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Rainfall Index

# Pasture, Rangeland, Forage (PRF)

2020 Pilot Program



# Rainfall Index (RI)

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Rainfall Index plan of insurance is a risk management tool to insure against a decline in an index value that is based on the long-term historical average precipitation for the grid and index interval

- Best suited for producers whose production tends to follow and correlate to the historical average precipitation patterns for the grid

# Important Dates

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2020 CY	
Sales Closing	11/15/2019
Cancellation Date	11/15/2019
Acreage Reporting	11/15/2019
Premium Billing	09/01/2020
End of Insurance	12/31/2020
Termination Date	11/15/2020
Contract Change Date	8/31/2020



# Paperwork Requirements

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1. PRF specific Application (PRF Application AR Combo)
  - MUST be fully completed and timely signed/submitted to CRS
2. Rainfall Index Disclaimer
  - MUST be signed by each insured when completing their application
  - Included in the PRF Application AR Combo form printout but must have a separate signature on the disclaimer page
3. Acreage Report
  - Part of the PRF Application AR Combo form
  - Points of Reference Latitude/Longitude must be included (NEW 2020!)
    - Lat./Long. Information can be obtained by using the maps contained on RMA's website, or reinsured company mapping software.



# Purpose

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An area plan of insurance (pilot program) for Pasture, Rangeland, and Forage (PRF) grown for the intended use of grazing by livestock or haying

- Rainfall Index (RI) is a risk management tool designed to insure against a decline in an index value that is based on the long-term, historical, average precipitation for the same area of land for the same period of time
  - It does not measure, capture, or use the actual crop production of any producer or any of the actual crop production within the area
  - Utilizes NOAA CPC gridded interpolated precipitation data

# Precipitation Data

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Does not use the measurement of precipitation from a specific rain gauge(s) within a grid

- Each day, NOAA CPC obtains data from the four reporting stations closest to the center of the grid that report data for that day
  - Different reporting stations may be used from day to day because not all reporting stations report data every day
- The gridded precipitation data is an interpolated value for the entire grid and cannot be traced to a single point or reporting station(s)
  - The precipitation data used by RI-PRF may not match the amount of precipitation received by a producer in a specific location(s)



# Selecting a Grid

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- The insured must select the grid where the insured acreage is physically located, or assigned if contiguous acreage, by providing a point of reference
- Acreage must also be reported by CLU or RLU

## *Clarification for 2020:*

- Contiguous acreage that continues into an adjoining state must be insured in the state where the majority of the insured acres are located
  - Acreage can also be separated and insured in the respective state



# Points of Reference: Identifying Acreage

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## The point of reference selected by the insured determines the grid ID

Insured must establish a point of reference for the acreage to be insured

- The point of reference identifies the acreage to be insured and determines the grid ID
- Insureds may need to provide multiple points of reference depending on the acreage and crop insured

**Important** - The same acres cannot be insured in more than one grid ID or county

- The total amount of an insured's insured acres of the crop in a county cannot exceed 100 percent of the insured's insurable acreage of the crop in the county





# Obtaining Points of Reference

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The grid ID is determined based on a point of reference selected by the insured using the interactive maps and tools on RMA's website or an AIPs mapping software.

- **For 2020 RY** - Point(s) of reference **MUST** be identified and the latitude/longitude information **MUST** be included on the PRF Combo Form for acreage reporting purposes.



