



## Cody and Janet Explore LRP Insurance

**C**ody and Janet Rhodes raise hay and barley on a farm near Fairbanks Alaska, while also running about 100 head of beef cows. They typically raise all of their heifer calves as replacement females keeping enough to replace 15-20 of their own cows each year and selling the rest as bred heifers to local cattle producers. Steer calves are raised to a slaughter weight of about 1,200 pounds and sold directly into the local market for consumption. On an annual basis, their beef operation constitutes about 60 – 70 percent of their revenue with crop sales constituting the rest.

Janet and Cody share marketing responsibility for the steer calves and bred heifers. Between the two of them, they have friends and family that loyally purchase

about half of the slaughter steers each year. This leaves them with about 20 steers to find buyers for each year. It is usually not that difficult of a task, but they have noticed quite a bit of volatility in the price received for the animals from year-to-year compared to the relatively stable price the loyal friends and family are willing to pay to buy their beef year in and year out. Once in a while, they need to utilize online bidding tools to make sure they receive a fair market price.

### Market Risk

Both Cody and Janet are interested in managing this market volatility a little better, but have struggled to find any tools available to help them do it. In a recent issue of

RightRisk News, they read about the Livestock Risk Protection (LRP) insurance offered by the USDA Risk Management Agency. It has been available in other states since 2003, but only recently became available for Alaska producers to use.

RightRisk News also reported that premium subsidies for the insurance had recently been raised, as well as the rules governing when it may be offered. Cody and Janet agreed that it looked like something they should check into further because all indications were that it was becoming much more accessible for producers like themselves.

## Researching the options

Cody spent some time at the RMA website ([rma.usda.gov](http://rma.usda.gov)) to see how the LRP insurance programs might work for them. LRP is an insurance product designed to protect livestock producers against the risk of declining market prices. It is available for fed cattle, feeder cattle, swine, and lamb. It can be purchased



throughout the year from approved livestock insurance agents.

One of the things about LRP that especially appealed to the Rhodes is that it is purchased on a per head basis. Unlike futures and options contracts on the Chicago Mercantile Exchange (CME), this would allow them to tailor their price protection each year to meet their specific risk management needs.

Cody read how producers can select from a variety of coverage price levels and length of insurance coverage for each specific coverage endorsement. He also read how it is best to match the end of the insurance period with the time your cattle would normally be marketed but you don't have to market them when the insurance period ends. That is, they could insure their calves as feeder cattle first and that they could then be retained beyond the feeder cattle insurance coverage period and be insured again as fed cattle for the finishing phase.

Cody really liked the flexibility this would provide them on a per animal basis each year to protect against the potential for falling market prices.

Cody showed Janet the LRP program's coverage prices, actual ending values, and per hundredweight cost of insurance on the RMA website for several insurance periods over the previous year. They discussed how these price values were based on weighted average prices from the lower 48 states and the CME, in particular.

USDA United States Department of Agriculture  
Risk Management Agency Fact Sheet  
Washington National Office — Washington, DC

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## Livestock Risk Protection Feeder Cattle

### Livestock Risk Protection

Feeder Cattle (LRP-Feeder Cattle) is designed to insure against declining market prices. You may choose from a variety of coverage levels and insurance periods that match the time your feeder cattle would normally be marketed (ownership may be retained). You may buy LRP-Feeder Cattle insurance throughout the year from Risk Management Agency (RMA)-approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

You 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, you will be paid an indemnity for the difference between the coverage price and actual ending value. Visit RMA's website to see the LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight insurance cost on (see useful links below). Actual ending values are based on weighted average prices, from the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values are posted on RMA's website at the end of the insurance period.

### Availability

You submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, you can buy specific coverage endorsements throughout the year for up to 3,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 6,000 head per producer per year (July 1 to June 30).

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Coverage is available for:

- Calves
- Steers
- Heifers
- Predominantly Brahman cattle, and
- Predominantly dairy cattle.

You may also choose from two weight ranges - under 600 pounds and 600-900 pounds.

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

### Buying a Policy

You must buy LRP-Feeder Cattle insurance through a livestock insurance agent. You may fit out an application at any time. However, insurance does not attach until you buy a specific coverage endorsement. Coverage will not attach unless the premium is paid on the day you buy coverage. You may buy multiple, specific, coverage endorsements with one application. Insurance coverage starts the day you buy a specific coverage endorsement and RMA approves the purchase.

