

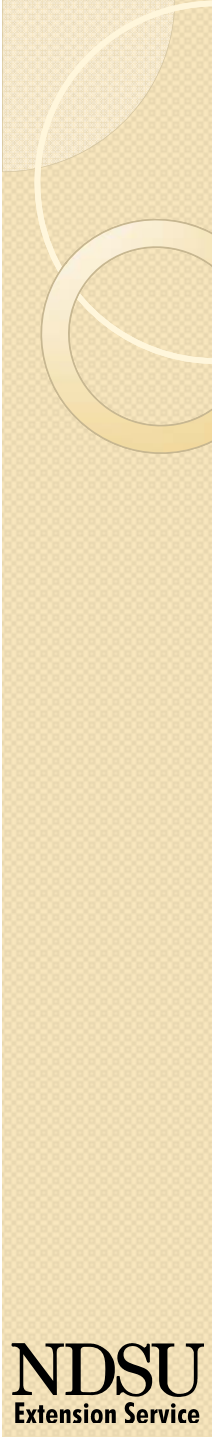
Livestock Risk Protection (LRP)

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)

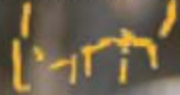
- Sep. 17, 2007: lamb LRP available in North Dakota and selected states
- April 24, 2017: sales resumed after revisions were made

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



ASI's Insurance Agency



FOOD & FIBER RISK MANAGERS

FFRM is a wholly owned subsidiary of ASI



Burdell Johnson
www.fafm.com
bjohnson@fafm.com
Office: 701.867.9160
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208 Main St N.
P.O. Box 6
Tuttle, North Dakota
58488

[LRP Lamb Rates](#)

[Ending value prices](#)

[LRP Basic application](#)

[LRP Specific Coverage](#)

[LRP Substantial Beneficial](#)

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

Current AEV = \$172.33

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	Your Cost
38 North Dakota	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	173.250	\$164.588	0.950000	0.020530	3.379	10/30/2017		2.70
38 North Dakota	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	173.250	\$155.925	0.900000	0.008510	1.327	10/30/2017		1.06
38 North Dakota	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	173.250	\$147.263	0.850000	0.002900	0.427	10/30/2017		.33
38 North Dakota	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	173.250	\$138.600	0.800000	0.000790	0.109	10/30/2017		.09
38 North Dakota	998 All Counties	26	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	170.890	\$162.346	0.950000	0.043230	7.018	01/29/2018		4.56
38 North Dakota	998 All Counties	26	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	170.890	\$153.801	0.900000	0.026710	4.108	01/29/2018		2.67
38 North Dakota	998 All Counties	26	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	170.890	\$145.257	0.850000	0.015230	2.212	01/29/2018		1.44
38 North Dakota	998 All Counties	26	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	170.890	\$136.712	0.800000	0.007940	1.085	01/29/2018		.71
38 North Dakota	998 All Counties	39	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	158.970	\$151.022	0.950000	0.053650	8.102	04/30/2018		5.02
38 North Dakota	998 All Counties	39	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	158.970	\$143.073	0.900000	0.035830	5.126	04/30/2018		3.18
38 North Dakota	998 All Counties	39	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	158.970	\$135.125	0.850000	0.022430	3.031	04/30/2018		1.88
38 North Dakota	998 All Counties	39	0804 Lamb	997 No Type Specified	997 No Practice Specified	2018	158.970	\$127.176	0.800000	0.013040	1.658	04/30/2018		1.03

* 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.

