



7101 82nd Street
Lubbock, Texas 79424
806.473.0333
FAX 806.473.0334
armtech@armt.com

Livestock Risk Protection (LRP) 2009 Lamb

LRP Overview

LRP lamb provides revenue protection from a price decline during the policy coverage period. An economic model is used to predict the expected price of lambs each week. An indemnity is paid if the actual weekly average lamb price—using the ‘formula live’ series posted by U.S. Department of Agriculture’s Agriculture Marketing Service—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.

The policy does not protect against other perils such as mortality, disease, or any other cause of loss.

LRP has limited underwriting amounts that require that all requests for coverage be approved by the Risk Management Agency (RMA) before coverage officially attaches.

To establish LRP coverage, an insured must first file an application for LRP insurance through their insurance agent. This application does not establish any right to coverage. It only establishes the ability to request coverage if appropriate underwriting amounts are available from RMA. After the application has been accepted, the insured must file an SBI (entities with 10% or greater interest) listing their social security numbers or employer ID numbers and their share along with a Specific Coverage Endorsement (SCE) to establish actual insurance coverage.

LRP Lamb will be offered for sale each week from Monday morning through 7pm Central Time.

LRP Availability

LRP lamb is available in Arizona, California, Colorado, Idaho, Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming.

Insured’s Options

LRP is for lamb that the producer intends to have and to market for slaughter at the end of the insurance period.

The target weight is the anticipated live weight of lamb (per head) at the ending period on a cwt. Basis. The target weight for each lamb should be between .5 cwt and 1.5 cwt per head.

LRP Lamb insurance is offered for 13, 26 or 39-week periods. The time closest to the time the lambs will be marketed should be chosen.

The maximum number of lamb that may be insured by any one entity in any one crop year is 28,000 head. (Only 7,000 head may be covered on a single SCE).

The coverage level on LRP ranges from 80%-95% (in 5% increments) of the expected ending value. The subsidy rate at all levels is 13%.

LRP Prices

Actual Ending Value – The price of live lambs as calculated by the Agricultural Marketing Service (AMS) in a report titled the “National Weekly Slaughter Review”.

Ending Period—The weekly period over which the actual ending value is determined—not when you sell your lambs.

The LRP Lamb Coverage Price and corresponding Actual Ending Value are both price 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.

LRP Premium

Assume:

- 50 head of lamb
 - Target weight of 1.30 cwt
 - Insured Share is 100%
 - Selected coverage price of \$85.50
 - Expected ending value of \$90.00
 - Rate is 1.997%
 - Subsidy is 13%
1. 50 head X 1.30 cwt = 65 cwt
 2. 65 cwt X \$85.50 coverage price = \$5558.
 3. \$5558 X 100% share = \$5558
 4. \$5558 X 0.01997 rate = \$111 total premium
 5. \$111 X 0.13 premium subsidy = \$14
 6. \$111 - \$14 = \$97 producer paid premium

LRP Indemnity

- 50 head of lamb
- Target weight of 1.30 cwt
- Insured Share is 100%
- Selected coverage price of \$85.50
- Actual Ending Value is \$80 per cwt

Since \$80 is less than the coverage price of \$85.50, an indemnity is due.

1. 50 head X the 1.30 cwt target weight equals 65 cwt.
2. Subtracting the actual ending value of \$80 from the coverage price of \$85.50 equals \$5.50/cwt.
3. Multiplying 65 cwt. by \$5.50/cwt equals \$358
4. Multiplying \$358 by the insured share of 1.00 equals an indemnity payment of \$358.

For More Information

This summary is for general illustration purposes only.

Consult your crop insurance agent to obtain specific information regarding practices, options, planting dates and appropriate deadlines.

READ THE POLICY PROVISIONS BEFORE MAKING YOUR DECISION ON LRP OR OTHER CROP INSURANCE PRODUCTS. POLICY PROVISIONS ARE AVAILABLE FROM YOUR INSURANCE AGENT.

ARMtech Insurance Services, Inc. is an equal opportunity provider.
