

Beef Risk Management



Risk Management

Livestock Risk Protection (LRP)

Pasture, Rangeland, Forage (PRF)

Multi Peril Crop Insurance

Jason Wisecarver

Farm Credit Crop Insurance Specialist



FARM CREDIT

Lending support to rural America™

Types of Risk Management Insurance

- Livestock Risk Protection
- Livestock Gross Margin
- Pasture Rangeland & Forage
- Crop Hail- private products
- Multi Peril Crop Insurance (Yield & Revenue Protection)
- Your Farm Policy and FSA options

LRP is Price Risk Protection: How does it work?

- Establishes a “Floor Price” for livestock
- Pays if a National Cash Index Price falls below the Floor Price (CME)
 - Does NOT guarantee a price received
 - Basis risk must still be considered
- Covers Feeder Cattle, Fed Cattle, Swine and Slaughter Lamb

Purpose of LRP

- Used as a Price Risk Management tool.
 - Protects against price decline
 - Is NOT designed to enhance profit
 - Policy does not cover any other perils

- Include LRP Premium in cost of production
 - Establishes a Breakeven selling price
 - Premium is low when Market is stable
 - Premium increases as volatility increases

Eligible Cattle

➤ FEEDER Cattle

- Feeder Steers, Bulls and Heifers < 600lbs (weight 1)
- Feeder Steers, Bulls and Heifers 600-900lbs (weight 2)
 - Includes Dairy & Brahman breeds

➤ FED Cattle

- Steers and Heifers
- Select or higher, Yield grade 1-3 (intended)
- Target weight: 1,000 – 1,400 lbs

Coverage Availability

- Purchase “window”
 - 5 pm until 10 am next morning
 - Until 10 am Saturday
 - No Sunday, Monday, or Holidays
- Coverage begins w/ approved SCE and \$\$
- Insured controls
 - Timing of purchase (Price guarantees change daily)
 - Length of Specific Coverage Endorsement
 - Number of head to insure



Endorsement Lengths

Months	Weeks	Days	LRP Fed Cattle	LRP Feeder Cattle	LRP Swine
3	13	91	✓	✓	✓
4	17	119	✓	✓	✓
5	21	147	✓	✓	✓
6	26	182	✓	✓	✓
7	30	210	✓	✓	
8	34	238	✓	✓	
9	39	273	✓	✓	
10	43	301	✓	✓	
11	47	329	✓	✓	
12	52	364	✓	✓	

LRP Updates 2021 Protection

- Allow premium to be paid at the end of the endorsement period;
- Increase premium subsidy: Premium subsidy will increase based on the coverage selected by the livestock producer as outlined below:

Coverage Level		Current Subsidy Level	Revised Subsidy Level
Low	High		
0.7	0.799999	35%	35%
0.8	0.899999	30%	35%
0.9	0.949999	25%	30%
0.95	1	20%	25%

LRP Coverage Prices, Rates & Actual Ending Values website:

<https://public.rma.usda.gov/livestockreports/main.aspx>



Lending support to rural America™

Livestock Risk Protection Example

- Ann has a 50% share in 100 head of Feeder Steers
- Ann can insure up to:
 - $100 \text{ head} \times 50\% \text{ share} = \mathbf{50} \text{ head}$

Ann's Coverage Decision

- Plans to market all 50 head in December 2020.
- Target Weight: 700 lbs
- Breakeven price of \$135.00 / cwt including cost of premium
- Coverage Price of \$138.77/ cwt at cost of \$5.46 cwt (less subsidy actually \$4.095)
 - 13 week SCE ends December 10, 2020

USDA LRP Report for September 10, 2020

Less variable subsidy

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 09/10/2020

* See notes at bottom of page

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
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$138.770	0.994100	0.039346	5.460	12/10/2020	
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$136.770	0.979700	0.032595	4.458	12/10/2020	
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$134.770	0.965400	0.026764	3.607	12/10/2020	
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$132.770	0.951100	0.021646	2.874	12/10/2020	
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$130.770	0.936800	0.017397	2.275	12/10/2020	
51 Virginia	998 All Counties	13	0801 Feeder Cattle	810 Steers Weight 2	212 Endorsement Ending in December Yr1	2021	139.597	\$128.770	0.922400	0.013808	1.778	12/10/2020	