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

PRELIMINARY LRP-LAMB COVERAGE PRICES AND RATES

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

For RMA Report Date: 7/31/2017

Endorsement Length	Crop Year	Expected End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date
13	2018	\$173.25	\$164.59	0.95	0.02053	\$3.379	10/30/2017
13	2018	\$173.25	\$155.93	0.9	0.00851	\$1.327	10/30/2017
13	2018	\$173.25	\$147.26	0.85	0.00290	\$0.427	10/30/2017
13	2018	\$173.25	\$138.60	0.8	0.00079	\$0.109	10/30/2017
26	2018	\$170.89	\$162.35	0.95	0.04323	\$7.018	1/29/2018
26	2018	\$170.89	\$153.80	0.9	0.02671	\$4.108	1/29/2018
26	2018	\$170.89	\$145.26	0.85	0.01523	\$2.212	1/29/2018
26	2018	\$170.89	\$136.71	0.8	0.00794	\$1.085	1/29/2018
39	2018	\$158.97	\$151.02	0.95	0.05366	\$8.104	5/1/2018
39	2018	\$158.97	\$143.07	0.9	0.03583	\$5.126	5/1/2018
39	2018	\$158.97	\$135.12	0.85	0.02243	\$3.031	5/1/2018
39	2018	\$158.97	\$127.18	0.8	0.01304	\$1.658	5/1/2018

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

LM_LM352

St. Joseph, MO Fri Jul 28, 2017 USDA Market News

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:

Live Purchases:	Weight	Price	Wtd Avg
	Range	Range	Price

Wooled and Shorn	*Price not reported due to confidentiality*		
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Formula Purchases:

Formula Prices established for previously slaughtered lambs (carcass basis)

Domestic

Weighted Average Weight: 87.8 lbs

Weighted Average Net Price: 337.47

Wtd Average Dressing Percent: 50.59

Source: USDA Market News Service, St. Joseph, MO

816-676-7000 stjoe.lpgmn@usda.gov

www.ams.usda.gov/mnreports/LM_LM352.txt

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:	<u>.5096</u>
calculated formula live	\$ 170.73
Plus 4 previous weeks	170.30
	170.99
	179.27
	<u>169.84</u>
Add and divide by 5	861.13/5
AEV =	172.23

Indemnity

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

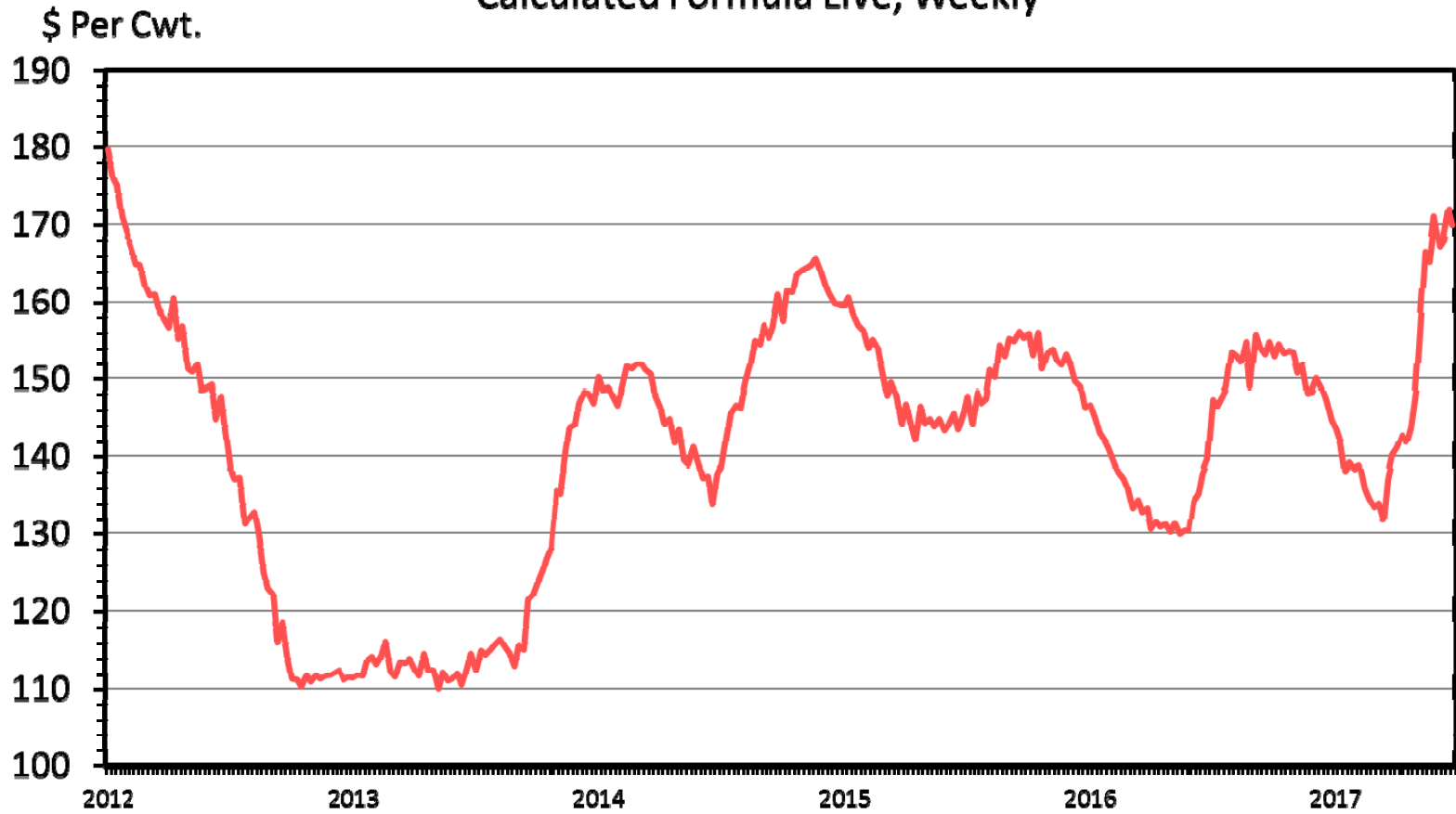
CP = \$150/cwt
AEV = \$145
\$5/cwt payment

