2012 Cattlemen’s Update
Changing Markets and Animal Identification
# Table of Contents

**Introduction and Overview**

- Program Team ........................................... 2
- About the Risk Management Agency ................. 3
- Livestock Insurance Overview ......................... 5
- AGR-lite .................................................. 7
- NV LRP Insurance Providers ............................ 9
- Requesting Insurance Not Available in County ...... 11
- Memo: Standard Reinsurance Agreement ............. 12
- LRP: Manage Your Market Risks ...................... 13
- Memo: LRP Agreement .................................. 33

**2012 FAPRI Outlook** .................................. 34

**Livestock Risk Protection Fact Sheets** ............... 51

- Livestock Risk Protection: Fed Cattle ............... 51
- Livestock Risk Protection: Feeder Cattle .......... 53
- 2012 LGM Expected and Actual Gross Margin: Cattle 55
- 2012 LGM Expected and Actual Gross Margin: Dairy 57
- Livestock Risk Protection: Swine .................. 58
- 2012 LGM Expected and Actual Gross Margin: Swine 60
- Livestock Risk Protection: Lamb ................... 62
- LRP Coverage Prices, Rates, and Actual Ending Values: 12/29/11 64
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The role of USDA’s Risk Management Agency (RMA) is to help producers manage their business risks through effective, market-based risk management solutions. RMA’s mission is to promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of America’s agricultural producers. As part of this mission, RMA operates and manages the Federal Crop Insurance Corporation (FCIC). RMA was created in 1996; the FCIC was founded in 1938.

RMA employs approximately 500 people in offices around the country. RMA’s fiscal year 2010 administrative budget was $80 million. Meanwhile, the size of the program has grown tremendously (see chart, p. 2). In crop year 2010, RMA managed nearly $78 billion worth of insurance liability (see table).

RMA Administrator William J. Murphy was appointed in July 2009. He also serves as the manager of the FCIC. Located within the Office of the Administrator are the Director of External Affairs, the Director of Civil Rights and Outreach, the Director of Program Support, the Chief Information Officer, the Chief Financial Officer, and the Secretary to the FCIC Board of Directors.

The Agency has three divisions: Insurance Services, Product Management, and Risk Compliance. Insurance Services is responsible for program delivery (for example, managing contracts with the companies that sell and service policies), and local program administration and support. Product Management is responsible for overseeing product development. Risk Compliance monitors compliance with program provisions by both producers and the 17 insurance companies that sell and service policies.

RMA, through FCIC, provides crop insurance to American producers. Seventeen private-sector insurance companies sell and service the policies. RMA develops and/or approves the premium rate, administers premium and expense subsidies, approves and supports products, and reinsures the companies. In addition, RMA sponsors educational and outreach programs and seminars on the general topic of risk management.

Additional information about RMA can be found on our main Web site, including agency news, State profiles and other publications, summaries of insurance sales, information on pilot programs, downloadable crop policies, and agency-sponsored events. The site also features online tools and applications. The most popular applications are the Agent Locator, Premium Calculator, and Summary of Business.

Contact Us

USDA/RMA
Mail Stop 0801
1400 Independence Ave., SW
Washington, DC 20250-0801

Web sites:  http://www.rma.usda.gov
            http://www.farm-risk-plans.usda.gov

E-mail: RMA.CCO@rma.usda.gov

RMA launched a new Web site, Farm Risk Plans, in 2009. The Farm Risk Plans Web site is dedicated to providing risk management information to the Nation’s farmers and ranchers. The site features risk management planning, better marketing planning, new enterprise planning, and a farm planning library.

This fact sheet gives only a general overview of the Federal Crop Insurance Program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
RMA Insures:

Apples, Apiculture, Avocados, Barley, Citrus, Clams, Corn, Cotton, Flax, Florida Fruit Trees
Forage Production, Grain Sorghum, Green Peas, Livestock, Macadamia Nuts, Macadamia Trees, Millet,
Mint, Nursery, Organic Crops, Potatoes, Rangeland, Rice, Rye, Safflower, Soybeans, Sugar Beets,
Sugarcane, Sunflowers, Wheat … and more

This is a partial listing of crops and/or livestock eligible for coverage. For a more complete listing, please visit our Web site at: http://www.rma.usda.gov/policies/2011policy.html. To find out if your crop is insured in your county, please contact your insurance agent. To find an agent, please visit our online agent locator at: http://www3.rma.usda.gov/tools/agents/companies/ or your local USDA Service Center.

RMA oversees nearly $78 billion in liability. Its streamlined processes and structure allow it to manage change effectively and efficiently.

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Livestock Insurance Overview

Livestock insurance in Nevada is sold as livestock risk protection, or LRP. LRP is single-peril risk insurance that protects producers from adverse price changes in the livestock market. LRP does not cover any other peril, such as death or disease. Producers interested in obtaining LRP must submit an application to an authorized crop/livestock insurance vendor, which can be done at any time during the year in Nevada. Once the application has been submitted, the producer chooses a coverage price, which is a percentage of the expected ending value of the livestock. A lower coverage price relative to the estimated ending value corresponds to a lower premium.

The producer must also choose an endorsement length, which is the length of the policy and can range from 13 to 52 weeks depending on the livestock type (see the individual policy descriptions below). The endorsement length should have an ending date that meets the producer’s risk management objectives. For example, a producer selecting coverage for his or her feeder cattle may want the ending date to correspond with the expected date the cattle will be sold or moved to a feedlot. A producer choosing coverage for his or her fed cattle may want the ending date to match up with the expected date the cattle will be ready for slaughter.

LRP coverage will not begin until a specific coverage endorsement (SCE) is selected by the producer and approved by RMA. The SCE specifies the elected coverage price, number of head covered, and length of coverage. The ending value of LRP is not the cash price received or the closing futures price on the end date of the policy, rather it is a weighted average price reported by USDA-AMS or the Chicago Mercantile Exchange, depending on livestock type.

**LRP-Fed Cattle**

- LRP-Fed Cattle can be purchased throughout the year
- SCE may be purchased for up to 2,000 head of heifers and steers
  - Weight must be between 1,000 and 1,400 pounds
  - Annual limit is 4,000 head per producer per crop year (July 1-June 30)
- All insured cattle must be in a state approved for LRP-Fed Cattle at time of purchase
- SCE length: 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
- Coverage prices may range from 70-100% of expected ending value
- Application for LRP policy may be filled out at any time
  - Coverage does not begin until an SCE is selected
  - Multiple SCEs may be purchased with one application
- Actual ending values determined by weighted prices reported by USDA-AMS

**LRP-Feeder Cattle**

- LRP-Feeder Cattle can be purchased throughout the year
- SCE may be purchased for up to 1,000 head feeder cattle
  - Expected to weight up to 900 pounds at the end of insurance period
Two weight ranges to choose from: under 600 pounds, and 600-900 pounds
- Annual limit is 2,000 head per producer per crop year (July 1-June 30)
- All insured cattle must be in a state approved for LRP-Feeder Cattle at time of purchase
- SCE length 13,17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
- Coverage prices may range from 70-100% of expected ending value
- Application for LRP policy may be filled out at any time
  - Coverage does not begin until an SCE is selected
  - Multiple SCEs may be purchased with one application
- Actual ending values determined by weighted prices as reported in the Chicago Mercantile Exchange Feeder Cattle Index

**LRP-Lamb**

- LRP-Lamb can be purchased throughout the year
- SCE may be purchased for up to 2,000 head
  - Annual limit is 28,000 head per producer per crop year (July 1-June 30)
- All insured lambs must be in a state approved for LRP-Lamb at time of purchase
- SCE length: 13, 20, 26, or 39 weeks
- Lambs covered under the policy are feeder or slaughter lambs that are expected to weigh between 50 and 150 pounds by the ending period.
- Coverage prices may range from 80-95% of expected ending value
- Application for LRP policy may be filled out at any time
  - Coverage does not begin until an SCE is selected
  - Multiple SCEs may be purchased with one application
- Actual ending values determined by weekly average prices for “Formula Live Lambs” as reported by USDA-AMS

**LRP-Swine**

- LRP-Swine can be purchased throughout the year
- SCE may be purchased for up to 10,000 head of hogs
  - Expected to reach market weight near the end of coverage period
  - Annual limit is 32,000 head per producer per crop year (July 1-June 30)
- All insured swine must be in a state approved for LRP-Swine at time of purchase
- SCE length: 13, 17, 21, or 26 weeks
- Coverage prices may range from 70-100% of expected ending value
- Application for LRP policy may be filled out at any time
  - Coverage does not begin until an SCE is selected
  - Multiple SCEs may be purchased with one application
- Actual ending values calculated from price series data reported by USDA’s Agricultural Marketing Service.
Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm, revenue-protection plan of insurance. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations that affect income during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection.

AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans, except Adjusted Gross Revenue (AGR). When producers purchase both AGR-Lite and other Federal crop insurance the AGR-Lite premium will be reduced.

The AGR-Lite concept:
- Uses a producer's 5-year historical farm average revenue as reported on the IRS tax return (Schedule F or equivalent forms) and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period;
- Provides insurance coverage for multiple agricultural commodities in one insurance product; and
- Establishes revenue as a common denominator for the insurance of all agricultural commodities.

AGR-Lite Timeline
Sales Closing Date: March 15.
Cancellation and Termination Date: August 31.
Contract Change Date: August 31.
Year of Insurance: For the application year, you will not be covered for any losses that occur earlier than 10 days after we receive your properly completed application. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year is covered.

Insurance Year: Defined as a calendar year in which the sales closing date occurs and includes both calendar year and fiscal year filings (corresponding to the producer’s IRS tax period).
Claims: Claims are settled after taxes are filed for the insurance year.

Availability

Producer Eligibility
To be eligible for AGR-Lite coverage, a producer must:
- Be a U.S. citizen or resident;
- File a calendar year or fiscal year farm tax return;
- Produce agricultural commodities primarily in counties where AGR-Lite is available (includes income from contiguous counties);
- Have liability not exceeding $1 million (less than $2,051,282 in approved gross income);
- Have had the same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in the tax entity is reviewed and approved by the insurance provider;
- Have no more than 50 percent of total revenue from commodities purchased for resale; and
- Have no more than 83.35 percent of total revenue from potatoes.

Premium Subsidy
The Government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Insured Causes of Loss
Insurance is provided against revenue loss due to any unavoidable natural occurrences during the current or previous insurance year or due to market fluctuations that cause a loss of revenue during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the producer, the producer’s family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other uninsurable causes listed in the insurance policy.

AGR-Lite Application Information
Producers must provide the following information when completing an AGR-Lite application:
- History calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
price for the commodity; and
- Indication of changes that will result in less income for the insurance year than the historical average.

**Choosing a Revenue Guarantee**

Coverage levels and payment rates vary with the number of commodities produced and are selected by the producer (see table below) from the Special Provisions of Insurance. AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the selected coverage level and payment rate. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer will be paid for each dollar lost under the coverage level. A producer selects one amount of coverage that will cover all commodities.

**Available Protection Amounts**

<table>
<thead>
<tr>
<th>Coverage Payment Level</th>
<th>Minimum # of Commodities</th>
<th>Maximum Annual Income**</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>75</td>
<td>$2,051,282</td>
</tr>
<tr>
<td>65</td>
<td>90</td>
<td>$1,709,401</td>
</tr>
<tr>
<td>75</td>
<td>75</td>
<td>$1,777,777</td>
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<td>$1,481,481</td>
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<td>80</td>
<td>75</td>
<td>$1,666,666</td>
</tr>
<tr>
<td>80</td>
<td>90</td>
<td>$1,388,888</td>
</tr>
</tbody>
</table>

*Must meet minimum income requirements. Commodity grouping is available for the 80-percent coverage level.
**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR-Lite due to the $1,000,000 maximum liability allowed.

**Loss Payments**

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the producer is paid based on the payment rate selected, either 75 cents or 90 cents for each dollar lost.

**Loss Payment Example**

**Assumptions:**
- 80-percent coverage level and 75-percent payment rate chosen;
- Approved adjusted gross revenue of $100,000 and actual revenue from the farm for the year was $70,000;
- Liability: $100,000 x 0.80 x 0.75 = $60,000; then
- Loss Inception Point: $100,000 x 0.80 = $80,000;
- Indication of changes that will result in less income for the insurance year than the historical average.

**Loss Scenario:**

$80,000 - $70,000 revenue to count = $10,000 loss of revenue; then
$10,000 x 0.75 payment rate = $7,500 indemnity payment.

**Note:** If the producer’s allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR-Lite payments will be reduced.

This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR-Lite.

**Contact Us**

United States Department of Agriculture
Risk Management Agency
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
Telephone: (202) 690-2803
Fax: (202) 690-2818
E-mail: rma.cco@rma.usda.gov

**For More Information**

AGR-Lite insurance policies are available from private insurance agents. A list of crop insurance agents is available at all USDA Service Centers throughout the United States, or see RMA’s online agent locator at: [http://www3.rma.usda.gov/tools/agents/companies/](http://www3.rma.usda.gov/tools/agents/companies/).


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## 2012 Nevada Livestock Insurance Policy Providers

Below is a current listing of insurance agents and companies licensed to write insurance policies in Nevada. Please note that this list is current as of January 2012 and is subject to change. Insurance providers for each state can be found on RMA’s website at [http://www.rma.usda.gov](http://www.rma.usda.gov).

### Insurance Companies

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Contact Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACE American Insurance Company</strong></td>
<td>(Rain and Hail L.L.C.) <a href="http://www.rainhail.com">www.rainhail.com</a> 9200 Northpark Drive, Suite 300 Johnston, Iowa 50131-3006 Toll-Free: 800-776-4045 Phone: 515-559-1000 Fax: 515-559-1001</td>
</tr>
<tr>
<td><strong>American Agri-Business Insurance Company</strong></td>
<td>(ARMtech Insurance Services, Inc.) <a href="http://www.armt.com">www.armt.com</a> 7101 82nd Street Lubbock, Texas 79424 Toll-Free: 800-335-0120 Phone: 806-473-0333 Fax: 806-473-0334</td>
</tr>
<tr>
<td><strong>Casualty Underwriters Insurance Company</strong></td>
<td>(Food and Fiber Risk Managers) <a href="http://www.fafrm.com">www.fafrm.com</a> P.O. Box 6, 208 Main Street North Tuttle, North Dakota 58488 Phone: 701-867-9160 Fax: 701-867-9161</td>
</tr>
<tr>
<td><strong>Great American Insurance Company</strong></td>
<td><a href="http://www.greatamericaninsurance.com">www.greatamericaninsurance.com</a> 301 East Fourth Street GAT -26S Cincinnati, Ohio 45202 Toll-Free: 800-587-1553 Phone: 513-763-8400 Fax: 513-763-8457</td>
</tr>
<tr>
<td><strong>Occidental Fire and Casualty Company of North Carolina</strong></td>
<td><a href="http://www.agrilogic.com">www.agrilogic.com</a> 10561 Barkley, Suite 100 Overland Park, Kansas 66212 Phone: 913-648-2554 Fax: 913-648-2207</td>
</tr>
<tr>
<td><strong>Rural Community Insurance Company</strong></td>
<td>(Rural Community Insurance Services, Inc.) <a href="http://www.rcis.com">www.rcis.com</a> 3501 Thurston Avenue Anoka, Minnesota 55303-1060 Toll-Free: 800-328-9143 Phone: 763-427-0290 Fax: 763-712-2506</td>
</tr>
</tbody>
</table>
**Insurance Agents**

