

## **Pasture, Rangeland, Forage (PRF) Insurance: A Possible Drought Management Tool for Colorado Ranchers**

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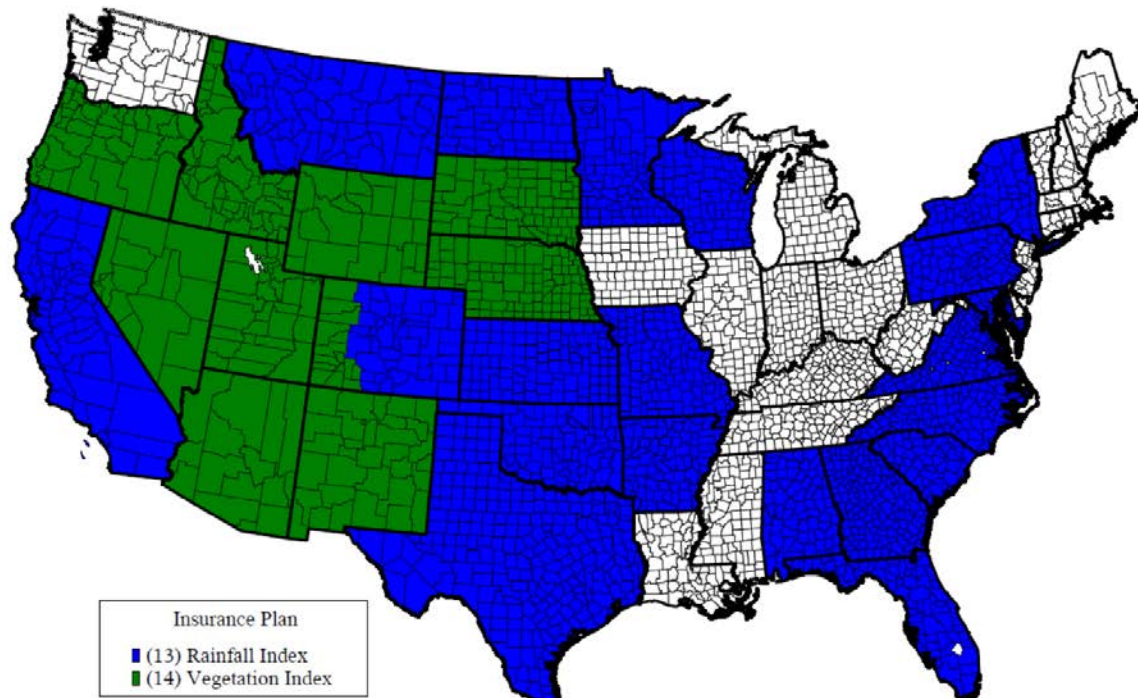
Agriculture production is a financially risky business. Forage losses from drought are a common occurrence on Colorado pastures and rangelands. Statistics show that there are short-term (1-3 months) localized areas of drought in Colorado almost every year and multi-year statewide drought conditions every eight to ten years. Management strategies to cope with drought typically have been to buy feed, truck animals to rented pastures, and/or sell animals. All options have significant negative financial consequences.

In 2007 a new insurance product became available to help forage and livestock producers. The Pasture, Rangeland, Forage (PRF) Pilot Insurance Program is a risk management tool offered by USDA Risk Management Agency (RMA) for grazing lands and hayland in selected states and counties. This innovative program is based on rainfall and vegetation greenness indices, and is designed to give forage and livestock producers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay.

There are two separate basic provisions – Rainfall Index and Vegetation Index. The Rainfall Index allows insured forage and livestock producers to possibly obtain indemnities when a final index of precipitation for a specific geographic area referred to as a grid falls below the insured's coverage level or trigger index. This insurance coverage is for a single peril – lack of precipitation. The Vegetation Index allows insured forage and livestock producers to possibly obtain indemnities when the final index of vegetation greenness for a grid falls below the insured's trigger grid index. Both indexes are designed to serve as a proxy for pasture, range, and hay production in a specific grid.

The PRF Pilot Insurance Program is only available in selected States and counties. The selected counties were used to pilot test each index in various climates, soils, and weather conditions. The map illustrates the insurance plan availability in Colorado for the 2011 crop year. Those counties eligible for Rainfall Index coverage are in blue, and those counties eligible for Vegetation Index are shaded in green. As illustrated, the Rainfall Index program is available in the eastern two-thirds of Colorado and Vegetation Index is available in the Western one-third.

## 2012 and Succeeding Crop Years - Pasture, Rangeland, Forage Availability



There are a number of questions that must be answered prior to determining the value of PRF insurance. The USDA/RMA website, <http://www.rma.usda.gov/policies/pasturerangeforage/>, provides fact sheets, frequently asked questions, policy provisions, decision tools, and other information about the PRF Insurance program. A producer should use this site to investigate how effective PRF insurance might work as a risk management tool for a specific ranch location. The “Decision Support Tool” is a nice resource to help landowners analyze the value of the insurance product. An online course designed to illustrate how the program works is also available at [www.rightrisk.org](http://www.rightrisk.org) under the “Products” tab.

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