Livestock Risk Protection (LRP)
A New Price Risk Management Tool for Lamb Producers

Tim Petry, Livestock Economist
http://www.ndsu.edu/livestockeconomics

8/04/2017
LRP – revenue insurance program that is reinsured and subsidized by the Federal Crop Insurance Corporation (FCIC)

- Sep. 17, 2007: lamb LRP available in North Dakota and selected states
- April 24, 2017: sales resumed after revisions were made
LRP – Lamb

- A price risk management tool designed to insure against market lamb price declines
- Sold by livestock (crop) insurance agents
- Agents do **not** have to sell it
- List of approved agents at: www3.rma.usda.gov/apps/agents/index.cfm
LRP - Lamb

- Producers must submit a one-time application for approval
- Then, Specific Coverage Endorsements (SCE) may be purchased
- 1 to 2,000 lambs per SCE
- Maximum 28,000 head per crop year (July 1 – June 30)
- Available Mondays from 10 am – 7 pm CST (Tuesday after Monday federal holiday)
Producers select coverage prices ranging from 80 to 95 percent of the expected ending value
  ◦ If expected ending value is $170/cwt
    - 95% = 161.50
    - 90% = 153
    - 85% = 144.50
    - 80% = 136

Average final market weight for the lot must be estimated and must be between 50 lbs (.5 cwt) and 150 lbs (1.5 cwt)
Choose among three endorsement periods (maturity dates). Pick the closest date that corresponds to actual marketing date

- 13, 26, or 39 weeks

i.e. July 31 purchase date
13 = Oct 30
26 = Jan 29
39 = Apr 30
Lambs do not have to be sold on maturity date, BUT, lambs must be owned until 30 days before the maturity date.

The actual price received and the actual sales weight of lambs does not affect LRP.
Premium Subsidy

- Producers receive a premium subsidy
  - 13 weeks @ 20%
  - 26 weeks @ 35%
  - 39 weeks @ 38%
- RMA pays subsidy to insurance agent
Beginning Farmer

- 10% additional premium subsidy
- 5 yr. or less actively farming
- Does not include years when
  - under 18
  - full time military
  - post-secondary education
Premiums

- Rate set each Monday by USDA
- Higher coverage prices and later dates will have higher rates
- Coverage price x lamb weight (cwt) x # of head x rate – subsidy = total premium

Example
$150 \times 1.3 \times 50 \times 0.02 - .20 = $156.00

3.12/hd
2.40/cwt
### Coverage Prices, Rates and Coverage Levels

<table>
<thead>
<tr>
<th>State</th>
<th>County</th>
<th>Endorsement Length</th>
<th>Commodity</th>
<th>Type</th>
<th>Practice</th>
<th>Crop Year</th>
<th>Exp. End Value</th>
<th>Coverage Price</th>
<th>Coverage Level</th>
<th>Rate</th>
<th>Cost Per CWT</th>
<th>End Date</th>
<th>Actual End Value</th>
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<td>997 No Practice Specified</td>
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* Expected ending values are forecasts of lamb cash prices of the policy ending dates based on a statistical model.

** Cost/Cwt is subsidized 20, 35, or 38 percent from amount shown.

www3.rma.usda.gov/apps/livestock_reports
Preliminary Coverage Prices

- Preliminary coverage prices and rates **MAY** be available for viewing late Friday afternoon. But are subject to change until the actual rates become available at 10 am Monday morning.
- Preliminary prices are available on the ASI website: [www.sheepusa.org/IssuesPrograms_Programs_Lrplamb](http://www.sheepusa.org/IssuesPrograms_Programs_Lrplamb)

**PRELIMINARY LRP-LAMB COVERAGE PRICES AND RATES**

**Not available for sale until Official Coverage Prices and Rates are released Monday by RMA**

<table>
<thead>
<tr>
<th>Endorsement Length</th>
<th>Crop Year</th>
<th>Expected End Value</th>
<th>Coverage Price</th>
<th>Coverage Level</th>
<th>Rate</th>
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LRP - Lamb

