

FEEDER CATTLE

LIVESTOCK RISK PROTECTION (LRP)

The Livestock Risk Protection Plan - Feeder Cattle (LRP-Feeder Cattle) is designed to protect against declining market prices. LRP Feeder Cattle covers cattle with a target marketing weight of under 600 lbs. and 600lbs-1000lbs. LRP Feeder Cattle has options for both Cow/calf operations & Stocker/Feeders. A floor price can be set on the exact number of head you plan to market. No 50,000 lb. requirement.

BENEFITS:

- No margin calls, brokerage fees, or minimum contract sizes
- No upfront cost. Premiums due at the end of your endorsement period.
- Lock in Feeder Cattle futures price, settle on CME CATTLE FEEDER CASH INDEX .
- Locks in floor price against the market and leaves upside open.
- Available in months with no Feeder cattle futures contract.
- No requirement to sell cattle when endorsement period is over.
- Coverage is based on number of head, sex, and projected sale weight.
- Coverage can be transferred to new owners upon sale.

AVAILABILITY:

- Head limits are 12,000 per endorsement, and 25,000 per producer per year.
- Endorsement periods range from 13 weeks to 52 weeks.
- Subsidies range from 35% to 55%.
- Must own livestock to participate in the program.
- A policy must be set up in advance before an endorsement can be submitted to lock in a floor price.
- Must own cattle within 60 days of maturity date to stay qualified for payment on the maturity date.
- Coverage endorsements can only be submitted when the market is closed from 4PM to 9AM the following Morning.

WEIGHT CLASSES AND PRICE ADJUSTMENT FACTORS

The below table shows the Price Adjustment Factors used to calculate the beginning coverage prices and actual ending values by weight class for Steers and Heifers. The Price Adjustment Factor will be applied to the close of the Feeder Cattle Futures contract daily to give available coverage prices for that day for each weight class and type of cattle to be covered.

Target Marketing Weight Range	STEERS	HEIFERS	UNBORN STEERS & HEIFERS	PREDOMINATLY BRAHMAN	UNBORN PREDOMINATLY BRAHMAN
Less Than 6CWT	110%	100%	105%	100%	100%
6CWT-10CWT	100%	90%	NA	90%	NA

On the maturity date of the contract (specific coverage endorsement) the Price Adjustment Factor will be applied to the CME Cattle Feeder Cash Settled reported index to give the Actual Ending Value for the weight class and type of cattle covered. If the Actual Ending Value is below the established coverage price an indemnity will be paid.

MARKETABILITY REQUIREMENTS BY THE MATURITY DATE ON THE COVERAGE ENDORSMENT

- **Marketable** - The covered livestock is considered marketable if the average actual livestock weight on the earlier of the date when livestock are sold or the SCE maturity end date meets or exceeds the minimum allowed target weight as stated in the Specific Coverage Endorsement. Livestock that does not meet the minimum weight may be considered marketable if you can establish that extraordinary circumstances caused the livestock to weigh less than the minimum weight, such as drought causing a lack of feed.
- **MINIMUM WEIGHT REQUIREMENTS FOR MARKETABILITY**
 - UNBORN STEERS AND HEIFERS (1CWT-5.99CWT): 100lbs (1CWT) MINIMUM
 - STEERS AND HEIFERS WEIGHT CLASS 1 (1CWT-5.99CWT): 100lbs (1CWT) MINIMUM
 - STEERS AND HEIFERS WEIGHT CLASS 2 (6CWT-10CWT): 600lbs (6CWT) MINIMUM
 - FED CATTLE STEERS AND HEIFERS (10CWT-16CWT): 1000lbs (10CWT) MINIMUM

LIVESTOCK RISK SERVICES, INC
OKLAHOMA NATIONAL STOCKYARDS, OKC
405-673-7124
www.livestockriskservices.com

