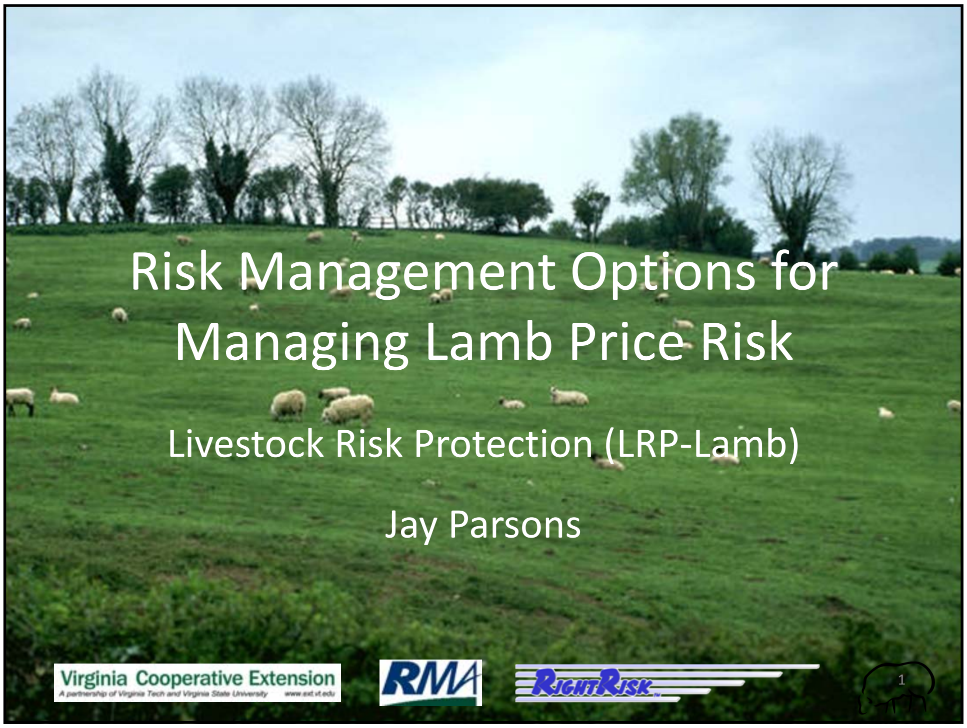

Risk Management Options for Managing Lamb Price Risk

Livestock Risk Protection (LRP-Lamb)

Jay Parsons

Virginia Cooperative Extension

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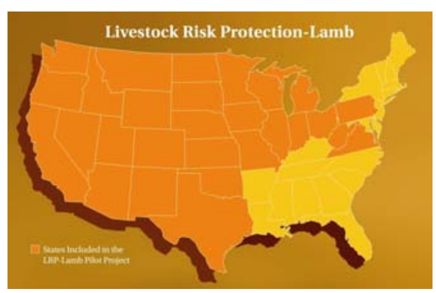
Livestock Price Insurance: LRP-Lamb

- LRP-Lamb offers *price* protection for lamb producers. It does <u>*not*</u> offer coverage for sickness or death loss.
- LRP-Lamb coverage is available in all counties of Virginia and several other states.
- Producers remain subject to *basis price risk.*



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Livestock Price Insurance: LRP-Lamb

- **Product Offered**: Protection for producer against decline in slaughter lamb prices below the established coverage price.
- **Insurance Period**: Offered for 13, 20, 26, and 39 week periods.
  - *The producer will choose time closest to the time slaughter lambs will be marketed.*

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Livestock Price Insurance: LRP-Lamb

- **Application**: An application is required to purchase insurance coverage.
  - Establishes producer eligibility
  - The producer must also file a form indicating beneficial interest
- **Specific Coverage Endorsement**: A producer must file a Specific Coverage Endorsement for each group of lambs to be insured. Several endorsements may be filed under one application as long as beneficial interests are the same.

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Livestock Price Insurance: LRP-Lamb

- **Target Weights:** LRP-Lamb target weights refer to the anticipated per head weights of slaughter lamb expressed on a hundredweight basis at the end of the insurance period.
- **Endorsement Limits:** A limit of 2,000 head of slaughter lambs may be insured under any one Specific Coverage Endorsement.
- **Annual Policy Limits:** The maximum number of head of slaughter lambs that may be covered during a crop year is 28,000 head. The "crop" year is July 1 through June 30.