- Actual End Values (AEV) are based on lamb prices from USDA Agricultural Marketing Service (AMS) report LM352: National Weekly Slaughter Sheep Review (issued each Friday at 3 p.m. CST)

[www.ams.usda.gov/mnreports/lm_lm352.txt](http://www.ams.usda.gov/mnreports/lm_lm352.txt)
National Weekly Slaughter Sheep Review for w/e Friday, July 28, 2017

Compared to last week, negotiated purchases not reportable due to confidentiality.

Negotiated Purchases:
This Week: *Confidentiality*     Last Week: 4800     Last Year: 5000

Domestic Slaughter Lambs
Choice and Prime:

<table>
<thead>
<tr>
<th>Live Purchases:</th>
<th>Weight Range</th>
<th>Price Range</th>
<th>Wtd Avg Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wooled and Shorn</td>
<td><em>Price not reported due to confidentiality</em></td>
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</table>

Formula Purchases:
Formula Prices established for previously slaughtered lambs (carcass basis)

Domestic

<table>
<thead>
<tr>
<th>Weighted Average Weight:</th>
<th>87.8 lbs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average Net Price:</td>
<td>337.47</td>
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<tr>
<td>Wtd Average Dressing Percent:</td>
<td>50.59</td>
</tr>
</tbody>
</table>

Source: USDA Market News Service, St. Joseph, MO
816-676-7000    stjoe.lpgmn@usda.gov
www.ams.usda.gov/market-news/livestock-poultry-grain

1500c   staff
The Actual Ending Value is 5 wk ave. of calculated formula live price

Weighted Average Net Price: $337.47
(times)
Weighted Average Dressing Percent: .5096
calculated formula live $170.73
Plus 4 previous weeks 170.30
170.99
179.27
169.84
Add and divide by 5 861.13/5
AEV = 172.23
Indemnity

- Payment based on difference between COVERAGE PRICE (CP) AND AEV

\[
\begin{align*}
CP & = $150/\text{cwt} & CP & = 150 \\
AEV & = $145 & AEV & = 155 \\
$5/\text{cwt payment} & & \text{expires worthless}
\end{align*}
\]

- Producers must submit LRP Claim Form within 60 days of end of contract
SLAUGHTER LAMB PRICES - 2016
Wooled, 110-130 lbs, Sioux Falls, Weekly
Calculated Formula Live, Weekly

$ Per Cwt.

Data Source: USDA-AMS
Livestock Marketing Information Center
SLAUGHTER LAMB PRICES - 2017
Wooled, 110-130 lbs, Sioux Falls, Weekly Calculated Formula Live, Weekly

Data Source: USDA-AMS
Livestock Marketing Information Center
Data Source: USDA-AMS, Livestock Marketing Information Center
## Spring (Pre-holiday) Lamb LRP Results
### Dec 20 to Mar 20 (13 wk)

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage Price</th>
<th>Premium</th>
<th>Actual Price</th>
<th>LRP Payment</th>
<th>LRP Profit</th>
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<tbody>
<tr>
<td>2007-08</td>
<td>105.19</td>
<td>1.83</td>
<td>93.37</td>
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<td>2.04</td>
<td>91.88</td>
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<td>13.40</td>
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Steps to LRP

1. Submit eligibility application form with insurance agent
2. Select a SCE (coverage prices and premiums are available after 10 a.m. on Monday)
   1. Number of head
   2. Policy length closest to marketing weight
   3. Estimated average market weight
   4. Choose coverage price
3. Pay premium to agent
4. Agent submits SCE form electronically (hours are between 10 a.m. and 7 p.m. (CST) Monday only) (Tuesday after Monday Federal Holiday)
5. On maturity date compare coverage price with actual ending price
Questions?