SUMMARY OF CHANGES FOR THE LIVESTOCK RISK PROTECTION INSURANCE POLICY, SPECIFIC COVERAGE ENDORSEMENT FOR FED CATTLE
(Released April 2025)

The following is a brief description of the changes to the Livestock Risk Protection Insurance Policy, Specific Coverage Endorsement for Fed Cattle that are effective for the 2026 and succeeding crop years.

- Section 1 –
  - Renamed the definition of "actual ending value - fed cattle" to "actual ending value - steers and heifers";
  - Added definitions of "actual ending value - cull cows," “cull cows,” “covered types,” and “price adjustment factor”;
  - In the definition of "insured fed cattle," included the new cull cows type;
  - In the definition of "target weight," established a weight range for the cull cows type;
  - Added a definition of "steers and heifers" and removed the requirement for insured cattle to have an expected yield grade of 1 to 3; and
- Section 2 – In (a), included the new cull cow type and moving type specific requirements to the definition of each type.

26-LRP-FED CATTLE
(Released April 2025)

UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION
LIVESTOCK RISK PROTECTION INSURANCE POLICY
SPECIFIC COVERAGE ENDORSEMENT FOR FED CATTLE

In return for your payment of premium for the coverage, the Livestock Risk Protection Insurance Policy Specific Coverage Endorsement for Fed Cattle will be attached to and made part of the Livestock Risk Protection (LRP) Insurance Policy, Basic Provisions (Basic Provisions) subject to the terms and conditions described in your policy.

This endorsement to the Livestock Risk Protection Insurance Policy offers protection against a decline in fed cattle prices during the term of the endorsement. You will receive an indemnity if fed cattle prices drop below a predetermined level and all terms and conditions of the policy have been met. Fed cattle prices under this policy refer to a price series published by the Agricultural Marketing Service (AMS). The length of each endorsement available for steers and heifers ranges from 13 to 52 weeks. Cull cow endorsement length is 13 weeks.

Terms and Conditions

1. Definitions

Actual ending value - cull cows - The 7-day weighted average price of feeder cattle as calculated by the CME for the Cash-Settled Commodity Index Prices, and reported as the CME Feeder Cattle Reported Index, multiplied by the price adjustment factor as published in the actuarial records. The cash settled commodity index price report is available on the Internet at https://www.cmegroup.com/market-data/reports/cash-settled-commodity-index-prices.html or a successor site.

Actual ending value - steers and heifers - The price of fed cattle as calculated by the Agricultural Marketing Service (AMS) in a report titled the "5 Area Weekly Weighted Average Direct Slaughter Cattle." The price series is the Live Basis Sales, Steers, "Over 80% Choice" category. The AMS report is available on the Internet at https://mymarketnews.ams.usda.gov/viewReport/2477. The Special Provisions should be checked for changes in the report name, number, or location. The report is released once a week. The report used to calculate the actual ending value will be the report from the week that contains the end date for the endorsement. If there is no reported information for whatever reason, then the calculation will be based on the latest report made prior to the end date.

Covered types - Steers and heifers and cull cows.

Cull cows – Dairy cows removed from the herd and marketed for slaughter as beef, expected to grade USDA Standard or lower.

Ending period - The weekly period that includes the end date, over which the actual ending value is determined.

Expected ending value - The market price expected at the end of the insurance period and found in the actuarial documents. The Expected Ending Value is a live weight value and is used in calculations on a dollars per hundredweight basis to determine coverage prices.

Insured fed cattle - The fed cattle covered under the policy.

Price adjustment factor - The factor to adjust the expected and actual ending values for each type of fed cattle, as published in the actuarial documents.

Steers and heifers - Steers and heifers raised for meat production, expected to grade select or higher, that are marketable by the end date. Quality grade and yield grade are defined by the USDA "Official United States Standards for Grades of Slaughter Cattle" and the "Official United States Standards for Grades of Carcass Beef."

Target weight - The anticipated live weight of fed cattle (per head) at the ending period on a cwt basis. Target weight should be the average expected weight for all covered livestock. Target weight must fall within the range:

(1) Steers and heifers: 10 to 16 cwt; or
(2) Cull cows: 8 to 15 cwt.