FARM CREDIT

Lending support to rural America™

Ann Calls Her Agent

- They meet or talk to execute the SCE
- Insures 50 head, maybe less for mortality
- 50 head x 7.0 cwt x \$5.46 – 25% subsidy = \$1433 Producer Premium
- Agent's quote includes subsidy

State	VIRGINIA		County	CRAIG		Commodity	FEEDER CATTLE		Type	Steers Weight 2	
Share	1.00		Target End Weight	7		Sales Effective Date	09/10/2020				
	Length	End Date	Coverage Price	Coverage Level	Expected Ending Value	Cost Per CWT	Subsidized Cost Per CWT	Total Liability	Rate	Premium	Producer Premium
50 Head	13	12/10/2020	\$ 138.77	99.41 %	139.597	5.46	4.095	48570	0.039346	1911	1433

Indemnity Calculation

Coverage Price	@99%	\$138.70
Actual Ending Value		<u>\$133.70</u>
Loss / cwt		\$ 5.00

50 head x 7 cwt per head = 350 cwt

350 cwt x 5.00 loss/cwt = \$1750.00

Pay To The Order of: Ann



Indemnity after Premium \$317 or \$6.34 head



What If I Do Not Sell By End of SCE?

➤ Feeder Cattle

- Indicate why the cattle have not been sold on claim form.

➤ Fed Cattle

- Must be sold within 60 days after end of SCE.
(maximum time to submit a claim)

➤ Verifiable Records of Sale or Ownership are Required.

- Retain records for three years.

What if Ann's Cost are more than market offerings?

- Highest Coverage is \$138.77 and my costs/break even is \$140?
- Options to watch market, set a floor that is close and at least have \$48,570 worth Liability covered, or leave to chance
- Look at longer contract
- Plan early so not left with short term option

Pasture, Rangeland, Forage PRF

- Insures against a widespread loss of production of insured crop (Grazing & Haying)
- Coverage based on grids
- Losses paid when the grid's trigger index falls below the producer's trigger grid index



PRF Grid Example

162 Fairground Rd
Grafton, WV



Coverage Levels

- Coverage levels: 70%, 75%, 80%, 90%
- Productivity factors from 60% to 150% (in 1% increments) may be selected
- Producers can select different coverage levels and protection factors for each insured crop type in a county



PRF Important reminders

- The insurance coverage is for a single peril, lack of precipitation.
- Coverage is based on a historical experience of the grid, **not individual farms** or specific weather stations.



PRF Loss Payments

- Indemnities are based on the deviation from normal for each grid
- A payment will be triggered only if the final grid index for the insured unit is less than the grower's trigger grid index

PRF Decision Support Tool

<https://prodwebnlb.rma.usda.gov/ap>



Benefits of PRF?

Coverage is subsidized 51-59%

Can insure grazing or haying, irrigated/non

Can provide income to offset loss of forage production due to drought conditions.



Multiple Peril Crop Insurance

Causes of Loss

- **Adverse weather conditions**
- **Fire** (natural cause such as lightning)
- **Insects & disease** (must use proper control measures)
- **Wildlife**
- **Failure of irrigation system** (must be due to one of the above - does not cover failure of equipment)
- **Price decline** – with revenue protection

Key Questions

- What are the primary perils to which commodities are exposed?
- How much risk exposure do you have? \$ _____
- What do you want your protection to do (when disasters happen):
 - Cover your production costs? \$ _____
 - Replace livestock feed?
- How much deductible can be afforded or self-insured?
- How much premium can be cash-flowed in the operating budget?



Key Questions Farm Policy

- What coverage is currently provided and limits?
- What coverage can be added? Mortality, transport (self & others and when start), business interruption
- Specific short-term insurance options? Protection for specific event, date
- FSA- Disaster options for livestock or specialty crops?

Record Keeping

- This is the most important issue if you have a crop insurance policy.
- Good records make everything run smoothly.



Jason Wisecarver
Crop Insurance Specialist
jwisecarver@mafc.com

888.339.3334

www.farmcreditcropinsurance.com



FARM CREDIT

Lending support to rural America™

Disclosure

➤ USDA is an equal opportunity provider, employer and lender. To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, 1400 Independence Ave SW, Washington, DC 20250-9410 or call (866)632-9992 (Toll Free Customer Service), (800)877-8339 (Local or Federal relay), (866)377-8642 (Relay voice users)