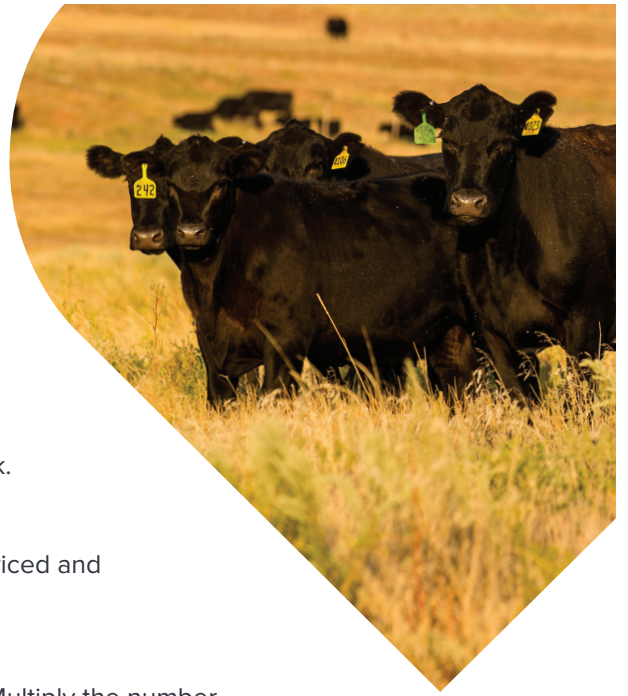


# LIVESTOCK RISK PROTECTION (LRP)



## PROTECT YOUR OPERATION FROM DECLINING LIVESTOCK PRICES WITH LRP INSURANCE

### LRP ELIGIBILITY

Producers in all covered states with an ownership share in eligible livestock.

### LRP PRICES

Coverage prices range from 70% to 100% of daily livestock prices. LRP is priced and available for sale continuously throughout the year.

### DETERMINING COVERAGE FOR LRP

Determine the number of livestock to be marketed and the target weight. Multiply the number of head by the target weight, coverage price and insured share.

### LRP COVERAGE PERIOD AND RESTRICTIONS

Livestock can be insured for various different weekly increments.

### LRP AND LGM

You can have both an LRP and Livestock Gross Margin (LGM) policy, but you can't insure the same class of livestock with the same end month or have the same insured livestock insured under multiple policies.

### LOSS PAYMENTS

- Multiply the number of head by the target hundredweight (cwt).
- Subtract the actual ending value from the coverage price (loss payment due if positive).
- Multiply the target weight times the difference between the actual ending value and the coverage price.
- Multiply by the insured share.
- The price at which livestock is sold does not affect the loss payment.

### BENEFITS OF LRP

- Guaranteed price
  - No bid/ask spread.
- Limited basis risk coverage
  - The aggregate cash price used better reflects actual price received.
- Any number of head can be covered (up to limits)
- Numerous endorsement period options
  - Producer selects the period that fits his/her risk management plan.
- Wider range of target weights than CME
- LRP is an insurance policy
  - LRP may be viewed more favorably by lenders than hedging or speculating (derivative products).

### FEDERAL SUBSIDY RATES

- Subsidy determined by coverage level
- AD-1026 must be on file at FSA to receive subsidy (Conservation Compliance)
- Beginning Farmer Rancher (BFR) and Veteran Farmer Rancher (VFR) benefits apply to LRP

