



Livestock Risk Protection (LRP)

A New Price Risk Management Tool for Livestock Producers

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January 24, 2018

NDSU EXTENSION
SERVICE

LRP – revenue insurance program that is reinsured and subsidized by the Federal Crop Insurance Corporation (FCIC)

- 2001: pilot program for swine
- 2003: feeder and fed cattle in selected states
- 2004: all 3 available in North Dakota
- 2007: lamb LRP available in North Dakota

LRP

- Insures against price declines
- Similar to put options
- 13% of premium is subsidized
- Livestock (crop) insurance agents do not have to offer
- List of approved agents at:

www3.rma.usda.gov/apps/agents/index.cfm

Beginning Farmer

- 23% premium subsidy
- 5 yr. or less actively farming
- Does not include years when
 - under 18
 - full time military
 - post-secondary education

Livestock Price and Production Patterns

1. Seasonal
2. Cycle
3. Long term
4. Unexpected

Exports

Drought

2018?

TPP

Corn Prices

Consumer Demand

Competing Meats

NAFTA

MAR FDR CAT



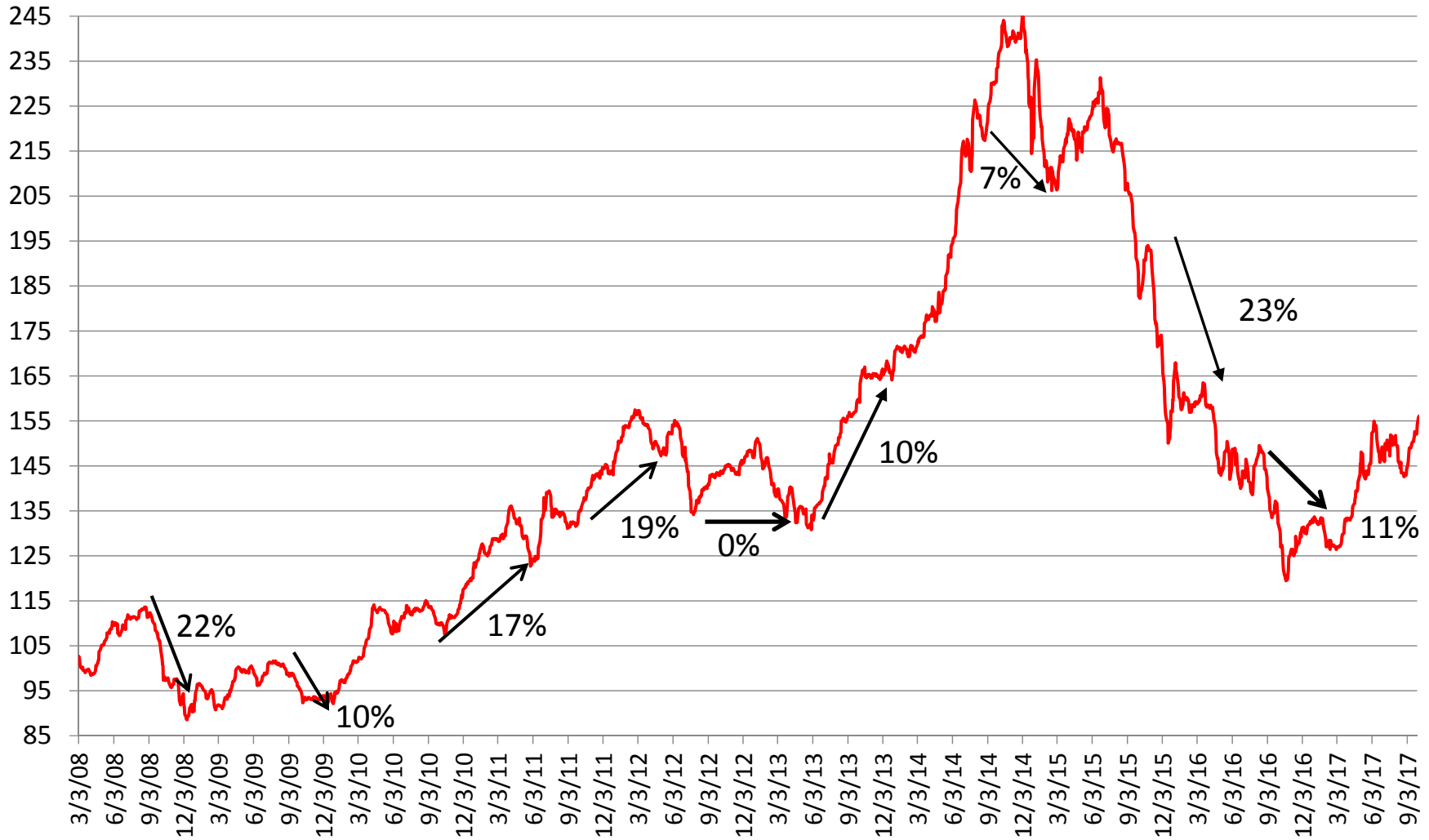
LRP

- Feeder Cattle (beef, dairy, Brahman)
 - Under 600 lbs
 - Steers or heifers
 - 600 to 900 lbs.
 - Steers or heifers
- Fed cattle
- Hogs
- Lambs

LRP – Feeder Cattle

- Based on Chicago Mercantile Exchange (CME) feeder cattle price index which is available at www.cmegroup.com
- 700 to 899 lb., M & L #1, feeder steers at markets reported by USDA-AMS
- Same “basis” considerations as futures and options

CME Feeder Cattle Index



CME Index and LRP

| | Beef Steers | Beef Heifers | Brahman | Dairy |
|---------------|-------------|--------------|---------|-------|