CP = 150
AEV = 155
expires worthless

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

SLAUGHTER LAMB PRICES

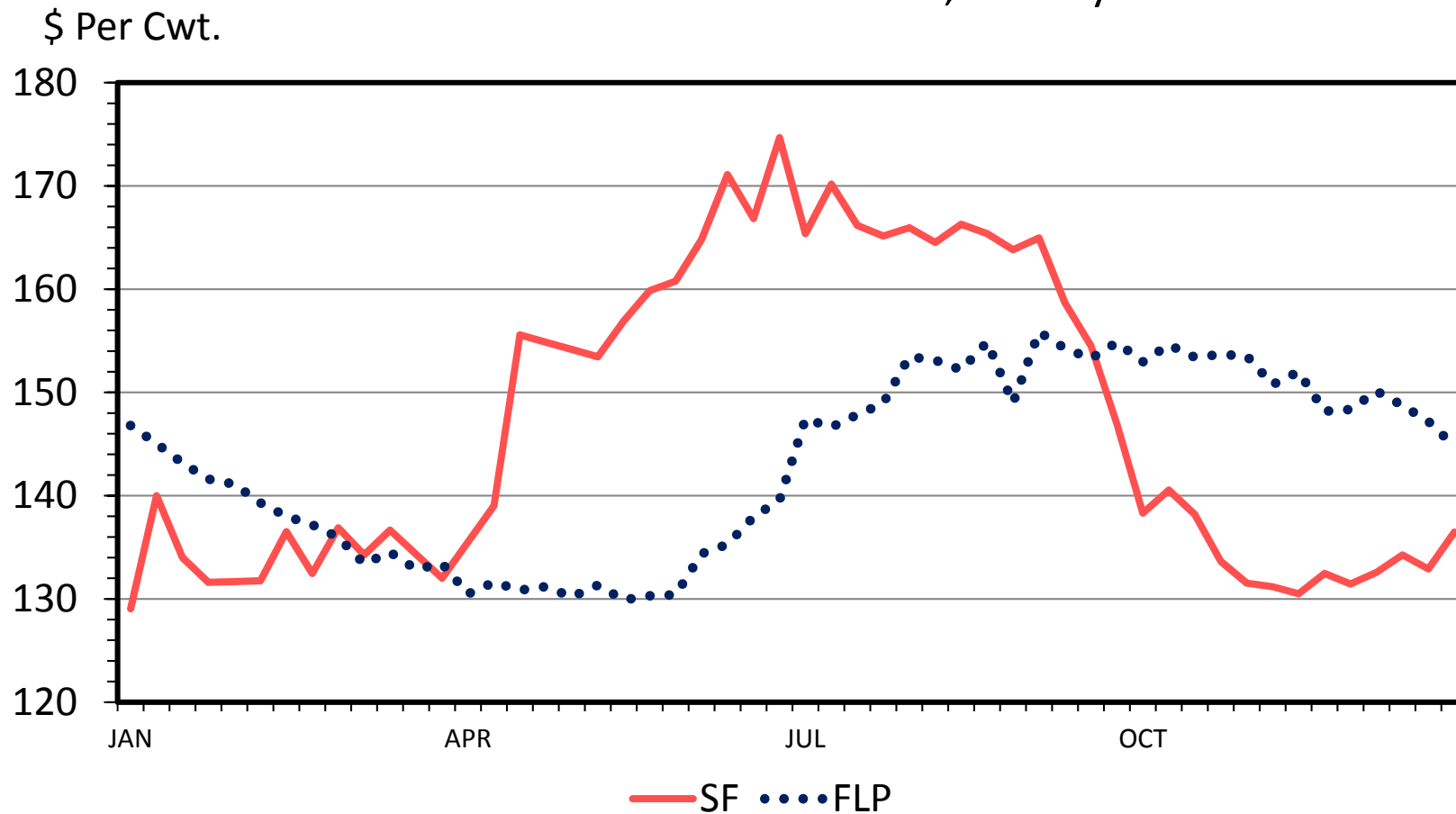
Calculated Formula Live, Weekly



