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

This provision of the Livestock Risk Protection policy offers protection against a decline in feeder cattle prices during the term of the endorsement. You will receive an indemnity if feeder cattle prices drop below a predetermined level and all terms and conditions of the policy have been met. Feeder cattle prices under this policy refer to a price series created and reported by the Chicago Mercantile Exchange (CME). The length of each endorsement available for feeder cattle ranges from 13 to 52 weeks. This endorsement is specifically for steer, heifer, predominately Brahman, or predominately dairy feeder cattle within the allowable weight range.

Terms and Conditions

1. Definitions.

Actual ending value–Feeder cattle - The 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 specified in section 3 for the type of feeder cattle.

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 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.

Ending period - The period of one day, which is the end date, on which the actual ending value is reported.

Expected ending value - The market price expected at the end 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 feeder cattle - The feeder cattle in which you have an insured share, that are not replacements or breeding stock, meet the covered type, and are expected to be marketed by the end date.

Predominately Brahman - Feeder cattle that are characterized by buyers as Brahman when sold or marketed.

Predominately dairy - Feeder cattle that are characterized by buyers as a dairy breed when sold or marketed.

Target weight - The anticipated live weight of feeder cattle (per head) at the ending period on a cwt. basis that must fall within the following range:

(a) Steer feeder cattle; categorized in the two weight ranges of 1.0 - 5.99 cwt (for steers and bulls) and 6.0 - 10.0 cwt (steers only).
(b) Heifer feeder cattle; categorized in the two weight ranges of 1.0 - 5.99 cwt and 6.0 - 10.0 cwt.
(c) Predominately Brahman feeder cattle; categorized in the two weight ranges of 1.0 - 5.99 cwt (for heifers, steers, and bulls) and 6.0 - 10.0 cwt (for heifers and steers).
(d) Predominately Dairy feeder cattle; categorized in the two weight ranges of 1.0 - 5.99 cwt (for heifers, steers and bulls) and 6.0 - 10.0 cwt (for heifers and steers).
(e) Unborn steers and heifers, i.e., bulls and heifers unborn on the sales closing date, to be marketed as bulls, steers, or heifers, with target weight of 1.0 - 5.99 cwt.
(f) Unborn predominantly Brahman feeder cattle; with target weight of 1.0 - 5.99 cwt (for heifers, steers, and bulls).
(g) Unborn predominantly dairy feeder cattle; with target weight 1.0 - 5.99 cwt (for heifers, steers, and bulls).

2. Coverage limitations.

(a) Coverage under this endorsement is available for insured feeder cattle as defined in section 1.
(b) Unborn insured feeder cattle must be born and marketable before the end date.
(c) The maximum number of feeder 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 feeder cattle has reached the maximum allowed for the crop year, we will sum the values determined in items (1) and (2) below:
   (1) All feeder cattle (all types, all target weights) insured under any Specific Coverage Endorsement insured under this policy.
   (2) All feeder cattle (all types, all target weights) insured under any other Livestock Risk Protection 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 feeder cattle calculated per 2(c) has reached the maximum allowed number of head for the crop year, no further endorsements will be accepted.

(4) For example: Smith Farms has 1,000 head of feeder cattle insured under LRP. John Smith has a substantial beneficial interest in Smith Farms and has 90 percent interest (1,000 * .90 = 900 head). John Smith also has cattle under his own name and wants to insure 200 head. The total cattle insured by John Smith are: 900 + 200 = 1,100 head which is below the crop year limit of 25,000 head.

3. Price adjustment factors for expected and actual ending values.

The price adjustment factors to adjust the expected and actual ending values for each type of feeder cattle and weight category are shown in the Special Provisions.

4. Premiums.

(a) Your total premium is determined by:
- (1) Multiplying the number of head by the target weight;
- (2) Multiplying section 4(a)(1) by the coverage price;
- (3) Multiplying the result of section 4(a)(2) by the insured share to determine the insured value;
- (4) Multiplying the result of section 4(a)(3) by the rate contained in the Rate Table published daily in the actuarial documents to determine the total premium;
- (5) Multiplying the result of section 4(a)(4) by the applicable producer subsidy percentage to calculate the appropriate amount of subsidy; and
- (6) Subtracting the result from section 4(a)(5) from the result from section 4(a)(4) to determine the producer premium.

(b) Premium calculation example:

An operation has 100 head of heifer feeder cattle and expects to market the heifer feeder cattle at a target weight of 7.5 cwt each. The insured share is 100 percent. The expected ending value for steers weighing between 6.0 and 10.0 cwt is $80. The ending value for the heifer feeder cattle is $72 per live cwt, (90 price adjustment factor for heifer cattle weighing between 6.0 and 10.0 cwt multiplied by the $80 expected ending value for all steers weighing between 6.0 and 10.0 cwt). The producer selects a coverage price of $67.50 per live cwt. For this coverage price the rate is 1.3990 percent. The example premium subsidy is 35 percent. The premium is calculated by:
- (1) 100 head times 7.5 equals 750 cwt.
- (2) 750 cwt times the coverage price of $67.50 equals $50,625.
- (3) $50,625 times the insured share of 1.00 equals an insured value of $50,625.
- (4) $50,625 times the rate of .013990 equals $708 total premium.
- (5) $708 times the producer premium subsidy percentage of .35 equals $248.
- (6) Subtracting $248 from $708 equals the producer premium of $460.

5. 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 the result of section 5(a)(1) by the result of section 5(a)(2); and
- (4) Multiplying the result of section 5(a)(3) by the insured share.

(b) Indemnity calculation example:

For the above operation with 100 head of heifer feeder cattle, a target weight of 7.5 cwt, an insured share of 100 percent, and a coverage price of $67.50 per live cwt. The actual ending value for steers weighing between 6.0 and 10.0 cwt is $70. The actual ending value for heifer feeder cattle is $63 per live cwt (.90 times $70 actual ending value for all feeder steers in the 6.0 to 10.0 cwt). Since $63 is less than the coverage price of $67.50, an indemnity is due. Indemnity is calculated by:
- (1) 100 head times the 7.5 cwt target weight equals 750 cwt.
- (2) Subtracting the actual ending value of $63 from the coverage price of $67.50 equals $4.5/cwt.
- (3) Multiplying 750 cwt. by $4.5/cwt. equals $3,375.
- (4) Multiplying $3,375 by the insured share of 1.00 equals an indemnity payment of $3,375.