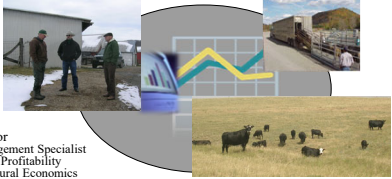


Making Good Decisions in the Presence of Uncertainty



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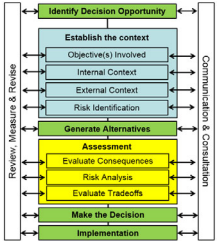
Livestock and Poultry Environmental Learning Community
 The PELC is a project dedicated to the extent that individuals involved in public policy issues, animal production, and delivery of technical services for livestock and poultry should have an elevated level of awareness and understanding of environmental issues for the welfare of farming.

extension

1

Five Key Principles of a Good Risk Management Culture

- Ability to anticipate decisions
- Adequate resources and capacity to respond to changing conditions
- Free flow of information into and throughout the organization
- Willingness to learn and adapt
- Risk management is embedded in all decision-making processes




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2

Strategies for Managing Risk

1. Avoid it
2. Transfer it outside the business
 - a) Insurance
 - b) Contracting
3. Control it
 - a) Control the probability
 - b) Control the impact
 - 1) Increase reserves
 - 2) Maintain flexibility
 - 3) Diversification
4. Accept it




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3

Federal Insurance/Program Tools for Livestock (Cattle) Producers


- Crop insurance (USDA-Risk Management Agency)
 - Livestock Risk Protection (LRP) insurance rma.usda.gov
 - Rainfall Index (RI) insurance
 - Pasture, Rangeland, and Forage
 - Annual Forage
 - Whole Farm Revenue Protection (WFRP)
- Farm Service Agency (FSA) Programs fsa.usda.gov
 - Noninsured Crop Disaster Assistance Program (NAP)
 - Livestock Forage Disaster Program (LFP)
 - Livestock Indemnity Program (LIP)
 - Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish (ELAP)
 - Conservation Programs (NRCS)



4

Livestock Risk Protection (LRP) Insurance for Feeder Cattle

- LRP insurance offers **national price** protection for cattle producers based on the CME Feeder Cattle index.
- Available in all counties across all states for:
 - Feeder Cattle Weight 1 (< 600 lbs.)
 - Feeder Cattle Weight 2 (600-900 lbs.)
 - Fed Cattle product available for Fed Cattle (> 900 lbs.)
- Operates like a (European) Put Option
 - Offered for 13, 17, 21, 26, 30, 34, 39, 43, 47 or 52-week periods
- Producers remain subject to **basis price risk**




5

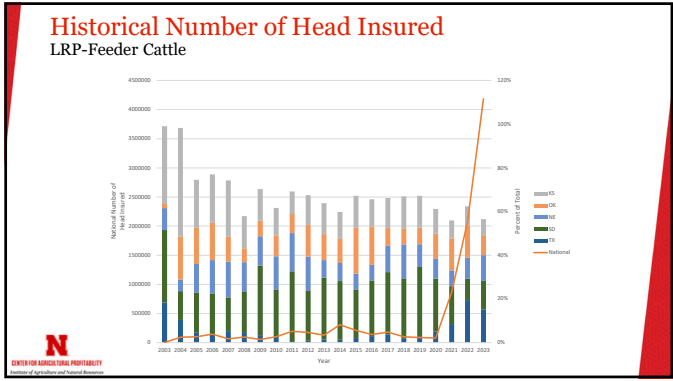
Recent Focus on LRP

Most recent changes have targeted this product

Coverage Price	Subsidy Level by Year			
	2003	2018	May-2020	Sep-2020
95-100%	13	20	25	35
90-94.99%	13	25	30	40
85-89.99%	13	30	35	45
80-84.99%	13	30	35	50
75-79.99%	13	35	45	55
70-74.99%	13	35	45	55



6



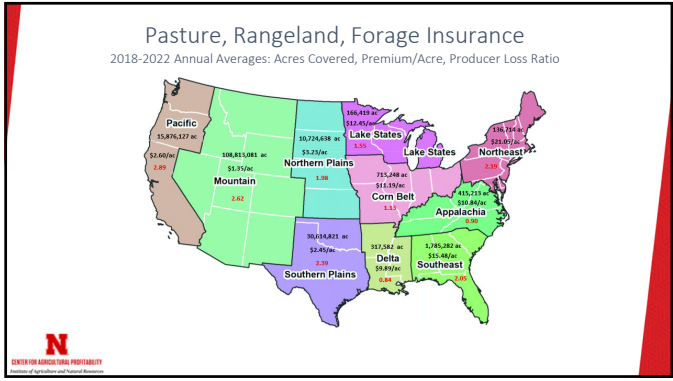
7

Pasture, Rangeland, Forage (PRF) Insurance Plan


Rainfall Index

- Provides coverage for perennial forage (pasture, rangeland, forage) used for livestock grazing or haying.
- Sign up deadline **December 1** in all counties for coverage in the following calendar year.
- Utilizes a grid-level rainfall index to determine precipitation for coverage purposes. It does not directly measure actual production loss for each operation.
- Coverage available for two-month rainfall index intervals covering the calendar year with coverage up to 90% of normal.
- Each grid is 0.25 degrees in latitude by 0.25 degrees in longitude, (~ 17 by 17 miles at the equator).
- Subsidy levels 51% to 59% depending on coverage.

8




9



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10