**Amos Bechtel**  
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920 SW Frazer Ave. #210  
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Phone: 541-966-0188  
Fax: 541-966-0193  
E-mail: marmstrong@aandins.com

**Janet M. Blethen**  
Janet Blethen Insurance Agency  
www.janetblethen.com  
4185 Wilkinson Way  
Lovelock, NV 89419  
Phone: 775-273-1727  
E-mail: janet@janetblethen.com

**Tracy Hawker**  
Premier Insurance  
www.premierinsur.com  
1465 N Skyline  
Idaho Falls, ID 83402  
Phone: 208-239-4174  
Phone: 208-782-1464  
Phone: 208-734-1711  
E-mail: tracyh@premierinsur.com

**Heber Loughmiller**  
Sloan-Leavitt Insurance, Inc.  
www.sloaninsurance.com  
91 S. 6th Ave.  
PO Box 449  
Othello, WA 99344  
Phone: 509-488-9623  
Fax: 509-488-2143

**Burdell Johnson**  
Food and Fiber Risk Manager, LLC  
www.fafrm.com  
208 Main St N PO Box 6  
Tuttle, ND 58488  
Phone: 701-867-9160  
Fax: 701-867-9161

**Raymond Reed**  
Ray Reed’s Insurance Services  
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Fax: 509-488-2143

**Jane Ward**  
815 N College Road  
PO Box 5059  
Twin Falls, ID 83303-5059  
Office: 208-732-1000  
Toll-Free: 800-733-9412  
Fax: 208-732-1005

**Jared Witters**  
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Fax: 509-488-2143
**Filing a Request**
Producers may request insurance coverage for an insurable crop where insurance is not available already in a county by completing and submitting a Request for Actuarial Change form through a crop insurance agent. For a list of agents in your area, visit your local USDA Farm Service Agency County office or the Risk Management Agency’s online agent locator at: [http://www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html)

**Available in All Counties**
This opportunity to request insurance coverage is available to producers in all counties nationwide.

**Important Dates**
Requests for coverage on crops without actuarial documents in a county (request type XC) must be submitted to an RMA-approved insurance provider on or before the sales closing and/or cancellation date listed in the crop provisions for the crop being insured.

**Crops Covered by Written Agreement**
For a complete list of crops covered nationwide, see: [http://www.rma.usda.gov/policies/](http://www.rma.usda.gov/policies/)

**Requirements for Making a Request**
A properly completed request must contain at least the following supporting documentation:

1. A completed actual production history (APH) form (for crops that require an actual production history) based on verifiable records of actual yields in the county or area where insurance coverage is being requested for at least the most recent 3 consecutive crop years in the base period for the crop or a similar crop.
2. Acceptable production records for at least the most recent 3 consecutive crop years.
3. Evidence from agricultural experts that the crop can be produced in the county if the request is to provide insurance for practices, types, or varieties that are not insurable, unless such evidence is not required by the Risk Management Agency.
4. Dates the producer and other growers in the area normally plant and harvest the crop.
5. Name, location of, and approximate distance to the place the crop will be sold or used by the producer.
6. For an irrigated practice, the water source, method of irrigation, and amount of water needed for an irrigated practice for the crop.

The Risk Management Agency may request additional information.

**Contact Us**
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1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
E-mail: rmaweb.content@rma.usda.gov

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BULLETIN NO.: MGR-10-012.1

TO: All Approved Insurance Providers
    All Risk Management Agency Field Offices
    All Other Interested Parties

FROM: William J. Murphy /s/ Michael A. Alston, for. 6/10/2011
     Administrator

SUBJECT: Guidance Regarding Section III(a)(2)(K) of the Standard Reinsurance Agreement (SRA)

BACKGROUND:

On October 22, 2010, the Risk Management Agency (RMA) issued MGR-10-012 providing guidance regarding the written acknowledgement referred to in section III(a)(2)(K) of the SRA, hereafter referred to as the covenant not to sue provision. Since its implementation, RMA has had requests to standardize language for the covenant not to sue provision from many approved insurance providers (AIPs). RMA and AIPs have developed language that will be eventually incorporated into the Document and Supplemental Standards Handbook (DSSH).

ACTION:

MGR-10-012 is amended to delete the last sentence of action item number 1, which required annual execution. If the covenant not to sue provision acknowledgements for the 2011 reinsurance year do not have specific references, or any other terminology that would limit their effect to the 2011 reinsurance year only, such acknowledgement may be considered effective for future reinsurance years. However, if existing acknowledgements of the covenant not to sue provision have a reinsurance year limitation, then a new acknowledgement without a reinsurance year limitation must be executed by the agent.

If an agent executes, or has previously executed, an acknowledgement of the covenant not to sue provision with no date limitation, then no other acknowledgement is needed as long as the executed acknowledgement is provided to each AIP for which the agent acts.

All other requirements of MGR-10-012 remain in effect.
Livestock Risk Protection (LRP)  
Manage Your Market Risks

BY  
LETTY MCELROY

Livestock Insurance Programs

- **Livestock Risk Protection Plan** (LRP)  
  - Provides protection against price decline below the established coverage price.
- **Available for:**  
  - Feeders  
  - Fed Cattles
What LRP provides

- Coverage protection against a decline in prices
- Does not cover against any other peril such as:
  - Mortality
  - Disease
  - Individual marketing decisions

Feeder Cattle Eligible States
Fed Cattle Eligible States

What’s covered under the Feeder Cattle Program?

- Market cattle that weigh up to 900 pounds.
- Live weight basis.
- Maximum number.
  - 1,000 head per specific coverage endorsement.
  - 2,000 head during any one crop year.
- Coverage is available for:
  - Calves, steers, and heifers,
  - Including predominantly Brahman and predominantly dairy cattle.
### What’s covered under the Fed Cattle Program?

- Market cattle weighing between 1,000 – 1,400 pounds marketed for slaughter.
- Live weight basis.
- Maximum number.
  - 2,000 head per specific coverage endorsement.
  - 4,000 head during any one crop year.
- Coverage is available for:
  - Steers, and heifers,

### What is the period of coverage?

- Twelve month period beginning July 1 and ending the following June 30
- Crop year designated in which the period ends
  - Ends June 30, 2012
  - Crop Year: 2012
Where can LRP be purchased?

- Available through a crop insurance agent authorized to sell livestock insurance.

- Link to RMA Website:
  - Select livestock agent or crop and livestock insurance agent

When can LRP be purchased?

- Any day of the week except:
  - Weekends or Federal holidays;
  - If web site or premium calculator is not operational;
  - Any of the required data for establishing coverage prices or rates is not available; or,
  - Futures do not continue trading at end of day or for any other reason specified in policy.
What is an application?

- Application establishes eligibility
- No insurance attaches until a Specific Coverage Endorsement is executed.
- RMA approves application

What is Substantial Benefit Interest (SBI)?

- An interest held by any person of at least 10 percent.
- Must report each entity that has a SBI
- Additional applications needed for different SBI arrangements.
What is a Specific Coverage Endorsement?

- An endorsement to the policy necessary to provide coverage.
- It will contain the following information:
  - Crop year
  - Effective date
  - End date
  - Number of head covered
  - Insured share
  - Target weight
  - Coverage Price

What is a coverage price?

- Coverage price:
  - Is price that can be insured by the producer;
  - Will change daily;
  - Must be obtained from RMA website; and,
  - Will have premium rate that corresponds to coverage price.
How much coverage can I obtain?

- **Feeder**: 70 to 100% of expected ending value
- **Fed**: 70 to 100% of expected ending value

What lengths of insurance coverage is available?

