

Frequently Asked Questions:

Livestock Risk Protection - Lamb

Aug 7, 2009

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

A: The LRP-Lamb Insurance Policy provides protection against unexpected lamb price declines. An economic model is used to predict the expected price of lambs each week. An indemnity is paid if the actual national weekly average lamb price – using the “calculated formula live price” - calculated from prices posted by USDA’s Agriculture Marketing Service (AMS) - is less than the expected price. The price that the producer actually receives for his or her own lambs is not part of the calculations.

Note: The "Calculated Formula Live Price" is: formula prices established for previously slaughtered lambs (carcass basis) multiplied by the weighted average dressing percent. These price data are published each Friday at: http://www.ams.usda.gov/mnreports/lm_lm352.txt.

Q: Who is eligible to purchase LRP-Lamb?

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

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

A: LRP-Lamb provides producers and feeders of lambs with the opportunity to insure the lambs they own against an unexpected decline in price. The LRP-Lamb Coverage Price and corresponding Actual Ending Value are both prices that are calculated based on an econometric model composed of slaughter lamb prices, actual slaughter under Federal inspection, live weight, pelt price, a moving average seasonal index and other variables. Producers and feeders may continue to market their own lambs through their own market channels and at the maximum price they can negotiate, however the actual price received by a producer is not used with respect to the insurance.

LRP-Lamb will be offered for sale each week from Monday morning through 7:00 PM central time. Producers can choose between three endorsement periods (13, 20, 26, or 39 weeks) to best suit their own production and feeding systems. LRP-Lamb insurance coverage prices and rate estimates may be available for review on the RMA website beginning on Friday evening. However, rates and coverage prices may be modified prior to sales beginning on Monday morning so the final rates and coverage prices may be different than the estimates that may have been provided over the weekend.

Q: Where can LRP-Lamb insurance be purchased?

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

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

A: Producers can purchase as little as 80-percent coverage and as much as 95 percent coverage of the price in 5-percent increments. Coverage prices will be listed for each coverage level for each of the endorsements (13, 20, 26, or 39 weeks) during the sales period each week.

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

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

Q: Must lambs be owned at the time of purchase for LRP-Lamb insurance?

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

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

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

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

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

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

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

For more information, please contact Leiann Nelson: Leiann.Nelson@rma.usda.gov.