

# BARNYARDS to BACKYARDS

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UW Cooperative Extension Service  Profitable & Sustainable Agricultural Systems

## ***Insuring Success for Wyoming Agriculture:* A risk management resource for Wyoming producers**

*By James Sedman and John Hewlett*

Wyoming's farmers and ranchers face an ever-increasing number of risks to their operations. These risks come in many forms, such as production and financial risks. Droughts, unstable markets, high input costs, and labor shortages all can seriously impact the unprepared operation.

Crucial to the success of any operation is having a sound risk-management plan in place. There are so many options available to producers, however, that knowing the right program or insurance policy to select can be a challenge. Wyoming producers have an up-



dated resource to assist in their risk-management planning, the Insuring Success for Wyoming Agriculture, an interactive, risk-management course provided on CD by a cooperative effort including the U.S. Department of Agriculture's Risk Management Agency (RMA), the University of Wyoming and Montana State University's cooperative extension services, Wyoming Stock Growers Association, Wyoming Wheat Growers Association, UW's Department of Agricultural and Applied Economics, and other organizations.

This free course is an excellent tool producers can use to learn what risk-management options are available and strategies to include in their risk-management planning. This course can assist an experienced producer knowledgeable in crop insurance and other programs or someone new to the idea of using crop insurance. The course is comprehensive in nature and begins with how to identify and deal with the different types of risk as well as how to develop risk-management strategies for an operation.

There are literally dozens of options available to Wyoming crop and livestock producers under the

Federal Crop Insurance Corporation program. Insuring Success includes summaries and descriptions of the crop insurance programs available. These include yield-based and revenue insurance policies and other disaster insurance. Livestock and new rangeland insurance policies are discussed in separate lessons. These lesser-known tools can help livestock producers manage their production risks as crop producers have traditionally – by helping ensure some level of revenue for an operation. The course takes producers through how each crop insurance policy works, instructs how to implement the policies, and shows examples of indemnity calculations.

Insuring Success also includes units on risk management in the absence of federal crop insurance. Other lessons cover price risk and diversification. Drought mitigation strategies, including government disaster programs and livestock assistance programs, and tax implications of livestock disbursement are also topics discussed. Retained ownership of livestock risks and strategies are also included.

The drought in Wyoming makes these lessons relevant to most operators.



While Insuring Success may not have all of the answers, it is a valuable tool for Wyoming producers. It provides ideas and strategies to address many production risks and is a resource to help explain complex federal crop insurance programs.

A new version of this course is to be released this month, just in time to help make critical insurance decisions before the March 15 signup date.

To access the course online, go to <http://InsuringSuccess.org>. For a free copy of the course on CD, e-mail John Hewlett at [hewlett@uwyo.edu](mailto:hewlett@uwyo.edu),

or call the University of Wyoming Department of Agricultural and Applied Economics at (307) 766-2386. 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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## **Input costs having large impact on cattle prices**

*By Bridger Feuz*

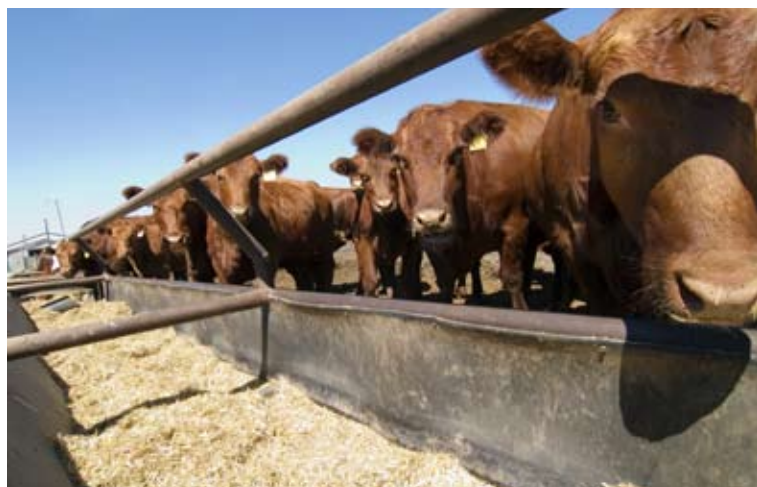
Three major factors affect the market dynamics of the beef industry: the supply of beef, the demand for beef, and the status of beef trade.

Looking at each of these factors provides a better understanding of long-term market trends. One additional factor that also must be addressed is input costs.

The supply of beef grew at a rate of about 0.5 percent in 2004 and more than 1.5 percent in 2005; however, after two years of solid growth in total cattle inventory, 2006 had virtually no growth. The number of heifers held as beef cow replacements actually declined by 0.5 percent in 2006. Drought conditions across many of the cattle-producing states are the primary reason for this stall in herd expansion.

The beef demand index, an index that adjusts for inflation and uses 1980 as the base year for comparison, bottomed out in 1998 at a 50-percent decline from 1980 levels but showed consistent growth through 2004, managing

a 13-percentage point increase. Much of this growth can be attributed to a positive image of beef quality and to consumer diets that encourage more protein and fewer carbohydrates; however, in 2005 the demand index declined 2 percentage points and another 4 percentage points in 2006, or 43-percent below 1980 levels. This decline emphasizes a constant need to focus on meeting the changing needs and requirements of consumers.



Prior to the first incident of bovine spongiform encephalopathy (BSE), commonly known as mad cow disease, in the United States, Japan and South Korea were the two biggest importers of beef followed closely by Mexico and Canada.

In 2006, Mexico and Canada returned to the pre-BSE import levels while beef exports to Japan and South Korea just started to return in 2006. The United States continues to focus on restoring these two important markets, but it remains

a slow process and could take a few years to return to pre-BSE levels.

Finally, one of the largest impacts on cattle prices at the end of 2006 was not supply, demand, or trade, but input costs. The sharp increases in corn prices have directly affected cattle prices and will continue in 2007. With an increase in demand for corn from the growing ethanol industry, expect corn prices to remain strong for the next few years even with increased production.

With the cost of feeding cattle increasing due to corn prices, calf prices will be under the most pressure; however, with growth in beef cow herds stalling, feeder cattle supplies will remain relatively tight. If producers are able to retain calves longer with a cost of gain less than in the feedlot, they should be rewarded in the market by supplying heavier cattle to the feedlots.

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