



Watts and Associates

# Lamb

## Federal Insurance Program Development for Lamb Producers Feasibility Study

*Listening Sessions 2023*



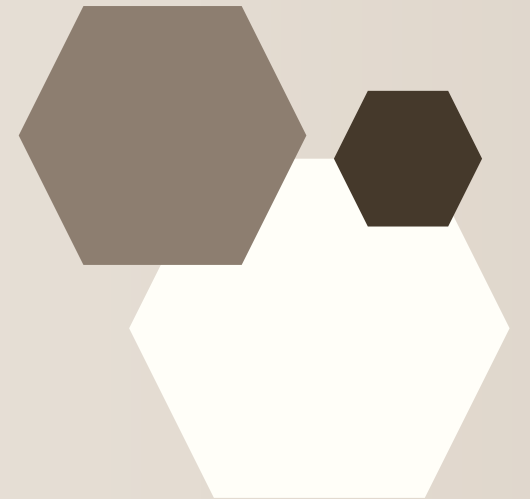
Contract Number:

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# AGENDA

- **Introductions**
- **About Us**
- **Current Crop Insurance Trends**
- **Project Overview**
  - Types of Crop Insurance
  - Desired Program
  - Types of Data
    - Expected Yield Data
    - Loss Data
    - Final Yield Data
- **Lamb Industry Overview**
  - Lamb Price Trends
  - Lamb and Mutton Production
  - US Sheep Numbers
- **Review of Other Programs**
- **Purpose of Listening Sessions**
- **Topics for Discussion**



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# About Us

Watts and Associates was **founded in the 1980s** by Tim Watts to help farmers and ranchers navigate the challenges of the farm crisis. Since that time, we've grown from a single dedicated applied economist to a diverse team of specialists. Today, W&A's staff work from one of our two offices (Bozeman, MT and our Headquarters in Billings, MT) or from their farms or homes spread across the country.

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**USDA-RMA Contractor**

**Public Private Partnership  
(508h)**

**International Crop Insurance  
Development**

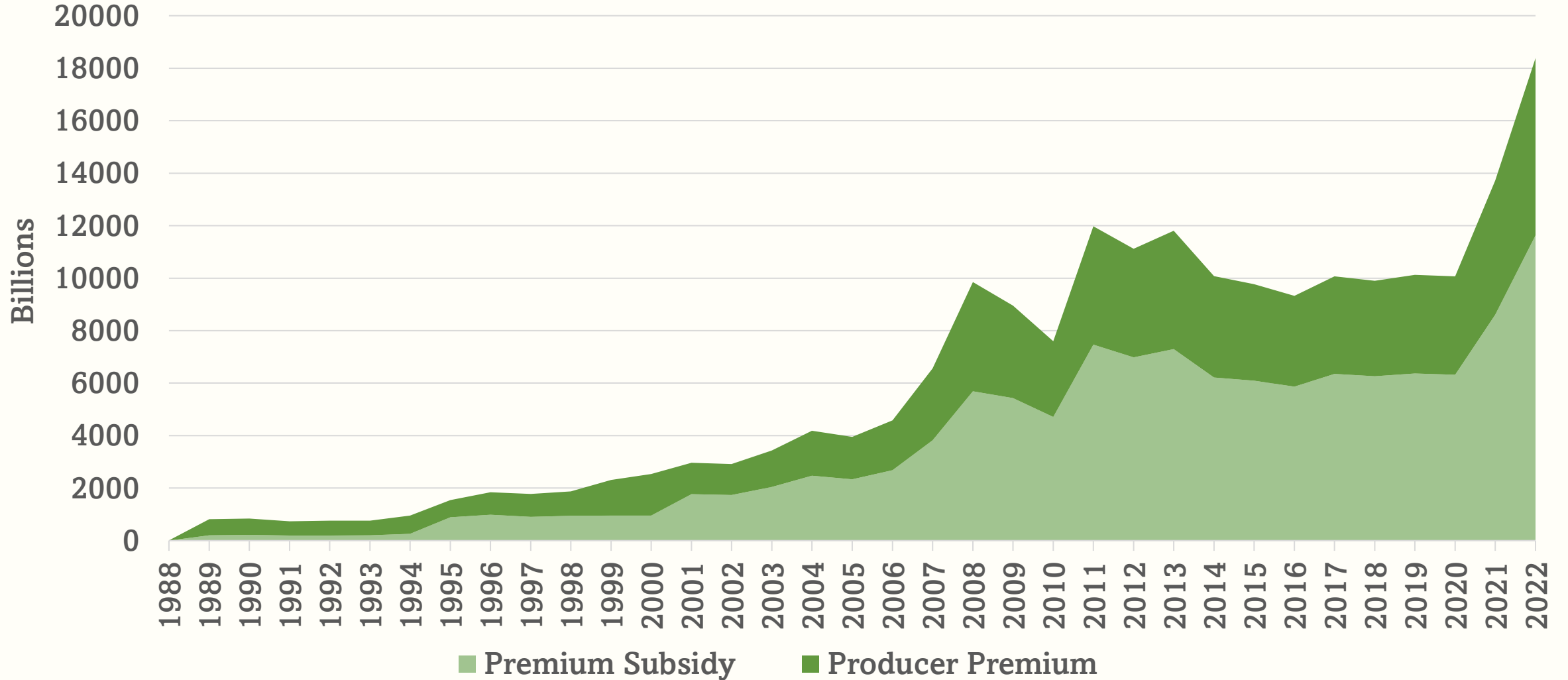
**Agricultural Data Science and  
Software Tool Development**