- **Feeder**: 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
- **Fed**: 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks
Must the livestock be owned at time of purchase?

- Yes.
- Livestock must be located in one of the states approved for livestock insurance when insurance attaches.

What happens if I move the livestock to another state?

- Will have insurance in force on his policy at the end.
Does livestock have to be sold on the day the policy expires?

- No
- An endorsement period should be chosen most closely matching the producer’s marketing program.
- Ownership must be maintained up to the last 30 days of coverage
- If not, Specific Coverage Endorsement will be terminated.
  - No indemnity paid on that portion of the endorsement.
  - An exception is allowed for transfer of coverage.

What if my market price is different than the actual ending value?

- It is the actual ending value (determined by CME) that is used to calculate the indemnity.
- It is **not** the market price you sell.
- An indemnity is based on actual ending value on the RMA website **not** the actual price sold.
Does it matter if the market weights don’t match my ending weight

- No

- Weights quoted on the RMA website are a function of the market place at any given time.

- A producer is **not** paid an indemnity based upon his actual livestock weights.

How do I know what is available and the cost?

- Livestock Reports

- LRP Coverage Prices, Rates, and Actual Ending Values

- Endorsement length, coverage prices, and rates or cost per cwt.
# How do I determine premiums?

- Premium rate is associated with coverage price and endorsement length and is determined by:
  - Counting weeks to date livestock are expected to be ready for market;
  - Choosing appropriate insurance period;
  - Determining Ending Date of policy; and,
  - Choosing a Coverage Price based on the chosen insurance period.
Rancher has 70 head of steers and 30 heifers.
Expects to sell these cattle in about 13 weeks.
Expected weight = 700 pounds.
Coverage Level Elected = Approx. 95%.
Expected Ending Value = $96.906
Coverage Level = 0.9540
Coverage Price = $92.45
100% share

### Insured Value and Premium Computation

**Step 1:** The **insured Value** above is rounded to the nearest whole dollar.

<table>
<thead>
<tr>
<th>Number of Head (whole number)</th>
<th>Target Weight At End Date (cwt. Per head)</th>
<th>Coverage Price (as shown on the Actuarials)</th>
<th>Insured Share</th>
<th>Insured Value (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>=</td>
</tr>
</tbody>
</table>

**Step 2:** The **Total Premium** is rounded to the nearest whole dollar.

<table>
<thead>
<tr>
<th>Insured Value (Dollar)</th>
<th>Rate (.xxxx)</th>
<th>Rounded Total Premium (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
Insured Value and Premium Computation

Step 3: The Subsidy is 13 percent and is rounded to the nearest whole dollar.

<table>
<thead>
<tr>
<th>Rounded Total Premium</th>
<th>x</th>
<th>Subsidy (Percent)</th>
<th>= Rounded Subsidy (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0.130</td>
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</tr>
</tbody>
</table>

Step 4: The Producer Premium will always be a whole number.

<table>
<thead>
<tr>
<th>Rounded Total Premium</th>
<th>-</th>
<th>Rounded Subsidy</th>
<th>= Producer Premium (Dollar)</th>
</tr>
</thead>
</table>

Premium Example

Insured Value:
(100 head) x (7 cwt per head) x ($92.45 per cwt)

x 100% = $64,715

Total Premium:
$64,715 x 0.042606 = $2,757

Subsidy:
$2757 x 0.13 = $358

Producer premium:
$2757 - $358 = $2399 (or $3.43 per cwt.)
What is an **Indemnity**?

- **Indemnity**: is payable if actual ending value is less than coverage price.

---

Calculating Indemnity

- **Step 1**:  
  - Multiply the number of head by target (not actual) weight specified in the policy
- **Step 2**:  
  - Subtract actual ending value from coverage price
- **Step 3**:  
  - Multiply results of Step 1 by Step 2; and
- **Step 4**:  
  - Multiply result of Step 3 by insured share.
Result of this example

- Actual Ending Value after 13 week period is $88.45 = price of CME cash settled

Computation:
- 100 head x 7.00 cwt. = 700 cwt.
- Coverage Price = $92.45
- Actual Ending Value = $88.45
- Difference = $(4.00)

\[
700 \times 4.00 = 2,800 \\
2,800 \times 100\% = 2,800
\]
- Indemnity Due = $2,800

Advantages and disadvantages of buying an LRP policy

**Advantages**
- No minimum number
- Premiums are subsidized
- Provides downside risk protection without limiting upside potential
- No brokerage fees or margin calls

**Disadvantages**
- “Locked in”—cannot be “lifted” before end
- May not be available
- Subject to LRP basis risk
To Obtain LRP Coverage

- Complete LRP application
  1. Contact licensed insurance agent
  2. Can be completed at any time
- Complete Substantial Beneficial Interest Form
- When ready to purchase insurance
  1. Complete Specific Coverage Endorsement
    a. Beginning and ending dates
    b. Weight, type, and number of animals
  2. Work with agent to complete purchase
  3. Pay premium

CY 2011 Livestock Price Insurance Provider

- Companies designated by USDA to provide insurance coverage through the Livestock Price Reinsurance Agreement (LPRA) for the year 2011.
  - **Ace Property and Casualty Insurance Company**
    (Rain and Hail L.L.C.)
    9200 Northpark Drive
    Suite 300
    Johnston, Iowa 50131-3006
    Toll-Free: 1-800-385-9624
    Phone: 515-559-1200
    Fax: 515-559-1101
    [http://www.rainhail.com](http://www.rainhail.com)
  - **American Agri-Business Insurance Company**
    (ARMtech Insurance Services, Inc.)
    7101 82nd Street
    Lubbock, Texas 79424
    Toll-Free: 1-800-335-0120
    Phone: 806-473-0333
    Fax: 806-473-0334
    [http://www.armt.com](http://www.armt.com)
CY 2011 Livestock Price Insurance Provider

- **American Agricultural Insurance Company**  
  (American Farm Bureau Insurance Services, Inc.)  
  1501 East Woodfield Road, Suite 300W  
  Schaumburg, Illinois 60173-5422  
  Phone: 847-969-2900  
  Fax: 847-969-2744  
  http://www.afbisinc.com

- **Casualty Underwriters Insurance Company**  
  (Food and Fiber Risk Managers)  
  3160 8th Street SW, Suite F  
  Altoona, Iowa 50009  
  Phone: 515-537-7001  
  Fax: 515-537-9091  
  http://www.fafrm.com

- **Country Mutual Insurance Company**  
  1701 North Towanda Avenue  
  P.O. Box 2100  
  Bloomington, Illinois 61702-2100  
  Phone: 309-821-3107  
  Fax: 309-820-5428  
  http://www.countryfinancial.com

- **Great American Insurance Company**  
  49 East Fourth Street, Suite 400  
  Cincinnati, Ohio 45202  
  Toll-Free: 1-800-587-1553  
  Phone: 513-765-8400  
  Fax: 513-763-8477  
  http://www.myagritrust.com

- **NAU Country Insurance Company**  
  7333 Sunwood Drive  
  Ramsey, Minnesota 55303-4548  
  Toll-Free: 1-800-942-3770  
  Phone: 763-427-3770  
  Fax: 763-427-6473  
  http://www.naucountry.com

- **Occidental Fire and Casualty Company of North Carolina**  
  10501 Barkley, Suite 100  
  Overland Park, Kansas 66212  
  Phone: 913-648-2554  
  Fax: 913-648-2207  
  http://www.agrilogic.com
CY 2011 Livestock Price Insurance Provider

- **Rural Community Insurance Company**  
  (Rural Community Insurance Services)  
  3501 Thurston Avenue  
  Anoka, Minnesota 55303-1060  
  Toll-Free: 1-800-431-3836  
  Phone: 763-323-2280  
  Fax: 763-427-1591  
  [http://www.rcis.com](http://www.rcis.com)

- **Stonington Insurance Company**  
  (Agro National LLC)  
  300 West Broadway, Suite 500  
  Council Bluffs, Iowa 51503  
  Phone: 712-256-0968  
  Fax: 712-256-8574  
  [http://www.agronational.com](http://www.agronational.com)

- **Customer note:** Agents may reside or have an office in one state/county, but sell and service policies in other states/counts. An agent authorized to sell livestock policies is NOT required to sell crop policies, and visa versa.

