



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

In return for your payment of premium for the coverage, the Livestock Risk Insurance Protection Policy Specific Coverage Endorsement for Feeder Cattle will be attached to and made part of the Livestock Risk Protection (LRP) Insurance Policy, Basic Provisions (Basic Provisions) subject to the terms and conditions described in your policy.

This endorsement to the Livestock Risk Protection Insurance 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. Endorsement length for unborn calves is limited to 13 to 43 weeks. This endorsement is specifically for steer, heifer, ~~predominately~~predominantly Brahman, or ~~predominately~~predominantly dairy feeder cattle within the allowable weight range.

Terms and Conditions

1. Definitions

Actual ending value—Feeder cattle - The 7-day 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, as published in the actuarial documents.

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.

Drought Severity and Coverage Index (DSCI) – Drought index reported weekly by the National Drought Mitigation Center, National Oceanic and Atmospheric Administration, and USDA. DSCI is used for converting drought levels from the U.S. Drought Monitor map to a single value for an area, such as a state or a county. Possible values of the DSCI are from 0 to 500. Zero means that none of the area is abnormally dry or in drought, and 500 means that all of the area is in D4, exceptional drought. DSCI values are available at <https://droughtmonitor.unl.edu/DmData/DataDownload/DSCI.aspx>.

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~~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.

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

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

Price adjustment factor - The factor to adjust the expected and actual ending values for each type of feeder cattle, as published in the actuarial documents.

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:

- ~~(1) 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).~~
- ~~(2)(1)~~ Heifer feeder cattle; categorized in the two weight ranges of 1.0 - 5.99 cwt and 6.0 - 10.0 cwt.
- ~~(3)(2)~~ Predominantly 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).
- ~~(4)(3)~~ Predominantly 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).
- ~~(4)~~ 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).
- (5) Unborn bulls and heifers, ~~i.e.,~~ bulls and heifers unborn on the ~~sales closing~~effective date, to be marketed as bulls, steers, or heifers, ~~with target;~~ categorized in the two weight ranges of 1.0 - 5.99 cwt and 6.0 - 9.0 cwt.
- ~~(6)~~ Unborn ~~predominantly Brahman feeder cattle;~~ with target weight of 1.0 - 5.99 cwt (for heifers, steers, and bulls).

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~~(7) Unborn predominantly dairy feeder cattle; with target weight 1.0 - 5.99 cwt (for heifers, steers, and bulls).~~

~~(8) Unborn calves; with a target weight of 0.6 - 0.99 cwt, for calves expected to be sold within the first two weeks after birth. Insurable calves include beef calves and beef-on-dairy crossbred calves produced by crossing dairy cows (including, but not limited to Holstein, Jersey, Brown Swiss, Ayrshire, Guernsey, or Milking Shorthorn) with beef bulls (including, but not limited to Angus, Hereford, Simmental, Charolais, Limousin, Wagyu).~~

(7) Unborn predominantly Brahman feeder cattle; predominantly Brahman bulls and heifers unborn on the effective date, to be marketed as bulls, steers, or heifers; categorized in the two weight ranges of 1.0 - 5.99 cwt and 6.0 - 9.0 cwt.

(8) Unborn predominantly dairy feeder cattle; predominantly dairy bulls and heifers unborn on the effective date, to be marketed as bulls, steers, or heifers; categorized in the two weight ranges of 1.0 - 5.99 cwt and 6.0 - 9.0 cwt.

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. If the target weight is in the 6.0 to 9.0 cwt range, unborn livestock must be insured for a minimum of 30 weeks.

(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~~ For any SCE under this policy, the number of declared head of feeder cattle (all types, all target weights) ~~insured under any Specific Coverage Endorsement insured under this policy multiplied by the share declared on the SCE.~~

(2) All feeder cattle (all types, all target weights) insured under any other Livestock Risk Protection Insurance 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 ($1,000 \times .90 = 900$ 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.

(d) If covered steers or heifers are sold within 60 days of the end date:

(1) In addition to requirements of section 6(a)(2)(i) of the Basic Provisions, the marketing records must also specify the sex of sold livestock; and

(2) If marketing records indicate that any of the sold covered livestock are of the sex different than the sex indicated on the SCE, the number of such misidentified animals is adjusted by multiplying by 0.90, and rounded to the closest whole number.

(e) To receive an indemnity for covered unborn calves:

(1) In addition to requirements of section 6(a)(2)(i) of the Basic Provisions, you must provide documents verifying the sales of covered unborn calves not earlier than 30 days before the SCE end date and no later than 30 days after the SCE end date.

(2) In lieu of the requirements of section 6(a)(2)(i)(D) of the Basic Provisions, marketing records do not need to show the weight of the livestock sold. If marketing records do show weight, the weight must be consistent with the sale occurring within two weeks after birth.