| Under 600 lbs | 110% | 100% | 100% | 85% |
| 600-900 lbs | 100% | 90% | 90% | 80% |

N.D. Feeder Cattle Basis “Rule of Thumb”

- E to W along I-94
- Highway 2 deduct \$2 to \$4

800 lb. M&L1 Steers = Par

SF_LS796

Sioux Falls, SD

Fri Jan 19, 2018

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Jan 20, 2018

Receipts: 11,077

Last Week 14,301

Last Year 21,976

Feeder Steers Medium and Large 1

| Head | Wt Range | Avg Wt | Price Range | Avg Price | |
|------|----------|--------|---------------|-----------|--------|
| 5 | 382 | 382 | 219.00 | 219.00 | |
| 47 | 404-441 | 423 | 200.00-215.00 | 209.18 | |
| 91 | 463-497 | 488 | 188.00-205.00 | 200.43 | |
| 115 | 518-545 | 527 | 175.50-203.00 | 195.57 | |
| 442 | 551-593 | 575 | 170.50-192.50 | 182.91 | |
| 334 | 600-647 | 628 | 157.00-183.00 | 172.10 | |
| 726 | 653-699 | 677 | 152.50-171.00 | 163.68 | |
| 22 | 680-685 | 683 | 147.50-151.00 | 149.89 | Calves |
| 5 | 673 | 673 | 149.00 | 149.00 | Fleshy |
| 719 | 702-749 | 727 | 142.00-167.50 | 156.70 | |
| 910 | 752-796 | 775 | 143.00-156.00 | 151.00 | |
| 624 | 806-849 | 833 | 145.50-151.50 | 148.15 | |
| 694 | 850-894 | 875 | 135.00-147.25 | 144.90 | |
| 202 | 906-942 | 920 | 140.00-145.00 | 142.58 | |
| 174 | 954-973 | 961 | 120.00-140.50 | 138.33 | |

Insurance Period

Policies may be available for the following weekly lengths:

13, 17, 21, 26, 30, 34, 39, 43, 47, 52

Policy Size

- Any # up to 1,000 head per Specific Coverage Endorsement (SCE)
- 2,000 maximum per year (July 1 – June 30)

Actuarials

Coverage prices and rates change daily and are posted on the USDA Risk Management Agency (RMA) web site.

