



Livestock Risk Protection (LRP) Feeder Cattle

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

Beef producers may buy LRP-feeder Cattle insurance throughout the year. Premium rates, coverages prices and actual ending values are posted online daily. The beef producer may choose 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 may receive an indemnity for the difference between the coverage price and actual ending value.

Availability

A Livestock Risk Protection insurance policy application must be submitted. Once accepted, it is considered a continuous policy. The specific coverage endorsements (SCE) are not continuous and are only effective for the period stated. The SCE must be completed annually or multiple times per year in order for coverage to be maintained. The beef producer may buy specific coverage endorsements throughout the year for up to 6,000 head of feeder cattle that are expected to weigh up to 1000 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 12,000 head per producer per year (July 1 to June 30). All insured calves and cattle must be located in a state that is approved for LRP-Feeder Cattle at the time the producer buys an insurance policy.



Coverage is available for calves, steers, heifers, predominantly Brahman cattle and predominantly dairy cattle. The producer may also choose from two weight ranges – under 600 pounds and 600 – 1000 pounds.

LRP-Feeder Cattle insurance is available in all counties in all states.

LRP-Feeder Cattle is a federally subsidized product. Current subsidy levels are:

Coverage Level Subsidy	
70% - 79.99%	55%
80% - 84.99%	50%
85% - 89.99%	45%
90% - 94.99%	40%
95% - 100%	35%

Buying a Policy

The LRP-Feeder Cattle program's coverage prices, rates actual ending values and per hundredweight insurance cost may be viewed on the RMA website at www.rma.usda.gov/tools/livestock.html. The actual ending values are based on weighted prices from the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values are posted on the RMA's website at the end of the insurance period.

LRP coverage sales are typically offered every market trading day. These being in the afternoon shortly after market close (approx 4 PM CST) and run until 8:25 AM CST the following morning. LRP Feeder Cattle insurance can be purchased through me at 417-876-7477. An application can be filled out at any time. However, insurance does not attach until the beef producer buys a specific coverage endorsement. The premium billing date is the first day of the month following the end date for the Specific Coverage Endorsement and is specified in the Actuarial Documents. The producer may buy multiple specific coverage endorsement with one application, insurance coverage starts the day the producer buys a specific coverage endorsement and RMA approves the purchase.

Premium Calculation Example:

An operation has 100 head of feeder cattle and expects to market the feeder cattle at a target weight of 7.5 cwt each. The Price Adjustment Factor (PAF) is 100 percent. The insured share is 100 percent. The expected ending value is \$78.95 dollars per live cwt and the producer selects a coverage price of \$75 per live cwt. For this coverage price, the rate is 1.3990%. The example premium subsidy is 35% percent. The premium is calculated by:

- › (1) 100 head times 7.5 cwt equals 750 cwt.
- › (2) 750 cwt times the coverage price \$75 equals \$56,250.
- › (3) \$56,250 times the PAF of 1.000 equals the insured value of \$56,250.
- › (4) \$56,250 times the insured share of 1.00 equals the insured value of \$56,250.
- › (5) \$56,250 times the rate of .013990 equals \$787 total premium.
- › (6) \$787 times the producer premium subsidy percentage of .35 equals \$275.
- › (7) Subtracting \$275 from \$787 equals the producer premium of \$512.

Indemnity Calculation Example:

For the above operation with 100 head of feeder cattle, a target weight of 7.5 cwt, a PAF of 100%, an insured share of 100 percent and a coverage price of \$75 per live cwt, the actual ending value is equal to \$70 per live cwt. Since \$70 is less than the coverage price of \$75, an indemnity is due. Indemnity is calculated by:

- › (1) 100 head times the 7.5 cwt target weight equals 750 cwt.
- › (2) Subtracting the actual ending value of \$70 from the coverage price of \$75 equals \$5/cwt.
- › (3) Multiplying 750 cwt. by \$5/cwt. equals \$3,750.
- › (4) Multiplying \$3,750 by the insured share of 1.00 equals an indemnity payment of \$3,750



Gavon Hutchison

204 N. Main Ste B

El Dorado Springs, MO

417-876-7477