Livestock Price Insurance: LRP-Lamb

- **Expected End Value**: This is the expected price at the end of an insurance period for slaughter lambs published weekly on the RMA website.
- **Coverage levels**: (95%, 90%, 85%, 80%)
  - Higher coverage level => Higher premium rate.
  - Longer insurance period => Higher premium rate.
- **Coverage Prices:** Prices that may be insured by the producer. Prices change weekly and are obtained from the RMA website

Livestock Price Insurance: LRP-Lamb

- **Subsidy Level:** RMA provides a 13% subsidy on LRP-Lamb
- **Actual End Value**: The actual ending value for slaughter lambs at the end of the endorsement period published weekly on the RMA website.

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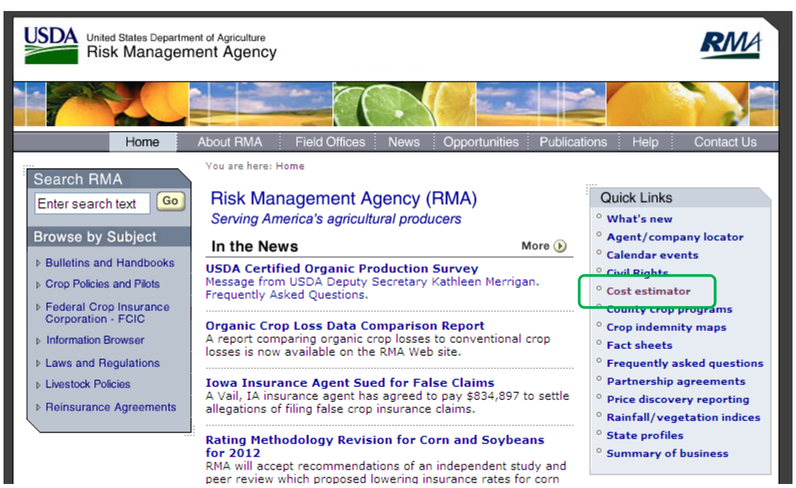
http://www.rma.usda.gov/



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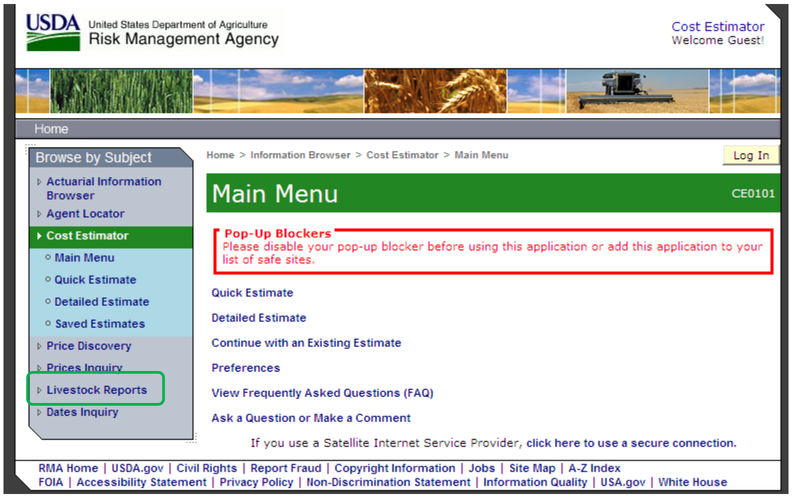
Cost Estimator



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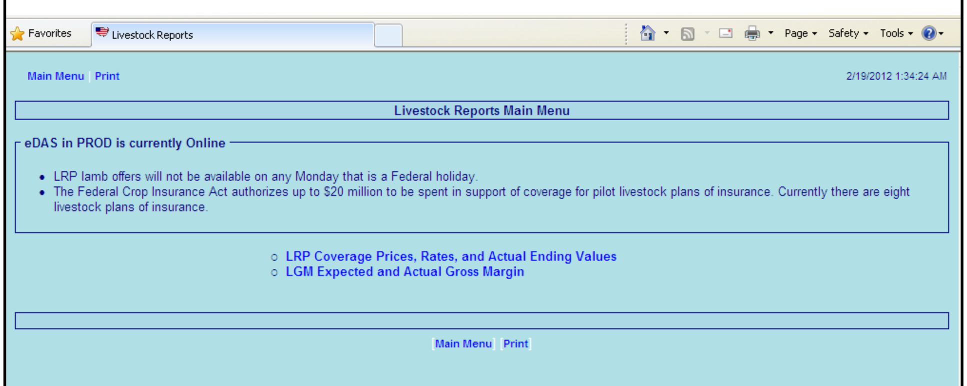
RMA RightRisk

