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RightRisk™

Dates to Remember

Highly Erodible Land Conservation and Wetland Conservation Certification (AD-1026)
- June 1, 2015

ARC/PLC Enrollment
- Mid-April 2015 through Summer 2015

Spring crop acreage reporting deadline
- July 15, 2015

For more information see:
http://www.rma.usda.gov
http://www.fsa.usda.gov

How Much Risk is Right for You?

RightRisk News

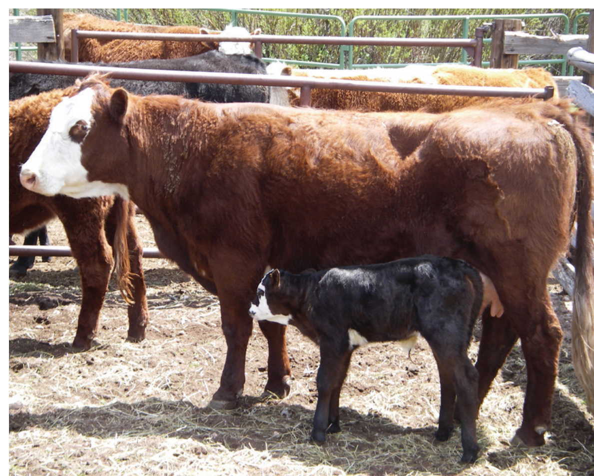
Managing Risk with Good Livestock Recordkeeping: The Case of the Livestock Indemnity Program

Keeping good records is an important risk management practice for agricultural producers. Complete records provide accurate and consistent information that can lead to better decision making. Sound records also help managers recognize opportunities that can lead to a higher rewards.

The Livestock Indemnity Program (LIP), administered by the USDA Farm Service Agency (FSA), is an example of how solid recordkeeping can be rewarded. Complete inventory records provide access to LIP benefits that are designed to help producers recover from unexpected losses beyond their control.

An overview of LIP may be found in an earlier issue of RightRisk News (June 2014). This article focuses on LIP documentation and how it helps to manage risk, as well as recover from unexpected livestock death losses eligible for payment under LIP. The FSA factsheet on LIP provides detailed information about acceptable documentation under the Livestock Death Loss Documentation section, see www.fsa.usda.gov/Internet/FSA_File/lip_long_fact_sht_2014.pdf.

The question producers should ask when submitting an LIP notice of loss and application for payment to an FSA office is, "How will I verify the loss I am reporting?" LIP provides compensation to eligible livestock producers who suffer livestock death losses *in excess of normal mortality* due to an eligible event. Documenting the death loss itself is a given, but it is only part of the mortality loss calculation.



Producers need accurate counts of the number and type of livestock on hand before and after the eligible loss event. At a minimum, beginning and ending year inventories are needed, but should be supplemented with production records (births, death losses, weaning numbers, etc.), purchase records, sale records, veterinarian records, inventory related bank loan documentation, records assembled for tax filing, and other reliable documents that can help verify livestock inventories at different points throughout the year. Normal mortality rates are established by FSA on a state-by-state basis using recommendations from state livestock and Extension Service organizations.

The question is, "How will I verify the loss I am reporting?"

As an example, assume an operation is located in Nebraska where the normal mortality rate for non-adult beef cattle weighing 400-799 pounds is established at 2 percent and that 300 head of weaned calves from fall calving cows were just put out on grass in early April. A wet, spring blizzard hits a few days later and results in ten dead calves. The normal mortality calculation establishes a death loss threshold of six head (300 x 2%). This implies that four head (10 – 6 = 4) are eligible for an LIP payment if form CCC-852 is filed in a timely manner at the local FSA office and the FSA county committee determines that the storm qualifies as an eligible weather event.

However, suppose one additional animal was lost due to natural causes prior to the weather event and two more animals over the summer, also due to natural causes. Where the operator has kept accurate inventory counts and death losses throughout the year, then all death losses will count toward the annual death loss threshold (normal mortality). Once the mortality threshold is exceeded, death losses attributed to eligible events in the same calendar year may become eligible for LIP payments.

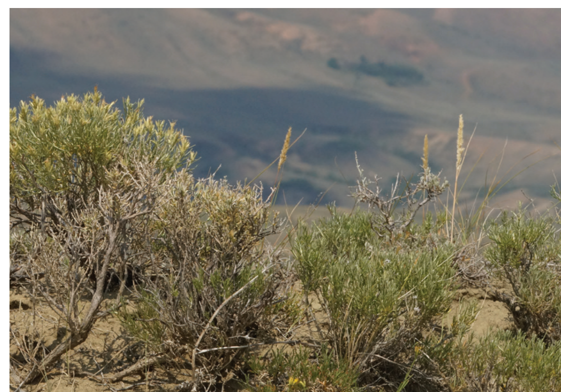
Producers must file a notice of loss within 30 calendar days of when the death loss becomes apparent. An application for payment must then be filed to request compensation for any losses in excess of the normal mortality rate. This filling must be completed no later than 30 calendar days after the end of the calendar year in which the loss occurred (i.e. January 30 of the following year). Multiple notices of loss and multiple applications for payment may be filed by producers that suffer multiple livestock losses during the same calendar year.

In the above example, a producer with just enough information to prove the ten head lost due to the blizzard would be eligible for payment on four head above the normal mortality rate. A second producer with complete records documenting all death losses and inventory changes could file a request for payment on seven of the ten head lost in the spring blizzard that were above the normal mortality rate (Table 1).

Table 1. Livestock Inventory Changes Over a Year and Resulting LIP Reported Losses.

Date	Description (documentation)	Count	Summary	
April 1	Beginning Inventory (bank loan records)	300 head	Beginning Inventory	300
April 8	Normal mortality (veterinary post mortem)	1 head	Number lost due to adverse weather event	10
April 8	Inventory (producer records)	299 head		
April 15	Blizzard mortality (dated photos, rendering truck receipt)	10 head	Number lost due to normal mortality	3
April 16	Inventory (producer records)	289 head	Total Mortality	13
May 29	Normal mortality (rendering receipt)	1 head	Normal Annual Mortality	6
July 4	Normal mortality (veterinary post mortem)	1 head	Adjusted number lost due to adverse weather event	7
August 23	Final Inventory (sale records)	287 head	Ending Inventory	287

The Livestock Forage Program



The 2014 Farm Bill reauthorizes the Livestock Forage Program (LFP) indefinitely. Under LFP, livestock producers can receive financial compensation for grazing losses when pasture or rangeland under their control is classified by the U.S. Drought Monitor as a county experiencing a qualifying drought-related event for the duration required under the program guidelines.

Livestock producers utilizing pasture or rangeland through cash lease agreements are eligible for LFP. However, under some types of agreements producers rent pasture where payments are made only for days grazing actually occurs or according to the rate of gain. In such cases, these leases do not convey control of the acreage nor does the lessee acquire risk in production of the specific crop acreage under these arrangements. Therefore, producers leasing forage under agreements of this type are not eligible for LFP coverage. More information is available on LFP from the FSA website (www.fsa.usda.gov) under Disaster Assistance Programs.

RightRisk™

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How much risk is right for you and your operation?

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