Risk Management in Stocker Production

Curt Lacy, Ph.D.[1]

[1]Department of Agriculture and Applied Economics, University of Georgia, Tifton, GA

Introduction

Stocker production is often touted as being a way for cattle producers to add value to their calf crop. It is also a way for other producers that have either excess high-quality forage or feedstuffs to add-value to those products by purchasing light-weight calves and adding weight (and value) to them before selling them at a later date.

However, because of the very nature of the stocker business it is inherently risky. Traditionally there have been few risk management tools available to cattle producers, especially stockers. However, in recent years, there has been a noticeable increase in the number of insurance products available to cattle and forage producers.

The objective of this paper and the accompanying presentation is to equip Florida and southeastern cattlemen with information and tools that will allow them to better manage their risk.

Stocker Production

For the purposes of this paper, stocker production is generally defined as the process of adding weight to calves in a forage-based system between the cow-calf phase and the feedyard. Typically, this involves purchasing light-weight calves (approximately 300-400 pounds) placing them in some type of forage system for six to nine months and then selling them at approximately 700-800 pounds.

Certainly, there are many systems and scenarios that are dictated by current market condition and weather concerns, but the main point is that stocker production is forage based while backgrounding is generally a shorter-term proposition where the animals receive most of their nutrition from concentrates with very little grazing. Even though this discussion focuses on stocker production, virtually all of the principles and tools presented here can also be applied to backgrounding cattle.

Risk and Management

Stocker (and all agricultural) producers face five general types of risk. The five types of risk are:

1. Price
2. Production
3. Financial
4. Legal
5. Human Resources

This presentation will center on managing Price and Production Risks. However, Financial, Legal and Human Resources Risks should not be overlooked.

Risk is not uncertainty

However, risk does involve uncertainty. In layman's terms, risk is the likelihood that something bad will happen. In order to manage risk, cattlemen must know what determines "bad" and what has to happen in order for "bad" to occur.

For example, if projected sales prices drop for a group of stockers, that is not good. However, at some point a price decline will change from being an inconvenience or not what one had hoped for, to causing severe cash-flow and repayment problems (risk). This point is different for every operation.

To develop an effective risk-management program, stocker operators should perform the following steps:

1. Determine your goals,
2. Determine the potential risks (critical and not so critical) to those goals,
3. Develop and implement a risk management plan for the critical risk factors,
4. Develop and implement a risk management

plan for the other factors, and
5. Reevaluate periodically.

The remainder of this presentation will focus on price and production risk-management tools that are currently available to stocker operators in Florida and Georgia.

Managing Price Risk

For stocker producers the primary price risk factors are the changing price margins on stockers and changing input prices. To manage margin risk, stocker operators can either lock-in purchase and/or sales prices, or set some type of ceiling price for purchasing or establishing a floor price for selling. Obviously, each of these involves knowing something about production, cost of gain and potential market prices.

Using Futures and Options to Set Prices

To "lock-in" a purchase or sales price, stocker operators can use either cash contracts or futures. Typically, there is very little use of forward cash contracts in the cattle business, although some parties may agree to utilize basis contracts.

Futures contracts are the most-straight-forward way to establish a firm purchase or sales price. A comprehensive discussion of futures and options is beyond the scope of this presentation. Stocker producers interested in more information about using futures and options can either contact their local UF/IFAS office or the author. There are a few highlights that should be mentioned:

- Feeder Cattle (FC) futures are for 50,000 pounds.
- If you want to "pre-buy" cattle using futures you would buy or "go long" at the time you want to set the price and then offset or take an opposite position when you actually purchase the calves.
- If you want to "pre-sell" cattle using futures you would sell or "go short" at the time you want to set the price and then offset or take an opposite position when you actually sell the calves.

Options give the holder of the option the right but not the obligation to sell or buy a futures contract at a pre-set price called a strike price. Options provide the benefit of having a price ceiling for buyers and price floor for sellers without being "locked" into price. They work then very much like price insurance.

A few highlights on options:

- FC options are also for 50,000 pounds
- If you want to set a price floor (sellers) you would purchase a put option.
- If you want to set a price ceiling (buyers) you would purchase a call option.

