

Livestock Risk Protection Insurance

For

Swine Producers

For this edition of the Doctor's Corner, we would like to move away from "Bugs and Drugs" to discuss a risk management tool that is available to pork producers.

The tool is the Livestock Risk Protection (LRP) Insurance plan for swine that is supported by the Risk Management Agency (RMA) of the USDA. This federally subsidized LRP-Swine Program is designed to help insure pork producers against declining market prices. LRP-Swine Program has been available to pork producers for several years but recent changes to the subsidy level offered by the USDA and changes to the number of head allowed to be insured has made the program more applicable to area pork producers. The LRP-Swine Program is in some regards like multi-peril crop insurance.

To utilize the LRP-Swine Program, pork producers must submit a one-time application to the RMA. The application process establishes producer eligibility for the LRP policy. The application process is completed with a livestock insurance agent. A list of approved participating insurance agents is available at all USDA service centers and on the RMA website at the Agent Locator page. Many of these agents are also licensed to sell crop insurance. FVC/PCM has been using the Borchardt Agency for information on this program.

Once the producer's application has been accepted by the RMA, the producers can then buy specific coverage endorsements (SCE) for their market hogs. A SCE involves the following aspects.

Number of head: A producer may insure up to 40,000 head under one SCE. The yearly (July 1-June 30) limit is currently 150, 000 head.

Insurance Period: LRP-Swine is offered for 13, 17, 21 and 26 weeks. The time closest to expected market date should be chosen.

Coverage Level: Levels range from 70% to 100%.

Coverage Price: This is the price that can be insured by the producer. Coverage prices are posted from Tuesday to Saturday in the late afternoon on the RMA website or obtained from your agent. If the price received by the producer at the time of market is less than the coverage price on the SCE, the producer is paid an indemnity.

Cost of Insurance: The quote of insurance cost from the issuing insurance company.

Subsidized Cost of Insurance: Currently the RMA is subsidizing the cost of insurance for producers from 35% to 55%. Earlier program years had subsidies of 13%.

To purchase a SCE, a producer would call their insurance agent prior to 9AM the following morning after the current SCE was posted. Currently the producer has until 30 days after the close of the SCE's insurance period to pay the premium.

In Summary:

The LRP-Swine program allows producers to protect their dollars invested in a group of hogs when the hog market turns lower.

The LRP-Swine program can be used in conjunction with other risk management tools to help a producer weather down turns in the hog market.

The current level of subsidizes to the cost of insurance by the RMA makes the program more affordable for pork producers.

If interested in more information, FVC/PCM will be conducting an informational meeting with the Borchardt Agency on the LRP-Swine program soon when PCM re-opens to outside visitors again. Please contact me or Mike Wubbena with any additional questions.

Brian Roggow.