FACT SHEET:
LIVESTOCK REVENUE INSURANCE FOR FEEDER CATTLE

What is livestock revenue insurance?
• Livestock revenue insurance includes insurance products that protect a producer against a decline in revenue reflected in the market.

Types of livestock revenue insurance
• The Risk Management Agency currently has two revenue insurance products that help livestock producers manage market risk:
  1. Livestock Gross Margin (LGM)
  2. Livestock Risk Protection (LRP)
• In addition, Whole Farm Revenue Protection (WFRP) serves as a risk management tool providing coverage for all commodities on the farm, including both crops and livestock.
Livestock Gross Margin (LGM)

Livestock producers have limited tools available to manage price risk. Livestock Gross Margin is one insurance product that helps producers manage their risk, and can be used on any size operation.

What Livestock Gross Margin does not cover—Death or any other losses to the producer’s feeder cattle.

Purpose—Livestock Gross Margin provides protection against the loss of gross margin (market value of livestock minus feeder cattle and feed costs) on feeder cattle. Livestock Gross Margin uses futures prices to determine the expected gross margin and actual gross margin and is not based on the local market.

Eligibility—Producers who own feeder cattle in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin, and Wyoming. The feeder cattle must be both fed and sold for commercial or private slaughter for human consumption in these states.

<table>
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<th>Livestock Gross Margin policies sold in 2018</th>
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<td>Iowa</td>
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<td>Nebraska</td>
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<td>Nationwide</td>
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How does Livestock Gross Margin work?

Purchasing Livestock Gross Margin—There are 12 insurance periods each year, each insurance period lasts 11 months. No cattle can be insured in the first month of an insurance period. Livestock Gross Margin can be purchased at authorized crop insurance agents’ offices.

Coverage—Coverage for feeder cattle begins one full calendar month after the sales closing date—for example: for a sales closing date of Jan. 31, coverage begins March 1.

The contract change date is April 30, and the contract cancellation date is June 30 for all insurance periods.

A producer can insure all feeder cattle expected to market over an 11-month period. For example: if the insurance product is purchased on Jan. 31, the insurance coverage expires Dec. 31.

Indemnity payments—At the end of the 11-month insurance period, producers compare the gross margin guarantee on their policy to their actual gross margin. If their actual gross margin is lower than the gross margin guarantee, they can file for an indemnity payment under their Livestock Gross Margin policy.

For more information:

Livestock Risk Protection (LRP)

Many small- to medium-sized operations do not produce enough livestock to manage price risk with tools such as futures contracts or options, so Livestock Risk Protection offers risk management through insurance. With Livestock Risk Protection, producers have the ability to choose how many head of cattle they insure—anywhere from one cow up to the maximum of 2,000 head of cattle.

What Livestock Gross Margin does not cover—
Death or any other losses to the producer’s feeder cattle.

Purpose—Livestock Risk Protection provides protection against declining livestock prices, if the price drops below the producer’s selected coverage price-level.


How does Livestock Risk Protection work?

Purchasing Livestock Risk Protection—Livestock Risk Protection can be purchased at authorized crop insurance agents’ offices.

Coverage—Coverage for feeder cattle is available for: calves, steers, heifers, predominantly Brahman cattle, or predominantly dairy cattle.

There are two weight ranges of cattle that can be covered:
1. Under 600 lbs.
2. Between 600 to 900 lbs.

Livestock Risk Protection coverage is determined by this formula:
# of livestock to be marketed X market weight X coverage price level

There is an annual limit for feeder cattle, which is 2,000 head/producer/year (July 1 to June 30).

Coverage level options—Range between 70 to 100 percent of expected ending value. The length of insurance coverage available is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

Indemnity payments—At the end of the insurance period, if the actual ending value is less than the coverage price, the producer may file for an indemnity for the difference between the coverage price and the actual ending value.

• Insured value = head of cattle X coverage price X hundredweight (CWT)
• Final price = price at the end of coverage period (13 weeks, 21 weeks, etc.)
• Actual revenue = head of cattle X final price X CWT
• Indemnity = insured value - actual revenue

For more information:
• Livestock Risk Protection insurance policy: rma.usda.gov/-/media/RMAweb/Policies/Livestock-Risk-Protection/2020/LRP-Policy.ashx?la=en
Whole Farm Revenue Protection (WFRP)

Whole Farm Revenue Protection is an insurance product designed for diversified farms with up to $8.5 million in insured revenue, not to exceed $1 million in expected revenue from animals and animal products or nursery products. This insurance product provides coverage to producers who grow commodities (both crops and livestock) that may not be covered by other insurance products.

**Purpose**—Whole Farm Revenue Protection protects against the loss of insured revenue due to an unavoidable natural cause of loss, such as drought or disease, and can also include a decline in market price.

**Eligibility**—Producers in all counties nationwide.

**Purchasing Whole Farm Revenue Protection**—Whole Farm Revenue Protection can be purchased at authorized crop insurance agents’ offices.

| Whole Farm Revenue Protection policies sold in 2018 |
|---------------------------------|------|
| Iowa                            | 20   |
| Nebraska                        | 22   |
| Nationwide                      | 2,537|

*Note: Not all purchased Whole Farm Revenue Protection policies included livestock.*

For more information:
- Center for Rural Affairs Whole Farm Revenue Protection fact sheet: cfra.org/publications/factsheet/WFRP

HOW TO FIND A CROP INSURANCE AGENT:

To find a crop insurance agent, check out the Risk Management Agency's Agent Locator Tool: rma.usda.gov/Information-Tools/Agent-Locator-Page