Livestock Risk Protection (LRP): A Price Risk Alternative to Futures and Options

For numerous reasons, many cattle producers choose not to utilize futures or options. Two of the most often cited reasons are lack of understanding and less than 50,000 pounds to market. While most stocker producers in Florida will be moving multiple truck-load lots, many may still not feel comfortable with using futures or options.

In recent years, a new product called Livestock Risk Protection or LRP has become available to cattlemen in many states including Florida and Georgia. In a nutshell, cattle owners purchase price insurance against falling prices. Indemnities are paid based on the CME Feeder Cattle Index. So, what cattlemen are doing is purchasing insurance on the CME Feeder Cattle index which is a very tractable solution as calf prices in Florida and the CME Index usually move in the same direction.

The principle advantages of LRP are that it can be purchased on as few as one head and it is bought through a local crop insurance agent. Excerpts for the RMA-LRP Feeder Cattle worksheet are presented below:

Coverage Availability for LRP

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the *application is accepted, specific coverage endorsements 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. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.*

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 the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

Coverage Levels, Prices, and Rates

Cattle producers may select 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, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency's Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency's Web site at the end of the insurance period.

LRP Coverage levels and rates for April 11 are included at the end of this paper as well a USDA Fact Sheet on the program.

Seasonal Prices

In addition to using futures and options, producers can also utilize seasonal price patterns to manage their price risk, especially when it comes to purchasing inputs such as feed. Figures 1 and 2 below indicate some of the seasonal price indices for some popular protein and energy feed co-products in the region. Using this information, stocker producers can combine anticipated feeding needs and expected feed prices to make prudent feed purchasing decisions.

Managing Production Risk

There are numerous ways that stocker producers can manage their production risks. The most obvious way is to follow extension and university recommendations.

Since stocker production is forage-based it is inherently dependent on weather. While floods and cold weather can occasionally be a problem for southeastern stocker growers, the predominant weather risk is dry weather.

Until just recently, cattle producers who wanted to purchase insurance on forage production were essentially limited to NAP insurance and government disaster declarations. However, in the last couple of years USDA-RMA has approved Pasture, Range and Forage (PRF) insurance. With a PRF policy, producers purchase insurance on NOAA's rainfall index at production levels of 70-90 percent of normal at coverage levels of 100-150 percent of the value of the crop. In Florida, there are two types of crops for which one can purchase insurance: grazing and hay.

An excerpt from RMA's PRF Factsheet is given below.

The Rainfall Index uses National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC) data and each grid is 0.25 degrees in latitude by 0.25 degrees in longitude. You must select at least two, 2-month time periods where rain is important to your operation in your area. These time periods are called index intervals. Your insurance payments will be calculated using NOAA CPC data for the grid(s) and index interval(s) you have chosen to insure. When the final grid index falls below your "trigger grid index" (coverage level multiplied by the expected grid index), you may receive a loss payment. This insurance coverage is for a single peril—lack of rain. ***Coverage is***

based on the experience of the entire grid. It is NOT based on individual farms or ranches or specific weather stations in the general area.

(You can find more detailed information at the NOAA Web site: http://www.cpc.ncep.noaa.gov/products/outreach/research_papers/ncep_cpc_atlas/7/toc.html)

To provide an illustration of how a policy would have fared in 2011, an Ex-Ante (after the fact) analysis for the Gainesville, FL grid is included below. It should be pointed out that the example below is for pasture. Hay land values are much higher. Interested producers are encouraged to utilize the evaluation tools found at: http://agforceusa.com/rma/ri/prf/maps to conduct their own analyses.

Summary

There is a tremendous amount of risk involved in stocker production. Producers are encouraged to determine those items that pose the biggest risk to their operation. They should then develop plans and strategies to mitigate these risks.

