GRP Rangeland Pilot Insurance Program

Program Background and Overview

PROGRAM BACKGROUND & OVERVIEW

PREFACE

Understanding the Group Risk Plan (GRP) Rangeland Pilot Program and its history is essential to understanding the proposed changes to the program. This section begins with a brief background of the GRP Insurance Program and then an overview the GRP Rangeland Insurance Program.

HISTORY OF THE GROUP RISK PLAN INSURANCE PROGRAM

The GRP program protects producers against countywide yield loss events rather than individual losses. Producers are not covered against isolated occurrences that could damage their crops without substantially lowering county yields. The program may not provide effective coverage to producers whose yields do not closely track with county yields. GRP generally affords the following advantages to producers:

- No individual yield history is needed;
- Coverage not based on APH (hence, the producer can purchase maximum GRP without proving farm yields);
- Only one policy per farm for each crop, unless county borders are crossed;
- Claim process is much simpler;
- Damaged crops do not have to be appraised to determine the amount of payment;
- Higher dollar amounts of protection are available;
- Higher levels of coverage are available; and
- Premium rates per dollar of protection often are lower and paperwork is reduced relative to other crop insurance plans.

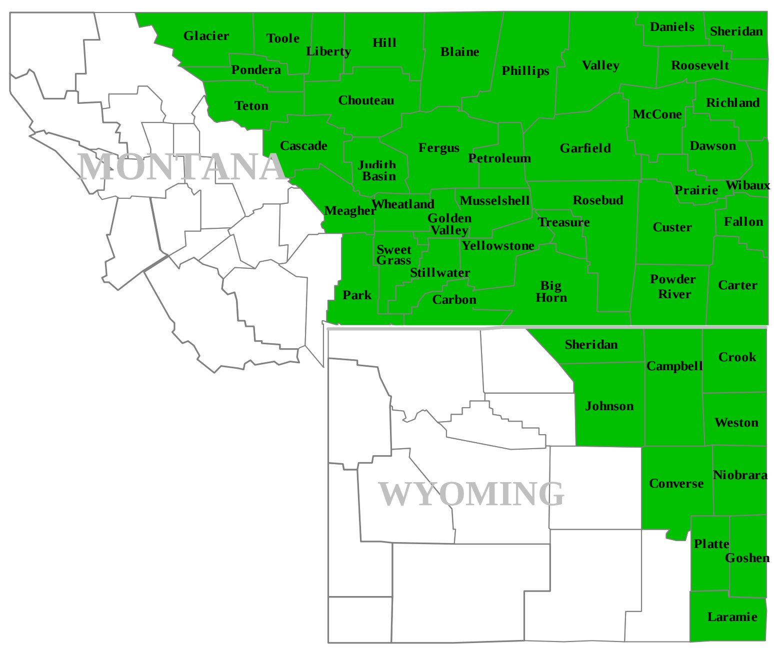
HISTORY OF THE GROUP RISK PLAN RANGELAND INSURANCE PROGRAM

In 1998, the FCIC Board of Directors voted to refine and further expand crop insurance programs for producers to include a new pilot program for rangeland. The USDA's Risk Management Agency (RMA) interacted with a wide range of growers and organizations to develop a program called the Group Risk Plan (GRP) Insurance Program. GRP insurance offered producers an alternate tool in risk management.

Prior to the pilot program for GRP Rangeland, no risk management tool for rangeland use existed. Although producers rely on the grazing harvest of rangeland for livestock production, they had been unable to insure this annual production. GRP Rangeland insurance, therefore, filled a void and served a need for otherwise underserved producers.

The primary reason that range insurance was not offered prior to GRP Rangeland was the lack of available information to develop rates and adjust yields. Other GRP products rely on county National Agriculture Statistics Service (NASS) data to develop rates and make annual loss adjustments. However, no rangeland production information is explicitly gathered or reported by NASS. To provide GRP insurance for a crop without production history, such as rangeland, it was necessary to identify available information that was closely correlated to actual production.

The original GRP pilot program began in 1999 in the 12 Montana counties of Big Horn, Blaine, Carter, Custer, Fallon, Glacier, Phillips, Powder River, Roosevelt, Rosebud, Sheridan, and Valley, and was terminated following the 2004 crop year. The current GRP Rangeland Pilot Insurance Program began with the 2005 crop year, in a pilot area spanning a total of 49 counties in Montana and Wyoming.



For a more in-depth discussion of the background and history of the GRP Rangeland Pilot Program, please refer to the document entitled Program Concepts located in the Program Materials folder.