**Summary**

- A LRP policy represents a new tool that can be used to manage price risk faced by livestock producers.

- It has advantages and disadvantages over other alternatives.
BULLETIN NO: MGR-11-001

TO: All Approved Insurance Providers
     All Risk Management Agency Field Offices
     All Other Interested Parties

FROM: William J. Murphy /s/ William J. Murphy 1/13/2011
       Administrator

SUBJECT: 2011 Livestock Price Reinsurance Agreement (LPRA) Amendment

BACKGROUND:

The Federal Crop Insurance Corporation’s (FCIC) Board of Directors approved revisions
 to the Livestock Gross Margin plan of insurance for Dairy Cattle (LGM-Dairy) effective
 for eligible livestock insurance contracts sold on or after December 17, 2010. One of the
 revisions is that premiums for LGM-Dairy will now be due at the end of the insurance
 period rather than at the time of purchase.

The 2011 Livestock Price Reinsurance Agreement (LPRA) states in section III.(b)(1):

“The Company shall pay to the FCIC all premium ceded to FCIC as proportional
reinsurance under the Private Market and Commercial Funds, and any non-proportional
reinsurance premium on eligible livestock insurance contracts designated to the
Commercial Fund at the first monthly settlement after the Company submits, and the UCM
accepts, the eligible livestock price insurance contracts, and will be updated each month
thereafter as needed.”

ACTION:

Since the premium payments for LGM-Dairy policies sold on or after December 17, 2010
are not due until the end of the insurance period, FCIC is issuing an Optional Amendment
that, if executed, will not require the Company to make payment of ceded premium for per
the LPRA section III.(b)(1) for these policies until the monthly accounting cut-off
following the premium billing date contained in the Actuarial Data Master.

DISPOSAL DATE:

Upon expiration of the 2011 LPRA.
A Summary of the FAPRI November, 2011 Preliminary Baseline Outlook With Implications for Nevada

Michael D. Helmar
Food and Agricultural Policy Research Institute
University Center for Economic Development
University of Nevada, Reno
Mhelmar@cabnr.unr.edu
December, 2011
Summary

U.S. agriculture has entered a period that is characterized by high prices, high costs, increased volatility, and uncertainty. The geo-political risks and economic environment are resulting in substantial impacts on agriculture. Forces that were less pronounced a decade ago are now major drivers of agriculture, both on a domestic and global basis. Issues such as energy supply and accompanying solutions have resulted in shifts in policy formulation, agricultural commodity demand, and producer responses. In addition, short-term factors such as weather continue to have measurable effects on production and markets from time to time. Because of the globalization of the economy in general, and agriculture specifically, developments from around the world impinge on agriculture at home in Nevada.

The outlook for agriculture in general, and for beef cattle production, specifically is robust. Despite relatively high costs expected in the next several years, a combination of factors will give significant support to cattle prices, despite a relatively weak economic backdrop in the near term. Restricted supplies, rising global demand, especially in rapidly developing nations, and expected re-opening/expansion of traditional export markets will all contribute to strong prices and the opportunity for expansion through the middle of this decade.

U.S. agricultural commodities, including beef and dairy products, will be competitive on international markets. The depreciation of the dollar since the turn of this century makes exports relatively less expensive to our trading partners. While the dollar is not expected to depreciate sharply in the future, neither will it regain the strength of a few years ago.

The policy outlook is for current features of the 2008 farm bill to remain in place, although changes are certain to come with a new farm bill. As such, this outlook departs from traditional forecasts. Because this baseline is used for policy analysis, current policies are kept in place. It is certain that the farm bill debate coming up in 2012 will result in new policies, but what those policies will be is not yet certain. Scenarios can be created utilizing proposed new policies. Leaving current policies in place in this baseline outlook allows a comparison of new policies to be made with alternative scenario policies.

Agriculture in Nevada is set to benefit from the strong price outlook. Feeder steer operations are the largest of the agricultural industries in Nevada and will enjoy rising prices through the middle of this decade. Dairy production is also a major industry. Milk prices have already come off last year’s highs but are expected to remain well above historical averages throughout this outlook. Hay prices are expected to fall somewhat from this year’s records, but global competition for feed in general and the competition for land in the U.S. by biofuels feedstocks will result in those feed prices to remain high and be reflected in hay prices nationally and in Nevada. As a result of higher feed prices, the strong prices received by livestock producers will not entirely translate into profits. Nevertheless, the outlook for net returns is robust.

There are risks to this outlook. Weather can disrupt both crop and livestock production. Normal weather is assumed here because the frequency, location, and severity of weather events are unknown. Shocks to feed supplies in a number of locations around the world will also impact Nevada’s crop and livestock prices and therefore those markets. The failure of the domestic and global economies to recover as assumed in this outlook will also prolong weaker demand. A stronger recovery would further boost this already optimistic outlook.
### Economic Assumptions

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<td><strong>Real GDP growth, %</strong></td>
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<td><strong>Exchange rate index</strong></td>
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<td>WTI crude oil price</td>
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<td>$/barrel</td>
<td>41.45</td>
<td>56.46</td>
<td>66.10</td>
<td>72.28</td>
<td>99.61</td>
<td>61.69</td>
<td>79.41</td>
<td>90.56</td>
<td>88.60</td>
<td>97.77</td>
<td>106.04</td>
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</tr>
<tr>
<td>% change</td>
<td>33.1</td>
<td>36.2</td>
<td>17.1</td>
<td>9.3</td>
<td>37.8</td>
<td>-38.1</td>
<td>28.7</td>
<td>14.0</td>
<td>-2.2</td>
<td>10.3</td>
<td>8.5</td>
<td>1.9</td>
<td>-1.2</td>
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<tr>
<td><strong>Real food expenditures</strong></td>
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<td></td>
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<tr>
<td>Per capita, $2005</td>
<td>2,126</td>
<td>2,176</td>
<td>2,217</td>
<td>2,229</td>
<td>2,185</td>
<td>2,138</td>
<td>2,171</td>
<td>2,190</td>
<td>2,211</td>
<td>2,245</td>
<td>2,272</td>
<td>2,293</td>
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<tr>
<td>% change</td>
<td>0.3</td>
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<td>0.8</td>
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</table>
Figure 1. Economic Growth Is Still Sluggish

Real GDP growth, %

Sources: BEA, IMF, IHS Global Insight

Figure 2. Oil Prices Will Keep Pressure on Economy

West Texas Intermediate crude oil price, $/barrel

Source: IHS Global Insight

Figure 3. Jobs Are Still Hard to Come by

Employment, mil (L)
Unemployment rate, % (R)

Sources: BLS, IHS Global Insight

Figure 4. Low Borrowing Costs Until Solid Recovery

3-mo. T-bill
10-yr T-bill

Sources: FRB, IHS Global Insight
The level of real GDP in the U.S., while increasing, has only recently regained the peak level reached prior to the recession in 2007. The huge losses of jobs, income, and wealth have dampened consumption of many goods, including food and fiber. Economic growth will remain below potential over the next two years before re-accelerating by the middle of the decade.

The global economy overall has experienced contraction and difficult recovery, as well. Many developed nations have experienced similar downturns and are expected to also have sluggish, drawn-out recoveries.

Global economic growth will reach pre-recession rates by 2014. Developing nations will see the fastest rates of growth in the recovery period and beyond. Already China and India, engines of global economic growth, are exhibiting high rates of expansion.