Additional Resources

- Current market information, budgets and decision-aids: www.secattleadvisor.com
- USDA Risk Management Agency website: www.rma.usda.gov
- Rainfall and Vegetation Insurance: http://www.rma.usda.gov/policies/ri-vi/
- Livestock Risk Protection (LRP): http://www.rma.usda.gov/livestock/

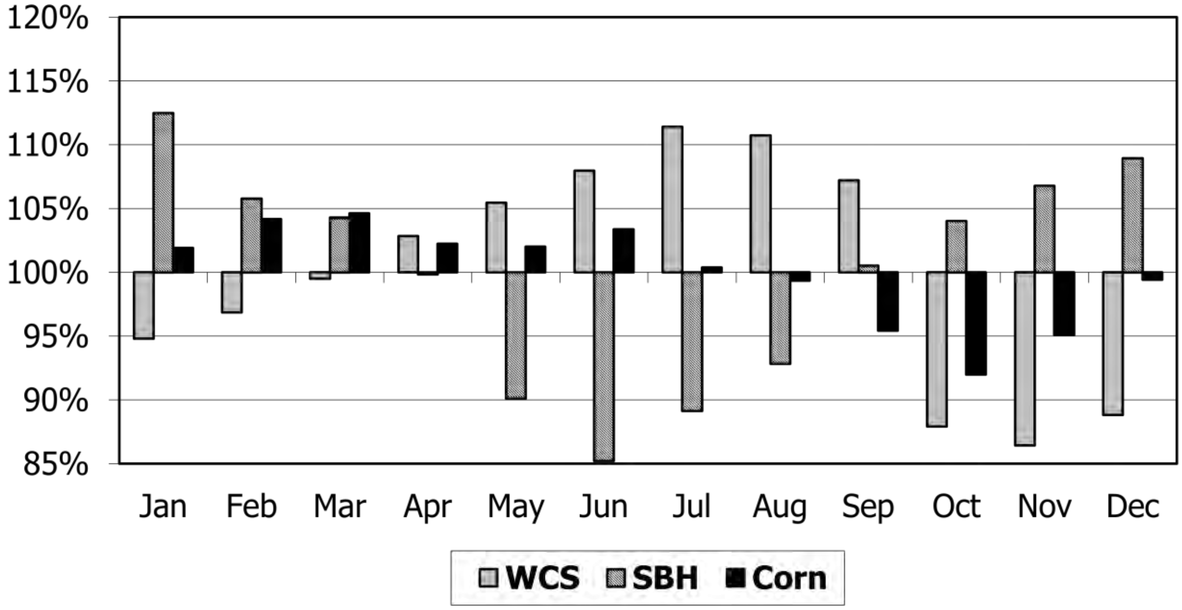

Figure 1. Seasonal indices for Whole Cottonseed (WCS), Soybean Hulls (SBH) and Corn

