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Drought Risk Management and Tools to Evaluate Your Strategy

RightRisk recently offered a program covering drought risk in Randolph Utah. Topics included current conditions faced by livestock producers across the west and a forecast for Rich County.

Two of the many insurance programs available for transferring risk to a third party (backed by the USDA Risk Management Agency) were discussed in detail. These programs included Livestock Risk Protection (LRP) for cattle and Vegetation Index-Pasture, Rangeland, Forage insurance (VI-PRF).

John Hewlett a Ranch/Farm Management Specialist with the University of Wyoming Extension Service, stated "LRP could be a very valuable tool for managing market risk over the coming year, where calf prices will be somewhat volatile."

His examples showed that Utah calf producers (under 600 lbs.) could effectively guarantee a price of $161.53/cwt after covering insurance premiums. These prices were estimated using current RMA coverage prices listed at www.rma.usda.gov. They can be accessed through the Information Browser under Quick Links and by selecting Livestock Reports (LRP and LGM). Livestock Risk Protection (LRP) is also available to cover lambs and cattle weighing 600-900 lbs.

Darrell Rothlisberger, Utah Cooperative Extension County Director and Agricultural Agent in Rich County discussed livestock nutrition under drought conditions. He emphasized that "Producers need to monitor cow body condition and supplement with appropriate levels of energy and protein to ensure high production levels."

A second insurance product is available to help producers protect against the loss of forage known as Vegetation Index-Pasture, Rangeland Forage insurance. Rod Sharp, Ag Business Specialist with Colorado State University noted that "VI-PRF may be used to protect against losses in forage production due to natural hazards such as drought."

He explained that the product is based on an index estimated for local grids, using satellite images collected by the U.S. Geological Survey. Coverage levels are flexible and managers may select the time period during the year when policy protection is in place.

Sharp's slide presentation demonstrated how VI-PRF would work if coverage had been in place for an example property in Beaver County. Purchasing insurance on 100 acres of land might leave a producer with $1,960 after covering all premium costs through purchase of the insurance every year since 1989. Individuals may investigate coverage for their operations by using the VI-PRF decision tools at http://agforceusa.com/rma/vi/prf/maps.

Hewlett rounded out the Drought Risk Management program by discussing three electronic tools from RightRisk for evaluating risk management strategies. These include a partial budget tool, an enterprise analysis tool, and a whole farm financial analysis tool. All three are available with an accompanying guide on how a producer may enter their own data for analysis.

Handouts, electronic tools to help evaluate drought management strategies and more are available at http://Utah.eRightRisk.com. Or contact RightRisk directly at Information@eRightRisk.com.

Program sponsors: RightRisk, LLC, Custom Ag Solutions, USU Rich County Extension, and the USDA Risk Management Agency (RMA).