

Understanding USDA's Livestock Risk Protection (LRP) Insurance program



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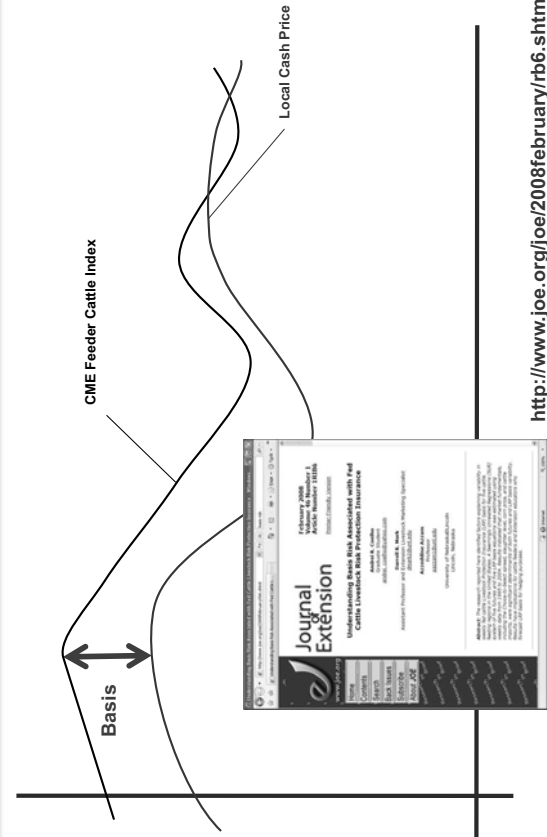
LRP Feeder Cattle



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Livestock Insurance: LRP for Feeder Cattle Coverage



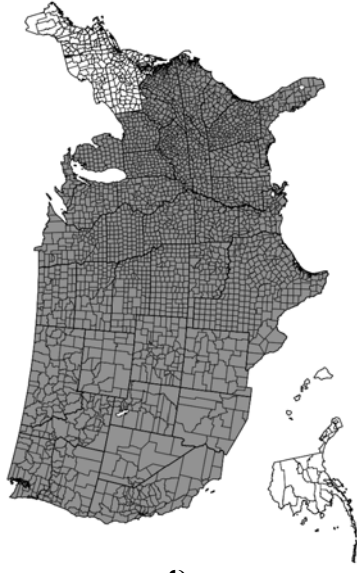
<http://www.joe.org/joe/2008february/rb6.shtml>

Livestock Insurance: LRP for Feeder Cattle Coverage

- Became available in the 2014 insurance year for all counties of Hawaii for the first time **RMA**
- LRP for feeder cattle offers *price* protection for feeder cattle producers. It does *not* cover sickness or death of the cattle or insure against possible rising feed costs.
- Producers remain subject to **basis price risk**



Feeder Cattle (0801)
Livestock Risk Protection



Livestock Insurance: LRP for Feeder Cattle Basics of LRP

- **Product Offered:** Protection for producer against decline in cattle prices below the established coverage price
- **Insurance Period:** Offered for 13, 17, 21, 26, 30, 34, 39, 43, 47 or 52-week periods
 - *The producer will choose a time closest to the time cattle will be marketed or time when cattle will reach the desired weight*



Livestock Insurance: LRP for Feeder Cattle Basics of LRP (cont.)

- **Application:** An application is required to purchase insurance coverage
- **Specific Coverage Endorsement:** A producer must file a Specific Coverage Endorsement for each group of feeder cattle to be insured. Several endorsements may be filed under one application as long as beneficial interests are the same



Livestock Insurance: LRP for Feeder Cattle Types and Weights of Feeder Cattle Insurable

- Steer feeder cattle < 6.0 cwt for steers and bulls and steers only from 6.0 to 9.0 cwt
- Heifer feeder cattle < 6.0 cwt and heifer feeder cattle from 6.0 to 9.0 cwt
- Predominantly Brahman heifers, steers, and bulls < 6.0 cwt and predominantly Brahman heifers and steers from 6.0 cwt to 9.0 cwt
- Predominately dairy heifers, steers and bulls < 6.0 cwt and predominately dairy heifers and steers 6.0 to 9.0 cwt

Livestock Insurance: LRP for Feeder Cattle Types and Weights of Feeder Cattle Insurable (cont.)

