Northwest Farm Credit Services
INSURANCE AGENCY

Insure your livestock. And your livelihood.

Livestock Risk Protection (LRP)

What is LRP?

Livestock Risk Protection can be used to insure against a decline in prices on fed cattle and feeder cattle, including unborn calves, using current futures prices as set by the Chicago Mercantile Exchange (CME). This allows producers to set a price floor and mitigate risk from national marketplace volatility.

Customize coverage

- Endorsement period lengths are the following: 13, 17, 21, 26, 30, 34, 39, 43, 47 or 52 weeks (cattle).
- Coverage options range from 70% to 100% of the daily published expected ending value derived from CME futures, not local markets.
- Maximum number under one endorsement per type: 12,000 head. Maximum number insured for any crop year per type: 25,000 head.
- Premiums are due at the end of the active endorsement period.

How it works

In January 2020, John Rancher had 300 yearling steers and 150 yearling heifers. He considered LRP coverage to set a price floor through August, when he intended to sell, but didn't end up buying coverage.

As it turns out, if John had purchased LRP, he would have received an indemnity check for both the steers and the heifers—in addition to the sale price he received for his livestock.*

STEERS

300 head @ 9.0 cwt for 8/19 delivery

Premium cost: $10,726 / $3.9726 per cwt
Coverage price: $149.96 per cwt
Actual Ending Value: $142.80 per cwt

Payable Loss: $7.16 per cwt
$7.16 x 9 = $64.44 per head x 300 head = $19,332 payable loss.

Net indemnity after premium, paid to John Rancher: $8,606

HEIFERS

150 head @ 8.5 cwt for 8/19 delivery

Premium cost: $4,558.50 / $3.575 per cwt
Coverage Price: $134.96 per cwt
Actual Ending Value: $128.52 per cwt

Payable loss: $6.44 per cwt
$6.44 x 8.5 = 54.74 per head x 150 head = $8,211 payable loss.

Net indemnity after premium, paid to John Rancher: $3,652.50

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How is a loss determined and paid out?

On the final day of an insured endorsement period, if the RMA Actual LRP Ending Value is below the insured amount, a qualified policyholder would receive an indemnity for the difference in price.

What does LRP protect against? What isn't covered?

LRP strictly protects against declines in the national price index. It does not protect against mortality, condemnation, physical damage or disease.

How much are premiums?

Prices vary depending on the price insured and coverage levels.

Coverage Level	Subsidy Level (Reducing your cost)
70%–79.9%	55%
80%–84.9%	50%
85%–89.9%	45%
90%–94.9%	40%
95%–100%	35%

Daily pricing and actual ending values:

https://public.rma.usda.gov/livestockreports

Are payable claims for LRP related to the sale price I receive?

No. Your coverage doesn't depend on your sale price. No matter the cash price you receive you may still qualify for a claim payment. The Coverage Price is established using the applicable CME futures prices.

The RMA Actual Ending Value for Feeder Cattle is derived from the CME Feeder Cattle Index while the Actual Ending Value for Fed Cattle is the price reported by the Agricultural Marketing Service (AMS). If the Actual LRP Ending Value on the final day of the endorsement is below the Coverage Price that was insured with the qualifying LRP policy, you will receive an indemnity payment.

Do I have to sell my cattle to receive an indemnity?

Feeder cattle do not have to be sold. Fed cattle must be slaughtered on or near the coverage endorsement end date to receive an indemnity. If either fed or feeder cattle are sold during the endorsement period, it must be within 60 days of the final day of the endorsement.

For more information, contact your local Northwest FCS Insurance Agent.

First Last | Phone
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