## GRP Rangeland Pilot Insurance Program

# Pilot Program Overview

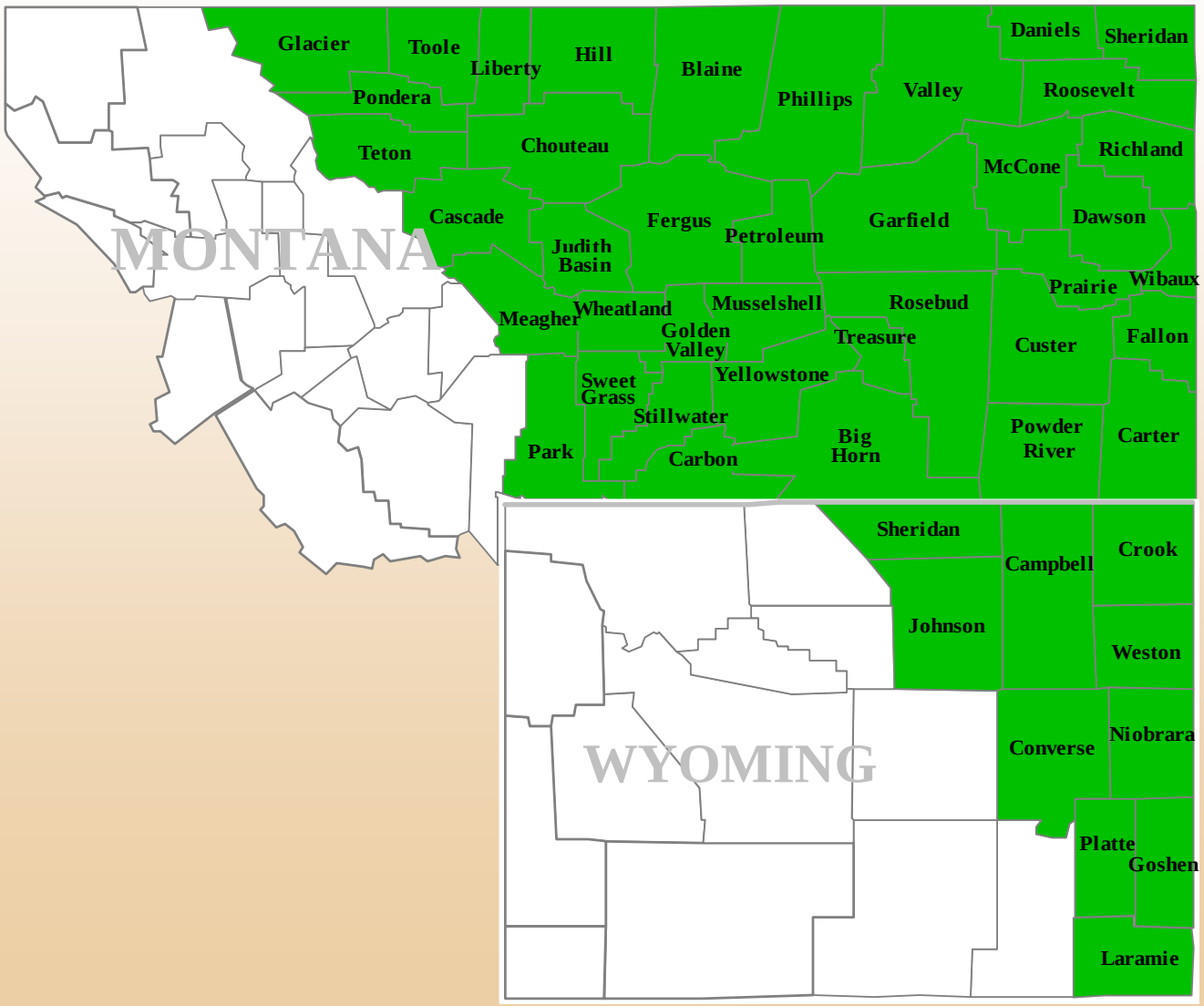
## 2006 Version

# GRP Rangeland Pilot Insurance Program

- The original pilot was terminated in 2004 and the new pilot was implemented for the 2005 grazing season.
- The pilot for the 2006 grazing season will be implemented in 39 Montana counties and 10 Wyoming counties.
- There are approximately 62 million eligible acres in the new pilot area.

# GRP Rangeland Pilot Insurance Program

# Eligible Pilot Counties



# GRP Rangeland Pilot Insurance Program

## Rangeland Acres and Production Value

| | Eligible Acres | Estimated Annual Rangeland Production Value |
|---|---|---|
| Eligible Counties | 62 million*<br>(9% of total eligible acres) | $316 million |

* Eligible acres in the pilot area include 3.4 million acres of tribal rangeland and 16.4 million acres of rangeland in an underserved state.

