



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

This provision of the Livestock Risk Protection policy offers protection against a decline in hog prices during the term of this Endorsement. You will receive an indemnity if hog prices drop below a predetermined level and all terms and conditions of the policy have been met. Hog prices under this policy refer to a lean based price series published by the Agricultural Marketing Service (AMS) of the USDA. The length of each endorsement available for swine ranges from 13 to 52 weeks.

Terms and Conditions

1. Definitions

**Actual ending value—swine** - The weighted average price of lean hogs. The days used in the weighted average price calculations are the end date and one day prior to the end date. The Actual Ending Value is to be used in calculations on a dollars per cwt. basis. The AMS price series used will be the same series used to settle the lean hog futures contract at the Chicago Mercantile Exchange. The weighted average price is calculated using two Producer Sold data series in the report, the *Negotiated* and the *Swine or Pork Market Formula* (SPMF) categories. The steps to calculate the weighted average price are:

1. Multiply the *Negotiated Head Count* by the *Negotiated Average Carcass Weight* for each of the two days of the index to calculate the *Negotiated Volume* for each day.
2. Multiply the results from 1 by the *Negotiated Average Net Price* for each of the two days of the index to calculate the *Negotiated Total Value* for each day.
3. Multiply the *SPMF Head Count* by the *SPMF Average Carcass Weight* for each of the two days of the index to calculate the *SPMF Volume* for each day.
4. Multiply the results from 3 by the *SPMF Average Net Price* for each day of the two days in the index to calculate the *SPMF Total Value* for each day.
5. Add the *Negotiated Total Values* to the *SPMF Total Values* (four numbers) to calculate the *Two Day Total Value*.
6. Add the *Negotiated Volumes* and *SPMF Volumes* (a total of four numbers) to calculate the *Two Day Total Volume*.
7. Divide the result of 5 by the result of 6.

The AMS report is available on the Internet at <https://mymarketnews.ams.usda.gov/viewReport/2511>.

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 two report days just prior to the end date.

**Ending period** - The period of two business days, ending on 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 represents lean

weight value and is used in calculations on a dollars per hundredweight basis to determine coverage prices.

**Insured swine** - The swine covered under the policy. The swine that the producer expects to have and to market (for slaughter) at the end of the insurance period, which includes swine that are unborn on the effective date.

**Target weight** - The anticipated lean weight of swine (per head) at the ending period on a cwt. basis. To convert live weight to lean weight, multiply the live weight by the lean weight conversion factor of .74. For example, a 2.50 cwt. per head live weight is equal to 1.85 cwt. lean weight. The Target Weight must fall within the range of 1.40 and 2.60 cwt. (this equates to a head weighing from about 189 to 351 lbs. on a live basis).

2. Coverage Limitations

- (a) Insured unborn swine must be born before the end date and unborn swine must be insured for a minimum of 30 weeks. All other swine can only be insured for a maximum of 30 weeks.
- (b) The maximum number of swine that may be insured under any one Specific Coverage Endorsement shall be 70,000 head, and during any crop year shall be 750,000 head. For the purposes of determining whether the number of your insured swine has reached the maximum allowed for the crop year, we will sum the values determined in items (1) and (2) below:
  - (1) All swine insured under any Specific Coverage Endorsement insured under this policy.
  - (2) All swine 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 swine 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: Smith Farms has 20,000 head of swine insured under LRP. John Smith has a substantial beneficial interest in Smith Farms and has 90 percent interest (20,000 \* .90 = 18,000 head). John Smith also has hogs under his own name and wants to insure 10,000 head. The total hogs insured by John Smith are: 18,000 + 10,000 = 28,000 head which is below the crop year limit of 750,000 head.

### 3. Premiums

- (a) Your total premium is determined by:
- (1) Multiplying the number of head by the target weight (in lean cwt.);
  - (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 1,000 head of hogs and expects to market the hogs at 2.50 cwt. each. Therefore, the target weight is 2.50 times the lean weight conversion factor of .74, which is 1.85 cwt. The insured share is 100 percent. The expected ending value is \$55.00 dollars per cwt. and the producer selects a coverage price of \$52.25 per cwt. (on a lean cwt. basis). For this coverage price the rate is 2.8708 percent. The example premium subsidy is 35 percent. The premium is calculated by:

- (1) 1,000 head times 1.85 equals 1,850 cwt.;
- (2) 1,850 cwt. times the coverage price of \$52.25 equals \$96,663;
- (3) \$96,663 times the insured share of 1.00 equals an insured value of \$96,663;
- (4) \$96,663 times the rate of .028708 equals \$2,775 total premium;
- (5) \$2,775 times the producer premium subsidy percentage of .35 equals \$971; and
- (6) Subtracting \$971 from \$2,775 equals the producer premium of \$1,804.

### 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 lean 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 1,000 head of hogs, a target weight of 1.85 cwt., an insured share of 100 percent, and a coverage price of \$52.25 per cwt., the actual ending value is equal to \$44.80 per cwt. Since \$44.80 is less than the coverage price of \$52.25, an indemnity is due.

Indemnity is calculated by:

- (1) 1,000 head times the 1.85 target weight equals 1,850 cwt.;
- (2) Subtracting the actual ending value of \$44.80 from the coverage price of \$52.25 equals

\$7.45/cwt.;

- (3) Multiplying 1,850 cwt. by \$7.45/cwt. equals \$13,783; and
- (4) Multiplying \$13,783 by the insured share of 1.00 equals an indemnity payment of \$13,783.