China has been a dominant source of recent commodity demand increases and remains active in global agricultural commodity markets. In the near term, developing countries will help dampen the impacts of weaker demand from developed nations.

On the demand side, consumers have seen disposable income eroded by fuel expenditures, dampening their ability to purchase food and other products, especially as employment and income have not yet recovered.

Once recovery gains traction, the higher oil prices in 2011 are expected to persist with increases in industrial, transportation and personal demand for petroleum products.

As the U.S. and global economies reach full potential growth in the middle of the coming decade, price pressure will increase. The impacts will be felt throughout the economy; transportation costs will be elevated, industries will have higher costs, and agricultural producers will

Helmar, Food and Agricultural Policy Research Institute
be squeezed between rising costs and stabilizing or falling output prices. But the expanding economy is expected to absorb rising energy costs.

- Job creation has not yet gained much traction and the glut of excess labor keeps a lid on wages and salaries. The recent declines in unemployment rates are somewhat deceiving. A few jobs have been created but much of the decline is because workers are becoming discouraged and drop out of the labor force. As such, they are no longer measured in the unemployment data.

- The outlook for job growth is tepid in the medium term. According to IHS Global Insight, employment will not return to the pre-recession peak until 2015.

- Population and accompanying labor force growth will keep the unemployment rate somewhat elevated for several more years, implying job growth will be insufficient to fully restore labor force health until the second half of the decade.

- The sluggish economy, with accompanying weak job and income growth is limiting consumers’ ability to spend, as well as businesses’ ability to expand. Additionally, low demand for new homes and the still present high rate of foreclosures is leading to weak mortgage activity. As a result, interest rates will remain at low levels for the next two years.

- Interest rates are expected to remain low until economic growth gains full steam and expansion demonstrates staying power.

- Low interest rates are a benefit to producers that can demonstrate credit worthiness. Low short-term interest rates for annual operating expenses are reducing costs of borrowing. Longer-term interest rates are also low, benefitting producers with capital and equipment needs.

- The disappearance of jobs and income had a direct effect on food consumption. During the economic boom of the mid-2000s, real per capita expenditures for food increased in step with real income. With the crash in late 2007, food expenditures also exhibited a marked decline.

- There has been some recovery in per capita food expenditures in recent quarters, but this also coincides with an increase in the real price of food. As such, consumers are paying more for the same basket of food, even in inflation-adjusted terms, than a few years ago and the increase in expenditures does not necessarily reflect an increase in the quantity of food consumed.

- It is expected to be another two years before per capita food expenditures return to the levels that existed prior to the recession. This will coincide with job and income growth. Because of population growth of 0.8% per year expected in the medium term, total food expenditures will recover to pre-recession levels slightly faster.

- The weaker dollar is supporting U.S. agricultural exports. Adjustments this decade have brought the dollar more in line with the proper valuation of trading partners’ currencies. That adjustment is largely complete and the dollar is expected to stabilize in the next few years.

- The depreciation of the dollar against the currencies of many major trading partners in recent years makes prices of U.S. commodities very competitive on world markets. Despite the sharp rise in prices of grains, oilseeds, and livestock products on domestic markets, the weakening exchange rate has substantially dampened those price increases in international markets.

Helmar, Food and Agricultural Policy Research Institute
## Selected Policy Assumptions

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\(^1\) The CRP limit declined from 39.2 million acres to 32.0 million acres on October 1, 2009.

\(^2\) The MILC payment factor will decline from 45% to 34% on Sep 1, 2012.

\(^3\) The MILC feed ration cost adjustment trigger will increase from $7.35 per cwt to $9.50 per cwt on Sep 1, 2012.

- Provisions in the 2008 farm bill are set to expire at the end of 2012. Although new legislation is due to be put in place with the expiration of current law, the specific features of that legislation are unknown at present. It is therefore assumed that current policy parameters are maintained throughout this baseline projection.
• Direct payments are assumed to be made at current levels throughout the baseline. Direct payments are largely non-supply inducing as producers are allowed to plant crops other than those historically planted, but must keep the land in agricultural use. Therefore their elimination would have limited impact on crop production and mixes, and therefore will result in little change to the outlook.

• While it is likely that programs such as ACRE, counter-cyclical payments, and dairy pricing will be changed, the current baseline is very robust in nature, and it is projected that in most years, prices will be sufficiently high so that those programs are not triggered.

• It is possible that with the recent declines in dairy prices and continued high feed prices, MILC payments will be made in 2012. With the decline in feed costs and stabilizing milk prices in subsequent years MILC payments are not expected to be triggered.

• Crop loan rates are also assumed to be maintained at current levels. Again, prices are expected to be well above those policy rates, therefore they will not be effective in these projections.

• The baseline incorporates EISA, the 2007 energy bill, which mandates minimum levels of biofuel use under the Renewable Fuel Standard (RFS2). Under the RFS2, no more than 15 billion gallons of corn starch based ethanol can count toward the overall mandate in 2015 and subsequent years.

• The baseline assumes that authority to waive the statutory cellulosic mandate is utilized. It also assumes total and advanced biofuel mandates are reduced by the same quantity.

• The 2008 farm bill limits the size of the conservation reserve to no more than 32 million acres beginning in the 2010/11 crop year. The baseline assumes that actual enrollment is maintained near this limit.

• Millions of acres of contracts will expire each year. To maintain conservation reserve area near the limit, re-enrollments and new enrollments must match the pace of expirations. This will be more difficult to achieve with the high prices and net returns in this baseline.

• As with crop support programs, the level of the conservation reserve is likely to be changed under new legislation anticipated at the end of next year. This will have an effect on acreage that could come into production in the projected high price environment. Where this area expansion occurs would have an impact on land available for traditional or cellulosic crops, and for pasture land.
### U.S. Baseline Summary

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<th>2006</th>
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Figure 7. Crop and Feed Prices Will Remain High

![Graph showing crop and feed prices from 2002 to 2012-16.]

Figure 8. Cattle Prices Will Rise Through Mid-Decade

![Graph showing U.S. average steer prices from 2002 to 2012-16.]

Figure 9. Cow-Calf Operations Will Be Profitable

![Graph showing cow-calf operations costs and revenues from 2002 to 2012-16.]

Figure 10. But Supplies Will Remain Tight

![Graph showing cattle supplies from 2002 to 2012-16.]

Sources: USDA, FAPRI-MU
Figure 11. Improving Trade Prospects

Beef trade, mil lb

Figure 12. Global Economic Growth Will Drive Trade

Global beef net imports, ths metric tons

Figure 13. Japan, Korea Coming Back to the Table

U.S. beef exports, $mil

Figure 14. Weaker Dollar Helps U.S. Competitiveness

Boxed beef price, $/lb

Adjusted beef price
The general outlook for U.S. agriculture through the middle of the decade is for strong prices and healthy revenues, and elevated costs. Both crop and livestock producers, in general, are expected to enjoy an extended period of profitability.

Major grain and oilseed prices have been buoyed by several factors. Mandated use of biofuels has led to a more than one-third increase in domestic corn disappearance over the past decade, with smaller increases in soybean demand. Despite a sluggish global economy, developing countries, especially China, continue to import increasing quantities of agricultural commodities.

In addition, disruptions to supplies of major grains in the past few years have contributed to tight supplies. In 2010, a severe drought in Russia severely cut the wheat crop there, causing a hangover in global grain markets this year. The current drought in the Southern Plains is also reducing grain and other crop supplies. It is expected that those effects will be felt in winter grain and forage crops well into next year.

