LIVESTOCK INSURANCE

The extremely volatile conditions of the market often cause producers to have more questions than answers, especially in determining how to manage the downside effects on their business. Livestock Risk Protection (LRP), Livestock Gross Margin (LGM) and Dairy Revenue Protection (DRP) are viable and flexible ways to manage the risks associated with price volatility, increasing production costs and tightening profit margins.

OVERVIEW

LRP provides protection against a decline in the national cash price index falls below the insured's price coverage level. LRP is available for Fed Cattle, Feeder Cattle and Swine.

LGM provides protection against the loss of margin resulting from a decline in income and/or rising feed costs.

DRP provides protection against a decline in quarterly milk revenue.

What do these products have in common?

- LRP, LGM and DRP are federally reinsured.
- Producers may select from a variety of coverage levels and insurance periods to match the time the commodity would normally be marketed.
- They do not insure against death, loss or poor performance.
- Coverage may be purchased throughout the year.
- Premium rates, coverage prices and actual ending values are posted online for each sales effective date.
- At the end of the insurance period, if the actual ending value is below the guarantee, an indemnity would be paid for the difference.
- Premiums are subsidized.

BENEFITS OF LRP

- Guaranteed Price
- Coverage on a per head basis
- Available year-round
- Numerous coverage periods available

BENEFITS OF LGM

- Coverage on a per head/cwt basis
- Available year-round
- Coverage based on marketing plan

BENEFITS OF DRP

- Coverage in milk revenue
- Available year-round
- Coverage flexibility

LRP PRODUCTS

LRP - Feeder Cattle provides protection when the national cash price index, as reported by the Chicago Mercantile Exchange (CME), falls below the insured's price coverage level.

LRP - Fed Cattle provides single peril risk protection against a decline in market prices. The Actual Ending Values are based on weighted prices published by the Agricultural Marketing Service (AMS).

LRP - Swine provides protection against the decline in hog prices, as published by the AMS, at the end of the selected insurance period.

LGM PRODUCTS

LGM - Dairy Cattle provides protection against the loss of gross margin (market value of milk less feed costs) on the targeted quantity of market milk. The mix of target milk marketings and target feed rations allow a producer to select feed rations and production levels that best reflect their actual production.

LGM - Cattle provides protection against the loss of gross margin (market value of cattle less feeder cattle and feed costs) on fed cattle (yearling and calf). LGM - Cattle is a bundled option that covers both the cost of feeder cattle and the cost of feed.

LGM - Swine provides protection against the loss of gross margin (market value of hogs less feed costs). LGM - Swine is a bundled option that covers both the cost of hogs and the cost of feed.

DRP

DRP provides protection against declines in quarterly milk revenue. Revenue will be determined by a producer selecting to base their coverage on a mix of Class III and Class IV milk prices or milk component (milkfat, protein, and other milk solids) prices. Coverage will be based on quarterly revenue. Insurance periods available are up to 5 quarters out from sales effective date.

Producer can choose between Class Price Option and or Component Price Option for each available Quarterly Insurance Period offered. Class Price Option uses Class III and Class IV milk prices based on a declared class price weighting factor, while Component Price Option uses butterfat, protein, other solids and nonfat solids prices based on a declared butterfat test, declared protein test and declared component price weighting factor in calculating revenue.

NOTE: An insured cannot have DRP and LGM - Dairy coverage on the same milk during the same quarter.

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