COVERAGE LEVEL	SUBSIDY RATE
95%–100%	35%
90%–94.99%	40%
80%–84.99%	50%
70%–79.99%	55%



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TOPIC	SWINE	FED CATTLE	FEEDER CATTLE
<b>Market</b>	Marketed for slaughter	Marketed for slaughter	Ready to put in feedlot for fattening
<b>Insurable Livestock</b>	Swine that producers expect to have and to market within a range of 1.40 to 2.60 lean cwt target weight (1.89-3.51 live cwt)	Steers and heifers that producers expect to grade select or higher, yield grade of 1 to 3 and to market at 10 to 16 cwt (live weight)	<b>Steers</b> (<6.0 cwt for steers and bulls, 6.0-10.0 cwt for steers only) <b>Heifers</b> (<6.0 cwt and 6.0-10.0 cwt) <b>Dairy Cattle</b> (<6.0 for heifers, steers and bulls and 6.0-10.0 cwt for heifers and steers) <b>Brahman breeds</b> (<6.0 for heifers, steers and bulls and 6.0-10.0 cwt for heifers and steers) <b>Unborn Steers and Heifers</b> (<6.0 cwt) <b>Unborn Brahman breeds</b> (<6.0 cwt) <b>Unborn Dairy Cattle</b> (<6.0 cwt)
<b>Availability</b>	All States	All States	All States
<b>Max. Head Insurable</b>	70,000 per Specific Coverage Endorsement 750,000 per Crop Year	12,000 per Specific Coverage Endorsement 25,000 per Crop Year	12,000 per Specific Coverage Endorsement 25,000 per Crop Year
<b>Insurance Period</b>	<b>Other Swine</b> - 13, 17, 21, 26 or 30 weeks <b>Unborn Swine</b> - 30, 34, 39, 43, 47 or 52 weeks	13, 17, 21, 26, 30, 34, 39, 43, 47 or 52 weeks	13, 17, 21, 26, 30, 34, 39, 43, 47 or 52 weeks
<b>Coverage Level</b>	70-100%	70-100%	70-100%
<b>Subsidy</b>	USDA subsidizes LRP Swine premium from 35% to 55% based on the coverage level.	USDA subsidizes LRP Fed Cattle premium from 35% to 55% based on the coverage level.	USDA subsidizes LRP Feeder Cattle premium from 35% to 55% based on the coverage level.
<b>Actual Ending Value</b>	Agricultural Marketing Service (AMS) Negotiated and Swine or Pork Market Formula Categories	Agricultural Marketing Service (AMS) 5 Area Weekly Weighted Average Direct Slaughter <b>Cattle</b> - Live Basis Sales, Steers, "Over 80% Choice"	Chicago Mercantile Exchange (CME) Feeder Cattle Reported Index multiplied by the Price Adjustment Factor (by type and weight)

## LIVESTOCK RISK PROTECTION WORKSHEET - APPROXIMATE COVERAGE AND PREMIUM

### SWINE ESTIMATE

#### Calculate Insured Value (Coverage)

$$\frac{\text{Number of Head}}{\text{Number of Head}} \times \frac{\text{Targeted Weight at End (cwt/head)}}{\text{Targeted Weight at End (cwt/head)}} \times \frac{\text{Lean Weight Conversion Factor}}{\text{Lean Weight Conversion Factor}} \times \frac{\text{Coverage Price}}{\text{Coverage Price}} \times \frac{\text{Share}}{\text{Share}} = \frac{\text{Coverage (Insured Value)}}{\text{Coverage (Insured Value)}}$$

#### Calculate Premium

$$\frac{\text{Coverage (Insured Value)}}{\text{Coverage (Insured Value)}} \times \frac{\text{Rate (0.XXXXXX)}}{\text{Rate (0.XXXXXX)}} \times \frac{\text{Total Premium}}{\text{Total Premium}} \times \frac{\text{Producer Premium Subsidy Factor}}{\text{Producer Premium Subsidy Factor}} = \frac{\text{Producer Premium}}{\text{Producer Premium}}$$

### CATTLE ESTIMATE

#### Calculate Insured Value (Coverage)

$$\frac{\text{Number of Head}}{\text{Number of Head}} \times \frac{\text{Targeted Weight at End (cwt/head)}}{\text{Targeted Weight at End (cwt/head)}} \times \frac{\text{Coverage Price}}{\text{Coverage Price}} \times \frac{\text{Share}}{\text{Share}} = \frac{\text{Coverage (Insured Value)}}{\text{Coverage (Insured Value)}}$$

#### Calculate Premium

$$\frac{\text{Coverage (Insured Value)}}{\text{Coverage (Insured Value)}} \times \frac{\text{Rate (0.XXXXXX)}}{\text{Rate (0.XXXXXX)}} \times \frac{\text{Total Premium}}{\text{Total Premium}} \times \frac{\text{Producer Premium Subsidy Factor}}{\text{Producer Premium Subsidy Factor}} = \frac{\text{Producer Premium}}{\text{Producer Premium}}$$



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