REQUIRE PROOF OF OWNERSHIP BEFORE PAYMENT IS ISSUED

- Beginning the 2023 Livestock year (July 1, 2022) Ownership documents must be provided to finalize claim payment on your covered livestock.
 - Documents showing (A) You as a seller; (B) The purchaser; (C) The date sold; (D) The weight of the livestock sold.
 - For covered livestock not sold by the end date, a certified statement signed by you attesting that the covered livestock was not sold prior to the end date, and the covered livestock was marketable at the end date.
 - Ownership documents may include, but are not limited to:
 - Livestock purchase agreements
 - Bills of sale
 - Financing and credit documents secured by the covered livestock
 - Certified written statements from third parties such as feed suppliers or veterinarians who have visited the farm or ranch, who visually identified the livestock listed on the SCE and can attest to your ownership of the identified livestock.

LRP VS PUT OPTION:

LIVESTOCK RISK SERVICES, INC As of March 23, 2022	CME PUT OPTIONS	Livestock Risk Protection (LRP)	Savings with LRP vs. PUT Option
PRICE PROJECTED ON AUGUST 2022 FEEDER CATTLE	1.78	1.78	
Expiration Date: Note: CME PUTS can be offset anytime	8/31/2022	8/17/2022	14
Total Premium Per 50,000lbs (62.5 head 8cwt steers)	\$3,575	\$2,615	\$960
Cost Per CWT STEERS	\$7.150	\$5.23	\$1.92
Cost Per head (8CWT STEER)	\$57.20	\$41.84	\$15.36

- LRP has **no upfront cost**, Premium due after maturity date. PUT Premium due upfront.
- LRP **settles on CME CATTLE FEEDER CASH INDEX**, not Feeder Cattle Futures as with a PUT or HEDGE.
- LRP can lock in **floor price on exact number of head to be marketed**, no 50,000 lb. requirement.
- LRP Coverage endorsements can only be submitted when the market is closed from 4PM to 9AM the following Morning. CME PUTS can be bought during market trading hours.

LRP HISTORICAL PERFORMANCE

Historical Analysis for LRP 1000 Head 8 CWT Steers 17 Week Endorsement

Effective Date: 01/07 End Date: 05/06 Coverage Level: 0.9911 Livestock Weight:1000 Head 8 CWT (800000 Pounds)

Year	Coverage Price	Actual End Value	Difference Per CWT	LRP Cost Per CWT*	LRP Indemnity Per CWT	Result Per CWT	Personalized Result
2011	\$122.32	\$129.35	\$-7.03	\$4.09	\$0.00	\$-4.09	\$-32,692.40
2012	\$150.98	\$147.85	\$3.13	\$4.09	\$3.13	\$-0.95	\$-7,619.01
2013	\$156.13	\$135.67	\$20.46	\$4.09	\$20.46	\$16.38	\$131,003.18
2014	\$167.55	\$181.10	\$-13.55	\$4.09	\$0.00	\$-4.09	\$-32,692.40
2015	\$218.57	\$215.41	\$3.16	\$4.09	\$3.16	\$-0.92	\$-7,386.56
2016	\$163.62	\$142.94	\$20.68	\$4.09	\$20.68	\$16.59	\$132,721.48
2017	\$122.25	\$148.08	\$-25.83	\$4.09	\$0.00	\$-4.09	\$-32,692.40
2018	\$140.62	\$137.91	\$2.71	\$4.09	\$2.71	\$-1.38	\$-11,010.47
2020	\$147.07	\$119.50	\$27.57	\$4.09	\$27.57	\$23.48	\$187,846.37
Total:				\$36.78	\$77.71	\$40.93	\$327,477.79

If the LRP Program is something you wish to have available to protect your operation and bottom line give us a call or email. We send out LRP price reports daily.



BASED IN THE HISTORIC
OKLAHOMA NATIONAL STOCKYARDS
Oklahoma City, Oklahoma

Livestock Risk Services INC is an equal opportunity provider.
All Information can be subject to change per USDA RMA.