# Points of Reference Guide

If the crop is...	AND the acreage is...	AND the intended use & practices (where applicable) is...	AND the insured choses to...	THEN the insured must establish a point of reference...
Pasture, Rangeland, Forage	Noncontiguous	The same for all acreage		Within the acreage boundaries for each of the noncontiguous acreages in a grid. See subparagraph 75 A for examples
		Different for part of the acreage		for each intended use, or by irrigation practice, and organic practice if offered in the Actuarial Documents within the acreage boundaries for the noncontiguous acreage in a grid. See subparagraph 75 B for examples.
	Contiguous	The same for all the acreage	Combine the contiguous acreage into grid	within the acreage boundaries within the grid selected by the insured. See subparagraph 76 B for examples.
			Separate the contiguous acreage into separate grids	within the acreage boundaries within each grid selected by the insured. See subparagraph 76 B for examples.
		Different for part of the acreage	Combine the contiguous acreage into grid	for each intended use, or by irrigation practice, and organic practice if offered in the Actuarial Documents within the acreage boundaries within the grid selected by the insured. See subparagraph 76 C for examples.
			Separate the contiguous acreage into separate grids	for each intended use, or by irrigation practice, and organic practice if offered in the Actuarial Documents within the acreage boundaries within each grid selected by the insured. See subparagraph 76 C for examples.

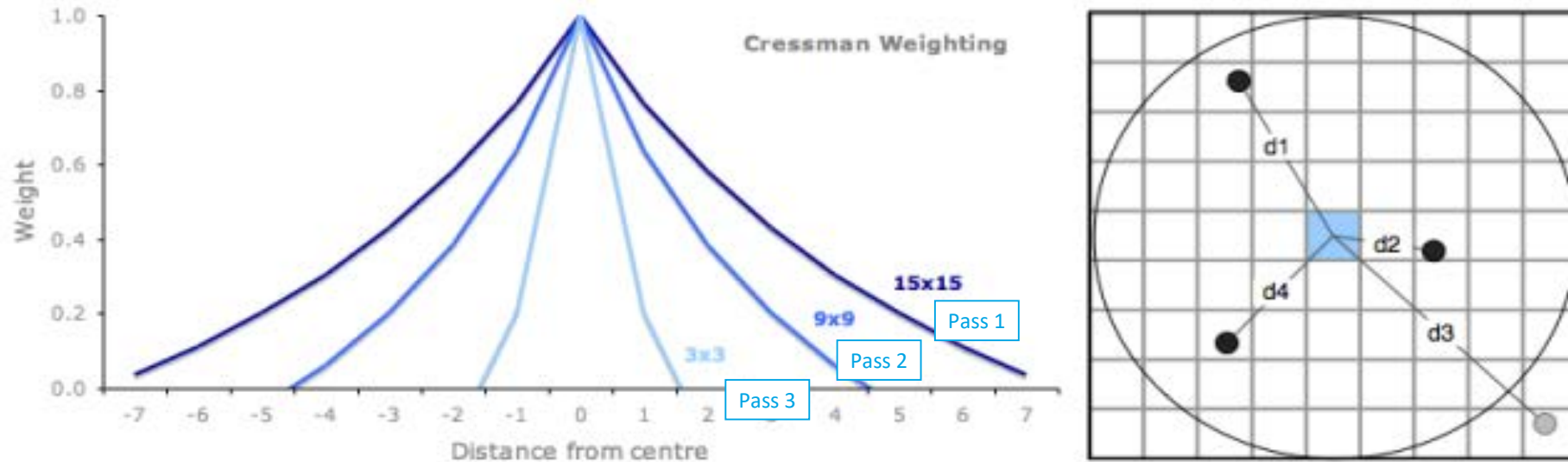


# RI-PRF Area

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- Unlike other Federal crop area plans of insurance, using county boundaries, RI-PRF uses a numbered grid system
- Each grid covers an area equal to 0.25 degrees in latitude by 0.25 degrees in longitude and is identified by a specific number code or Grid ID
  - Created by the National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC)
  - Does not follow state, county, or other geopolitical boundaries

# Precipitation Data



- Stations outside the scan radius are not included
- In each successive pass, the scan radius is decreased, the weight of the closest station has higher effect on the target grid
- 4 passes insures that distant stations influence rainfall estimation in target grid, but weighting with distance decreases the influence



# Cause of Loss

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## Single peril coverage

Only covers a decline from the long-term historical normal interpolated precipitation for a grid and index interval

- Does not cover other perils such as, but not limited to, flood, fire, and hail



# Coverage Levels

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## For Additional Coverage Policies

Insured selects one coverage level from 70 through 90 percent for the county, crop, intended use, irrigated practice and organic practice

### Coverage Level Availability

Coverage Level	0.70	0.75	0.80	0.85	0.90
Subsidy Factor	0.59	0.59	0.55	0.55	0.51



# Productivity Factor

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Allows the insured to individualize their coverage based on the productivity of the acreage insured

- Insureds may elect a productivity factor between 60 percent and 150 percent (1 percent increments)
  - *Only one productivity factor per county, crop, intended use, irrigated practice and organic practice*



# Intended Use

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PRF acreage must be reported and insured with an intended use of either haying or grazing, as selected by the insured.

