

## Livestock Risk Protection

For more information contact:  
Lavy Steiner  
701-290-3990  
[lavy@ciagencynd.com](mailto:lavy@ciagencynd.com)



You don't have to be a commodities expert to protect yourself against unpredictable markets

*LRP insurance is available all year long*

### LRP Basics >>>

LRP protects against a decline in market price below the insured's selected coverage price. Perils such as mortality, physical damage, disease, individual marketing decisions etc. are not a covered cause of loss.

#### **Feeder Cattle Weight Classes:**

Steers Weight 1 - 1.0-5.99 cwt

Steers Weight 2 - 6.00-10.00 cwt

Heifers Weight 1 - 1.0-5.99 cwt

Heifers Weight 2 - 6.00-10.00 cwt

Unborn Steers & Heifers - 1.0-5.99 cwt -livestock not born on the effective date are expected to be marketable prior to the end date of the endorsement.

#### **Fed Cattle**

Expected to grade select or higher with a yield grade 1 to 3.

Expected to market for slaughter weighing 10-16 cwt.

Dairy, Brahman & Swine coverage is also available.

No minimum head requirements

No bid/ask spread.

Premium is due at the END of the endorsement period.

Wide range of target weights.

May be viewed more favorable by lenders than derivative products.



## Livestock Risk Protection

### *I want to purchase a LRP policy, what's next?*

Step 1 – Complete an application for coverage with a licensed insurance agent.

- An application establishes the eligibility but does not provide insurance. You must complete an AD-1026 conservation compliance form with FSA to receive subsidy benefits.

Step 2- Request a quote, include commodity, share, type, target weight, # of head & endorsement length for your typical marketing period.

- Same day quotes are available after the future market closes. Contract prices are typically released around 2:30 MST, Monday-Friday excluding federal holidays.

Step 3- Purchase coverage with a specific coverage endorsement (SCE).

- Type – Steers, Heifers, Unborn etc.
- Target Weight Class- Typical/Expected marketing weight.
- Share %
- # of head (no minimum head requirements)
- Endorsement length, ranges from 13-52 weeks. Not all endorsement lengths are available daily.
- Coverage Price-Changes daily, based on the CME feeder cattle future index.
- Producer Premium-Subsidized between 35-55% based on the coverage level selected.
- Sign, date & return to your agent prior to 7:25 am MST the following day. SCE must be keyed and the signed document received by the insurance provider in order to fulfill the requested contract no later than 7:25 am MST.

Step 4- Collecting an indemnity or paying premium.

- After the insurance period ends, RMA calculates the actual ending values used to determine if a loss occurred and to calculate an indemnity, if applicable. If the 7-day weighted average of the CME cash settled commodity index is lower than the coverage price selected on the SCE, the difference between the two is calculated, premium credited and an indemnity issued to the producer.
- You will receive a pre-printed claim form and instructions following a loss. Return the form within 60 days with required form & proof of livestock ownership.
- Must retain ownership interest of insured cattle 60 days prior to the end contract date.
- No indemnity is due if the actual ending value is greater than the coverage price.
- The price at which your livestock is sold does not affect the loss payment.

# Feeder Cattle-Price Adjustment Factors

RMA applies price adjustment factors to the expected ending values, coverage prices, and actual ending values. LRP feeder cattle coverage prices and rates are based on the CME Feeder Cattle contract, which is cash settled to the CME Feeder Cattle index. The CME contract & Feeder Cattle indexes are only based on the price series for steers weighing 7-8.99 cwt.

The Price Adjustment factor is therefor used to calculate expected ending values, coverage prices & actual ending values adjusting for other types and weights of feeder cattle.

Steers Weight 1- 110%  
Steers Weight 2- 100%  
Heifers Weight 1- 100%  
Heifers Weight 2- 90%  
Unborn Steers & Heifers- 105%

The LRP program may be suspended if the CME Feeder Cattle futures Daily change exceeds the Daily Price Limit.

Fed Cattle-5 area Weekly Weighted Average Direct Slaughter cattle. Price series is live basis Steers "Over 80% Choice". Eligible cattle are expected to grade select or better with yield grades of 1-3.



*Premium is not due until the end of the endorsement period*



- Livestock must be owned at the time insurance attaches.
- Livestock that die are still eligible for indemnity if death is reported within 72 hours.
- Only an insured share as an owner of the livestock is eligible for insurance.
- Ownership must be maintained until 60 days before SCE end date.
- Coverage can be transferred to a new eligible owner of the livestock.
- A producer is eligible to receive payments under LRP & benefits for under another USDA program.

## HOW IT WORKS FOR FEEDER CATTLE

*Producer expects to market 100 head of Steers at 5.99 cwt (weight 1) around mid Nov.*

*Contract Length- 13 weeks (min length)*

*Number of Head- 100*

*Target Weight- 5.99 cwt (Steers W1)*

*Coverage Price- \$278.08 cwt*

*Share 100%*

*Premium- \$5.68 cwt (subsidized @ 35%)*

*Coverage  $\$278.08 \times 5.99 = \$1665.70/\text{head}$*

*Producer Premium  $\$5.68 \times 5.99 = \$34.02/\text{head}$*

### Indemnity Example

*Coverage \$278.08, actual ending value \$268.08 = \$10/cwt indemnity - \$5.68 cwt premium = \$4.32 cwt (indemnity) x 5.99 (target weight) = **\$25.88 payment per head***

## LRP Is...

- ✓ A risk management tool
- ✓ An insurance policy
- ✓ A way to protect against price declines.
- ✓ A way to establish a floor selling price for livestock.

## LRP Is Not...

- ☒ A hedging or speculating product.
- ☒ Designed to enhance profit.
- ☒ A guarantee for a cash price received for animals sold.
- ☒ Protection against any peril other than a change in price.



Commodity Insurance is an equal opportunity provider. Some products not available in all states or counties.

This is intended as a general description of certain types of insurance and services solely for information purposes.