- “Crop” year: [July 1 to June 30]
 - **Annual Policy Limits:** *The maximum number of head of feeder cattle that may be covered during a crop year is 2,000 head*
- **Endorsement Limits:**
 - *A limit of 1,000 head of feeder cattle may be insured under any one Specific Coverage Endorsement*

Livestock Insurance: LRP for Feeder Cattle Coverage Prices and Levels

- **Coverage Prices**
 - *the prices that may be insured by the producer*
- **Coverage Levels**
 - *based on the chosen coverage price and range from 70 to 100% of the expected end value*
- **Price Adjustment Factors**
 - *account for differences between steer prices and prices of other types and weight of cattle*
 - *adjustments are applied prior to posting on the RMA website*



Livestock Insurance: LRP for Feeder Cattle Actual and Expected End Value of Feeder Cattle

- Expected End Value
 - This is the expected prices at the end of an insurance period for each specific type and weight of feeder cattle announced daily on the RMA website
- Actual End Value
 - This is the value of the cash settled CME, feeder cattle index on the end date of the insurance period, adjusted by RMA for feeder cattle type and weight
- Subsidy Level
 - RMA provides a 13% subsidy on LRP feeder cattle



Livestock Reports

The screenshot shows the RMA website interface. At the top, there's a navigation bar with 'About RMA', 'Feed Orders', 'Contact Us', and 'Español'. Below that is a search bar and a date 'Sun May 14, 2011'. The main content area is titled 'Livestock Reports' and includes a 'Popular Topics' list with items like 'Appendix IIIA-13', 'Bullfights and Handbooks', 'Crop Policies and Pilots', 'Federal Crop Insurance Corp', 'Field Offices', 'Information Browser', 'Laws and Regulations', 'Livestock Policies', and 'Reinsurance Agreements'. A red circle highlights the 'Livestock Reports' link. Below this is a section for 'Livestock Reports (LRP and LBO)' with a list of reports from 2008 to 2011, including '2011 LRP and LBO' and '2010 LRP and LBO'.



Livestock Reports

The screenshot shows the RMA website interface. At the top, there's a navigation bar with 'About RMA', 'Feed Orders', 'Contact Us', and 'Español'. Below that is a search bar and a date 'Tuesday, Jan 18, 2013'. The main content area is titled 'Livestock Reports' and includes a 'Popular Topics' list with items like 'Appendix IIIA-13', 'Bullfights and Handbooks', 'Crop Policies and Pilots', 'Federal Crop Insurance Corp', 'Information Browser', 'Livestock Policies', and 'Reinsurance Agreements'. A red circle highlights the 'Livestock Policies' link. Below this is a section for 'RMA's Priorities' and 'Quick Links'.



Livestock Reports

The screenshot shows the RMA website interface. At the top, there's a navigation bar with 'About RMA', 'Feed Orders', 'Contact Us', and 'Español'. Below that is a search bar and a date 'Effective Date: 02/22/2013'. The main content area is titled 'Livestock Reports' and includes a 'Popular Topics' list with items like 'Appendix IIIA-13', 'Bullfights and Handbooks', 'Crop Policies and Pilots', 'Federal Crop Insurance Corp', 'Information Browser', 'Livestock Policies', and 'Reinsurance Agreements'. A red circle highlights the 'Create Reports' button. Below this is a section for 'Select a Type, Type selection is not required.' and a list of reports from 2008 to 2014, including '2013 Labor Day', '2013 Columbus Day', '2013 Thanksgiving Day', '2013 Christmas Day', '2014 New Year's Day', '2014 Birthday of Martin Luther King, Jr.', '2014 Washington's Birthday', '2014 Good Friday (market holiday)', and '2014 Independence Day'.



LRP Coverage Prices, Rates, and Actual Ending Values - Report for 08/23/2013

* See notes at bottom of page

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
15 Hawaii	998 All Counties	34	801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2014	173,829	\$171,570	0.987000	0.027946	4.795	04/18/2014	

For Steers 600 – 900 lbs.....