http://www3.rma.usda.gov/apps/livestock_reports/



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RMA RightRisk

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Main Menu | Print

2/19/2012 1:53:52 AM

LRP Coverage Prices, Rates, and Actual Ending Values Criteria

Select a *Type*. Type selection is not required.

Effective Date: 02/13/2012
State: 51 Virginia
Commodity: 0804 Lamb
Type: 997 No Type Specified

Report Type: ◉ Web Output ○ Formatted for Printing

[<< Back] [Create Report]

Holidays where LRP Sales Data will be Unavailable

- 01/02/2012 New Year's Day
- 01/16/2012 Birthday of Martin Luther King, Jr.
- 02/20/2012 Washington's Birthday
- 04/06/2012 Good Friday (market holiday)
- 05/28/2012 Memorial Day
- 07/04/2012 Independence Day
- 09/03/2012 Labor Day
- 10/08/2012 Columbus Day
- 11/12/2012 Veteran's Day
- 11/22/2012 Thanksgiving Day
- 12/25/2012 Christmas Day

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USDA subsidizes 13 percent of total LRP premium

LRP Lamb Official Coverage Prices and Rates are available for sale

* See notes at bottom of page

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date	Actual End Value
51 Virginia	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	176.960	$168.110	0.950000	0.020580	3.460	05/14/2012	
51 Virginia	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	176.960	$159.260	0.900000	0.008140	1.296	05/14/2012	
51 Virginia	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	176.960	$150.420	0.850000	0.002730	0.411	05/14/2012	
51 Virginia	998 All Counties	13	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	176.960	$141.570	0.800000	0.000800	0.113	05/14/2012	
51 Virginia	998 All Counties	20	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	177.010	$168.160	0.950000	0.031580	5.310	07/02/2012	
51 Virginia	998 All Counties	20	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	177.010	$159.310	0.900000	0.015840	2.523	07/02/2012	
51 Virginia	998 All Counties	20	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	177.010	$150.460	0.850000	0.007020	1.056	07/02/2012	
51 Virginia	998 All Counties	20	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	177.010	$141.610	0.800000	0.002770	0.392	07/02/2012	
51 Virginia	998 All Counties	26	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	174.490	$165.770	0.950000	0.040270	6.676	08/13/2012	
51 Virginia	998 All	26	0804 Lamb	997 No Type	997 No Practice	2012	174.490	$157.040	0.900000	0.022650	3.557	08/13/2012	

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Recent Actual End Value Example

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 11/07/2011

USDA subsidizes 13 percent of total LRP premium

LRP Lamb Official Coverage Prices and Rates are available for sale

t	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	overage Level	Rate	Cost Per CWT	End Date	Actual End Value
	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	193.080	$183.430	.950000	0.020580	3.775	02/06/2012	169.190
	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	193.080	$173.770	.900000	0.008140	1.414	02/06/2012	169.190
	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	193.080	$164.120	.850000	0.002730	0.448	02/06/2012	169.190
	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	193.080	$154.460	.800000	0.000800	0.124	02/06/2012	169.190
	0804 Lamb	997 No Type Specified	997 No Practice Specified	2012	198.700	$188.760	0.950000	0.031580	5.961	03/26/2012	

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LRP-Lamb Insurance

- You must own the lambs for which you wish to purchase the price insurance.
- The lambs must be located in one of the LRP-Lamb insurance pilot states when the policy coverage attaches.

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LRP-Lamb Insurance

- A producer does not have to sell lambs on the day their LRP policy expires.
- You should try to match your policy period to your production program.
- Ownership of the lambs must be maintained up to the last 30 days of coverage or coverage will be terminated on that portion not maintained.

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LRP-Lamb Insurance

- A producer is not paid an indemnity based upon their actual price received or their actual lamb weights.
- The prices that are used in for LRP-Lamb insurance are a function of the national marketplace at any given point in time.

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