LIVESTOCK RISK PROTECTION

FEEDER CATTLE

LRP-Feeder Cattle is a federally-reinsured livestock product that provides protection when the national cash price index, as reported by the Chicago Mercantile Exchange (CME), falls below the insured's price coverage level. Producers may select from a variety of coverage levels and insurance periods to match the time the feeder cattle would normally be marketed. This insurance may be purchased throughout the year. Premium rates, coverage prices, and actual ending values are posted online daily. LRP does not insure against death, loss or poor performance. At the end of the insurance period, if the actual ending value is below the coverage price, an indemnity will be paid for the difference.

Availability

Ownership of insured cattle must be certified by the producer and may be subject to inspection and verification by Hudson Insurance Company.

New for RY 2020

- Coverage now available to all remaining states.
- Producers can insure up to 3,000 head per SCE with a limit of 6,000 head per crop year.
- Trading Requirements: Updated the trade requirements on when offers can be made. Previously, LRP endorsements could only be offered if there was a daily volume of five traded contracts.
- The subsidy increased from 13% for all coverage levels to a range of 20% to 35% based on the coverage level selected (see right).
- Price Adjustment Factor for Predominately Dairy was modified to 50% for both weight ranges.

Insurable Livestock

Producers can insure up to 3,000 head per SCE with a limit of 6,000 head per crop year.

Available weight levels include:

Less than 6 cwt

- Steers
- Bulls
- Heifers
- Predominately Brahman
- Predominately Dairy

Between 6 - 9 cwt

- Steers
- Heifers
- Predominately Brahman
- Predominately Dairy

PREMIUM SUBSIDY

20% for 95 - 100% Coverage Level
25% for 90 - 94% Coverage Level
30% for 80 - 89% Coverage Level
35% for 70 - 79% Coverage Level

COVERAGE PRICES

Between 70% and 100% of the expected ending value

INSURANCE PERIODS

Length available per SCE (in weeks)

13, 17, 21, 26, 30,
34, 39, 43, 47, 52

COVERAGE

May be purchased after the price guarantee is posted to the RMA site and before 9:00 a.m. CT of the following day. Insurance coverage starts the day you buy a Specific Coverage Endorsement (SCE) and RMA approves the purchase.

SALES PERIOD

While an application can be completed at any time, insurance does not attach until a SCE is purchased and approved by the RMA. Multiple endorsements may be purchased using a single application. Premium must be paid in full at the time the SCE is signed and submitted.

By the Numbers

PREMIUM		WHAT IF?				
COMMODITY	Feeder Cattle					
TYPE	Steers Weight 2					
ENDORSEMENT LENGTH	13					
NUMBER OF HEAD	100					
* TARGET WEIGHT	7.5					
COVERAGE PRICE	$ 140.55					
* INSURED VALUE	$ 105,413					
PREMIUM RATE	0.045215					
* TOTAL PREMIUM	$ 4,766					
* SUBSIDY	$ 620					
* PRODUCER PREMIUM	**$ 4,147**					
$ / CWT	**$ 5.53**					
$ / HEAD	**$ 41.47**					

Insured chooses Commodity, Type, Endorsement Length and Coverage Price.

* Target Weight is the average weight in cwts the insured thinks the animals will be at the end of the coverage period (see weight ranges on reverse).

* Insured Value = Number of Head x Target Weight x Coverage Price

* Total Premium = Insured Value x Premium Rate (Each Coverage Price has its own Premium Rate)

* Subsidy = 13%

* Producer Premium = Total Premium - Subsidy

For easy access to the LRP Insurance offerings, find Hudson Crop's LRP Quoter at: http://eharvest.hudsoncrop.com/policyext/LrpEstimator

LOSS/INDEMNITY		WHAT IF?				
COMMODITY	Fed Cattle					
TYPE	Steers Weight 2					
ENDORSEMENT LENGTH	13					
NUMBER OF HEAD	100					
TARGET WEIGHT	7.5					
COVERAGE PRICE	$ 140.55					
* ACTUAL ENDING VALUE	$ 134.35					
* INDEMNITY	**$ 4,650.00**					
$ / CWT	**$ 6.20**					
$ / HEAD	**$ 46.50**					

* Actual Ending Value for the day in which the coverage ends and is the weighted average price of feeder cattle as calculated by the CME for the Cash-Settled Commodity Index Prices.

* Indemnity is due if the actual ending value is less than the producer chosen coverage price. Indemnity is calculated by taking the difference between the Actual Ending Value and the Coverage Price (Coverage Price - Actual Ending Value) times the Number of Head insured and the Target Weight.

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