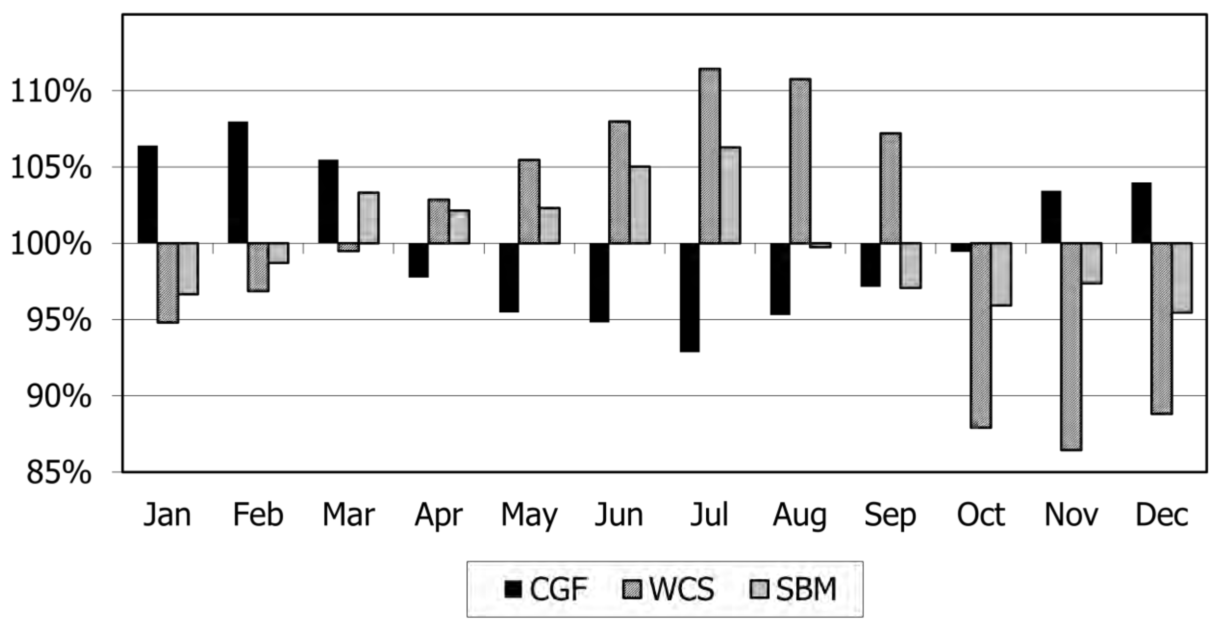

Figure 2. Seasonal indices for Corn Gluten Feed (CGF), Whole Cottonseed (WCS) and Soybean Meal (SBM)

Index Interval	Insured Acres per Index Interval	Policy Protection per Unit	Premium Rate per $100	Total Premium ($/acre)	Premium Subsidy ($/acre)	Producer Premium ($/acre)	Actual Index Value	Indemnity ($/acre)
Jan-Feb	20	$261	17.94	$2.34	$1.19	$1.15	124.9	$0.00
Feb-Mar	N/A ?	$0	16.92	$0.00	$0.00	$0.00	88.8	$0.00
Mar-Apr	20	$261	18.08	$2.36	$1.20	$1.16	89.6	$0.06
Apr-May	N/A ?	$0	19.81	$0.00	$0.00	$0.00	77.4	$0.00
May-Jun	20	$261	10.59	$1.38	$0.70	$0.68	68.8	$3.07
Jun-Jul	N/A ?	$0	6.22	$0.00	$0.00	$0.00	80.3	$0.00
Jul-Aug	20	$261	5.61	$0.73	$0.37	$0.36	82.7	$1.06
Aug-Sep	N/A ?	$0	8.69	$0.00	$0.00	$0.00	69.8	$0.00
Sep-Oct	0	$0	15.41	$0.00	$0.00	$0.00	88.1	$0.00
Oct-Nov	N/A ?	$0	19.37	$0.00	$0.00	$0.00	118.9	$0.00
Nov-Dec	20	$261	21.18	$2.76	$1.41	$1.35	44.9	$6.54
Per Acre	N/A	N/A	N/A	$1.92	$0.98	$0.94	N/A	$2.15
Policy Total	100	$1,305	N/A	$192	$98	$94	N/A	$215

County Base Value per Acre	$14.49
Dollar Amount of Protection per Acre	$13.04
Total Insured Acres	100
Total Policy Protection	$1,304
Subsidy Level	51%
Maximum % of Insured Acres per Index Interval	50.0%

Calculate

USDA United States Department of Agriculture

RMA

Program Aid Number 1896

A Risk Management Agency Fact Sheet

Pasture, Rangeland, Forage

Pilot Insurance Program

November 2010

The Risk Management Agency has modified the Pasture, Rangeland, Forage Pilot Insurance Program, which uses two separate Basic Provisions; the Rainfall Index Basic Provisions and the Vegetation Index Basic Provisions. Basic provisions are the terms and conditions included in all policies under these plans. These innovative pilot programs are based on vegetation greenness and rainfall indices, and are designed to give forage and livestock producers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay.

The original Pasture, Rangeland, Forage Program was designed as a risk management tool for the 588 million acres of pastureland and the 61.5 million acres of hayland in the United States. In 2007, Pasture, Rangeland, Forage insurance was available for testing in selected States. The program has been expanded and revised for the 2009 crop year. The Risk Management Agency has replaced its Group Risk Plan Basic Provisions with the Rainfall Index and Vegetation Index Basic Provisions. The new basic provisions will be applied to all Pasture, Rangeland, Forage crop policies.