2. Coverage Limitations

(a) Actual ending values are posted on the RMA website at https://www.rma.usda.gov/. The Special Provisions should be checked for changes in the report name, number, or location. If the end date is a Saturday, Sunday, a non-report day due to a Federal holiday, or if there is no reported information for whatever reason, then the calculation will be based on the report day just prior to the end date.

(b) Coverage is available for fed cattle in which you have a share, that are not replacements or breeding stock, meet the covered type, and are expected to be marketed within 60 days of the end date.

(c) The maximum number of fed cattle that may be insured under any one Specific Coverage Endorsement shall be 12,000 head, and during any crop year shall be 25,000 head. For the purposes of determining whether the number of your insured fed cattle has reached the maximum allowed for the crop year, we will sum the values determined in items (1) and (2) below:

(1) All fed cattle insured under any Specific Coverage Endorsement issued under this policy.
(2) All fed cattle insured under any other Livestock Risk Protection Insurance Policy in which you, or any person who has a substantial beneficial interest in you, have a substantial beneficial

interest, in proportion to the percentage of substantial beneficial interest.

(3) If the number of covered fed cattle calculated per 2(b) has reached the maximum allowed number of head for the crop year, no further endorsements will be accepted.

(4) For example: ABC Farms has 2,000 head of fed cattle insured under LRP. Producer A has a substantial beneficial interest in ABC Farms and has 90 percent interest (2,000 × .90 = 1,800 head). Producer A also has cattle under their own name and wants to insure 1,000 head. The total cattle insured by Producer A are: 1,800 + 1,000 = 2,800 head which is below the crop year limit of 25,000 head.

3. Premiums

(a) Your total premium is determined by:

(1) Multiplying the number of head by the target weight;

(2) Multiplying section 3(a)(1) by the coverage price;

(3) Calculating the insured value by multiplying section 3(a)(2) by the insured share;

(4) Calculating total premium by multiplying section 3(a)(3) by the rate contained in the Rate Table published daily in the actuarial documents;

(5) Multiplying the result of section 3(a)(4) by the applicable producer subsidy percentage to calculate the appropriate amount of subsidy; and

(6) Subtracting the result from section 3(a)(5) from the result from section 3(a)(4).

(b) Premium calculation example:

An operation has 50 head of fed cattle and expects to market the fed cattle at a target weight of 11 cwt each. The insured share is 100 percent. The expected ending value is $68.42 per live cwt and the producer selects a coverage price of $65 per live cwt. For this coverage price the rate is 1.3990%. The example premium subsidy is 35 percent. The premium is calculated by:

(1) 50 head multiplied by 11 equals 550 cwt.

(2) 550 cwt multiplied by the coverage price of $65 equals $35,750.

(3) $35,750 multiplied by the insured share of 1.00 equals an insured value of $35,750.

(4) $35,750 multiplied by the rate of .013990 equals $500 total premium.

(5) $500 multiplied by the producer premium subsidy percentage of .35 equals $175.

(6) Subtracting $175 from $500 equals the producer premium of $325.

4. Indemnity

(a) An indemnity is calculated and payable if the actual ending value is less than the coverage price (otherwise the indemnity is zero). The indemnity calculation is determined by:

(1) Multiplying the number of head by the target weight (in live cwt);

(2) Subtracting the actual ending value from the coverage price (this will always be a positive number if an indemnity is due);

(3) Multiplying 4(a)(1) by 4(a)(2); and

(4) Multiplying 4(a)(3) by the insured share.

(b) Indemnity calculation example:

For the above operation with 50 head of fed cattle, a target weight of 11 cwt, an insured share of 100 percent, and a coverage price of $65 per cwt, the actual ending value is equal to $60 per cwt. Since $60 is less than the coverage price of $65, an indemnity is due. Indemnity is calculated by:

(1) 50 head multiplied by the 11 cwt target weight equals 550 cwt.

(2) Subtracting the actual ending value of $60 from the coverage price of $65 equals $5/cwt.

(3) Multiplying 550 cwt by $5/cwt equals $2,750.

(4) Multiplying $2,750 by the insured share of 1.00 equals an indemnity payment of $2,750.