Data Source: USDA-AMS Livestock Marketing Information Center

SLAUGHTER LAMB PRICES - 2016

Wooled, 110-130 lbs, Sioux Falls, Weekly
Calculated Formula Live, Weekly

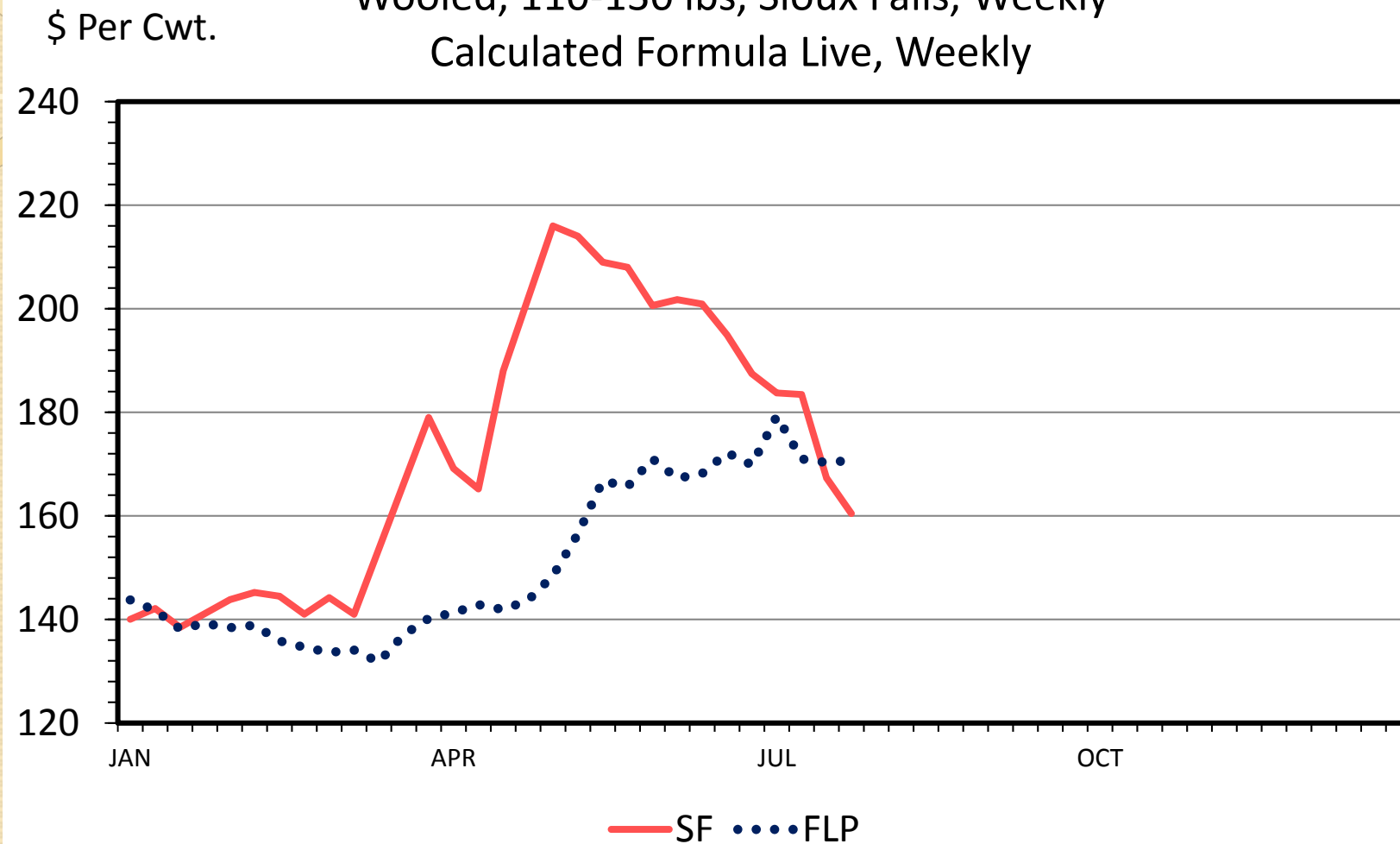


Data Source: USDA-AMS