Policy Definitions:

- **Grazing** - used solely as pasture for livestock to roam and feed
- **Haying** - severance of the plant from its root by mechanical equipment and cured





# Haying Types

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Each irrigation practice will be assigned a price and payment rate

Example: Choteau county, MT (2020 values)

Type:	Haying	Haying
Practice	Jan/Feb Index Interval	Jan/Feb Index Interval
Irrigation Practice	Non-irrigated	Irrigated
County Base Value	\$109	\$14

- If applicable, each irrigation practice must submit intervals with percent of values that sum to 1.00 for the state/county/crop/grid id

# Insured Crop

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Insured crop will be Pasture, Rangeland or Forage

- In which you have a share;
- Grown for the intended use of haying or grazing
- Located on insurable acreage in the county listed on the application
  - *Was initially planted prior to July 1 of the previous crop year, unless allowed by the Special Provisions;*
  - *Is naturally present but was not planted, such as native perennial grasses; or*
  - *Is self-seeding annual plants maintained through several years of grazing*
    - *In addition to section 5(b) of the Basic Provisions, we will not insure any crop that is not grown for the intended use of haying or grazing*



# Insured & Insurable Acreage

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May elect to insure all or a portion of insurable acreage in the county

- Acreage where the crop is naturally present but not planted, such as native plants, may be insurable
- Annually planted acreage is NOT insurable
  - *Over seeding is not considered an annual planting*



# Organic Farming Practices

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Insurance for organic practice is available

- If shown in actuarial documents and meets requirements

If insurance is provided for an organic farming practice, only the following acreage will be insured under such practice

1. Certified organic acreage;
2. Transitional acreage being converted to certified organic acreage in accordance with an organic plan; and
3. Buffer zone acreage

❖ The acreage report must include an organic practice if applicable



# Index Intervals

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## Eleven 2 Month Time Intervals

- NOAA CPC gridded precipitation data is obtained, by grid, for the following index intervals

January & February	July & August
February & March	August & September
March & April	September & October
April & May	October & November
May & June	November & December
June & July	December & January



# Selecting Index Intervals

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**A minimum of two index intervals must be elected by the insured**

Factors to be considered when selecting:

- Type of forage or plant to be pollinated
- Location
- Elevation
- intended use
- Time period when precipitation is needed under normal conditions for the insured crop



# Percent of Value

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**Percent of value allows insureds with more than one unit to individualize their coverage**

An insured can allocate a percentage of the total insured value to each selected index interval

- On the application, insureds must allocate a percent of value to each index interval
  - *The sum of the percentages for all index intervals, by grid ID, share, irrigated practice, organic practice (if applicable), and intended use, must equal 100 percent*
  - *See the crop provisions and actuarial documents for more information about minimum and maximum amounts that may be allocated*

# Dollar Amount of Protection

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**Dollar Amount of Protection = County Base Value (per acre) x coverage level x Productivity Factor**

Insured chooses one dollar amount of protection per acre for each:

- County
- Crop
- Commodity type
- Intended use
- Index interval
- Organic practice (if applicable)
- Irrigated practice



# Policy Protection per Unit

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Equal to the dollar amount of protection per acre x insured acres x percent of value selected by you x share

- Will be calculated separately for each unit



# Expected Grid Index

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Calculated for each grid ID and index interval using the long-term historical gridded precipitation data for the grid ID and index interval

- Represents the average precipitation for the grid ID during the index interval based on NOAA CPC data from 1948 to two years prior to the crop year

# Trigger Grid Index

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- Expected Grid Index multiplied by selected Coverage Level.