3. ~~Drought hardship~~ Forage disaster exemption

(a) You may qualify for a ~~drought hardship~~ forage disaster exemption if, for the county and state where livestock is located, as declared on the SCE:

(1) DSCI substantially increased during the insurance period:

~~(1)~~ (i) DSCI measured not earlier than 30 days before the date covered feeder cattle are sold equals or exceeds 200; and

~~(2)~~ (ii) The increase in DSCI exceeds 150 points within the grazing period between the effective date and the date covered feeder cattle are sold.

~~(3)~~ (iii) A change in DSCI shall be determined as follows:

~~(1)~~ (A) Initial DSCI is equal to DSCI for the county and state indicated on the SCE, as last published on or before the effective date.

~~(2)~~ (B) Final DSCI is equal to the highest published DSCI for the county and state indicated on the SCE, with a publication date after the ~~initial~~ initial DSCI, during the grazing period, and not earlier than 30 days before the date covered feeder cattle are sold, ~~or and not~~ later than the date covered feeder cattle are sold, as verified by the marketing records.

~~(3)~~ (C) The change in DSCI is equal to the final DSCI minus the initial DSCI.

(2) High DSCI persisted during the grazing period:

(i) DSCI exceeded 200 for eight consecutive weeks after the effective date while covered livestock is in your physical possession; or

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(ii) DSCI exceeded 300 for four consecutive weeks after the effective date while covered livestock is in your physical possession.

(iii) Grazing period for each state is provided in Special Provisions.

(3) Covered livestock is prevented from grazing due to a fire or natural disaster, provided:

(i) The grazing land is located in a county or area subject to a federal, state, or local declaration, designation, order, advisory, or closure relating to a fire or natural disaster that occurs or materially worsens during the coverage period; and

(ii) You certify that the declared event or ordered action, or the conditions giving rise to it, prevented grazing or made grazing not reasonably possible on the grazing land where the covered livestock were located or intended to be located. Your certification must state the approximate dates during which grazing was prevented.

(b) If you qualify for a drought hardship or forage disaster exemption, you will be considered to have an ownership interest in the disposed of or sold livestock even if covered livestock were disposed of or sold more than 60 days prior to the SCE end date, provided you present valid, as applicable:

(1) Valid marketing records, and information

(i) Information on the initial and final DSCI;

(ii) Evidence of the Federal, state, or local declaration, designation, order, advisory, or closure, as specified in addition to subsection 3(a)(3)(i);

(iii) The written certification, as specified in subsection 3(a)(3)(ii); and

(e)(2) All other documentation otherwise required.

4. Premiums

(a) Your total premium is determined by:

- (1) Multiplying the number of head by the target weight;
- (2) Multiplying the result of 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 7.58 cwt each. The insured share is 100 percent. The expected ending value for steers

weighing between 6.0 and 10.0 cwt is \$80345.44. The expected ending value for the heifer feeder cattle is \$72310.90 per live cwt, (90 price adjustment factor for heifer cattle weighing between 6.0 and 10.0 cwt multiplied by the \$80345.44 expected ending value for all steers weighing between 6.0 and 10.0 cwt). The producer selects a coverage price of \$67.50310.90 per live cwt. For this coverage price the rate is 1.3990 percent 0.043235. The example premium subsidy is 35 percent. The premium is calculated by:

- (1) 100 head times 7.58 equals 750800 cwt.
- (2) 750800 cwt times the coverage price of \$67.50310.90 equals \$50,625,248,720.
- (3) \$50,625,248,720 times the insured share of 1.00 equals an insured value of \$50,625,248,720.
- (4) \$50,625,248,720 times the rate of 0.043235 equals \$70810,753 total premium.
- (5) \$70810,753 times the producer premium subsidy percentage of .35 equals \$2483,764.
- (6) Subtracting \$2483,764 from \$70810,753 equals the producer premium of \$4606,989.

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 7.58 cwt, an insured share of 100 percent, and a coverage price of \$67.50310.90 per live cwt. The actual ending value for steers weighing between 6.0 and 10.0 cwt is \$70330. The actual ending value for heifer feeder cattle is \$63297 per live cwt (.90 times \$70330 actual ending value for all feeder steers in the 6.0 to 10.0 cwt). Since \$63297 is less than the coverage price of \$67.50, an 310.90, indemnity is due. Indemnity is calculated by:

- (1) 100 head times the 7.58 cwt target weight equals 750800 cwt.
- (2) Subtracting the actual ending value of \$63297 from the coverage price of \$67.50310.90 equals \$4.513.9/cwt.
- (3) Multiplying 750800 cwt by \$4.513.9/cwt equals \$3,375,11,120.
- (4) Multiplying \$3,375,11,120 by the insured share of 1.00 equals an indemnity payment of \$3,375,11,120.