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A Risk Management Agency Fact Sheet

Livestock Risk Protection Insurance Pilot Program

LRP-Fed Cattle

Revised September 2004

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 approved an expansion of Livestock Risk Protection (LRP) insurance to include a fed cattle pilot program. LRP-Fed Cattle, submitted by Applied Analytics Group, is available to beef producers with fed cattle located in any county of 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-Fed Cattle is designed to insure against declining market prices. Beef producers may select from a variety of coverage levels and periods of insurance that correspond with the time their market weight cattle would be sold.

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
"5 Area Weekly Weighted Average Direct Slaughter Cattle: Texas/Oklahoma; Kansas; Nebraska; Colorado; Iowa/Minnesota feedlots":
http://www.ams.usda.gov/mnreports/lm_ct150.txt

LRP-Fed 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.

Coverage Availability

Beef producers submit a one-time application for LRP-Fed Cattle coverage. After being accepted, Specific Coverage Endorsements (SCE) may be purchased for up to 2,000 head of heifers and steers weighing between 1,000 and 1,400 pounds to be marketed for slaughter near the end of the insurance period. The length of insurance available for each SCE is from 13 to 52 weeks. The annual limit for LRP-Fed Cattle is 4,000 head per producer for each crop year.

Coverage Levels, Prices, and Rates

Beef producers may select coverage prices ranging from 70% to 95% of the expected ending value at the time of initiating a SCE. 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-Fed Cattle 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 based on weighted prices reported by the USDA Agricultural Marketing Service (AMS) and will be posted on the RMA website at the end of the insurance period.

About the Application Process

Applications for LRP-Fed Cattle 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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