

Materials Prepared for

**Federation of Southern Cooperatives
Epes, Alabama
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Livestock Risk Protection Insurance

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CAUTION: These materials are for training purposes only. To learn the details about any certain point, refer to the applicable statute, regulations, handbooks, and policy notices.

Livestock Risk Protection Insurance

Livestock Risk Protection (LRP) is available for feeder cattle, fed cattle, and swine. (LRP is also available for lamb, but not in any states served by FSC.) For purposes of illustration, these materials discuss some details of LRP insurance using the feeder cattle policy as an example.

I. LRP Protects Against Declines in Livestock Prices

LRP-Feeder Cattle insurance **protects against declines in feeder cattle prices** below an established coverage price. The coverage price is the price that the producer can insure. The established coverage price is based on the Chicago Mercantile Exchange Feeder Cattle Contract that is cash settled, with some Price Adjusted Factors used to take into account different types and weights of cattle. The insured producer can collect on the insurance if the actual ending price—a weighted average price for feeder cattle calculated based on the CME Feeder Cattle Reported Index and a Price Adjustment Factor—is less than the coverage price. The coverage prices and actual ending values are presented by type and weight of cattle on the RMA website daily.

For feeder cattle coverage, the insured livestock does not need to be marketed at the end of the insurance period. The producer can retain ownership and continue to background the cattle.

II. Types of Livestock Covered

Each type of LRP identifies the particular types of livestock that can be covered. LRP-Feeder Cattle insurance is available for (1) calves; (2) steers; (3) predominantly Brahman; and (4) predominantly dairy cattle categories. Each category has two weight ranges: (1) less than 600 pounds; and (2) 600-900 pounds.

III. How to Obtain LRP Coverage

To obtain LRP-Feeder Cattle coverage, a feeder cattle producer files an application with other supporting documents. Approval of this application establishes eligibility for LRP insurance. It is a one-time application.

Once the application is approved, the producer then monitors the Risk Management Agency website to review the daily changes in the coverage prices—the dollar price per hundredweight that is protected through the insurance. On the day the producer is comfortable with the coverage price, he or she completes a Specific Coverage Endorsement (SCE) for a specific group of cattle. The insured producer will select the number of weeks for the length of insurance for that specific group of cattle. (The number of weeks available from which the producer may choose a coverage length are 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52). The number of weeks selected will be based on the number of weeks between the date the SCE is purchased and the approximate date the producer expects the feeder cattle in that group to be marketed. The end date of the insurance for the particular group of cattle will be the end of the number of weeks selected. The insured producer will also choose a coverage level—the percent of the coverage price established on that day that the producer wants to insure. The coverage level ranges from 70–100% of the coverage price.

The maximum number of feeder cattle that can be insured under any one SCE is 1,000, and during any one crop year (July 1 to June 30) is 2,000.¹ Insured producers may purchase multiple SCEs to cover varying numbers of animals during the course of the year until they reach the 2,000 head limit.

IV. Making a Claim for LRP Payment

If, at the end of the insured period, the actual ending value is less than the coverage value, the insured producer can file a claim for payment under the insurance. The claim must be filed within 60 days following the end date of the insurance. Any payment due the producer under the LRP insurance will be paid within 60 days of the insurer's receipt of the properly executed claim form.

V. Miscellaneous Things to Keep in Mind When Considering LRP Insurance

A. LRP Covers Only Declines in Livestock Prices

LRP does **not** cover anything except a decline in price from the established coverage price set out in the policy and endorsements. It does **not** cover such things as mortality, condemnation, physical damage, disease, individual marketing decisions, local price aberrations, or any other cause of loss on the livestock.²

¹ "Livestock Risk Protection Policy Specific Coverage Endorsement – Feeder Cattle", United States Department of Agriculture Federal Crop Insurance Corporation, "10-LRP-Feeder Cattle (4/09), at page 1.

² "Livestock Risk Protection Insurance Policy," 10-LRP-Basic, at page 5.

B. LRP Only Covers an Ownership Share

LRP insurance only covers those who have an ownership interest in the livestock.³ Landlord, tenant, operator, or any interest other than an ownership interest cannot be covered under LRP.⁴ Thus, “cattle care” arrangements—where the producer is paid to feed and care for the livestock, but does not have any ownership interest in the livestock—would not be insurable under LRP.

A producer may be required to submit documents that prove the ownership share claimed.⁵ Documents that are deemed sufficient to support verification of ownership interest include, but are not limited to: “Bills of sale from previous owners; financing and credit documents secured by the insured livestock or livestock products; written statements from third parties such as feed suppliers or veterinarians who have visited the farm or ranch and who visually identified the livestock listed on the Specific Coverage Endorsement and can attest to ownership of the identified livestock; or bills of sale for the covered livestock or livestock product.”⁶

The insurance will apply only to the insured share owned by the person signing the application, unless the application clearly states that it is made on behalf of a business entity or joint venture.⁷

The producer applying for LRP insurance is required to list anyone who has a “substantial beneficial interest” in the insured business entity.⁸ A person with “a substantial beneficial interest” includes anyone with 10% or more interest in the insured business entity.⁹ A spouse who resides in the same household as the insured producer will be considered to have a substantial beneficial interest unless the spouse can prove that the livestock class covered by the SCE is in a totally separate farming operation and that the spouse does not benefit from that operation.¹⁰ Information such as name, address, social security numbers, and percentage share must be submitted for all persons with “a substantial beneficial interest” in the covered business entity.

³ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 6.

⁴ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 6.

⁵ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 6.

⁶ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 8.

⁷ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 8.

⁸ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 2.

⁹ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 2.

¹⁰ “Livestock Risk Protection Insurance Policy,” 10-LRP-Basic, at page 2.

C. Records and Inspections

Either the insurance company or the USDA has the right to perform random, on-site inspections to verify disposition of the livestock covered by the LRP insurance and the amount of the insured's share in it.¹¹

The insured producer must also keep complete records of his or her ownership share and disposition of all livestock covered by an LRP policy for three years after the end day of each SCE. This information must be submitted to the insurance company or the USDA upon request.¹²

By applying for the LRP insurance the producer also authorizes the insurance company or USDA to obtain records relating to the insured livestock from third parties such as banks, feedlots, cooperatives, suppliers, accountants, etc.¹³

¹¹ "Livestock Risk Protection Insurance Policy," 10-LRP-Basic, at page 8.

¹² "Livestock Risk Protection Insurance Policy," 10-LRP-Basic, at page 8.

¹³ "Livestock Risk Protection Insurance Policy," 10-LRP-Basic, at page 8.