Crop Insurance for Cattlemen

Risk Management Agency programs expanding.

by Troy Smith

Most row-crop farmers know something about federally subsidized crop insurance. Since its inception in the 1930s, the Federal Crop Insurance Program (FCIP) has offered some measure of protection against losses of crop yield and revenue due to adverse events such as drought, flood, wind, hail, disease and plunging prices. FCIP has grown to provide loss protection coverage for more than 600 varieties of commodity crops grown on more than 85% of U.S. cropland.

Much more recently, USDA's Risk Management Agency (RMA) has expanded its FCIP offering to include "crop insurance for cattle," according to Cody Lovercamp, RMA risk-management specialist. Addressing cattle folk assembled for the Cattle Industry Convention hosted Jan. 31-Feb. 3, in New Orleans, La., Lovercamp said the risk-management programs for livestock producers are the products of a public-private partnership, just like crop insurance for commodity crops.

Slow start

Actually, RMA began its introduction of livestock insurance 20 years ago. Compared to swine and dairy producers, however, participation by cattle producers has been limited. Interest has increased in the last couple of years, but many cattle producers may yet be unfamiliar with these kinds of risk-management tools.

"Don't confuse this with different programs you might participate in through your local FSA (Farm Service Agency) office," said Lovercamp, noting that USDA support allows for lower premiums, but policies are sold by private companies approved by RMA. A list of approved agents is available at the RMA website.

"You work with your local crop insurance agent to purchase coverage," he added. "The only differences between insurance agencies would be in personal service and personalities involved. The premiums for a given program will be the same."

According to Lovercamp, changes to RMA livestock insurance programs have fostered more interest among cattle producers. Programs have been developed or expanded to serve cow-calf producers. Subsidy levels have increased, making coverage more affordable. Also increased are the number of animals allowed to be covered per endorsement and annually. Gone is the original cap on total funds available for livestock plans.

"Up until 2018, there was a $20-million-per-year limit, and once that limit was reached, everything shut down," Lovercamp explained. "When the cap was removed, it allowed for expansion of programs."

Options available

Lovercamp highlighted various programs, starting with Livestock Gross Margin (LGM) coverage available for swine, dairy and cattle finishing operations. LGM is designed to protect against a decrease in margin caused by a drop in livestock prices or increases in feed costs or feeder-cattle prices. The indemnity at the end of the 11-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The LGM-Cattle Insurance Policy uses futures prices to determine the expected gross margin and the actual gross margin.

Originally, the premium for LGM was

Risk Management Specialist Cody Lovercamp of USDA's Risk Management Agency talked about federally subsidized insurance options available to cattle producers.

due when coverage was put in place, but changes to the program allow the premium to be paid at the end of the endorsement period.

Livestock Risk Protection (LRP) programs are offered for feeder cattle and fed cattle, and are designed to protect the producer's investment should prices decline before cattle are marketed, while preserving the producer's upside potential.

"Essentially, it puts a price floor under the cattle," said Lovercamp. "Coverage is available for unborn livestock, so a cow-calf producer can purchase coverage for calves expected and lock in prices."

LRP uses area pricing to determine if an indemnity is due, and premium payments are due at the end of the coverage period. Coverage is limited to 12,000 head per endorsement and 25,000 head for the crop year (July 1 to June 30).

Drought coverage

Also available to cattle producers are Rainfall Index policies, which are single-peril plans offering protection against the consequences of drought. Lovercamp explained that Rainfall Index-based insurance utilizes weather data collected by the National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center. The Rainfall Index reflects the difference between precipitation received and the historical average for precipitation received in the same local area and during the same period of time.

The index is based upon a grid system, dividing counties into smaller areas for which rainfall is recorded. Benefits are paid when rainfall in a specific area is less than a predetermined threshold.

Lovercamp emphasized that indemnity is based on rainfall levels in each grid area (measuring roughly 17 by 17 miles) and not on precipitation measured on an insured producer's specific operation. He admitted that this is a concern to some producers, since precipitation amounts can vary significantly across a grid area. Still, participation in Rainfall Index programs has increased rapidly.

Participation has grown most for Pasture, Rangeland and Forage (PRF) insurance, which covers perennial pasture, rangeland and forage used for grazing and/or hay production. Annual Forage (AF) crop insurance is available to protect forage crops planted each year.

Lovercamp cited a recent change to AF insurance to allow dual coverage for small grain crops such as wheat, which might be grazed first, then allowed to mature and be harvested for grain. In the past, producers of such dual-use crops had to choose between insuring the crop for grazing vs. insuring it as grain for harvest.

Lovercamp said more changes to various risk-management options are likely to occur over time, but he called it a slow and careful process. RMA wants to make the programs better — more beneficial to cattle producers, yet actuarially sound.

He said improvements to the LRP-Fed Cattle program are expected for next year, and a brand new risk-management tool designed specifically for cow-calf producers will soon be trotted out for a trial run. The latter program, called Weaned Calf Revenue Protection (WCRP), will see limited use for insuring the 2024 calf crop.

More detailed information about livestock insurance, premium calculations and RMA-approved insurance agents is available at *https://www.rma.usda.gov/*. ABB

Editor's note: Troy Smith is a freelance writer and cattleman from Sargent, Neb.

Weaned Calf Revenue Protection insurance

AgriLogic Consulting LLC and Windmark Insurance have developed the Weaned Calf Revenue Protection (WCRP) program as a form of federally subsidized insurance to be offered through the public-private partnership of USDA's Risk Management Agency (RMA) and approved insurance providers.

During the 2023 Cattle Industry Convention in New Orleans, La., AgriLogic President Clif Parks explained the new livestock insurance program to members of the National Cattlemen's Beef Association (NCBA) Live Cattle Marketing Committee. According to Parks, the Federal Crop Insurance Board of Directors approved the WCRP's general structure in August 2022.

"Cow-calf producers are vulnerable to loss of yield, in the form of weaning weight, due to blizzards, extreme heat and drought and other adverse weather conditions, but their risk-management options are limited," said Parks. "WCRP offers revenue protection, much like crop insurance available for major commodity crops."

According to Parks, WCRP is designed to provide coverage for a decline in calf price, as well as decreased overall weaning weight based on producer records. A producer will be required to insure all calves owned and can choose from several coverage level options. As with commodity crop insurance programs, WCRP will utilize season beginning and ending prices, referred to as projected and harvest prices, respectively, with prices based on the cattle futures market.

Participating producers are required to make necessary reports to the insurance agent. At the close of calving season, a producer submits a calving report to establish the production guarantee and initiate the start of the coverage period. Notice of adverse weather events and calf deaths occurring during the coverage period must be filed. Verified weaning weights are reported by the end of the coverage period. If actual overall weaning weight is less than the weaning weight guarantee, a notice of loss is required. No restrictions are placed on postweaning management or disposition of calves. Producers may sell at weaning or retain ownership for some later marketing period.

Parks explained that, as originally proposed, WCRP was to be offered in 23 states ranked highest for beef cow inventory. According to 2020 USDA National Agricultural Statistics Service (NASS) data, those states were home for some 26 million head. However, plans now call for an initial WCRP launch in South Dakota, Nebraska, Colorado and Texas, whose 2020 combined inventory included about 18.2 million cows.

While it is planned to offer coverage options for both spring and fall calving seasons, Parks said the initial WCRP policies will be available to spring-born calves only, starting with the spring 2024 calving season. Payment of premiums will be due in February 2025.