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*A Risk Management Agency Fact Sheet*

# Livestock Risk Protection Insurance Pilot Program

## *LRP-Feeder Cattle*

Revised December 2003

The Agricultural Risk Protection Act of 2000 allowed for the development and sale of federally reinsured livestock insurance plans. On December 18, 2002, the Federal Crop Insurance Corporation's (FCIC) Board of Directors (Board) approved an expansion of Livestock Risk Protection (LRP) insurance to include a feeder cattle pilot program. LRP-Feeder Cattle, submitted by Applied Analytics Group, is available to cattle producers with feeder steers located in any county of the following States: Colorado, Iowa, Kansas, Nebraska, Nevada, Oklahoma, South Dakota, Texas, Utah, and Wyoming. On October 29, 2003, the Board approved changes to the LRP-Feeder Cattle program to include additional types and weights of cattle as well as two shorter insurance periods.

## General Background

LRP-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and periods of insurance to correspond with the time their feeder steers would normally be marketed (ownership may be retained).

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

## 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/

## Coverage Availability

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After being accepted, Specific Coverage Endorsements (SCE) may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. All calves and cattle to be insured must be located in a State approved for LTRP-Feeder Cattle prior to insurance attaching. The length of insurance available for each SCE is from 13 to 52 weeks. The annual limit for LRP-Feeder Cattle is 2,000 head per producer each crop year. Coverage will be available in spring 2004 for calves, steers, and heifers, including predominantly Brahman and dairy cattle.

## Coverage Levels, Prices, and Rates

Cattle producers may select coverage prices ranging from 70 percent to 95 percent 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 actual ending value.

LRP-Feeder Cattle's expected ending values, coverage prices, rates, and per cwt. cost of insurance may be viewed on the RMA public Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange feeder cattle index and adjusted by factors as applicable for various types of cattle. These will be posted on the RMA Web site at the end of the insurance period.

## About the Application Process

Applications for LRP-Feeder Cattle are submitted through FCIC-approved insurance providers and SCEs are purchased through your livestock insurance agent. 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 the insurance will be rejected when the underwriting capacity has been reached.

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