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Cornhusker Economics

Annual Forage Insurance Program Performance

In 2014, the Annual Forage Insurance Program (AFIP) was offered for the first time by the USDA – Risk Management Agency (RMA) as a pilot program for the states of Nebraska, North Dakota, South Dakota, Kansas, Oklahoma, and Texas. It was expanded to include Colorado in 2016 and New Mexico in 2017. This year marks the 10-year anniversary of the program, and the goal of this article is to provide a summary of where the program is and how it is being used. We will focus specific attention on Nebraska but also provide an overview of the national picture.

The AFIP is designed to meet production risk management needs related to precipitation risk for producers planting *annual* forage crops for use as livestock feed or fodder. This includes but is not limited to grazing, haying, grazing/haying, grain/grazing, green chop, grazing/green chop, or silage. Like Pasture, Rangeland and Forage insurance (PRF), the AFIP is based on rainfall index data provided by the National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC).

Whereas PRF is for perennial forage and coverage is based on a calendar year, producers insuring with AFIP select two-month coverage intervals over a seven-month growing season commencing the month after the planting date for the annual forage. The signup/sales closing date is July 15 for coverage on annual forage planted from August 1 through July 31 of the following year. There are 12 months in which to plant an annual forage, therefore there are 12 growing seasons available for signup. Producers need to make coverage selections for any of the growing seasons for which they might desire coverage in the upcoming crop year by the July 15 deadline. The acreage reporting deadline is the 5th day of the month following planting so a producer has until then to report actual planted acreage upon which coverage will apply for any eligible growing season.

Each county has a County Base Value determined for it by RMA that represents its annual forage productive value. In Nebraska, the County Base Value varies from \$204.36 per acre in the Panhandle to \$452.87 per acre in the southeastern corner of the state (Figure 1). Producers select a percentage of their County Base Value by designating a productivity factor between 60% and 150%. Wheat acres in most counties are eligible for dual use AFIP coverage (planted in the fall, grazed, and then harvested for grain the following summer). However, restrictions do apply and the base value per acre AFIP coverage is reduced to 40% of the single use forage value.

Producers select a coverage level between 70% and 90% of the Expected Grid Index to attach to their policy. As with PRF, the coverage level selected also determines the level of premium subsidy. Premium costs are subsidized between 51% and 59% as coverage levels move from 90% down to 70%. The premiums are rated on historical data and are required to be actuarial sound. Therefore, payback (or the producer loss ratio) is similar across coverage levels even though higher coverage levels are more likely to pay an indemnity each year. The producer loss ratio represents the indemnities paid out

Table 2: Annual Forage Insurance Program 2018-2023 (6-year) State Summary Averages.

State	Policies Sold	Policies Earning Premium	Policies Indemnified	Acres	Total Premiums	Total Subsidies	Total Indemnities	Producer Premium per Acre	Indemnity per Acre	Loss Ratio	Producer Loss Ratio
Colorado	910	425	415	269,377	\$ 8,088,218	\$ 4,150,025	\$ 11,286,336	\$14.62	\$41.90	1.40	2.87
Kansas	489	224	211	133,033	\$ 5,859,279	\$ 3,115,003	\$ 7,654,273	\$20.63	\$57.54	1.31	2.79
Nebraska	73	38	35	16,455	\$ 584,846	\$ 301,132	\$ 714,457	\$17.24	\$43.42	1.22	2.52
New Mexico	346	239	236	254,283	\$ 11,768,951	\$ 6,147,662	\$ 21,786,819	\$22.11	\$85.68	1.85	3.88
North Dakota	165	33	27	6,408	\$ 154,943	\$ 79,624	\$ 159,348	\$11.75	\$24.87	1.03	2.12
Oklahoma	1,039	472	428	294,701	\$ 12,915,737	\$ 6,742,043	\$ 16,620,243	\$20.95	\$56.40	1.29	2.69
South Dakota	213	58	38	12,997	\$ 424,094	\$ 218,403	\$ 321,771	\$15.83	\$24.76	0.76	1.56
Texas	6,292	3,425	3,395	1,937,240	\$129,765,412	\$ 67,432,958	\$ 202,871,248	\$32.18	\$104.72	1.56	3.25

Source: USDA-RMA, Summary of Business, June 26, 2024.

Use of the Annual Forage Insurance Program continues to grow across the 8-state region of availability. Nebraska is mirroring this growth on a percentage basis but lags far behind in acres insured compared to other states. As use of annual forages continues to grow in Nebraska and familiarity with AFIP increases, we expect acres of annual forage insured with AFIP to increase. Whether it reaches the level of adoption for PRF in the state, which has arguably become a part of doing business for those with perennial grass, time will tell. AFIP represents another tool in the tool box for producers wishing to incorporate annual forages in their crop rotations.

People interested in purchasing Annual Forage Insurance should contact their crop insurance agent.

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