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 08/23/2013

* See notes at bottom of page

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
15 Hawaii	998 All Counties	34	0801 Feeder Cattle	810 Steers Weight 2	997 No Practice Specified	2014	158,026	\$155,980	0.987100	0.027946	4.359	04/19/2014	

★ Unsubsidized cost per cwt



Livestock Insurance: LRP for Feeder Cattle Example

Contract Data	Value
Number of Steers	100
Expected Weight	450
Current Date	May 21
Marketing Date	Aug. 20
Insurance Period	13 Weeks
Expected Ending Value	160,994
Coverage Level	0.9967
Coverage Price	160.47



LRP Coverage Prices, Rates, and Actual Ending Values - Report for 05/21/2013

* See notes at bottom of page

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$160,470	0.998700	0.026323	4.224	08/20/2013	170,640
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$158,270	0.993100	0.019509	3.088	08/20/2013	170,640
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$155,070	0.989400	0.014125	2.204	08/20/2013	170,640
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$153,870	0.955700	0.008873	1.519	08/20/2013	170,640
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$149,470	0.928400	0.004469	0.671	08/20/2013	170,640
08 Colorado	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2013	160,994	\$147,270	0.914800	0.002958	0.436	08/20/2013	170,640

★ Unsubsidized cost per cwt



Livestock Insurance: LRP for Feeder Cattle Example

Contract Data	Value	Source
Insured Value	\$72,212	100 hd x 4.5 cwt/hd x 160.47/cwt
Premium Rate	0.026323	RMA
Total Premium	\$1,901	70,212 x 0.026323
Subsidy Rate	13%	RMA
Subsidy Amount	\$247	1,901 x 0.13
Producer Premium	\$1,654	1,901 – 247

Producer Premium = \$1654/(450 cwt) = \$3.68/cwt



Livestock Insurance: LRP for Feeder Cattle Example

- The CME-reported actual ending value was \$170.64/cwt. Would you receive an indemnity?
 - No, the coverage price was only \$160.47/cwt.
- Suppose you sold your steers for \$130/cwt.
- **Net Revenue Calculations:**
 - Sales Revenue = 100 hd x 4.5 cwt/hd x 130.00 = **\$58,500**
 - Net Revenue = Sales + Indemnity – Producer Premium**
 - Net Revenue = 58,500 + 0 – 1,654 = **\$56,846**
 - Net Revenue per cwt. = \$83,929/450cwt. = **\$126.32/cwt.**



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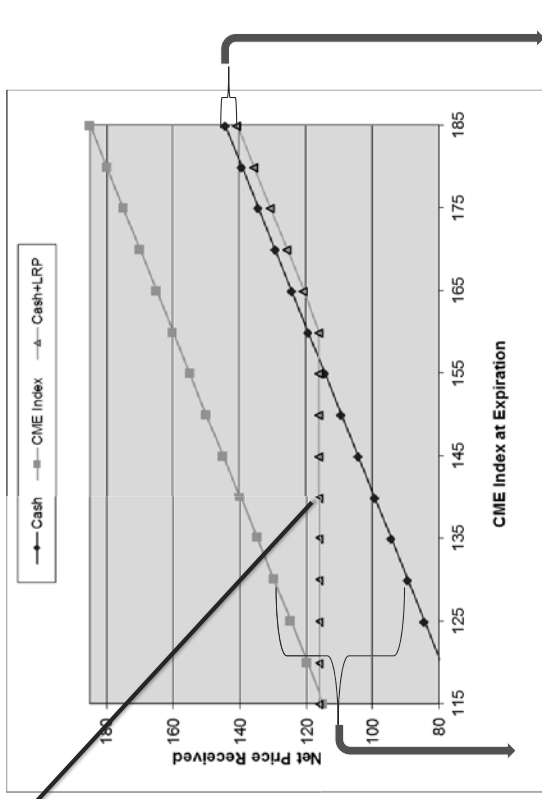
Livestock Insurance: LRP for Feeder Cattle 2012 Example

Contract Data	Value
Number of Steers	100
Expected Weight	450
Current Date	May 21
Marketing Date	Aug. 20
Insurance Period	13 Weeks
Expected Ending Value	174,931
Coverage Level	0.9805
Coverage Price	171.52



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\$116.15 = 160.47 – 3.68 – 40.64



Basis = - \$40.64

Coverage Price = \$160.47

LRP Premium = \$3.68



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Livestock Insurance: LRP for Feeder Cattle 2012 Example

Contract Data	Value	Source
Insured Value	\$77,184	100 hd x 4.5 cwt/hd x 171.52/cwt
Premium Rate	0.022747	RMA
Total Premium	\$1,756	77,184 x 0.022747
Subsidy Rate	13%	RMA
Subsidy Amount	\$228	1,756 x 0.13
Producer Premium	\$1,528	1,756 – 228

Producer Premium = \$1528/(450 cwt) = \$3.40/cwt



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Livestock Insurance: LRP for Feeder Cattle 2012 Example

