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Comparing risk management options for hay and forages for Platte County producers – Part I

By James Sedman and John Hewlett

Platte County producers John and Marcia Smith own Gates Creek Land and Livestock, a 100-head commercial cow herd operation with 250 irrigated acres.

The Smiths primarily use the irrigated acreage to provide feed for their cow-calf enterprise with 150 acres of alfalfa and 100 acres in corn for both grain and silage. Recent high hay prices have the Smiths considering cutting the corn acreage to 50 acres for silage and seeding the other 50 acres to alfalfa.

Rising input prices have the Smiths concerned their bottom line is not well-protected against the unexpected. Prices for feed are high, and, while John and Marcia like that their alfalfa is worth more than double last year's value, they are worried if drought or extreme weather reduces production they, too, will be buying expensive hay for their cattle.

They are concerned with drought/lack of timely moisture and occasional summer severe weather. The Smiths are looking at several risk management options for the production season.

Crop Insurance Options

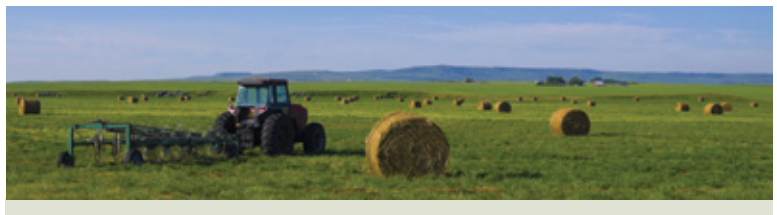
1. No insurance. The Smiths in past years have gone relatively unscathed without crop insurance. While this is an option, they both believe the stakes are too high to not have some form of protection.
2. Multi-peril insurance for their forage production. This includes insurance for the planned new alfalfa seeding and for their existing alfalfa, which varies from three to six years old and qualifies for this type of insurance. Coverage can be from 50-75 percent of the average yield, and the alfalfa price this year is $108 per ton.
3. NAP (non-insured disaster assistance program available from the Farm Service Agency) coverage. NAP coverage is the lowest cost alternative for the Smiths. However, it also provides a minimal level of coverage – only for losses in excess of 55 percent of expected production.
4. Yield Protection insurance for their silage corn. This is similar to multi-peril coverage for their forages. The Smiths use their average production history (APH) yield to determine a guarantee level at the given price.
5. VI-PRF (Vegetative Index-Pasture Rangeland and Forage Insurance). VI-PRF uses satellite imagery to determine vegetative production over a given area and production period for either pasture or forages such as hay. John and Marcia are concerned that it may not be site-specific enough to cover losses due to hail or other extreme weather.

Insurance Decision

The Smiths looked at several factors when making their crop insurance decision, including overall per-acre coverage and effectiveness.

After considering weather and snowpack projections, they decided that crop moisture was not a huge problem. The Smiths chose to use Yield Protection coverage for their corn for silage, to seed an additional 50 acres of alfalfa insured with a forage-seeding policy, and to purchase a multi-peril policy for their existing forages.

In future articles, we will compare how the different insurance options fared when several severe weather events affected their hay and corn production.



For more information

VI-PRF, Yield Protection, multi-peril insurance, and other programs such as NAP could provide protection against production risk for hay and forages in your operation. For more information on insurance policies, visit your local crop insurance agent or the Risk Management Agency's website at www.rma.usda.gov. For more information on risk management, including interactive tools and software, visit the Western Risk Management Library online at riskmgt.uwagec.org.

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U.S. corn harvest forecast slightly higher than 2010

By Sandra Frost

The U.S. corn grain crop for 2011 is forecast to be 12.5 billion bushels, slightly higher than 2010 and the third largest production total on record, according to the USDA National Agricultural Statistics Service.

Farmers have achieved this production despite an average yield per acre down 4.7 bushels from 2010, despite the lowest average yield (148.1 bu/acre) since 2005, and daunting weather (cold, wet spring, flooding in the Midwest, and drought in the South). Approximately 92.3 million acres of corn will be harvested this year, up from 2010.

Wyoming corn grain production is substantial. In 2010, producers planted 90,000 acres of corn, of which 50,000 were harvested as corn grain. Wyoming average yield was 121 bu/acre. Total production of corn grain was 6,050,000 bushels for a total value of $25,578,000.

Major Corn Uses

Livestock feed and ethanol production are the two major uses for corn grain. Data for 2010 reports that 6 billion bushels were used as livestock feed, 3.7 billion bushels for ethanol production, 2.4 billion were exported, and 1.4 billion bushels were processed into food products.

Corn is traded on the Chicago Board of Trade, a subsidiary of the CME Group. Corn delivery contracts are traded in the futures market where prices and delivery dates are set. Two recent reports, one from Better Markets, a non-profit organization, and one from Cardno Entrix, an economic analysis firm, independently conclude speculation in the commodities market is driving food and fuel prices up for U.S. consumers.

For more information

- **Wyoming Agricultural Statistics 2011**, compiled by USDA NASS, Wyoming Field Office, 1-800-892-1660, nass-wy@nass.usda.gov, or http://www.nass.usda.gov/wy/
- **Better Markets report** http://renewablefuelsassociation.createsend1.com/t/y/l/ghdzd/dluutjhtd/u/
- **Cardno Entrix report** http://renewablefuelsassociation.createsend1.com/t/y/l/ghdzd/dluutjhtd/o/
- **Illinois Corn Growers Association – Japan Relief effort** http://www.ilcorn.org/index/5-join-the-japanese-relief-effort?t=vtext
- **2011 World of Corn** National Corn Growers Association http://www.ncga.com/production/

Foreign government buyers of U.S. corn are slightly different than 30 years ago. In 1979-80, major buyers were Poland, Mexico, USSR, Japan, and the European Union. In 2009-10, buyers were Japan, Mexico, South Korea, and Taiwan.

The U.S. leads the world in corn production with 316 million metric tons (mmt). China is second in production (177 mmt), followed by Brazil, Argentina, and South Africa. China keeps all but 0.10 mmt for domestic use.

Ethanol production is centered in the Midwest, close to corn grain production. Wyoming has two ethanol plants – one near Upton that uses wood waste, and one in Torrington that uses corn. Just recently, U.S. ethanol consumption/supply increased to about 900,000 barrels per day after a slight slump due to fall cleaning of production plants.

Genetically Engineered Corn for Ethanol

The USDA has just approved a genetically engineered grain corn especially for ethanol production. The product, called Enogen, and developed by Syngenta, contains a microbial gene that causes it to produce an enzyme that breaks down corn starch into sugar, the first step toward making ethanol. Once seed production is in full swing, we may see more of Enogen corn in the field.

Corn grown at the Powell Research and Extension Center

Corn Industry Helping Japan

U.S. agricultural organizations, including corn producers, have formed a unique partnership with the Red Cross to help rebuild Japan's agricultural infrastructure damaged by the earthquake and tsunami and maintain an economic presence there. Elevators in Illinois will accept tax deductible grain donations and pass them along to the Red Cross for the *Rebuild Japan* project. Many agricultural organizations and businesses that have done business with Japan are assisting in this project.

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