The Pasture, Rangeland, Forage Pilot Insurance Programs are only available in selected States and counties. To test each index in various climates, soils, and weather conditions, these pilot programs are available in six regions across the country: the warm and humid Southeast, the cool and humid Northeast, the Northern Great Plains, the Southern Great Plains, the semi-arid Southwest, and the intermountain region of the Northwest. You can see the States and counties where the Rainfall Index and the Vegetation Index pilot programs are available at: http://www.rma.usda.gov/policies/pasturerangeforage/2011availabilitymap.pdf

The Rainfall Index uses National Oceanic and Atmospheric Administration Climate Prediction Center (NOAA CPC) data and each grid is 0.25 degrees in latitude by 0.25 degrees in longitude. You must select at least two, 2-month time periods where rain is important to your operation in your area. These time periods are called index intervals. Your insurance payments will be calculated using NOAA CPC data for the grid(s) and index interval(s) you have chosen to insure. When the final grid index falls below your "trigger grid index" (coverage level multiplied by the expected grid index), you may receive a loss payment. This insurance coverage is for a single peril—lack of rain. **Coverage is based on the experience of the entire grid. It is NOT based on individual farms or ranches or specific weather stations in the general area.** (You can find more detailed information at the NOAA Web site: http://www.cpc.ncep.noaa.gov/products/outreach/research_papers/ncep_cpc_atlas/7/toc.html)

The Vegetation Index uses data from the U.S. Geological Survey Earth Resources Observation and Science data center called the *Normalized Difference Vegetation Index (NDVI)*. The NDVI is a measure of vegetation greenness and is used to estimate plant condition in approximately 4.8 x 4.8 mile grids. This index is not a direct measure of your production. It is a measure of all vegetation in a grid. In general, the healthier the plants in a given grid, the higher the NDVI value will be. With this insurance plan, you may select one or more 3-month time periods that represent your pasture, rangeland, or forage practices. These time periods are called index intervals. **Coverage is based on losses within the 4.8 x 4.8 mile grid rather than on an individual producer's losses.** Losses for the Vegetation Index are paid based on the difference between the normal NDVI data (expected grid index) and the actual grid index experience during the index interval(s) you have chosen to insure. When the final grid index falls below your "trigger grid index" (coverage level times the expected grid index), you may receive a loss payment.

The process of developing these products included determining the value of forage for grazing and haying for each county in the program. RMA and its partner used USDA Farm Service Agency Grassland Reserve Program prices for grazing land, USDA National Agricultural Statistics Service State hayland rates, U.S. Geological Survey land-cover estimates, and regional forage and hayland values determined by experts to establish a county base value for each location.

While developing these new insurance products, the Risk Management Agency considered public land versus private land, warm- and cool-season plants, different grazing patterns, and various forage species representing a wide range of relative feed values.

Pasture, Rangeland, Forage insurance was designed for maximum flexibility. You are not required to insure all your acres, but you cannot exceed the total number of grazing or haying acres you operate. This allows you to insure only those acres that are important to your grazing program or hay operation. By selecting a Protection Factor, you can establish a value between 60 and 150 percent of the County Base Value and match the amount of your protection to the value of forage that best represents your specific grazing or hay operation, as well as the productivity of your land.

You will be asked to make several choices when insuring your grazing or hay production, including coverage level, index intervals, protection factor, and number of acres. You should work with your crop insurance agent to view the Grid ID Locator map and index grids for your area, and assign acreage to one or more grids based on the location and use of the acreage to be insured. **The Vegetation and Rainfall indices do not measure your direct production or loss.** You are insuring a rainfall or vegetation index that is expected to estimate your production. **Please review the historical indices for your area to make sure that this product will be helpful to you.**

The Pasture, Rangeland, Forage Rainfall Index and Vegetation Index pilot programs are being tested in select counties and States. You can view a map and a list of the counties and States where each index is available at: http://www.rma.usda.gov/policies/pasturerangeforage.

Please visit your crop insurance agent for more information. If you do not have an agent, you can find one online using the RMA agent locator at: http://www.rma.usda.gov/tools/agent.html or at any USDA Service Center.

