

LIVESTOCK RISK PROTECTION

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SPECIALTY RISK INSURANCE
LRP & CROP INSURANCE AGENT



OVERVIEW

- **WHAT IS LRP**
- **WHAT ARE THE BENEFITS OF LRP**
- **HOW DOES LRP WORK FOR FEEDER VS. FED CATTLE**
- **WHAT IS THE CME INDEX**
- **CURRENT SUBSIDY LEVELS**
- **HOW LRP WORKS IN REAL LIFE**





WHAT IS LRP?

(SIMILAR TO A PUT OPTION BUT CHEAPER)

- **A SINGLE PERIL INSURANCE PROGRAM THAT PROTECTS YOU FROM UNEXPECTED PRICE DECLINES IN THE LIVESTOCK MARKET**
- **CREATES A “FLOOR” FOR PRICE**
- **IF THE ENDING VALUE IS BELOW THE COVERAGE PRICE, THE PRODUCER MAY RECEIVE AN INDEMNITY FOR THE DIFFERENCE**
- **CRUCIAL: ENDING VALUE OF LRP CONTRACT IS NOT THE CASH PRICE RECEIVED NOR A CLOSING FUTURES PRICE**



BENEFITS

- **NO BIDS, SPREADS, OR BROKERAGE COSTS REQUIRED**
- **LIMITED BASIS RISK COVERAGE – THE AGGREGATE CASH PRICE USED BETTER REFLECTS ACTUAL PRICE RECEIVED**
- **ANY NUMBER OF HEAD CAN BE COVERED (UP TO LIMITS)**
- **NUMEROUS ENDORSEMENT PERIOD OPTIONS**
- **WIDER RANGE OF TARGET WEIGHTS THAN CME**
- **MAY BE VIEWED MORE FAVORABLY BY LENDERS THAN HEDGING OR SPECULATING**
- **FITS THE NEEDS OF SMALLER AND LARGER PRODUCERS**





AVAILABILITY

■ AVAILABLE IN ALL 50 STATES

■ FED AND FEEDER CATTLE

■ STEERS, HEIFERS, PREDOMINANTLY BRAHMAN,
AND PREDOMINANTLY DAIRY CATTLE

■ FEEDER CATTLE 1: 0 - 599 LBS

FEEDER CATTLE 2: 600-900 LBS

■ FED CATTLE: 1,000 - 1,400 LBS

■ UNBORN CALVES: < 600 LBS



LRP FOR FEEDER OR FED CATTLE

- COVERAGES PRICES RANGE FROM ROUGHLY 70-100% OF CME FUTURES PRICE
- POLICIES AVAILABLE FOR THE FOLLOWING WEEKS
 - 13, 17, 21, 26, 30, 34, 39, 43, 47, 52
- SIZE OF POLICY: 1 – 6,000 HEAD PER SPECIFIED COVERAGE ENDORSEMENT (SCE)
- 12,000 HEAD/YEAR MAX (JULY 1-JUNE 30)
- THE LRP FEEDER CATTLE ENDING VALUE IS BASED OFF OF THE **CME INDEX**
- THE LRP FED CATTLE ENDING VALUE IS BASED OFF OF WEEKLY WEIGHTED AVERAGES
REPORTED BY THE AGRICULTURE MARKETING SERVICE (AMS)



WHAT IS THE CME INDEX?

- A SEVEN-DAY WEIGHTED AVERAGE FROM THE 12 FEEDER CATTLE PRODUCING STATES
- IT IS DEFINED AS THE TOTAL DOLLARS SOLD DURING THE SEVEN-DAY PERIOD DIVIDED BY THE TOTAL POUNDS OF FEEDER STEERS (700-900 LBS) SOLD DURING THE SAME SEVEN-DAY PERIOD
- EVERY POUND OF MEDIUM & LARGE #1-2 FEEDER STEERS SOLD DURING THE SEVEN-DAY PERIOD HAS THE SAME IMPACT ON THE FINAL PRICE



CURRENT SUBSIDY LEVELS

COVERAGE LEVEL	SUBSIDY
70 - 79.99%	55%
80 - 84.99%	50%
85 - 89.99%	45%
90 - 94.99%	40%
95 - 100%	35%

MUST HAVE AND AD-1026 ON FILE AT THE FSA OFFICE IN ORDER TO GET SUBSIDY.



EXAMPLE

**PRODUCER EXPECTS TO MARKET 100 HEAD OF 8 CWT STEERS
AND SELECTS A COVERAGE PRICE OF \$173.68.**

TOTAL COVERAGE	100 HD X 8 CWT X \$173.68	\$138,944
ACTUAL ENDING VALUE	100 HD X 8 CWT X \$165.00	\$132,000
COST PER HEAD	\$47.84 (5.98 CWT	\$4,784
LOSS PAYMENT	ASSUME 100% OWNERSHIP	\$2,160



HOW DO I BUY A CONTRACT?

**SUBMIT A POLICY
APPLICATION WITH
YOUR LRP AGENT**

1

**WATCH THE
AVAILABLE PRICES
AT 4PM.
THESE CHANGE
DAILY!**

2

**WHEN YOU LIKE WHAT YOU
SEE, FILE A SCE WITH YOUR
AGENT FROM 4PM-9AM.
CATTLE MUST BE OWNED
AT THE TIME OF
ENDORSEMENT.**

3





WHAT IS THE SPECIFIC COVERAGE ENDORSEMENT?

- **YOUR UNIQUE SCE WILL SPECIFY...**
 - **ACTUAL COVERAGE PRICE (CHOSEN FLOOR PRICE)**
 - **POLICY PERIOD**
 - **NUMBER AND TYPE OF ANIMALS**
 - **TARGET WEIGHT AT ENDING PERIOD (DATE ACTUAL ENDING PRICE IS CALCULATED)**
 - **PREMIUM DUE AT THE ENDING PERIOD**
 - **RMA SUBSIDIZES 35-55%**



LRP COVERAGE CHART

**FOLLOW THE LINK BELOW TO SEE UPDATED LRP PRICES
RELEASED EACH DAY AROUND 4PM CST.**

COMPLETE RMA COVERAGE CHART



**LRP COVERAGE WEBSITE:
[HTTPS://PUBLIC.RMA.USDA.GOV/LIVESTOCKREPORTS/MAIN.ASPX](https://public.rma.usda.gov/livestockreports/main.aspx)**

DAILY PRICES



**SPECIALTY RISK DAILY PRICES WEBSITE:
[HTTPS://SPECIALTYRISKINSURANCEAGENCY.COM/LRP](https://specialtyriskinsuranceagency.com/lrp)**



QUESTIONS?

SPECIALTYRISKINSURANCEAGENCY.COM

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SIGN UP FOR WEEKLY
TEXT UPDATES



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