### Where to Buy Crop Insurance

All multi-peril crop insurance, including Catastrophic Risk Protection policies, are available from private insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at [www.usda.gov/information/Tools/Agent-Locator-Page](http://www.usda.gov/information/Tools/Agent-Locator-Page).

### Useful Links

Daily LRP Coverage Prices, Rates, and Actual Ending Values:  
[rma.usda.gov/tools/livestock.html](http://rma.usda.gov/tools/livestock.html)

Premium Calculator:  
[enrccap.rma.usda.gov/apps/coverestimator/](http://enrccap.rma.usda.gov/apps/coverestimator/)

Approved Livestock Agents and Insurance Companies:  
[rma.usda.gov/information/Tools/Agent-Locator-Page](http://rma.usda.gov/information/Tools/Agent-Locator-Page)

Related AMS online livestock reports:  
[marketnews.usda.gov/mr/](http://marketnews.usda.gov/mr/)

National Office

1400 Independence Ave. SW  
USDA/RMA/Box 0801, Room 6092-South  
Washington, DC 20250  
Email: [FPAC.BC.Press@usda.gov](mailto:FPAC.BC.Press@usda.gov)

## LRP Coverage Prices, Rates, and Actual Ending Values - Report for 1/14/2020

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$162.130	0.995600	0.031081	5.039	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$159.930	0.982100	0.024555	3.927	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$157.730	0.968600	0.019178	3.025	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$155.530	0.955100	0.014598	2.270	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$153.330	0.941600	0.010833	1.661	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$151.130	0.928100	0.008065	1.219	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$148.930	0.914600	0.005909	0.880	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	813 Brahman Weight 1	997 No Practice Specified	2020	148.039	\$147.390	0.995600	0.031081	4.581	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	811 Heifers Weight 1	997 No Practice Specified	2020	148.039	\$147.390	0.995600	0.031081	4.581	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	997 No Practice Specified	2020	148.039	\$147.390	0.995600	0.031081	4.581	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	162.843	\$146.730	0.901100	0.004348	0.638	04/14/2020	
02 Alaska	998 All Counties	13	0801 Feeder Cattle	813 Brahman Weight 1	997 No Practice Specified	2020	148.039	\$145.390	0.982100	0.024555	3.570	04/14/2020	

RMA LRP Coverage Prices, Rates and Actual Ending Values. Retrieved 1/15/2020. First page only presented here.

Janet pointed out that these prices don't reflect the prices they are receiving for their animals. Cody countered with a little analysis he had done using their experiences from the last three years and the data available online from RMA.

What Cody showed Janet was how the actual ending values reported by RMA for LRP fed cattle insurance seemed to move up and down with the price and associated difficulty they were having with marketing those final 20 steers each year. He also showed her how coverage on some of their feeder cattle would have helped balance out some of the struggles they experienced in one particular year.

Together, they worked to come up with a plan they think will work for their operation to help achieve their risk management objective of stabilizing the

revenue they receive each year from cattle sales. While the stabilizing effect is not huge, it does move them in the direction they want to go.

### Selecting the appropriate coverage

Cody and Janet decided they would make a three-year commitment to their plan to use LRP insurance in their



operation to manage cattle market price risk. They decided to apply for coverage on 30-40 head of feeder cattle each year along with around 10-20 head of fed cattle. With the new subsidy levels, they believe they should aim for about 85 to 90 percent price coverage on the feeder cattle and 90 to 95 percent price coverage on the fed cattle, which will result in them receiving a 25 or 30 percent subsidy on the premium paid.

They agreed this plan was not an excuse for either of them to slack off on their marketing efforts. It was just another tool in their toolbox to help them manage some of their marketing risks. They both felt a three-year commitment was needed to see how it would work and were willing to make the investment to make it happen. They discussed the flexibility in their plan to adjust the timing, number of head, and coverage levels to match the market circumstances and their tolerance for risk each year. They each felt

very comfortable with their plan and appreciated the insight the planning process provided them into their risk management situation.

### **Purchasing coverage**

With the LRP insurance plan in place, Cody agreed to take responsibility for making the first steps to implement the plan by contacting a licensed livestock insurance agent and completing the application for LRP insurance. This would put them in position to actually purchase the insurance with a specific coverage endorsement when the time is right.

Janet agreed to sit down with Cody in about a month to look at the RMA website for current coverage prices, endorsement lengths, premium costs, etc. and discuss their next steps.



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To learn more, see:  
<https://RightRisk.org>