- The CME-reported actual ending value was \$153.75/cwt. Would you receive an indemnity?
 - Yes, Your coverage price was \$171.52/cwt.
- Indemnity Calculations:**
 - Indemnity = 100 hd x 4.5 cwt/hd x (171.52 - 153.75) = Indemnity = 450 x 17.77 = **\$7,997**

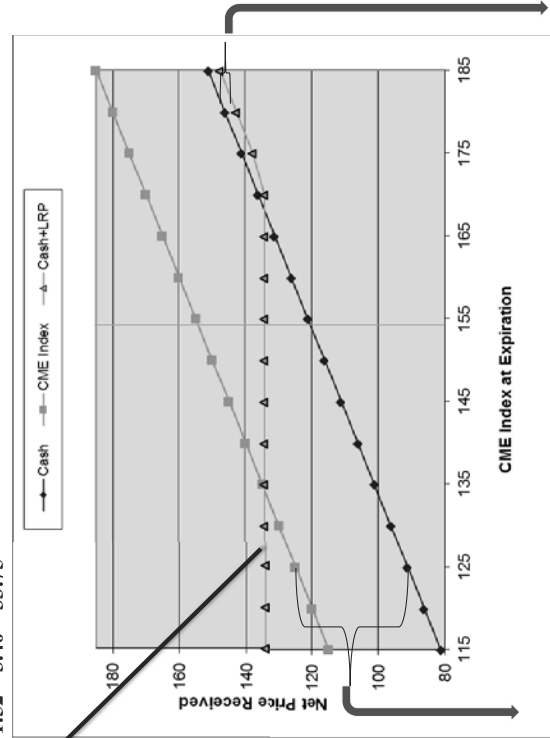


Livestock Insurance: LRP for Feeder Cattle 2012 Example

- Suppose you sold your steers for \$120/cwt.
- Net Revenue Calculations:**
 - Sales Revenue = 100 hd x 4.5 cwt/hd x 120.00 = **\$54,000**
 - Net Revenue = Sales + Indemnity - Producer Premium**
 - Net Revenue = 54,000 + 7,997 - 1,528 = **\$60,469**
 - Net Revenue per cwt. = \$60,469/450cwt. = **\$134.38/cwt.**



$$\$134.37 = 171.52 - 3.40 - 33.75$$



Basis = - \$33.75

Coverage Price = \$171.52

LRP Premium = \$3.40



Summary of Business: LRP-Feeder Cattle

Ins Plan Year	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Number of Head	Liabilities	Total Premium	Subsidy	Indemnity	Loss Ratio
2005	2,526	867	237	1750	399	146,761	\$ 111,093,481	\$ 1433,930	\$ 86,426	\$ 955,132	0.67
2006	2,526	867	237	1750	399	146,761	\$ 111,093,481	\$ 1433,930	\$ 86,426	\$ 955,132	0.67
2007	3,906	406	132	839	229	67,701	\$ 46,808,695	\$ 823,181	\$ 107,021	\$ 610,989	0.74
2008	4,575	674	477	1315	878	97,043	\$ 72,440,404	\$ 2,043,504	\$ 265,689	\$ 3,431,946	1.68
2009	5,977	359	216	705	396	56,665	\$ 39,886,287	\$ 1,367,690	\$ 177,814	\$ 2,171,147	1.59
2010	3,377	728	429	1455	785	102,722	\$ 77,223,707	\$ 2,323,177	\$ 301,999	\$ 1,273,101	0.55
2011	4,326	1387	443	2944	769	196,561	\$ 89,349,014	\$ 5,300,495	\$ 689,080	\$ 937,038	0.18
2012	4,238	1174	638	2407	116	177,045	\$ 184,055,335	\$ 4,444,706	\$ 577,817	\$ 5,399,510	1.21
Totals	30,671	6,462	2,809	13,165	4,971	991,259	\$ 811,950,404	\$ 19,170,613	\$ 2,492,272	\$ 15,734,055	0.82
2013	4,370	789	305	1595	591	131,042	\$ 140,936,773	\$ 3,171,511	\$ 42,301	\$ 4,015,401	1.27
2014	4,581	399	0	632	0	41,827	\$ 44,357,259	\$ 877,185	\$ 14,042	\$ -	0



RMA LRP Fact Sheet

USDA Risk Management Agency
Livestock Risk Protection
 Revised May 2010

General Background: LRP Feeder Cattle is designed to protect against declining market prices of feeder cattle and protect the value of the herd. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline.

