



The Non-insured Crop Disaster Assistance Program: Risk management for Wyoming producers

By James Sedman and John Hewlett

Managing production risk is one of the keys to success in today's competitive agricultural environment.

Successful agricultural operations utilize best-management practices, keep up-to-date records, and access available insurance. U.S. Department of Agriculture (USDA) Risk Management Agency federal crop insurance programs are a vital part of the risk-management strategy for many Wyoming producers.

Difficulties arise when crops or forages do not fall under the federal crop insurance umbrella. These might be new or alternative crops, range, pastureland, or forage crops. The Non-insured Crop Disaster Assistance Program (NAP) administered by the USDA Farm Service

Agency (FSA) is an option to cover at least a portion of the production risk for crops that otherwise would not be covered.

NAP Coverage: What is it?

NAP coverage protects producers of uninsurable crops from crop losses or prevented planting due to natural disasters. Eligible crops are any produced for food, livestock feed, or fiber not otherwise covered by crop insurance. Producers or landowners who have a beneficial interest in the crop are eligible.

NAP is similar to catastrophic coverage offered through yield-based crop insurance programs. It pays indemnities if a disaster occurs and the producer suffers a loss greater than 50 percent of expected

production or is prevented from planting at least 35 percent of the insured acreage. While the likelihood of receiving an indemnity may be lower than with conventional crop insurance programs, catastrophic loss protection could make the difference between a substantial loss and weathering the storm.

Benefits to Wyoming Producers

NAP provides insurance to Wyoming producers where there would otherwise be no coverage. Many dry land and irrigated crop and livestock operations in Wyoming are considering new and alternative crops for their rotations. NAP coverage is a way to reduce at least some of the production risk associated with producing a



new or alternative crop. This may make experimenting with a new crop or forage more economically appealing. NAP coverage might also make commercial financing for alternative crops and forages more appealing to lenders. One of

the main benefits is NAP coverage's relatively low premium when compared to potential payout in the event of a covered loss.

For more information, consult a local FSA office. Offices can be located online at www3.rma.usda.gov/tools/agents/companies/2006/wyomingCI.cfm.

For more information on this and other risk management topics on the Web, visit the Western Risk Management Library at <http://agecon.uwyo.edu/riskmgt>.

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Top 10 reasons to consider participating in a feedlot test

April and May. These months typically signify spring planting, branding, turning bulls out, moving to summer grass, and the end of school.

April and May are also when most spring-born feedlot test cattle are marketed. The associated feedlot performance and carcass merit information represent the spring "final exam" for the herd – an estimate of how the herd compares to economic as well as industry expectations.

I would like to offer the top 10 reasons to consider participating in a feedlot test and carcass evaluation program.

10. It's not a competition, it's an investment. Despite appearances and first impressions, consigning cattle to a feedlot test is **not** a competition with neighboring herds. Many tests keep consignor names confidential, and the real focus of these tests is individual herd improvement. The goal of these feedlot tests is to provide cow-calf producers the opportunity to evaluate how their calves perform after weaning tracking calf health, feedlot performance, and carcass merit for each calf consigned.

9. Grid marketing: the big shift. One of the most interesting changes in the industry during the last eight years has been the shift in how cattle are marketed. During the mid- to late-1990s, up to 80 percent of fed cattle were sold live with very minimal emphasis on carcass quality. In 2004, more than 60 percent were marketed on some type of carcass grid. This has several implications not only for feedlot managers but

also for cow-calf producers. Because of grid marketing, carcass quality has become an important factor in pen close-out information. How much money a pen of cattle made or lost not only depends on feed costs, calf health, and animal performance but also how they perform on these marketing grids; therefore, weaned calves with a known history for superior feedlot and carcass performance have added value. Cow-calf producers can hopefully capture some, if not all, of this value through retaining partial or full ownership of the cattle or establishing a relationship with the buyer. The key is first finding out how your calves measure up.

8. "Getting your feet wet" instead of diving in headfirst. A possible first in evaluating your own herd is participating in a feedlot test. Producers can consign a relatively small number of animals, typically a minimum of five steers or heifers, to determine how these calves perform

with minimal risk. After a few years of getting back individual closeout information, consignors may decide to retain ownership of their cattle through the feedlot or decide that important changes need to be made in the herd.

7. Commodity beef vs. value-added product. In addition to grids, the industry is experiencing a shift in how beef is marketed. Many cattle are marketed under specific programs, such as Certified Angus Beef, Certified Hereford Beef, Rancher's Reserve, Sterling Silver, etc. As the decade progresses, increasing percentages of cattle will be marketed through these "value-added" avenues, creating separation between so-called "commodity beef" – a product with no known source or process verification that can only be marketed based on U.S. Department of Agriculture (USDA) quality and yield grade – and "value-added" beef with known history and superior quality.



6. Educational opportunities. Many consignors participate in feedlot tests not only for additional information on their own herd, but for the associated workshops, invited speakers, demonstrations, and discussions that are a part of the tests.

5. Getting to know your herd, regardless of its size. In some cases, producers have consigned all of their steer calves to test, with the benefit of receiving individual performance, health, and carcass data back. This allows them to not only evaluate sire genetics, but also the impact of individual dams in the herd. It's nice to have progeny close-out data to evaluate and rank the cow herd when forced to reduce herd size.

4. Actively participating in the industry. It's one thing to listen and participate in discussions about the backgrounder, feedlot, and packer segments of the industry. It's another to actively participate through a feedlot test. Discussions of calf health and steer feedlot performance have added significance when receiving monthly feed bills that also include chute charges and herd health costs. Evaluating carcass data is ultimately more interesting when evaluating your own cattle.

3. Feedlot performance. This is where the money is made. Feedlot performance is often the underappreciated part of profitable feedlot cattle. Often, healthy steers with efficient gains in the feedlot but grade select are ultimately more profitable than slower-growing, less-efficient cattle with flashy carcass data.

2. Carcass merit and uniformity: it's a good thing. Although the most common measuring stick used to compare cattle is percent grading USDA choice or higher, arguably the most important carcass traits to focus on is reducing and eliminating the discounts. Yield grade 4's and 5's, USDA standard carcasses, and light and heavy carcasses can have more of a negative impact on average close-out price than does percentage choice. Reducing variation in the herd and minimizing and removing potential discount cattle is a good first step to improving carcass quality and marketability.

1. A sound business investment that positions the herd to be competitive in the future. For many producers, knowing their herd's potential for feedlot performance and carcass merit is simply a required cost of doing business. Even if the ranch continues to sell calves at weaning, it's good business to have an idea of feedlot performance and carcass quality. Offers to buy the calf crop are easier to reject when known how the calves will perform in the feedlot and on the rail.

For more information, contact a local University of Wyoming Cooperative Extension Service (UW CES) educator or feedlot test coordinators Bill Klein at (307) 331-0136 and myself. A list of UW CES educators is online at www.uwyo.edu/UWces/Counties.asp

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