High domestic prices, particularly of corn and soybeans are resulting in acreage shifting to these crops in order to meet higher demand for these crops. There are several sources of land. First, some new land is now economically viable for crop production at the higher prices. Land also shifts from other crops, putting a strain on the entire system and leading to higher prices of other crops. Finally, in the past several years, non-renewal of some expiring Conservation Reserve Program contracts have added more than 3.5 million acres back into the land inventory, although not all of this acreage is suitable for crop production. However, during the runup in ethanol production, most of the supply increases were a result of rising yields, as available crop land is limited.

Assumption of normal weather around the world will lead to a return to adequate levels of food and feed and a softening of grain, oilseed, and hay prices in the next few years. In addition production of ethanol necessary to meet the mandated levels of consumption by 2015 has nearly been reached already in 2011. Without further mandated expansion of ethanol use and the expiring ethanol credits, little increased corn-based ethanol production is expected. However, prices are still expected to remain elevated relative to levels prior to the implementation of RFS2 in order to ration continued tight supplies against strong demand.

Competition for land and high prices of other feeds is boosting hay prices. While grain and hay producers are enjoying strong revenue growth, livestock producers are seeing their costs rise sharply. Because Western cow-calf producers are dependent on grazing public lands, their cost increases are not as great as in other parts of the country.

Livestock prices have risen sharply in the past two years, as well. Feed costs have dampened production of several meat animal species. Also, cattle inventories are at or near multi-year lows. The drought in Texas is resulting in liquidation of some herds there which will lead to several years of sustained low cattle inventories and strong prices. Solid profitability on a per cow basis is expected beyond the middle of this decade.

The outlook for beef trade is bright. The recovering global economy, especially for developing countries will expand meat, including beef demand. China’s rising affluence has been the dominant driver of rising commodity imports by that nation for several years. Other

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developing nations are also seeing incomes reach thresholds that typically indicate more demand for higher-quality diets, and beef producers will benefit. Particularly developing nations with a constrained land base, many of them in Asian nations with rapid income growth, will turn to global markets to acquire agricultural products they are not capable of producing domestically.

- After the detection of BSE in the U.S. in 2003, beef exports were nearly eliminated for two years. Particularly Japan, the largest customer for American beef, and South Korea took hard stands against imports from this country. Over the past five years, restrictions on U.S. beef in those countries have been gradually eased and some beef is flowing to their consumers again. However, Japan still retains an age restriction that limits beef imported from the U.S. to that from cattle 21 months of age or less.

- There are ongoing negotiations to raise the Japanese age limit to 30 months on beef from the U.S., Canada, France, and the Netherlands but that will only ease the constraints, not eliminate them.

- Despite the sharp rise in cattle and beef prices in the past two years and expectations of sustained strong prices, U.S. beef remains competitively priced on world markets. The depreciation of the U.S. dollar since 2000 has dampened the price increase seen by trading partners.

- The gain in boxed beef prices since 2002 in the U.S. has actually translated into little change on global markets between 2002 and this year when adjusted for exchange rates. In fact, until the recent sharp runup in prices that began in 2010, U.S. beef prices actually declined in the currencies of many trading partners. This example uses a weighted average of currencies of major trading partners, the price movements seen by specific countries depends on the specific bilateral exchange rate between that country and the U.S.

- Because the dollar is expected to stabilize in the outlook, the change in beef prices in the U.S. (and prices of other commodities) will be much more reflected in prices for U.S. beef seen by other countries. While U.S. commodities will remain competitive because of the continued weaker dollar, gains in competitiveness will largely cease as the dollar stabilizes.
## The Nevada Cattle Baseline Summary

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Figure 15. Good Price Outlook for Nevada Products

Nevada average prices, $

Sources: USDA, FAPRI-Nevada

Figure 16. Pasture and Hay to Remain Costly

Alfalfa hay prices, $/ton (L)
Private grazing fees, $/AUM (R)

Sources: USDA, FAPRI-Nevada

Figure 17. Purchased Feed Pushing Costs Higher

Purchased feed costs, % of total operating costs

Sources: USDA, FAPRI-Nevada

Figure 18. Good Profits Ahead as Feed Costs Ease

Gross value of production
Feed costs

Sources: USDA, FAPRI-Nevada

Helmar, Food and Agricultural Policy Research Institute
Nevada ranchers are benefitting from strong prices for their commodities at the national level. Feeder steer, milk, and hay prices are all well above levels seen just a few years ago. While there are some local differences in prices compared to regional and national levels, the relatively small share of national production that occurs in Nevada means that producers in this state have little influence on national prices. The relatively high price environment for beef, milk, and feeds are expected to persist through the middle of this decade, although dairy and feed prices are expected to be somewhat below recent highs.

Healthy hay prices are an advantage for hay producers, especially those that market significant portions of their crops. However, for livestock producers that need to purchase feed, higher prices have added substantially to costs. Although cattle producers in Nevada are less dependent on purchased feed than in many other parts of the country because of a large dependence on public grazing lands, they have also felt the upward push on feed costs. Dairy producers have a much larger dependence on purchased feed and are therefore feeling an even bigger bite from high grain and hay prices.

For beef cattle producers, national tight supplies, effects of the drought in the Southern Plains and the associated high steer prices will more than offset costs over the next several years. Nevada feeder steers are expected to enjoy an extended period of solid profitability through the middle of this decade.

Dairy producers will have tighter margins in 2012 as the adjustment in milk prices is preceding the anticipated decline in feed prices. After 2012, however, dairy producers are expected to regain profitability, allowing dairy herd expansion.

Helmar, Food and Agricultural Policy Research Institute
After the past several years of low cattle inventories, the national and state beef herds are expected to enter a period of expansion. Feeder steer prices began to inch up in 2010 and already in 2011 some signs of expansion began to emerge. With high and increasing returns expected over the next several years, the Nevada cattle numbers are expected to expand, topping out around 2014-2015. After that time, prices are expected to begin to reflect the downside of the cycle and inventories will follow.
General Background
Livestock Risk Protection (LRP)-Fed Cattle is designed to insure against declining market prices. Beef producers may select from a variety of coverage levels and insurance periods that correspond with the time their market-weight cattle would normally be sold.

LRP-Fed Cattle may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Beef producers submit a one-time application for LRP-Fed Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 2,000 head of heifers and steers (weighing between 1,000 and 1,400 pounds) that will be marketed for slaughter near the end of the insurance period. The annual limit for LRP-Fed Cattle is 4,000 head per producer for each crop year (July 1 to June 30). All insured cattle must be located in a State approved for LRP-Fed Cattle at the time insurance is purchased.

Coverage Levels, Prices, and Rates
Beef producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, 26, 30, 34, 39, 43, 47, or 52 weeks.

LRP-Fed Cattle is available to producers with fed cattle in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

RMA Web Site


Approved livestock agents and insurance companies: http://www.rma.usda.gov/tools/agent.html

Related AMS online livestock reports: http://marketnews.usda.gov/portal/lg/paf_dm

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
Insurance coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

Contact Us
USDA/RMA
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801
**RMA Web site:** [http://www.rma.usda.gov](http://www.rma.usda.gov)
**E-mail:** rmaweb.content@rma.usda.gov

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To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.
General Background
Livestock Risk Protection (LRP)-Feeder Cattle is designed to insure against declining market prices. Cattle producers may select from a variety of coverage levels and insurance periods that match the time their feeder cattle would normally be marketed (ownership may be retained).

LRP-Feeder Cattle insurance may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Cattle producers submit a one-time application for LRP-Feeder Cattle coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 1,000 head of feeder cattle that are expected to weigh up to 900 pounds at the end of the insurance period. The annual limit for LRP-Feeder Cattle is 2,000 head per producer for each crop year (July 1 to June 30). All insured calves and cattle must be located in a State approved for LRP-Feeder Cattle at the time insurance is purchased.

Coverage Levels, Prices, and Rates
Cattle producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and actual ending value.