**Public Policy Advising**

**Crop Insurance Agent  
Instruction and Training**



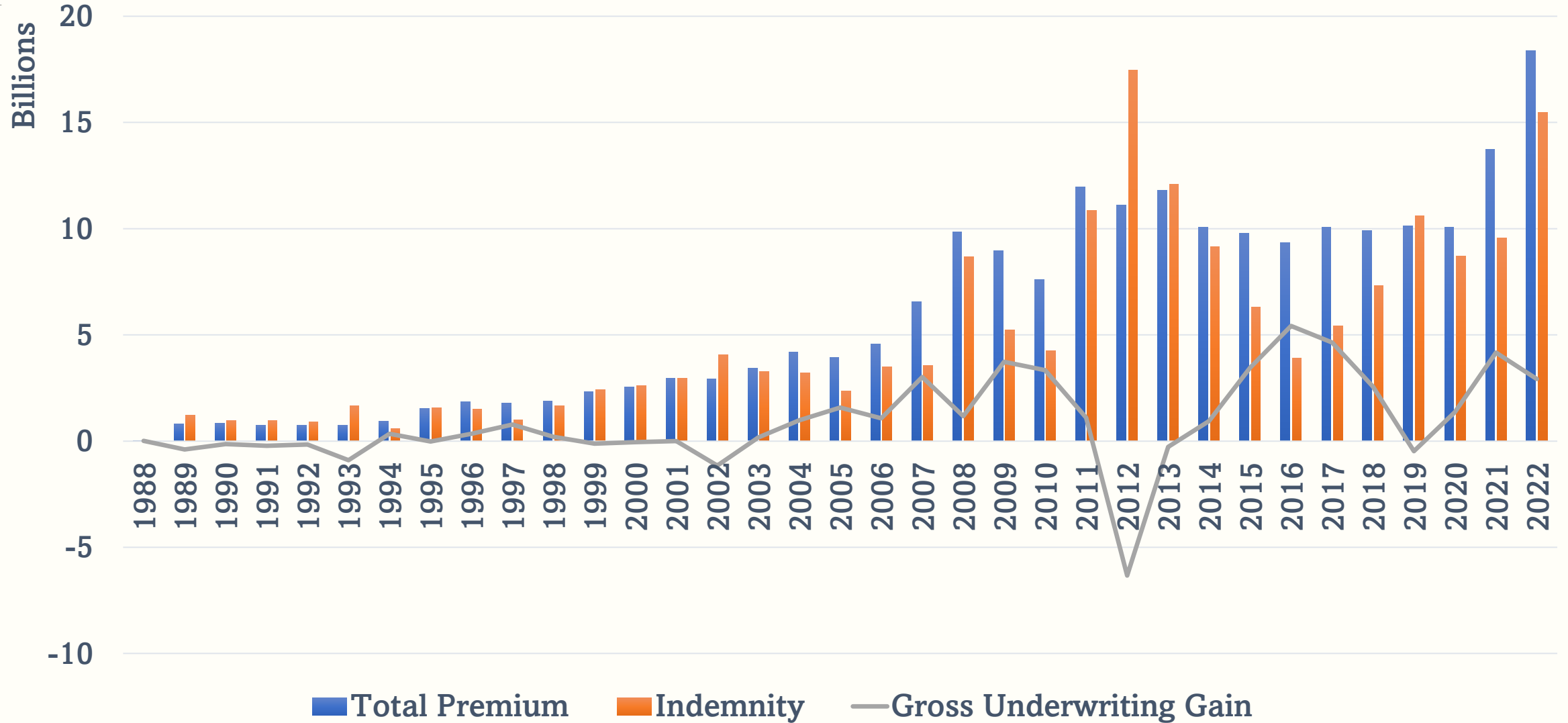
# U.S. Premium Totals 1988 – 2022



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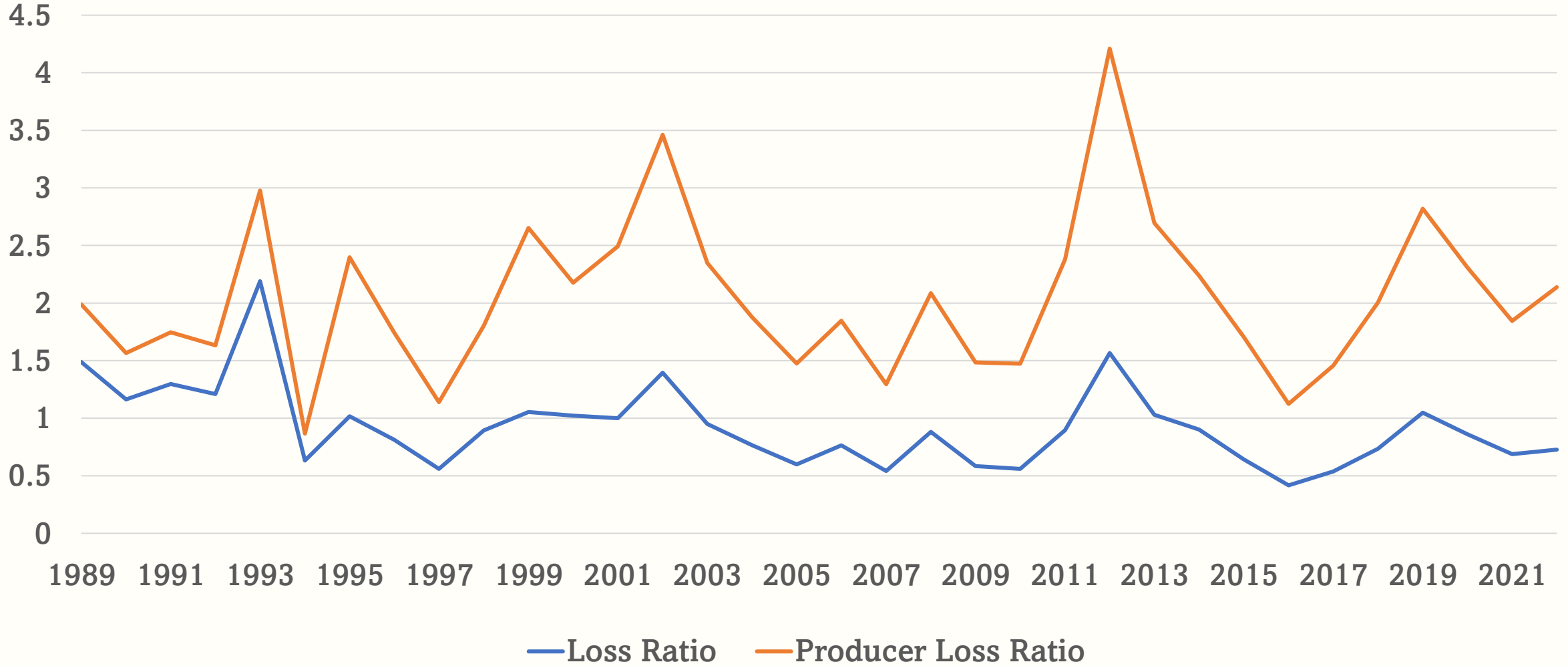
# US Crop Insurance Performance 1988 - 2022



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# US Crop Insurance Loss Ratios and Producer Loss Ratios for 1989 - 2021



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# Project Overview

Examples of Gaps in Coverage:

## Rate of Gain Related:

Adverse Weather

Long periods of cold, heat,  
and/or or wet

Short periods of extreme  
cold or high moisture

Feed Quality & Quantity

Cost of feed?

## Mortality Related:

Weather Events  
(long and short term)

Disease Related

Predation

## Parasite Related:

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# Project Overview

## Hierarchy of Crop Insurance and Possible Gaps in Coverage (cont'd):

### **Mortality**

- Declines in total head

### **Yield**

- Declines in Lbs.\*total head

### **Price**

- Declines in the price received

### **Revenue**

- Declines in # of head
- Declines in avg. weight
- Declines in price

### **Margin**

- Declines in # of head
- Declines in avg. weight
- Declines in price
- Increases in input prices



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# Speak up! Share your ideas and concerns

- What is your name?
- What is your occupation or affiliation?
- Is there anything specific that you'd like us to discuss here today?