Livestock Marketing Information Center

S-P-05
05/20/17

SLAUGHTER LAMB PRICES - 2017

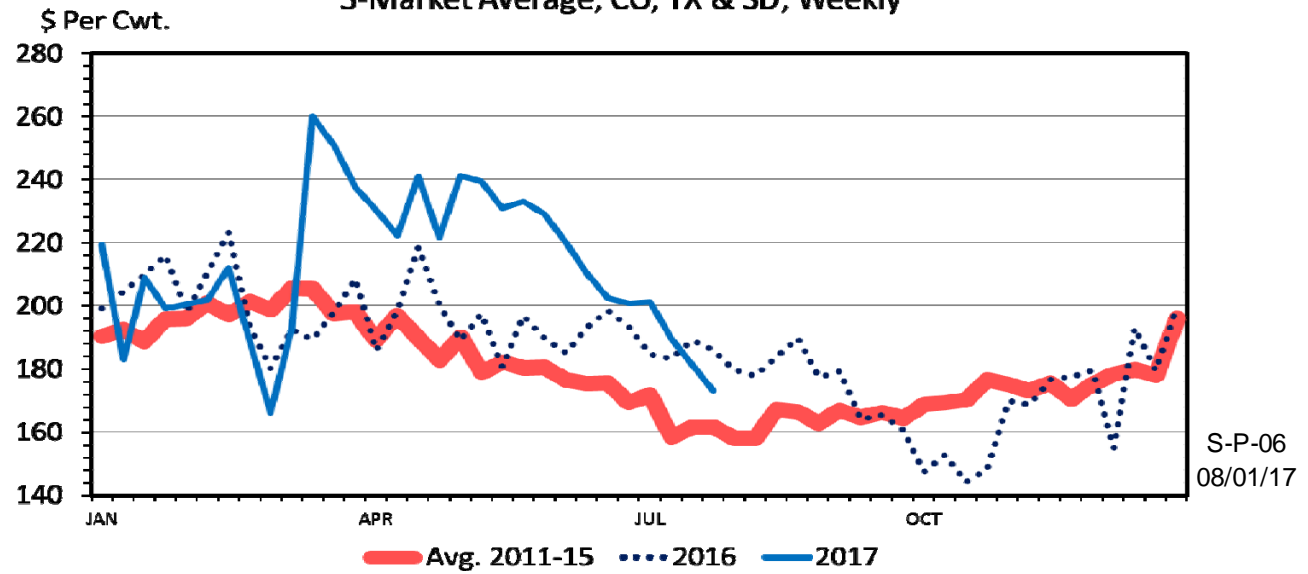
Wooled, 110-130 lbs, Sioux Falls, Weekly
Calculated Formula Live, Weekly