## GRP Rangeland Pilot Insurance Program

# Expected Program Participation and Liability

| | Program Participation (acres) | Program Liability |
|---|---|---|
| Eligible Counties* | 47% | $118 million |

* Values for eligible counties are estimates of expected participation, based on current trends.

# GRP Rangeland Pilot Insurance Program
## New Trigger Mechanism

- Net Hay Production: the estimated quantity of non-irrigated hay produced for the crop year calculated as stated in the Special Provision.
  - This trigger reduces the impact of abandoned acres by changing from yield (production/acre) to production.
  - Producers supported Net Hay Production as the method best reflecting actual rangeland conditions.
  - National Agriculture Statistics Service (NASS) data is used to produce the index with funding provided by RMA.

# GRP Rangeland Pilot Insurance Program
# Example 1. Amount of Protection

**Scenario:**

The insured producer has 5,000 acres in a county where the County Base Revenue per acre equals $5.32.

**If the producer chooses catastrophic coverage (CAT):**

(a) Dollar Amount of Insurance per acre =

$5.32 x .65 coverage level x .45 price election = $1.56.

(b) Policy Protection = $1.56/acre x 5,000 acres = $7,800.

**If the producer chooses 90% coverage and an 80% price election:**

(a) Dollar Amount of Insurance per acre =

$5.32 x .90 coverage level x .80 price election = $3.83.

(b) Policy Protection = $3.83/acre x 5,000 acres = $19,150.

# GRP Rangeland Pilot Insurance Program
## Example 2. Trigger Calculation

**Scenario :**

County Base Production equals 19,719 tons. During the crop year, total non-irrigated hay production is 19,719 tons, including 0 tons of CRP hay and 0 tons of grain hay. Therefore, net hay production (payment yield) is 19,719 tons (total non-irrigated hay production – CRP hay – grain hay).

**If the producer chooses catastrophic coverage (CAT):**

(a) Trigger yield at 65% coverage = 0.65 x 19,719 = 12,817.

(b) Because the payment yield is greater than the trigger yield, no indemnity is due.

**If the producer chooses 90% coverage:**

(a) Trigger yield at 90% coverage = 0.90 x 19,719 = 17,747.

(b) Because the payment yield is greater than the trigger yield, no indemnity is due.

# GRP Rangeland Pilot Insurance Program

## Example 3. Trigger Calculation

**Scenario:**

County Base Production equals 19,719 tons. During the crop year, total non-irrigated hay production is 14,000 tons, including 2,400 tons of CRP hay and 3,600 tons of grain hay. Therefore, net hay production (payment yield) is 8,000 tons (total non-irrigated hay production – CRP hay – grain hay).

**Situation A:**

(a) Trigger yield = 0.65 x 19,719 = 12,817.

(b) Payment calculation factor = (12,817 – 8,000) / 12,817 = 0.376

(c) Payment due = $7,800 x 0.376 = $2,933.

**Situation B:**

(a) Trigger yield = 0.90 x 19,719 = 17,747.

(b) Payment calculation factor = (17,747 – 8,000) / 17,747 = 0.549.

(c) Payment due = $19,150 x 0.549 = $10,513.

# Rating Method

- All counties are considered as a single risk region, offering one set of premium rates.
- NASS data from 1964 to 2003 is available for use.
- Rates range from 6.50 at the 65% coverage level to 12.40 at the 90% coverage level.

# Major Changes

- Net Hay Production replaces Harvested Hay Yield as trigger mechanism.
- Effective for 2006 crop year, sales closing date will be Sept. 30 preceding the crop year (March 15 for the 2005 crop year).
- Leases where grazing is limited to a specified number of AUMs will be insurable as the number of acres determined by dividing the specified number of AUMs by the rangeland productivity factor for the county.

# Producer Benefits

- Coverage is not based on APH; hence, the producer can purchase maximum GRP without proving yields.
- Only one policy is offered per entity per county.
- The claim process is much simpler.
- Damaged crops do not have to be appraised to determine the amount of payment.
- Higher dollar amounts of protection and higher levels of coverage are available, compared to individually adjusted coverage.
- Premium rates per dollar of protection often are lower and paperwork is reduced relative to other crop insurance plans.

# Program Dates

- **Sales Closing Date –** September 30 preceding the crop year.
- **Acreage Reporting Date –** November 15 preceding the crop year.
- **Billing Date –** October 1 of the Crop Year.
- **Cancellation Date –** September 30 preceding the crop year.
- **Termination Date –** December 31 preceding the crop year.
- **Contract Change Date –** June 30 preceding the crop year.