www3.rma.usda.gov/apps/livestock_reports/main.aspx

Coverage levels will range from 70 to 100 percent of expected price

Indemnity

- Payment based on difference between COVERAGE PRICE (CP) and CME CASH SETTLEMENT PRICE (CS)

$$\text{CP} = \$130/\text{cwt}$$

$$\text{CS} = \$125$$

$$\$ 5/\text{cwt payment}$$

- Producers must submit 04-LRP-Claim Form within 60 days of end of contract

Fall Steer Calf LRP Results

July 15 to Nov 15 (17 wk)

| Year | Coverage Price | Premium | Actual Price | LRP Payment | LRP Profit |
|------|----------------|---------|--------------|-------------|------------|
| 2005 | 105.78 | 1.67 | 127.75 | -- | -1.67 |
| 2006 | 114.42 | 1.49 | 107.55 | 6.87 | 5.38 |
| 2007 | 123.20 | 2.58 | 119.27 | 3.93 | 1.35 |
| 2008 | 127.38 | 5.46 | 107.37 | 20.01 | 14.55 |
| 2009 | 112.18 | 3.73 | 102.94 | 9.24 | 5.51 |
| 2010 | 121.02 | 2.88 | 122.61 | -- | -2.88 |
| 2011 | 149.57 | 5.00 | 156.92 | -- | -5.00 |
| 2012 | 155.75 | 4.00 | 158.33 | -- | -4.00 |
| 2013 | 171.29 | 3.13 | 181.97 | -- | -3.13 |
| 2014 | 231.16 | 7.25 | 264.95 | -- | -7.25 |
| 2015 | 229 | 7.17 | 199.41 | 29.59 | 22.42 |
| 2016 | 145.46 | 4.97 | 137.92 | 7.54 | 2.57 |
| 2017 | 165.04 | 8.20 | 175.42 | | -8.20 |

SF_LS764

Sioux Falls, SD

Thu Nov 16, 2017

USDA-ND Dept of Ag Market News

Napoleon Livestock Auction Inc.-Napoleon, ND

Feeder Cattle Weighted Average Report for 11/16/2017

Receipts: 5297

Last Week: 6255

Year Ago: 5298

Feeder Steers Medium and Large 1

| Head | Wt Range | Avg Wt | Price Range | Avg Price | |
|------|----------|--------|---------------|-----------|--------|
| 5 | 315 | 315 | 225.00 | 225.00 | |
| 30 | 381-397 | 388 | 209.00-213.00 | 211.23 | |
| 75 | 407-449 | 433 | 192.00-207.75 | 197.20 | |
| 16 | 420 | 420 | 216.00 | 216.00 | Fancy |
| 69 | 451-483 | 466 | 186.50-195.00 | 191.23 | |
| 421 | 515-549 | 533 | 171.50-189.00 | 178.72 | |
| 418 | 550-599 | 581 | 167.00-180.00 | 173.53 | |
| 363 | 600-644 | 620 | 159.50-174.00 | 168.21 | Calves |
| 419 | 652-697 | 676 | 154.00-164.75 | 161.54 | Calves |
| 396 | 703-745 | 717 | 151.00-165.75 | 160.02 | Calves |
| 52 | 786-794 | 793 | 155.00-164.25 | 163.19 | Calves |
| 28 | 811-824 | 818 | 157.00 | 157.00 | Calves |
| 8 | 883 | 883 | 151.50 | 151.50 | |
| 18 | 871-874 | 872 | 147.50-148.50 | 147.83 | Calves |

SF_LS766

Sioux Falls, SD

Thu Nov 17, 2016

USDA-ND Dept of Ag Market News

Stockmans Livestock Exchange

Feeder Cattle Weighted Average Report for 11/17/2016

Receipts: 4879

Last Week: 4922

Year Ago: 3841

Feeder Steers Medium and Large 1

| Head | Wt Range | Avg Wt | Price Range | Avg Price | |
|------|----------|--------|---------------|-----------|--------|
| 9 | 388 | 388 | 181.00 | 181.00 | |
| 27 | 405-416 | 415 | 182.00-191.25 | 190.25 | |
| 197 | 462-492 | 476 | 150.50-166.25 | 158.65 | |
| 313 | 502-548 | 524 | 142.50-156.75 | 150.11 | |
| 405 | 551-591 | 577 | 132.75-143.50 | 137.20 | |
| 412 | 602-646 | 623 | 127.25-134.75 | 132.04 | Calves |
| 505 | 650-695 | 671 | 125.00-136.75 | 130.28 | Calves |
| 163 | 700-730 | 714 | 119.00-128.75 | 125.14 | Calves |
| 48 | 752-767 | 764 | 115.00-118.25 | 117.91 | Calves |