Contact Us

USDA/RMA

Mail Stop 0801

1400 Independence Ave., SW

Washington, DC 20250-0801

Web site: http://www.rma.usda.gov

E-mail: rma.cco@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at:
http://www.rma.usda.gov/pubs/rme/fctsht.html

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 4/10/2012

USDA subsidizes 13 percent of total LRP premium

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
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$164.200	0.998000	0.033141	5.442	07/10/2012	
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$162.000	0.984700	0.026156	4.237	07/10/2012	
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$159.800	0.971300	0.020121	3.215	07/10/2012	
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$157.600	0.957900	0.015118	2.383	07/10/2012	
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$155.400	0.944500	0.010866	1.689	07/10/2012	
12 Florida	998 All Counties	13	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	164.525	$153.200	0.931200	0.007805	1.196	07/10/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$164.840	0.998000	0.036003	5.935	08/07/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$162.640	0.984700	0.029334	4.771	08/07/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$160.440	0.971400	0.023380	3.751	08/07/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$158.240	0.958100	0.018304	2.896	08/07/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$156.040	0.944700	0.013839	2.159	08/07/2012	
12 Florida	998 All Counties	17	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.166	$153.840	0.931400	0.010504	1.616	08/07/2012	

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 4/10/2012

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
12 Florida	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.804	$161.820	0.976000	0.030066	4.865	09/04/2012	
12 Florida	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	165.804	$150.820	0.909600	0.009715	1.465	09/04/2012	
12 Florida	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	167.509	$166.850	0.996100	0.043605	7.275	10/09/2012	
12 Florida	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	167.509	$158.050	0.943500	0.021652	3.422	10/09/2012	
12 Florida	998 All Counties	26	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	167.509	$155.850	0.930400	0.017772	2.770	10/09/2012	
12 Florida	998 All Counties	30	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	168.344	$158.030	0.938700	0.021097	3.334	11/06/2012	
12 Florida	998 All Counties	34	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	168.771	$158.070	0.936600	0.022554	3.565	12/04/2012	

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 4/10/2012

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
12 Florida	998 All Counties	39	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2012	169.046	$158.350	0.936700	0.024967	3.954	01/08/2013	

Notes:

- Some endorsement lengths may not be available due to insufficient pricing or rating information.
- For LRP Fed Cattle, Feeder Cattle and Swine, sales open from the time sales data is available (approximately 3:30 P.M. central time) until 9 A.M. central time the next day.
- For Lamb, sales available MONDAY ONLY. Sales open from the time of official release of coverage prices and rates on Monday morning (approximately 10 A.M. central time) until 7 P.M. central time Monday.
- For Lamb, preliminary coverage prices and rates may be available for viewing Friday evening and over the weekend but are subject to change at the official release time on Monday. Coverage prices and rates may also be available for viewing following sales during the week.
- Purchase of LRP must be made through an authorized livestock insurance agent.
- For LRP Fed Cattle, Feeder Cattle, and Swine, coverage levels and rates shown are available only on the selected effective date until 9 a.m. the following day.
- For LRP Lamb, coverage levels and rates shown are available only on the selected effective date until 7 p.m.
- For the Formatted Print option, Adobe Acrobat is required. For unformatted printing, use the File->Print option from your browser menu.
- Use landscape mode when doing unformatted printing for best results.

USDA United States Department of Agriculture

RMA

Program Aid 1667-09

A Risk Management Agency Fact Sheet

Livestock Risk Protection

Feeder Cattle

Revised May 2009

General Background

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

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

Coverage Availability

Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements 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. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

RMA Web Site

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

Premium Calculator:
http://www.rma.usda.gov/tools/premcalc.html

Approved livestock agents and insurance companies:
http://www.rma.usda.gov/tools/agent.html

Related AMS online livestock reports:
http://marketnews.usda.gov/portal/lg?paf_dm

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 the calves, steers, heifers, predominantly Brahman, and predominantly dairy cattle categories. Feeder cattle producers may also choose from two weight ranges: under 600 pounds and 600-900 pounds.

LRP-Feeder Cattle insurance is available to producers with feeder cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates

Cattle producers may select 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, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program's coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency's Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency's Web site at the end of the insurance period.

About the Application Process

LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency. There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

Contact Us

USDA/RMA

1400 Independence Ave., SW, Stop 0801

Washington, D.C. 20250-0801

RMA Web site: http://www.rma.usda.gov

E-mail: rmaweb.content@rma.usda.gov

Download Copies from the Web

Visit our online publications/fact sheets page at: http://www.rma.usda.gov/pubs/rme/

2012 and Succeeding Crop Years - Pasture, Rangeland, Forage Availability