

Managing Forage Risk: Specie Diversification and PRF Insurance

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First question, who remembers the drought periods of summer and fall 2016, summer 2015, summer 2012, winter 2011, fall 2010, summer and fall 2008, and pretty much all of 2007? It is pretty easy to make the point that cattle producers have faced several challenging times as it relates to precipitation and forage production. Next question, knowing that drought periods have been fairly frequent and intense, what management decisions have been made to reduce the negative impacts of such events?

Managing forage risk is probably not at the top of most producers' minds as hay feeding will soon dominate cattle diets. However, now is a prime time to discuss some key thoughts on managing forage risk for the long haul.

Cattle producers are faced with forage production and financial risks and these risks are magnified by drought. Production risks include forage yield, forage quality, forage production timing relative to cattle nutrient needs, accumulation of nitric and prussic acid, and likely a few others. Financial risks are born from reduced forage yields resulting in purchasing additional feedstuffs and the time to locate those feedstuffs. Thus, if no forage risk management plan is in practice when a drought rears its ugly head then producers may be forced to purchase more feed/hay or to sell cattle.

If being forced into an undesired situation is not at the top of one's list of risk management options then a few other options exist for managing forage risk. Some considerations for managing forage risk include reducing the stocking rate, forage specie diversification, and forage insurance. Each of these alternatives manages forage risk in a different manner which means using more than one alternative will reduce risk more than only using one of the options.

Changing the pasture stocking rate may be the easiest method of managing forage risk. Many producers in the Southeast United States overstock pastures because the growing season in the region tends to be longer than other regions and forages in the region can take a fair amount of abuse before production is significantly impacted. There is a balance to stocking rate, and from an economic standpoint overstocking is not advised nor is understocking. Producers should consider forage type and time of year when determining stocking rate. Additionally, the size of the animal should be taken into consideration which means producers should think in terms of pounds of animal per acre given the forage specie and time of year.

The second method of managing forage risk is forage specie diversification. Pastures in Tennessee are primarily composed of tall fescue (cool season perennial), but these same pastures often contain crabgrass (warm season annual), dallisgrass (perennial), and johnsongrass (perennial) which have been able to establish themselves due to overgrazing cool season perennial grasses. Though mixed grass pastures are a type of forage specie diversification, they are not always the easiest to manage. Producers should consider cool and warm season perennials as well as winter and summer annuals to compliment and reduce the need for mechanically harvested forage.

Someone may be asking what information supports utilizing cool and warm season perennials and annual grasses to reduce the need for mechanically harvested forage. Using back of the feed sack math and a little forage research from the University of Kentucky and Oklahoma State University, it costs about 1.5 cents per pound of dry matter to stockpile fescue, 1.7 cents per pound of dry matter to stockpile bermudagrass, 2.2 cents per pound of dry matter to produce a winter annual, and 5 cents to produce a pound of hay on a dry matter basis. Forage specie diversification provides producers an opportunity to relieve grazing pressure when forage production of certain species declines. It also allows producers to take advantage of forage species that are more efficient with water usage such as warm season perennials.

Lastly, producers have the option to utilize Pasture, Rangeland and Forage Insurance (PRF). PRF is a single peril insurance product made available through USDA-RMA that pays producers an indemnity when rainfall over a two-month period is below the long-run average rainfall for that two-month period. This bit of information becomes extremely important considering the deadline to purchase insurance for 2018 is November 15th, 2017. PRF is highly subsidized making it a relatively inexpensive product in addition to the premium not being due until September 1st, 2018.