

[00:00:00.160] - Speaker 1

At Texas Farm Credit our team of insurance professionals are in the business of safeguarding the livelihood of our customers, their operations, and maximizing revenue. Agriculture is one of the riskiest businesses around. From rising input costs, increasingly volatile commodity markets to weather extremes, our farmers and ranchers are constantly being challenged to produce and deliver their crops. Livestock producers historically have not had as many risk management options as their farming neighbors. That is no longer the case thanks to Livestock Risk Protection.

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Livestock Risk Protection, or LRP, is a federal crop insurance policy that allows a rancher to protect themselves against a decline in market price for their livestock. Coverage for multiple species are offered, including swine feeder, cattle fed cattle, and even onboard calves. But let's just focus specifically on cattle. Using the CME futures contracts, LRP lets a producer purchase a percentage of an expected ending value based on type, sex and expected weight of their cattle. One advantage of LRP compared to a hedge is you can ensure as many or as few as you'd like.

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Another advantage is that LRP endorsements receive a subsidy ranging from 35% to 55%, depending on the coverage level, with nothing due when coverage is bound, premium is generated at the end of the insurance period. If a claim is realized and with no margin calls to make, this can be a great alternative to hedging cattle on the board. Something I'd really like to say is how coverage is reconciled. The ending value on all LRP endorsements is the Cattle Feeder Index, not the actual cash price a producer receives. The Cattle Feeder Index is a regional figure that is reported daily accounting for all eligible steers marketed that day.

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LRP uses price adjustment factors that equate the value of an 800 pound steer to a 500 pound steer or even a 900 pound heifer. The important thing to remember is that both the coverage price and the index value are adjusted. Keeping everything apples to Apples at the end of the day, a strong cash market is always better for the farmer or rancher than any insurance policy. However, guaranteeing some peace of mind by using a product such as LRP is a strategic and a sound business decision that could offset losses due to suppressed market conditions that are completely out of the ranchers control. I know it sounds complicated, but this program is very simple and straightforward.

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Now, through LRP, livestock producers of all sizes and segments can take advantage of a rally in the futures contracts to ensure a price for their cattle and not have to just hope that those cash prices are still there when they actually sell their livestock. If this is something you'd be interested in or like to learn more, I highly encourage you to speak with one of our livestock specialists and complete an application. Simply signing and having an approved application does not commit you to buying coverage at a later date. It just simply allows you the option to do so at Texas Farm Credit. We care about your success, and we look forward to visiting with you.