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# Project Overview: Data Needed

## Types of Data Needed:

- Expected Yield Data
  - Verification of Current Flock: Veterinary Records, Tax Assessor Records, Private Insurance Documents; (minus expected open ewes)
- Loss Data
  - Cause of Loss & Number of Lambs per ewe
  - Daily Weather Data at time of loss
- Final Yield Data
  - Number of Head Sold
  - Age of Lambs Sold
  - Date of Sale



# Project Overview: Review of Other Programs (Federal)

- Federal Crop Insurance Programs
  - Pasture, Rangeland, and Forage
  - Whole Farm Revenue Protection
- Federal Programs and Assistance
  - Wool and Mohair Marketing Assistance Loan
  - Loan Deficiency Program
  - Wildlife Service (APHIS)
  - ELAP
  - Livestock Forage Disaster Program
  - Emergency Livestock Relief Program
  - Livestock Indemnity Program

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# Review of Other Programs

## **Pasture, Rangeland, and Forage Insurance Program:**

- **Area Based Insurance Plan:** losses are based on an area or a “grid”; **not** an individual’s actual production history. Each grid is approximately 0.25 degrees in latitude by 0.25 degrees longitude (17 x 17 miles at the equator).
- Provides coverage for pasture, rangeland, and forage that is used to feed livestock (including lamb and sheep). Primarily concerning acres that are being used for grazing or haying.
- This program **does not measure direct forage or production losses.**
- The only insurable cause of loss covered under this program is **lack of precipitation** based on a rainfall index that is calculated using data from the NOAA CPC to determine deviations from the normal / historical average amount of precipitation for a given area during specific producer chosen time intervals. This index is then used to estimate the losses in production, based on the lack of precipitation, and what the value of that loss is. Each interval represents a two-month period.



# Review of Other Programs

## **Whole Farm Revenue Protection and Micro Farm Insurance Programs:**

- Designed to provide coverage or protect against losses in revenue for all marketable commodities produced on your farm, all commodities are covered under one single WFRP policy.
- Coverage is based upon or determined by your whole farm historic average revenue, which is determined by the required submission of 5 consecutive years of schedule F or other farm tax forms (exceptions exist).
- Coverage levels vary based on a “commodity count” which is a calculation where a commodity is only considered countable if the revenue that it contributes is greater than or equal to the minimum proportion of each farm's total revenue.
- Coverage levels up to 85% for 3 insured commodities, and up to 75% with 1 insured commodity.
- All commodities produced by the farm are covered under WFRP except timber, forest, and forest products, and animals for sport, show or pets. WFRP is *covering revenue produced during the insurance period*



# Weaned Calf Risk Protection Program

The new Weaned Calf Risk Protection (WCRP) policy insures cow-calf producers against **yield losses due to natural causes** such as adverse weather conditions, fire, wildlife, earthquake, volcanic eruption, disease, insects, and **calf death due to a covered cause.**

For revenue protection, a change in harvest price from projected price unless it was the direct result of an uninsured cause of loss.

The policy does not cover low calving percent; but it **does cover low weaning weight due to a covered loss and in the case of Revenue Protection (RP), a lower price for the weaned calves than the projected price.**



# Purpose of Listening Sessions

**These sessions will allow researchers at Watts and Associates to better to the needs of a variety of stakeholders, and gather the information needed for the program to be developed.**

**What are the needs/risks of lamb producers?**

- What are the types of risks faced by lamb producers? “What keeps these producers up at night?”. Which, if any, of these risks may be appropriate for insurance coverage?
- Are there potential futures market and forward contracting opportunities for the lamb industry? Are there any other data sources that could be used to establish a market-based price projection?
- What are the good management practices that would be required to offer production-based insurance coverage? Are these practices widely adopted?
- What are the relevant units of exposure, types, practices, insurance dates, initial insurability requirements, pilot counties, insured causes of loss, uninsured causes of loss, loss triggers, and adjustment procedures.

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# Listening Session Discussion

## Possible Topics of Discussion:

- What types of coverage are important to you?
- What types of risk do you face?
  - Price?
  - Predation?
  - Drought?
  - Rate of Gain?
  - Input Costs
  - Rate of Gain?
  - Mortality?
  - Disease?
  - Input Costs?
  - Other?
  - Margin?
  - Parasites?



Let's chat!





# Listening Session Results/Requests

- Low coverage level/CAT coverage
- Price coverage indexed to retail lamb cutouts
- Margin Protection Coverage = Revenue - Cost
- Cost of Production Coverage
- Cost of Feed/Hay Coverage
- Dairy Margin Coverage
- Predation Coverage
- Death Loss Coverage
- Production Revenue Coverage

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# Thank you for attending...

For more information, to provide research support, or to schedule a meeting please contact the project coordinators listed below.

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