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

This provision of the Livestock Risk Protection 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 fed cattle ranges from 13 to 52 weeks.

Terms and Conditions

1. DEFINITIONS.

Actual Ending Value–Fed Cattle - 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, "35 - 65% Choice" category. The AMS report is available on the Internet at https://www.ams.usda.gov/mnreports/lm_ct150.txt. 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.

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. The fed cattle that the producer expects to grade select or higher and with a yield grade of 1 to 3, and to market for slaughter at 10 to 14 cwt at the end of the insurance period.

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, allowing for differences in weight between heifer and steer fed cattle.

2. COVERAGE LIMITATIONS.

(a) Coverage is available for cattle expected to grade select or higher with a yield grade of 1 to 3. 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."

(b) The maximum number of fed cattle that may be insured under any one Specific Coverage Endorsement shall be 3,000 head, and during any crop year shall be 6,000 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;
   (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 20 percent. The premium is calculated by:
   (1) 50 head times 11 equals 550 cwt.
   (2) 550 cwt times the coverage price of $65 equals $35,750.
   (3) $35,750 times the insured share of 1.00 equals an insured value of $35,750.
   (4) $35,750 times the rate of .013990 equals $500 total premium.
   (5) $500 times the producer premium subsidy percentage of .20 equals $100.
   (6) Subtracting $100 from $500 equals the producer premium of $400.

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);

(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 times 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.