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RMA

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A Risk Management Agency Fact Sheet

Livestock Risk Protection Insurance Pilot Program *LRP-Swine*

Revised September 2004

The Agricultural Risk Protection Act of 2000 (ARPA) allowed for the development and sale of federally reinsured livestock insurance plans. On November 15, 2001, the Federal Crop Insurance Corporation's (FCIC) Board of Directors approved the Livestock Risk Protection (LRP) insurance pilot program. LRP-Swine went on sale July 8, 2002, and is available to pork producers with market hogs located in any county of Iowa. The Board approved expansion of the LRP-Swine insurance pilot to Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Nevada, North Dakota, Oklahoma, Ohio, South Dakota, Texas, Utah, West Virginia, Wisconsin, and Wyoming.

General Background

LRP-Swine is designed to insure against declining market prices. Pork producers may select from a variety of coverage levels and periods of insurance to correspond with the time their hogs would normally be marketed.

LRP-Swine may be purchased continuously throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted on-line daily.

Coverage Availability

Pork producers submit a one-time application for LRP-Swine coverage. After being accepted, Specific Coverage Endorsements (SCE) may be purchased for up to 10,000 head of hogs that are expected to reach market weight near the end of the insurance period. The length of insurance available for each SCE is from 13 to 26 weeks. The annual limit for LRP-Swine is 32,000 head per producer for each crop year (July 1 to June 30).

Coverage Levels, Prices, and Rates

Pork producers may select coverage prices ranging from 70% to 95% of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer may be paid an indemnity for the difference between the coverage price and the actual ending value.

LRP-Swine Program's expected ending values, coverage prices, rates, and per cwt. cost of insurance may be viewed on the RMA public website. The actual ending values are calculated from price series data reported by the USDA Agricultural Marketing Service (AMS) and posted on the RMA website at the end of the insurance period.

RMA Website Information

To obtain "Daily LRP Coverage Prices, Rates and Actual Ending Values", visit:
http://www3.rma.usda.gov/apps/livestock_reports/

To calculate premiums:
http://www.rma.usda.gov/policies/2004LRP.html

To locate approved livestock insurance agents, visit: http://www3.rma.usda.gov/apps/agentslpi/

Related AMS Online Report
“National Daily Direct Hog Prior Day Report—Slaughtered Swine”:
http://www.ams.usda.gov/mnreports/lm_hg201.txt

About the Application Process

Applications for LRP-Swine are submitted through FCIC-approved insurance providers and SCEs are purchased through livestock insurance agents. Insurance coverage starts the day an SCE is purchased. There are funding limitations for all livestock programs; therefore, RMA tracks total policy sales against available underwriting capacity using a real-time web-based program. Applications for insurance will be rejected when the underwriting capacity has been reached.

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