Livestock Risk Protection (LRP)

2016
IAC Annual Membership Meeting

This is for informational purposes only and does not replace policy or procedure.

Disclaimer

This information is provided for training only. Any discrepancy between the training material and the policy is not intended. The information provided in this training does not supersede policy and procedure. Any changes to the policy and procedures may make this training material obsolete.

LRP-Overview

- Livestock Risk Protection (LRP)
  - Feeder Cattle
  - Fed Cattle
  - Lamb
  - Swine
- Livestock Risk Protection (LRP) is designed to insure against declining market prices
  - Allows a producer to insure against downward price movement on the Chicago Mercantile Exchange (CME)
  - Only insures the CME price, not the price received at time of marketing.

LRP-Overview

- Livestock can still be marketed or retained.
- Not a multi-peril product, only insures against a drop in the CME price.
  - Does not cover livestock death, light weaning weights, or basis change
- You can purchase from your local crop insurance agent.

RMA

LRP-Availability

- Feeder Cattle
  - Multiple Types: Steers, Heifers, Dairy, Brahman
- Fed Cattle
  - One Type: Expected to grade select or higher with a yield grade of one to three
- Swine
  - No type specified
- Lamb
  - No type specified

RMA

Livestock Risk Protection Key Elements

- ***Specific Coverage Endorsement** (SCE)* : *m*ay be purchased daily at the time coverage prices, levels and rates are published at www.rma.usda.gov/tools/ under Livestock Reports
- ***SCE Period***: Producers can select insurance periods applicable to their livestock, ranging from 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks continually throughout the year – corresponding with the time their livestock would normally be sold
- ***Expected Ending Value***: Based on daily livestock prices of **Chicago Mercantile Exchange (CME)**
- ***Actual Ending Value***: Chicago Mercantile Exchange – Livestock Reported Index multiplied by the Price Adjustment Factor

RMA

LRP- Sales

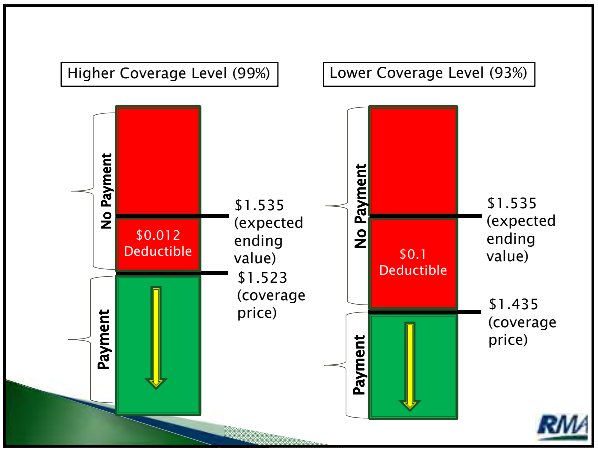
- Feeder Cattle, Fed Cattle and Swine
  - Daily sales periods are Monday through Friday evenings beginning when prices and rates are published
- Lamb
  - Weekly sales periods are Monday
  - When Monday is a Federal Holiday, LRP Lamb sales will begin on Tuesday morning
- Not all coverage periods may be available during every sales period
- You can purchase from your local crop insurance agent.

LRP Participation (Feeder Cattle)

- Producers submit a one time application with a livestock insurance agent (Basic Policy)
  - Application is by Entity and State
- The application is submitted to insurance company for approval
- Producer does not yet have LRP coverage
- Insurance attaches when a Specific Coverage Endorsement (SEC) is purchased

LRP Participation (Feeder Cattle)

- **When purchasing an SCE–**
  - Producer determines:
    - Number of head to insure
    - Date and weight they expect to market livestock
  - Producer selects:
    - Coverage Price
    - Endorsement Length
  - Producer then pays premium
  - Endorsement is in effect upon receipt of RMA approval number



How It Works For Feeder Cattle

26 week endorsement (May 2nd thru Oct 31)

Example 1 – Higher Coverage Selection

99.25% Coverage

Assume: Joe Rancher expects to market 100 head of 5.5 cwt feeder steers. The Expected Ending Value is $153.547/cwt and producer selects a coverage price of $152.390/cwt. Actual Ending Value at end of insurance period is $137.680 per cwt.

SCE Coverage	100 head	X	5.5 cwt	=	550 cwt	X	$152.39	=	$83,814.50
Actual Ending Value					550 cwt	X	$137.68	=	$75,724.00
Loss Payment	(Assume 100% ownership share)							=	$8,090.50
Premium (insured value x rate - subsidy factor)			$83,814.50	X	.058958	-	13% FCIC Subsidy	=	$4,299.14

$ 80.90 GROSS PAYMENT / HEAD
-$ 42.99 PREMIUM / HEAD
$ 37.91 NET PAYMENT/ HEAD

How It Works For Feeder Cattle

26 week endorsement (May 2nd thru Oct 31)

Example 1 – Lower Coverage Selection

93.52% Coverage

Assume: Joe Rancher expects to market 100 head of 5.5 cwt feeder steers. The Expected Ending Value is $153.547/cwt and producer selects a coverage price of $143.590/cwt. Actual Ending Value at end of insurance period is $137.680 per cwt.

SCE Coverage	100 head	X	5.5 cwt	=	550 cwt	X	$143.59	=	$78,974.50
Actual Ending Value					550 cwt	X	$137.68	=	$75,724.00
Loss Payment	(Assume 100% ownership share)							=	$3,250.50
Premium (insured value x rate - subsidy factor)			$78,974.50	X	.038195	-	13% FCIC Subsidy	=	$2,624.29

$32.50 GROSS PAYMENT / HEAD
-$26.24 PREMIUM / HEAD
$ 6.26 NET PAYMENT/HEAD


Questions?
RMA Website: http://www.rma.usda.gov/livestock/