SF_LS766

Sioux Falls, SD Thu Nov 12, 2015 USDA-ND Dept of Ag Market News

Stockmans Livestock Exchange

Feeder Cattle Weighted Average Report for 11/12/2015

Receipts: 4101 Last Week: 4762 Year Ago: 4553

Feeder Steers Medium and Large 1

| Head | Wt Range | Avg Wt | Price Range | Avg Price | |
|------|----------|--------|---------------|-----------|--------|
| 7 | 308-334 | 323 | 286.00-287.00 | 286.41 | |
| 18 | 364-375 | 368 | 259.00-283.00 | 268.43 | |
| 114 | 406-449 | 424 | 226.00-257.00 | 247.26 | |
| 185 | 455-494 | 485 | 211.00-228.00 | 221.86 | |
| 291 | 501-549 | 528 | 205.00-228.00 | 214.01 | |
| 350 | 551-586 | 575 | 190.00-208.00 | 199.41 | |
| 431 | 613-647 | 628 | 183.00-202.25 | 194.37 | Calves |
| 309 | 652-697 | 674 | 180.00-194.50 | 186.53 | Calves |
| 30 | 727 | 727 | 181.50 | 181.50 | Calves |

Backgrounding Steer LRP Results

Aug 25 to Jan 20 (21 wk)

| Year | Coverage Price | Premium | Actual Price | LRP Payment | LRP Profit |
|---------|----------------|---------|--------------|-------------|------------|
| 2007-08 | 116.05 | 3.70 | 97.16 | 18.89 | 15.19 |
| 2008-09 | 106.01 | 3.23 | 95.14 | 10.87 | 7.64 |
| 2009-10 | 99.98 | 2.82 | 97.46 | 2.52 | -.30 |
| 2010-11 | 116.01 | 3.56 | 127.27 | 0 | -3.56 |
| 2011-12 | 129.91 | 3.72 | 150.39 | -- | -3.72 |
| 2012-13 | 143.89 | 2.96 | 146.88 | -- | -2.96 |
| 2013-14 | 154.02 | 3.09 | 170.49 | -- | -3.09 |
| 2014-15 | 204.10 | 7.17 | 221.87 | -- | -7.17 |
| 2015-16 | 188.09 | 7.29 | 159.40 | 28.69 | 21.40 |
| 2016-17 | 130.04 | 5.89 | 133.28 | | -5.89 |
| 2017-18 | 140.02 | 8.04 | | | |

CME Index – 132.03

SF_LS796

Sioux Falls, SD

Fri Jan 20, 2017

USDA-ND Dept of Ag Market News

North Dakota Weekly Auction Summary - For the week ending Jan 21, 2017

Receipts: 21,976

Last Week 15,867

Last Year 12,153

Results of: Kist, Napoleon, Stockmen's, and West Fargo

Feeder Steers Medium and Large 1

| Head | Wt Range | Avg Wt | Price Range | Avg Price | |
|------|----------|--------|---------------|-----------|--------|
| 38 | 405-446 | 436 | 161.50-176.00 | 165.50 | |
| 109 | 454-495 | 478 | 156.50-172.00 | 163.73 | |
| 31 | 477 | 477 | 176.00 | 176.00 | Fancy |
| 357 | 502-547 | 530 | 156.00-172.25 | 165.42 | |
| 638 | 551-597 | 570 | 148.00-164.00 | 155.98 | |
| 976 | 600-649 | 627 | 138.50-155.50 | 149.14 | |
| 20 | 625 | 625 | 137.50 | 137.50 | Calves |
| 14 | 628 | 628 | 138.00 | 138.00 | Fleshy |
| 1599 | 651-699 | 671 | 132.75-149.50 | 142.90 | |
| 1905 | 700-749 | 723 | 131.50-142.00 | 137.46 | |
| 14 | 707-736 | 726 | 126.00-127.50 | 126.98 | Fleshy |
| 1119 | 751-798 | 771 | 123.00-138.25 | 134.51 | |
| 5 | 757 | 757 | 114.00 | 114.00 | Fleshy |
| 875 | 800-846 | 821 | 126.00-136.75 | 130.88 | |
| 380 | 850-899 | 871 | 124.00-133.00 | 129.48 | |
| 91 | 900-948 | 920 | 126.00-131.00 | 128.20 | |
| 21 | 900-927 | 922 | 117.00-122.50 | 121.48 | Fleshy |
| 34 | 960-965 | 961 | 122.00-126.75 | 126.19 | |
| 19 | 994-998 | 997 | 120.50-124.00 | 122.71 | Fleshy |