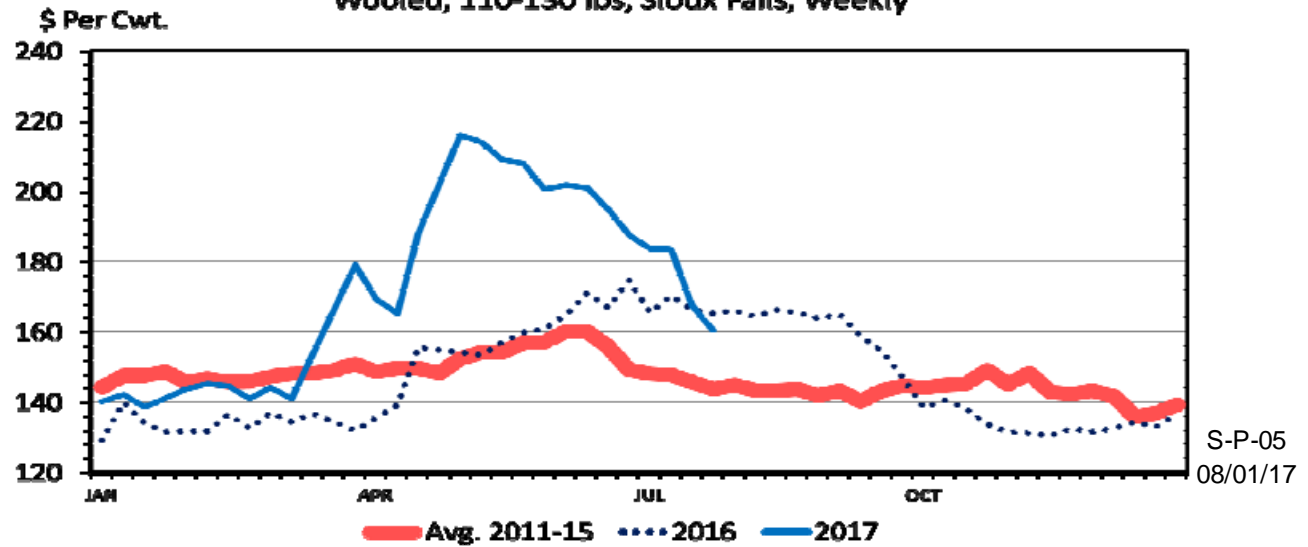
Data Source: USDA-AMS
Livestock Marketing Information Center

S-P-05
05/20/17

FEEDER LAMB PRICES 3-Market Average; CO, TX & SD; Weekly



SLAUGHTER LAMB PRICES Wooled, 110-130 lbs, Sioux Falls, Weekly



Data Source: USDA-AMS, Livestock Marketing Information Center

Spring (Pre-holiday) Lamb LRP Results Dec 20 to Mar 20 (13 wk)

Year	Coverage		Actual	LRP	LRP Profit
	Price	Premium	Price	Payment	
2007-08	105.19	1.83	93.37	11.82	9.99
2008-09	97.70	2.04	91.88	5.82	3.78
2009-10	94.72	1.70	111.65		-1.70
2010-11	124.86	2.24	167.62		-2.24
2011-12	185.67	3.32	161.08	24.59	21.27
2012-13	105.62	2.27	113.52		-2.27
2013-14	161.29	3.47	151.11	10.18	6.71
2014-15	Not offered				
2015-16	Not offered				
2016-17	Not offered				
	Cost	13.40		Return	28.83

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?

