Livestock Risk Protection Insurance Education

The Situation
Prices for most market classes of livestock raised in ND have been volatile and generally declined in 2016 due to increasing US inventory and record high meat production. For example, 550 lb. steer calf prices in ND averaged $190 per hundredweight (cwt.) at their seasonal high in April and declined to the seasonal low in $125 in October. Market lamb prices that averaged about $160/cwt. in mid-summer, but fell to about $130 in mid-October. So, marketing plans with price risk management strategies would have been beneficial.

A relatively new price risk management tool available to livestock producers is livestock risk protection (LRP) insurance offered by the USDA Risk Management Agency (RMA). LRP contracts are available for both under and over 600 lb. beef steers and heifers, dairy calves, fed steers and heifers, hogs, and lambs. No minimum number is required and producers choose the animal market weights to be insured.

Extension Response
Three Powerpoint® presentations – one each for all livestock, cattle, and lambs – were prepared and are available on the livestock economics website at: www.ag.ndsu.edu/livestockeconomics/presentations

Many presentations were made to livestock producers, marketing clubs, agribusiness groups, NDSU classes; and as “in service” to Extension Agents, ND Farm Business Management Instructors and marketing club facilitators.

Impacts
For the 2016 insurance year (July 1, 2015 to June 30, 2016), 6,053 feeder cattle were insured in ND with $585,624 indemnity payments and $8,674,542 received by US feeder cattle producers. For the 2017 insurance year, ND producers already have insured 3567 feeder cattle and have received $160,923 indemnity payments. Some ND cow-calf producers received $20-$30/ cwt. indemnity payments for calves sold in 2016. So, financial impact to the state and region has been significant.

Feedback
Examples of comments on evaluations from meeting attendees:
- LRP contracts added $17/cwt. to my fall calves
- LRP will allow me to learn about price risk management without investing huge dollars
- I will advise my client borrowers about the potential benefits of using LRP
- Thank you for informing me that beginning producers can receive a 23 percent premium subsidy.
- I am a small producer so LRP will allow me to develop a price risk management element to my marketing plan

Public Value Statement
Very few Extension livestock marketing economists are knowledgeable about Lamb-LRP, so my programming is being used nationwide. I was asked by the Livestock Marketing Information Center and American Sheep Industry Association to be on a select committee to evaluate Lamb-LRP and submit proposed changes to RMA that could improve it and make it a more effective price risk management tool. An effective Lamb-LRP program is very important to the sheep industry because there is no futures and options market as well as other viable risk management tools available.

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