The LRP-Feeder Cattle program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. Actual ending values are based on weighted average prices as reported in the Chicago Mercantile Exchange Group Feeder Cattle Index. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

RMA Web Site


Approved livestock agents and insurance companies: http://www.rma.usda.gov/tools/agent.html

Related AMS online livestock reports: http://marketnews.usda.gov/portal/lg/paf_dm

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
About the Application Process
LRP-Feeder Cattle insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement is purchased. Coverage will not attach unless the premium is paid on the day coverage is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency. There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

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## LGM Expected and Actual Gross Margin - Report For 2012, Nevada, Cattle


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### Cattle (0803) Yearling Finishing (808) Aug. - Jun. Insurance Period (908)

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### Cattle (0803) Yearling Finishing (808) Dec. - Oct. Insurance Period (912)

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### LGM Expected and Actual Gross Margin - Report For 2012, Nevada, Dairy Cattle

#### Dairy Cattle (0847) No Type Specified (997) Nov. - Sep. Insurance Period (911)

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* These figures are not gross margins, but a three day average of commodity exchange prices.
Livestock Risk Protection
Swine
Revised May 2009

General Background
Livestock Risk Protection (LRP)-Swine is designed to insure against declining market prices. Pork producers may select from a variety of coverage levels and insurance periods that match the time their hogs would normally be marketed.

LRP-Swine may be purchased throughout the year from approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online daily.

Coverage Availability
Pork producers submit a one-time application for LRP-Swine coverage. After the application is accepted, specific coverage endorsements may be purchased for up to 10,000 head of hogs that are expected to reach market weight near the end of the insurance period. The annual limit for LRP-Swine is 32,000 head per producer for each crop year (July 1 to June 30). All insured swine must be located in a State approved for LRP-Swine at the time insurance is purchased.

The length of insurance coverage available for each specific coverage endorsement is 13, 17, 21, or 26 weeks.

LRP-Swine is available to producers with market hogs in the following 37 States: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Coverage Levels, Prices, and Rates
Pork producers may select coverage prices ranging from 70 to 100 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, the producer will be paid an indemnity for the difference between the coverage price and the actual ending value.

The LRP-Swine program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. Actual ending values are calculated from price series data reported by USDA’s Agricultural Marketing Service. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

About the Application Process
LRP-Swine insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a specific coverage endorsement

RMA Web Site


Approved livestock agents and insurance companies: http://www.rma.usda.gov/tools/agent.html

Related AMS online swine reports: http://marketnews.usda.gov/portal/lg?paf_dm

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of your risk management needs, contact a crop insurance agent.
is purchased. Multiple specific coverage endorsements may be purchased with one application. Insurance coverage starts the day a specific coverage endorsement is purchased and the purchase is approved by Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

**Contact Us**
USDA/RMA
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801

**RMA Web site:** [http://www.rma.usda.gov](http://www.rma.usda.gov)
**E-mail:** rmaweb.content@rma.usda.gov

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To file a complaint of discrimination write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.
# LGM Expected and Actual Gross Margin - Report For 2012, Nevada, Swine

## Swine (0815) Farrow To Finish (804) Aug. - Jan. Insurance Period (808)

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## Swine (0815) Farrow To Finish (804) Sep. - Feb. Insurance Period (809)

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## Swine (0815) Finishing (805) Sep. - Feb. Insurance Period (809)

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## Swine (0815) Sew Pig Finishing (806) Sep. - Feb. Insurance Period (809)

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## Swine (0815) Farrow To Finish (804) Oct. - Mar. Insurance Period (810)

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**Swine (0815) Farrow To Finish (804) Nov. - Apr. Insurance Period (811)**

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**Swine (0815) Sew Pig Finishing (806) Nov. - Apr. Insurance Period (811)**

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**Swine (0815) Farrow To Finish (804) Dec. - May Insurance Period (812)**

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**Swine (0815) Finishing (805) Dec. - May Insurance Period (812)**

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**Swine (0815) Sew Pig Finishing (806) Dec. - May Insurance Period (812)**

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General Background
Livestock Risk Protection (LRP)-Lamb is designed to insure against unexpected declines in market prices. Sheep producers may select from a variety of coverage levels and insurance periods that match general feeding, production, and marketing practices.

LRP-Lamb may be purchased weekly throughout the year from RMA-approved livestock insurance agents. Premium rates, coverage prices, and actual ending values are posted online weekly.

Coverage Availability
Sheep producers submit a one-time application for LRP-Lamb coverage. After the application is accepted, specific coverage endorsements may be purchased. The number of lambs insured under a Specific Coverage Endorsement is limited to 2,000 head. The annual limit for LRP-Lamb is 28,000 head per producer for each crop year (July 1 to June 30). All insured lambs must be located in a State approved for LRP-Lamb at the time insurance is purchased.

The length of insurance available for each Specific Coverage Endorsement is 13, 20, 26, or 39 weeks. Lambs covered under the policy are feeder or slaughter lambs that are expected to weigh between 50 and 150 pounds by the ending period.

LRP-Lamb is available to sheep producers with lambs in the following 28 States: Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, 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.

Coverage Levels, Prices, and Rates
Sheep producers may select coverage prices ranging from 80 to 95 percent of the expected ending value. At the end of the insurance period, if the actual ending value is below the coverage price, an indemnity will be paid for the difference between the coverage price and actual ending value.

The LRP-Lamb program’s coverage prices, rates, actual ending values, and per hundredweight cost of insurance may be viewed on the Risk Management Agency’s Web site. The actual ending values are based upon the weekly average prices for “Formula Live Lambs” as reported by USDA’s Agricultural Marketing Service. Actual ending values will be posted on Risk Management Agency’s Web site at the end of the insurance period.

About the Application Process
LRP-Lamb insurance must be purchased through a livestock insurance agent. An application can be filled out at any time; however, insurance does not attach until a Specific Coverage Endorsement is purchased. Coverage will not start unless the...
premium is paid on the day insurance coverage is purchased. Multiple Specific Coverage Endorsements may be purchased with one application. Insurance coverage starts the day a Specific Coverage Endorsement is purchased and approved by the Risk Management Agency.

There are funding limitations for all livestock programs; therefore, Risk Management Agency tracks total policy sales against available underwriting capacity using a real-time, Web-based program. Sales will cease when underwriting capacity is reached.

**Contact Us**

USDA/RMA
1400 Independence Ave., SW, Stop 0801
Washington, D.C. 20250-0801


E-mail: rmaweb.content@rma.usda.gov
## LRP Coverage Prices, Rates, and Actual Ending Values - Report for 12/29/2011

**USDA subsidizes 13 percent of total LRP premium**

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## LRP Coverage Prices, Rates, and Actual Ending Values - Report for 12/29/2011

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Notes:
- Some endorsement lengths may not be available due to insufficient pricing or rating information.
- For LRP Fed Cattle, Feeder Cattle and Swine, sales open from the time sales data is available (approximately 3:30 P.M. central time) until 9 A.M. central time the next day.
- For Lamb, sales available MONDAY ONLY. Sales open from the time of official release of coverage prices and rates on Monday morning (approximately 10 A.M. central time) until 7 P.M. central time Monday.
- For Lamb, preliminary coverage prices and rates may be available for viewing Friday evening and over the weekend but are subject to change at the official release time on Monday. Coverage prices and rates may also be available for viewing following sales during the week.
- Purchase of LRP must be made through an authorized livestock insurance agent.
- For LRP Fed Cattle, Feeder Cattle, and Swine, coverage levels and rates shown are available only on the selected effective date until 9 a.m. the following day.
- For LRP Lamb, coverage levels and rates shown are available only on the selected effective date until 7 p.m.
- For the Formatted Print option, Adobe Acrobat is required. For unformatted printing, use the File->Print option from your browser menu.
- Use landscape mode when doing unformatted printing for best results.