UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
LIVESTOCK RISK PROTECTION POLICY
SPECIFIC COVERAGE ENDORSEMENT – FEEDER CATTLE

This provision of the Livestock Risk Protection policy offers protection against a decline in feeder cattle prices during the term of the endorsement. You will receive an indemnity if feeder cattle prices drop below a predetermined level and all terms and conditions of the policy have been met. Feeder cattle prices under this policy refer to a price series created and reported by the Chicago Mercantile Exchange (CME). The length of each endorsement available for feeder cattle ranges from 21 to 52 weeks.

Terms and Conditions

1. DEFINITIONS.

Actual Ending Value–Feeder Cattle - For steers: The weighted average price of feeder cattle as calculated by the CME for the Cash-Settled Commodity Index Prices, and reported as the CME Feeder Cattle Reported Index. The report is available on the Internet at www.cme.com/prices/cash-settled_commodity_index_prices.cfm. The Special Provisions should be checked for changes in the report name, number, or location. If the end date is a Saturday, Sunday, a non-report day due to a Federal holiday, or if there is no reported information for whatever reason, then the calculation will be based on the report day just prior to the end date.

Ending Period - The period of one business day, which is the endorsement end date, to which the actual ending value refers.

Expected Ending Value - The market price expected at the end of the insurance period, and found in the actuarial documents. The Expected Ending Value is a live weight value, and is used in calculations on a dollars per hundredweight basis to determine coverage prices.

Insured Feeder Cattle - The feeder cattle covered under the policy. The feeder cattle that the producer expects to have and to market within a range of 6.5 to 9.0 cwt at the end of the insurance period.

Target Weight - The anticipated live weight of feeder cattle (per head) at the ending period on a cwt basis.

2. COVERAGE LIMITATIONS.

(a) Coverage is available for steer feeder cattle, except for cattle identified as predominantly dairy or Brahma breed.

(b) The maximum number of feeder cattle that may be insured under any one Specific Coverage Endorsement shall be 1,000 head, and during any crop year shall be 2,000 head.

3. PREMIUMS.

(a) Your total premium is determined by:
- (1) Multiplying the number of head by the target weight;
- (2) Multiplying section 3(a)(1) by the coverage price;
- (3) Calculating the insured value by multiplying section 3(a)(2) by the insured share;
- (4) Calculating total premium by multiplying section 3(a)(3) by the rate contained in the Rate Table published daily in the actuarial documents;
- (5) Multiplying the result of section 3(a)(4) by the applicable producer subsidy percentage to calculate the appropriate amount of subsidy;
- (6) Subtracting the result from section 3(a)(5) from the result from section 3(a)(4).

(b) Premium calculation example:
An operation has 100 head of feeder cattle and expects to market the feeder cattle at a target weight of 7.5 cwt each. The insured share is 100 percent. The expected ending value is $78.95 per live cwt and the producer selects a coverage price of $75 per live cwt. For this coverage price the rate is 1.3990%. The premium subsidy is 13 percent. The premium is calculated by:
- (1) 100 head times 7.5 equals 750 cwt.
- (2) 750 cwt times the coverage price of $75 equals $56,250.
- (3) $56,250 times the insured share of 1.00 equals an insured value of $56,250.
- (4) $56,250 times the rate of .013990 equals $787 total premium.
- (5) $787 times the producer premium subsidy percentage of .13 equals $102.
- (6) Subtracting $102 from $787 equals the producer premium of $685.

4. INDEMNITY.

(a) An indemnity is calculated and payable if the actual ending value is less than the coverage price (otherwise the indemnity is zero). The indemnity calculation is determined by:
- (1) Multiplying the number of head by the target weight (in live cwt);
- (2) Subtracting the actual ending value from the coverage price (this will always be a positive number if an indemnity is due);
- (3) Multiplying 4(a)(1) by 4(a)(2);
- (4) Multiplying 4(a)(3) by the insured share.

(b) Indemnity calculation example:
For the above operation with 100 head of feeder cattle, a target weight of 7.5 cwt, an insured share of

100 percent, and a coverage price of $75 per live cwt, the actual ending value is equal to $70 per live cwt. Since $70 is less than the coverage price of $75, an indemnity is due. Indemnity is calculated by:

(1) 100 head times the 7.5 cwt target weight equals 750 cwt.
(2) Subtracting the actual ending value of $70 from the coverage price of $75 equals $5/cwt.
(3) Multiplying 750 cwt. by $5/cwt. equals $3,750.
(4) Multiplying $3,750 by the insured share of 1.00 equals an indemnity payment of $3,750.