

March 6, 2015 Livestock Risk Protection - Lamb

Q: What is Livestock Risk Protection-Lamb (LRP-Lamb)?

A: The LRP-Lamb Insurance Policy provides protection against unexpected declines in the national average price of slaughter lambs. An economic model is used to predict the expected price of slaughter lambs each week. An indemnity is paid if the weekly settlement value is less than the expected price for a specific coverage level. The weekly settlement value is a five-week average (current week and previous four weeks) of actual national weekly average slaughter lamb prices using weekly "calculated formula live prices". The price that the producer actually receives for their own lambs is not part of the calculations.

Note: The weekly "Calculated Formula Live Price" is formula prices established for previously slaughtered lambs (carcass basis) multiplied by the weighted average dressing percent. The weekly price data are posted by USDA's Agriculture Marketing Service (AMS) each Friday at: http://www.ams.usda.gov/mnreports/lm_lm352.txt.

Q: Who is eligible to purchase LRP-Lamb?

A: Any producer who owns lambs in the following 28 states: Arizona, California, Colorado, Iowa, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin and Wyoming, is eligible for LRP-Lamb coverage.

Q: What are some of the key features of the LRP-Lamb Insurance Policy?

A: LRP-Lamb provides producers and feeders of lambs with the opportunity to insure the lambs they own against an unexpected decline in price. The LRP-Lamb Coverage Price is calculated based on a mathematical model. Producers and feeders may continue to market their own lambs through their own market channels and at the maximum price they can negotiate, however the actual price received by a producer is not used with respect to the insurance.

LRP-Lamb will be offered for sale each week following the posting of rates Monday morning through 7:00 PM central time. When Monday falls on a federal holiday, LRP-Lamb will be offered on Tuesday during the same hours. Producers can choose between three endorsement periods (13, 26, or 39 weeks) to best suit their own production and feeding systems. LRP-Lamb insurance coverage prices and rate estimates may be available for review beginning on the previous Friday evening. However, rates and coverage values may be modified prior to sales beginning on Monday morning. Therefore, final rates and coverage values may differ somewhat from the previously posted estimates.

Q: Where can LRP-Lamb insurance be purchased?

A: LRP-Lamb is available through a crop insurance agent authorized to sell livestock insurance.

Q: How much coverage of the LRP-Lamb expected price can be purchased?

A: Producers can purchase as little as 80-percent coverage and as much as 95- percent coverage of the price in 5-percent increments. Coverage prices will be listed for each coverage level for each of the endorsements (13, 26, or 39 weeks) during the sales period each week.

Q: Does it matter if lambs are sold directly off pasture or finished in a feedlot?

A: No, individual production systems are not a factor.

Q: Must lambs be owned by the LRP-Lamb policyholder at the time of purchase?

A: Yes. You must own the lambs for which you purchase price insurance, and the lambs must be located in one of the pilot states when insurance attaches.

Q: Does it matter if the market weights of lambs don't match the weights of lambs quoted by AMS in its weekly average national formula purchase lamb price report?

A: No. The weights quoted by AMS are a function of the marketplace at any given time. A producer is not paid an indemnity based upon his actual lamb weights or the actual price received.

Q: Do lambs have to be sold on the day the policy expires?

A: No. An endorsement period should be chosen that most closely matches the producers production or feeding program. Ownership of the lambs must be maintained up to at least the last 30 days of coverage for the Specific Coverage Endorsement, otherwise coverage will be terminated and no indemnity will be paid on that portion of the endorsement.

Q: Does it matter if lambs go directly to slaughter when they are sold or when the policy expires?

A: No. Producers and feeders regularly market lambs in a variety of ways; lambs may go directly to slaughter or be grazed or placed on feed for a time before proceeding to actual slaughter. Insured lambs can be marketed through any manner chosen so long as the lambs are in marketing channels where they are expected to eventually be slaughtered (includes lambs not yet weaned and lambs on feed).