2021
Livestock Risk Protection

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Farm Bureau Financial Services
Livestock Risk Protection Agenda

- LRP Concept
- Coverage Decisions
- Indemnity Payment
- Why choose LRP
- Additional Items to consider
LRP provides protection against declining livestock prices if the price, as specified in the policy* drops below the producer’s selected coverage price.

- *Coverage prices range from 70% to 100% of daily livestock prices for swine, fed cattle and feeder cattle
- Prices determined by Chicago Mercantile Exchange, not local market prices

- Sales are available on a daily basis
LRP Coverage Decisions

- 4 Choices
  - Type of Insurance
  - Coverage Price
  - Number of Insured Head
  - Length of Coverage
## Type of Insurance

<table>
<thead>
<tr>
<th>Fed (Fat) Cattle</th>
<th>Feeder Cattle</th>
<th>Swine</th>
<th>Lambs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Marketed for slaughter</td>
<td>• Steers (&lt;6.0 cwt for steers and bulls, 6.0-9.0 cwt for steers only)</td>
<td>• Swine that producers expect to have and to market within a range of 1.5 to 2.25 lean cwt target weight (203-304 live cwt)</td>
<td>• Lambs that producers expect to have and to market within a range of 0.5 and 1.5 cwt target weight at the end of the insurance period</td>
</tr>
<tr>
<td>• Steers and heifers that producers expect to grade select or higher, yield grade of 1 to 3 and to market at 10 to 14 cwt (live weight)</td>
<td>• Heifers (&lt;6.0 cwt and 6.0-9.0 cwt)</td>
<td>• Dairy Cattle (&lt;6.0 for heifers, steers and bulls and 6.0-9.0 cwt for heifers and steers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Dairy Cattle (&lt;6.0 for heifers, steers and bulls and 6.0-9.0 cwt for heifers and steers)</td>
<td>• Brahman breeds (&lt;6.0 for heifers, steers and bulls and 6.0-9.0 cwt for heifers and steers)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Brahman breeds (&lt;6.0 for heifers, steers and bulls and 6.0-9.0 cwt for heifers and steers)</td>
<td>• Unborn Steers and Heifers (&lt;6.0 cwt)</td>
<td></td>
</tr>
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<td>• Unborn Brahman breeds (&lt;6.0 cwt)</td>
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</table>
Coverage Prices

Coverage Price

- Coverage prices range from 70% to 100% of daily livestock prices for swine, fed cattle and feeder cattle
  - Coverage prices can be thought of as a deductible
- Prices are published at 4 pm CST daily (excluding weekends and market holidays)
- When actual ending value is less than coverage price, claim is triggered

Subsidy

- Subsidy Factors:
  - Coverage Level/Subsidy Factors
    - 70 - 79.99%  0.55
    - 80 - 84.99%  0.50
    - 85 - 89.99%  0.45
    - 90 - 94.99%  0.40
    - 95 - 100%    0.35
Number of Head Insured

<table>
<thead>
<tr>
<th>Livestock Type</th>
<th>Specific Coverage Endorsement</th>
<th>Crop Year Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fed Cattle</td>
<td>6,000 per Specific Coverage</td>
<td>12,000 per Crop Year</td>
</tr>
<tr>
<td>Feeder Cattle</td>
<td>6,000 per Specific Coverage</td>
<td>12,000 per Crop Year</td>
</tr>
<tr>
<td>Swine</td>
<td>40,000 per Specific Coverage</td>
<td>150,000 per Crop Year</td>
</tr>
<tr>
<td>Lambs</td>
<td>2,000 per Specific Coverage</td>
<td>28,000 per Crop Year</td>
</tr>
</tbody>
</table>

Must have an ownership share of livestock to be insurable

No requirement to insure all livestock

If insuring all livestock and death occurs, you must notify your agent within 72 hours. Coverage continues. Without notification, no indemnity is paid on terminated portion of endorsement.
Livestock Ownership Verification

Rain and Hail and/or RMA may request documents verifying insured ownership of livestock on the Specific Coverage Endorsement.

Sufficient documents to support verification of ownership may include, but are not limited to:

• **Bills of sale** from prior owners
• **Financing/credit documents** secured by the insured livestock
• **Written statements from third parties** such as feed suppliers or veterinarians who have visited the farm or ranch, visually identified the livestock listed on the SCE, and can attest to the named insured’s ownership of the identified livestock
• **Bill of sale** for covered livestock
Length of Endorsement

<table>
<thead>
<tr>
<th>Fed Cattle, Feeder Cattle, Swine</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 13, 17, 21, 26, 30, 34, 39, 43, 47 or 52 weeks</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Lambs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 13, 26 or 39 weeks</td>
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</table>

Why is length of endorsement important?

• If the insured disposes of any portion of the insured share in the insured livestock prior to the last 60 days of coverage, then that portion of the coverage will be terminated.
• Feeder cattle do not have to be sold after the end of the endorsement and a new endorsement can be purchased
• Fed cattle must be slaughtered or sold before claim can be paid
Producer sells 1,000 head of 800 pound steers on 8/22/2021 for $118.00/cwt.

The CME Expected Ending Value he locked in was $124.80/cwt.

Coverage Price was: $122.82/cwt (Expected Ending Value x his coverage level)

The CME Actual Ending Value on 8/30/2021 was $115.00/cwt.

- The “actual ending value” is the weighted average price of feeder cattle as calculated by the Chicago Mercantile Exchange (CME) for Cash-Settled Commodity Index Prices multiplied by the applicable type/weight price adjustment factor.

1,000 head x 8 cwt/head x ($122.82 - $115.00) = $62,560 paid to insured
Why Choose LRP?

- Customizable but Simple
  - 4 Choices
- Available to livestock producers of all sizes
  - Put Options can be restrictive to smaller operations
- Increased subsidy and insurable head make it more attractive
- Claims are paid efficiently once ending values are calculated
Why Choose LRP? Program Enhancements

- Increased livestock head limits for feeder and fed cattle to 6,000 head per endorsement/12,000 head annually and swine to 40,000 head per endorsement/150,000 head annually.
- Modified the requirement to own insured livestock until the last 60 days of the endorsement
- Increased the endorsement lengths for swine up to 52 weeks.
- New feeder cattle and swine types to allow for unborn livestock to be insured.
- Improved subsidy table
Program Enhancement Impact

Nebraska Feeder Cattle Insured
(Head)

Source: RMA summary of business
Loss Ratios

Nebraska Loss Ratios

Source: RMA summary of business
National Summary of Business

*** Set at consistent risk management strategy and stick with it over the medium-long term

Source: RMA summary of business
Final Items to Consider

- 2022 Crop Year starts July 1
  - Have a conversation with myself or your FBFS agent
    - Sign an application, get access daily price updates
      - No premium due until a Coverage Endorsement is purchased
  - Discuss 4 choices with your agent
    - Type of operation
    - Number of head
    - Targeted date of sale/slaughter
    - Break even costs/value to insure
  - Sales are from 4 PM - 9 AM
  - Must have an AD 1026 filed at FSA to be eligible for subsidy
Contact Information

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