

In The Cattle Markets

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PRF Trends

Pasture, Rangeland, and Forage Rainfall Index insurance (PRF) continues to gain popularity. PRF is insurance against low precipitation that may be correlated with reduced feed production. PRF has subsidized premiums that cover either haying or grazing with a scaler to adjust productivity for a specific sub-county region. The deadline to purchase the coverage for calendar year 2024 is December 1, 2023. Here are some trends related to this product.

Nationally, the acres insured by PRF have grown rapidly from about 50 million acres in 2016 to almost 300 million acres in 2023. The level is beginning to approach the upper bound for all pasture and forage acres, which was less than 500 million acres according to the 2017 *Census of Agriculture*. For 2023 the coverage or insured amount was just below \$6 billion. The acres covered are somewhat concentrated within southwestern U.S. states. Nevada, Arizona, and Texas each had about 40 million acres covered. Texas stands out as having over \$1 billion in liability, more than twice that of any other state. Florida is a slight outlier with over 2 million acres covered.

In South Dakota, the product has been discussed and its effectiveness debated for several years. Use or adoption has been less consistent compared to the national trend. However, from 2022 to 2023 there was a large increase in coverage from 4.3 to 6.3 million acres. For perspective, there are about 25.5 million acres of all pasture and forage acres in the state. PRF was more commonly used for grazing than haying in South Dakota, with 5.9 million acres covering grazing uses. PRF competes with Forage Production insurance and Noninsured Disaster Assistance Program (NAP) coverage for alfalfa and grass hayland. In South Dakota producers tend to purchase PRF at the 90 percent level, while coverage is more evenly split between 90 percent and 85 percent nationally. The subsidy rate is at its lowest level at the 90 percent coverage level at 51 percent of the premium.

The effect of the subsidy becomes apparent when a large enough area is tracked for a long enough period. The full premiums should reflect the cost to attract enough risk-adjusted capital to provide the insurance. If those returns were, for example, 10 percent, then the indemnity payments would approach 90 percent of the collected premiums. If over 50 percent of the premium is a subsidy, then the indemnity payments would approach \$1.80 for every \$1.00 paid by producers. From 2007 through 2022, at the national level, the producer premiums paid in has been \$2.6 billion, while the indemnity level paid out has been \$5.8 billion. That equates to PRF paying out \$2.20 for every \$1.00 paid in by producers. When reduced to a smaller area the payout can be much smaller. For example, over the same time in South Dakota, the payout has only been \$1.64 for every \$1.00 paid in.

The Markets

The cattle markets were mixed for the week. In the cash trade, fed cattle were higher on a live and a dressed basis. Boxed beef was lower. Feeder cattle prices were mixed depending on weights and locations. On the futures side, live cattle and feeder cattle were higher. Cash corn finished the week sharply lower, while DDGS were higher. Corn futures have remained very steady for the second week in a row.

<i>Data Source: USDA-AMS Market News</i>		Week of 11/3/2023	Week of 10/27/2023	Week of 11/4/2022
		<i>\$/cwt</i>		
5-Area	all grades, live weight	\$184.89	\$184.02	\$151.98
Fed Steer	all grades, dressed weight	\$291.92	\$290.06	\$241.90
Boxed Beef	Choice Price, 600-900 lb.	\$304.70	\$306.49	\$263.74
	Choice-Select Spread	\$27.64	\$25.19	\$30.67
700-800 lb.	Montana 3-market	\$241.50	\$239.50	\$173.00
Feeder	Nebraska 7-market	\$249.01	\$261.53	\$182.26
Steer	Oklahoma 8-market	\$233.00	\$235.97	\$178.19
500-600 lb.	Montana 3-market	--	--	\$197.66
Feeder	Nebraska 7-market	\$299.24	\$292.88	\$209.03
Steer	Oklahoma 8-market	\$269.84	\$265.62	\$190.15
Feed	Corn, Omaha, NE, \$/bu	\$4.66	\$4.71	\$7.23
Grains	DDGS, Nebraska, \$/ton	\$209.25	\$206.43	\$271.00