capacity and replacements may be at premium prices.

What role can safety net payments play when faced with these decisions? Potential PRF payments have been substantial in Finney Co. (for example), depending on coverage and intervals selected. 2022 net payouts for 11 acres to date could pay for the cost of purchasing hay for a cow for about 131 days under current prices, but would not stretch as far under higher prices, about 110 days. Potential PRF payouts in Labette Co. are much smaller due to the sudden onset of drought during the growing season, but payouts may be higher as precipitation for summer intervals is recorded/completed. However, FSA LFP payments are available in both counties and could cover about 65 days of feed in Finney and around 69 days of hay in Labette, or only about 55 days for both counties, under higher hay prices. Further, additional PRF payouts might be made under continued drought, as well as FSA disaster payments.

From a financial perspective, safety net payments could also be considered as a source of savings to restock, if a producer chooses to increase culling rates. For example, the difference between a selling cull cow and replacement heifer may be $50 to $1400 in our example. While cull cows and replacement heifers are not directly comparable from a productivity perspective, considerable financial resources may be required for restocking. Combined 2021 and current 2022 PRF payouts for hay on 11 acres and 2022 LFP payouts for a cow-calf pair in Finney Co. could go a long way in making up this difference ($714 in our example), especially if feed savings are accounted for. Cumulative safety net payments in our example are lower in Labette County, but this may change if the drought continues.

The purpose of this article is to demonstrate the role safety net program payments can play in managing drought. While every operation faces unique costs and most face tough decisions regardless, our examples demonstrate how the extra income provided by safety net programs can be substantial.

For more information or resources for livestock production, please visit or call the Cheyenne County Extension Office at (785)332-3171.