# Final Grid Index

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Based on NOAA CPC precipitation data, and is expressed as a percentage

- Only the precipitation received during the index interval is used to determine a final grid index
- Precipitation received during prior index intervals has no effect on the final grid index for subsequent index intervals

Index Amount:	Means:
100%	Average precipitation
>100%	Below Average Precipitation
<100%	Above Average Precipitation



# Indemnity Payments

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Indemnity payments are earned only when the final grid index is less than the trigger grid index

Index Amount:	Means:	Outcome:
100%	Average precipitation	No Indemnity Owed
>100%	Below Average Precipitation	Potential Indemnity Due
<100%	Above Average Precipitation	No Indemnity Owed

# Payment Calculation Factor

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For RI PRF =  $[(\text{trigger grid index} - \text{final grid index}) \div \text{trigger grid index}]$

# Indemnity Calculation

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The indemnity for the unit = the payment calculation factor x policy protection per unit

- Indemnities to be issued not later than 60 days following the date RMA publishes the final grid index for the grid ID and applicable index interval



# Determining Share

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Insurable share - percentage of interest in the insured crop the owner, owner-operator, tenant has at the time insurance attaches.

- For the intended use of grazing - the insurable interest is based upon the percentage of interest in the livestock or percentage interest in the value gained of the livestock.

Examples of Written documentation of share but not limited to:

1. Lease; or
2. Agreement outlining insured interest in insured crop

An FSA-578, Report of Acreage, is NOT acceptable documentation for determining shares. FSA programs and PRF have different rules/criteria for determining who has a share in a crop, and therefore may not be appropriate for PRF.





# Share & Cash Grazing Leases

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A grazing lease is considered a cash lease if the lease provides for only a guaranteed sum certain cash payment, or fixed quantity of in-kind payment, such as:

1. A set sum of money per head or per month;
2. A specific quantity of in-kind payment, such as specific number of calves;
3. A an specific amount per weight gain, such as 12 cents per pound of weight gained during the lease period; or
4. Other forms of compensation where the lessor does not obtain a percentage interest of the value of gain of the livestock being grazed

# Share & Cash Grazing Leases

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A grazing lease is considered a share lease if the lessor obtains:

1. A percentage interest of the value of the gain of the livestock being grazed. Value of the gain includes, but is not limited to:
  - *offspring from the livestock being grazed;*
  - *proceeds derived from the weight of gain of the livestock being grazed; or*
  - *proceeds from the value of the milk produced from the livestock; or*
2. A combination of a guaranteed sum certain cash payment or fixed quantity of in-kind payment, and a percentage interest of the value of the gain of the livestock being grazed



# RI/VI Policy Review Reminders

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## Points of Reference (POR)

- If acreage is noncontiguous, and intended use/practice is the same for all the acreage, then insured **MUST** establish a POR within the acreage boundaries for **EACH** of the noncontiguous acreage in a grid
- Just sending in one POR for all noncontiguous acreage within a grid will not be accepted!



# RI/VI Policy Review Reminders

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## Share

Upon AIP request, the insured MUST provide a verifiable lease or written proof of ownership supporting the share reported for the insured acreage on the acreage report

### ***2020 Clarification for grazing acreage***

- Livestock records required to be maintained for record retention period

### ***New for 2020***

- Lease Certification form available for use



# RI/VI Policy Review Reminders

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## Share

Your insurable interest in the insured crop as an owner, operator, or tenant at the time insurance attaches.

Written documentation of share could include:

- Lease &/or Deed; or
- Agreement outlining insured interest in insured crop.
- FSA-578 is NOT acceptable documentation for determining shares.



# PRF & Native Sod

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## *New for 2020*

Native Sod provisions are applicable to PRF acreage

- Subject to 2018 Farm Provisions
  - Acreage in IA, MN, MT, NE, ND and SD
  - Reduced subsidy
  - Protection factor = 65%

## Questions?

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