LRP Feeder Cattle contracts may be purchased through the Risk Management Agency (RMA) or through a participating agent. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline.

RMA Who's Who: The RMA Who's Who is a directory of RMA agents and service providers. It includes information on RMA agents, RMA service providers, and RMA products. The RMA Who's Who is a directory of RMA agents and service providers. It includes information on RMA agents, RMA service providers, and RMA products.

Contract Details: The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline.

Contract Features: The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline.

Contract Terms: The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline. The LRP Feeder Cattle contract is designed to protect the value of the herd in the event of a price decline.

Livestock Risk Protection Insurance: Sales

- Feeder Cattle, Fed Cattle and Swine
 - Sales open from the time sales data is available (approximately 3:30 P.M. central time) until 9 A.M. central time the next day.



Tools to Consider

- LRP – Feeder Cattle
- If shipped to the mainland and ownership maintained
 - LRP – Fed Cattle
 - Livestock Gross Margin (LGM)
- Futures and Options
- Private Forward Cash Contracts

Agent/Company Locator

USDA Risk Management Agency
 United States Department of Agriculture

Popular Topics:

- Appendix B (BIL-13)
- Crop Producers and Plans
- Field Office
- Informational Overview
- Livestock and Poultry
- Livestock Producers
- Reinsurance Agreements

Quick Links:

- Appointments/Inquiries
- Cost Estimator
- Information Downloader
- Price Discovery Report
- Summary of Business

RMA's Priorities:

- Ag Outlook Forum 2013
- Conservation Programs
- Feed Sheet
- Information Downloader
- Partnership Agreements
- Policy
- Public Affairs
- State Profiles
- Farm Risk Plans
- Organic Crops
- Prevented Planting
- SEA

News: Tuesday, Jan 15, 2013. RMA Administrator, Bill Murphy, Retires. After more than 30 years of service, Bill Murphy, RMA Administrator, is retiring. RMA Administrator Brandon Walker, as Administrator.

Ag Outlook Forum 2013: The RMA Administrator, Brandon Walker, will be speaking at the Ag Outlook Forum 2013. The forum will be held in St. Louis, Missouri, on January 15, 2013. The forum will focus on the challenges facing the agricultural industry and the role of the RMA in providing risk management solutions.

Tools to Consider

- LRP – Feeder Cattle
- If shipped to the mainland and ownership maintained
 - LRP – Fed Cattle
 - Livestock Gross Margin (LGM)
- Futures and Options
- Private Forward Cash Contracts



QUESTIONS?



Thank You!

Contact info:

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970-215-8043



Livestock Risk Protection

Feeder Cattle

Revised May 2009

General Background

Livestock Risk Protection (LRP)-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and insurance periods that match the time their feeder cattle would normally be marketed (ownership may be retained).

LRP-Feeder Cattle insurance may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

LRP-Feeder Cattle insurance is available to producers with feeder cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates

Cattle producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency's Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency's Web site at the end of the insurance period.

RMA Web Site

Daily LRP Coverage Prices, Rates, and Actual Ending Values: <http://www.rma.usda.gov/tools/livestock.html>

Premium Calculator:
<http://www.rma.usda.gov/tools/premcalc.html>

Approved livestock agents and insurance companies:
<http://www.rma.usda.gov/tools/agent.html>

Related AMS online livestock reports:
http://marketnews.usda.gov/portal/lg?paf_dm

About the Application Process

LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency. There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

Contact Us

USDA/RMA

1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801

RMA Web site: <http://www.rma.usda.gov>

E-mail: rmaweb.content@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at: <http://www.rma.usda.gov/pubs/rme/>

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- Market Risks
- Production Risks
- Legal Risks
- Human Risks

Educational Programs

Consulting

Research

Members Only

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RightRisk, LLC has offices in Colorado, Wyoming and Arizona giving our professional staff easy access to locations around the world.

Our professional staff consists of members with over 20 years of experience in education, consulting with individual farmers, ranchers, small business owners, farm families, and policy decision-makers, and research. They have university appointments with extension, teaching, and/or research responsibilities. Collectively, members of RightRisk, LLC have conducted educational programs in more than 30 U.S. states, and worked with more than 7,000 farm and ranch families.

The RightRisk Mission:

RightRisk helps decision-makers throughout the world discover innovative and effective risk management solutions.

How much risk is right for you...

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