

# LIVESTOCK RISK PROTECTION (LRP)

*Brought to you by:*

VIRGINIA CATTLEMEN'S INSURANCE AGENCY



## WHAT IS LIVESTOCK RISK PROTECTION (LRP)?

A risk management tool that protects against price declines by establishing a price floor.

## HOW DOES IT WORK?

Different price floors are available daily between 70-100% of where the futures market closed for the day. Producers can choose a coverage level, price floor and endorsement length depending on the offerings. The producer does not have to pay the premium until the end of the contract and can purchase coverage for 1-6,000 head at a time. Coverage for a maximum of 12,000 head can be purchased for each crop year.

## WHAT CAN YOU PURCHASE LRP ON?

- Feeder Cattle
  - Two separate weight ranges: (Under 6 cwt) (6 cwt- 9 cwt).
  - Coverage is available for calves, steers, heifers, predominantly Brahman cattle, predominantly dairy cattle and unborn calves.
  - Unborn calves can be covered as long as you own the pregnant female.
  - Actual ending value is the weighted Chicago Mercantile Exchange (CME) Feeder Cattle Reported Index.
- Fed Cattle (10 cwt- 14 cwt)
  - Expect to grade Select or higher and with a yield grade of 1 to 3
  - Actual ending value is USDA's Agriculture Marketing Service (AMS) 5-area weekly weighted average.

## WHAT ENDORSEMENT LENGTHS ARE OFFERED?

These vary depending on the day, but possible endorsement lengths are 13, 17, 21, 30, 34, 39, 43, 47 or 52 weeks.

## WHEN CAN YOU PURCHASE LRP?

LRP policies are available around 4:30pmET each day after markets close. They can be purchased until the market re-opens at 10:00amET the following day.

## THINGS TO KEEP IN MIND:

- ✓ Once purchased, coverage cannot be cancelled.
- ✓ 60-day rule. If you sell cattle covered by an endorsement more than 60 days prior to the contract end date, the policy is voided.
- ✓ LRP does not cover mortality losses. It is a single-peril product that solely insures against price decline.

## ADVANTAGES OF LRP:

- ✓ It's simple. There are not margin calls or surprises to worry about.
- ✓ It's affordable. LRP policies are substantially less expensive than an option.
- ✓ No requirement to sell cattle at the end of the contract period.
- ✓ Coverage is available on months with no futures contract.
- ✓ Payment is not required until the ending date of the coverage.
- ✓ Premiums are tax-deductible.

## HAVE QUESTIONS OR WANT MORE INFORMATION?

*Visit:* [www.vacattlemen.org](http://www.vacattlemen.org) OR *Contact:* Brandon Reeves at [breeves@vacattlemen.org](mailto:breeves@vacattlemen.org) or 540-280-8805