Fed Cattle (Steers or Heifers)

- 1000 – 1400 lb., Select or higher, YG 1-3
- Based on 5-area weighted average 35 to 65 percent choice steer price

www.ams.usda.gov/mnreports/lm_150.txt

- Released each Monday morning
- Any # up to 2000 head per SCE
4000 maximum per year

LM_CT150

St. Joseph, MO

Mon Jan 22, 2018

USDA Market News Service

5 AREA WEEKLY WEIGHTED AVERAGE DIRECT SLAUGHTER CATTLE

Texas/Oklahoma/New Mexico; Kansas; Nebraska; Colorado; Iowa/Minnesota feedlots
(Includes all transactions regardless of delivery day)

For: Week Ending Sunday, 1/21/2018

Confirmed: 85,151

Week Ago: 93,313

Year Ago: 107,723

LIVE FOB BASIS - Beef Breeds

| | Head count | Weight Range | Price Range | Avg Weight | Wtd Avg Price |
|------------------|---------------|-----------------|----------------|---------------|------------------|
| STEERS | | | | | |
| Over 80% Choice | 13,915 | 1,350-1,640 | 120.00-125.50 | 1,505 | 122.90 |
| 65 - 80% Choice | 8,676 | 1,260-1,585 | 119.75-123.50 | 1,433 | 122.86 |
| 35 - 65% Choice | 3,537 | 1,180-1,575 | 121.00-123.50 | 1,346 | 122.89 |
| 0 - 35% Choice | | - | - | | |
| Total all grades | 26,128 | 1,180-1,640 | 119.75-125.50 | 1,460 | 122.89 |
| HEIFERS | | | | | |
| Over 80% Choice | 11,142 | 1,235-1,550 | 121.00-125.00 | 1,359 | 122.73 |
| 65 - 80% Choice | 4,418 | 1,100-1,400 | 122.00-123.00 | 1,271 | 122.93 |
| 35 - 65% Choice | 1,742 | 1,080-1,375 | 118.00-123.50 | 1,260 | 122.82 |
| 0 - 35% Choice | | - | - | | |
| Total all grades | 17,302 | 1,080-1,550 | 118.00-125.00 | 1,326 | 122.79 |

Cattle LRP Timetable

| MARKET CLASS | MARKET DATE | LRP CONTRACT | | | |
|--------------|-------------|--------------|-----|-----|-----|
| | | 13 | 17 | 21 | 26 |
| Under 600 | Nov 15 | AUG | JUL | JUN | MAY |
| Over 600 | Feb 15 | NOV | OCT | SEP | AUG |
| Fed | May 15 | FEB | JAN | DEC | NOV |

LRP

Advantages

- Small numbers can be hedged
- ↑600, ↓600, heifers, dairy
- Premium subsidized 13 percent
- No brokerage or margin
- Receive higher prices in bull market
- Available in months where no futures/options
- All coverage prices available daily

Disadvantages

- Not “flexible” like futures and options
- Must own the livestock
- 10 percent rule for calves and heifers

Steps to LRP

1. Submit eligibility application form with insurance agent
2. Select a SCE (coverage prices and premiums are available after 3 p.m. (CST) except holidays)
 1. Number of head
 2. Policy length closest to marketing date
 3. Estimated average market weight
 4. Choose coverage price
3. Pay premium to agent
4. Agent submits SCE form electronically (hours are between 3 p.m. and 9 a.m. (CST), Tues-Sat only)

Volatile Prices – Price Risk Management? Questions!

