Livestock Risk Protection (LRP) For Feeder Cattle

Kurt M. Guidry
LSU AgCenter

What is LRP?

The Livestock Risk Protection (LRP) program is a federally subsidized insurance policy designed to help cattle producers manage price risk. The policy guarantees a price level for cattle at a specific future date. If actual prices at that time fall below the guaranteed price, the policy pays an indemnity equal to the difference. In this way, LRP establishes a price floor for cattle, similar to purchasing a futures put option.

If market prices fall below the price floor, the producer receives a payment. If prices rise above the price floor, no indemnity is paid and the producer simply forfeits the premium paid for the insurance. Importantly, when prices move higher, producers still benefit fully from selling cattle at those higher market prices.

Who is Eligible For LRP?

Any producer who owns cattle and meets USDA conservation compliance requirements may purchase an LRP policy. Participation begins by completing an application with a certified livestock insurance agent. A list of certified agents is available through the USDA Risk Management Agency (RMA):

https://www.rma.usda.gov/tools-reports/agent-locator.

There is no cost associated with submitting the application. Once approved, the LRP application establishes eligibility for the program but does not obligate the producer to purchase coverage. Coverage is established only when the producer purchases an endorsement. The endorsement is what establishes the coverage level and guaranteed price for the insured cattle and obligates the producer for the associated premium.

Once an application is approved, producers do not need to reapply each year provided that they continue working with the same insurance agent and approved insurance provider, ownership structure does not significantly change, and the policy has not been previously terminated. Because approval does not require purchase of coverage, producers are encouraged to submit an application even if they are only considering purchasing LRP coverage.

Overview of Purchasing LRP Coverage

When purchasing LRP coverage (i.e. purchasing an endorsement), producers must make several decisions. First, the endorsement must match the type of cattle owned and expected to be marketed. Producers must then select the endorsement length to align with the anticipated time of sale. Next, a coverage level must be chosen, with higher coverage levels providing higher protected prices but requiring higher premiums.

In addition, producers must specify the expected weight of the cattle at sale and the total number of head being insured. These choices collectively determine the coverage price, premium cost, and overall protection provided by the endorsement.

LRP Endorsements Available for Feeder Cattle

LRP endorsements are available for both fed and feeder cattle. Since fed cattle production is limited in Louisiana, this factsheet focuses on feeder cattle policies. Available feeder cattle policies vary by weight range, sex, and breed influence.

The most applicable endorsements for Louisiana producers include Feeder Steers Weight 1 (100–599 pounds), Feeder Steers Weight 2 (600–1,000 pounds), Feeder Heifers Weight 1 (100–599 pounds), Feeder Heifers Weight 2 (600–1,000 pounds), Brahman Feeders Weight 1 (100–599 pounds), and Brahman Feeders Weight 2 (600–1,000 pounds). Endorsements are also available for unborn bulls and heifers, including Brahman-influenced cattle, provided the calves are born and marketable before the policy end date.
Less commonly used endorsements include dairy feeder and unborn dairy policies, as well as unborn calves marketed within two weeks of birth weighing 60–99 pounds.

As an example, a producer selling weaned calves averaging 550 pounds would most likely select Feeder Steer Weight 1 and Feeder Heifer Weight 1 endorsements. If that producer's cattle were Brahman-influenced, the Brahman Feeders Weight 1 may be more appropriate. It should be noted that there is no specified fixed percentage of Brahman blood to qualify for the Brahman endorsement. Whether the Brahman endorsement can be used is based on how the market would typically classify the cattle. In other words, would the cattle be classified as brahman influenced if sold through the auction market. The final determination of whether the Brahman endorsement should be used for the cattle is generally made between the producer and the insurance agent.

It is important to note that the producer must have ownership or a substantial beneficial interest in the cattle at the time the endorsement is purchased. For example, a backgrounding operation cannot ensure calves until all animals have been purchased and ownership is established.

Endorsement Length Options and Timing of Sales

After selecting an endorsement type, the endorsement length must be chosen. Available lengths include 13, 17, 21, 26, 30, 34, 39, 43, 47, and 52 weeks. The selected length should coincide with the expected marketing date of the cattle.

Cattle may be sold anytime within a 60-day window before or after the policy end date without penalty. However, cattle sold more than 60 days before the end date are not eligible for an indemnity, even though the premium is owed. An exception exists for drought-related sales. Under a drought hardship exemption, early sales may qualify if the Drought Severity and Coverage Index (DSCI) meets specified thresholds. To be eligible for a drought hardship exemption, the DSCI measured not earlier than 30 days before the date the cattle were sold must equal or exceed 200 or the increase in DSCI must exceed 150 points from the time you purchased the endorsement and the date the cattle were sold. The DSCI data are available at:

https://droughtmonitor.unl.edu/DmData/DataTables.aspx

Selling cattle after the end date is generally less restrictive. If ownership is retained, producers remain eligible for any indemnity as long as proper documentation is provided. In such cases, producers may later insure the same cattle under a new endorsement for a subsequent marketing stage. For example, a cow/calf producer may purchase an endorsement that coincides with selling the cattle at weaning. However, market conditions may influence the producer to retain ownership in those cattle and wait to sell them as yearlings. In this case, the producer could receive any indemnity due from the original endorsement and then proceed to purchase another endorsement that coincides with the sale of those cattle as yearlings.

Endorsement length affects both the Expected Ending Value (EEV) and the Premium associated with the endorsement. The Expected Ending Value, which is a projection of what the value of the insured cattle will be at the end date of the endorsement, is the basis for the Coverage Price (CP) or the guaranteed price level. An endorsement with an end date in 13 weeks will likely have a much different Expected Ending Value than one with an end date in 34 weeks. And because a different Expected Ending Value represents a different level of liability for the insurance company, the Premiums associated with those liabilities are different. In addition, longer endorsement lengths typically involve higher premiums due to increased exposure to price risk. Producers should evaluate endorsement length, Expected Ending Values, and Premiums together to select the option that best aligns with their marketing plans.

Coverage Level Options and Premium Subsidies

Coverage levels generally range from 70 percent to 100 percent of the Expected Ending Value. The coverage level selected determines the Coverage Price. For example, an endorsement with an Expected Ending Value of $300.00 per cwt and a 90% coverage level would be setting a price floor (Coverage Price) of $270.00 per cwt ($300.00 * 90%). Higher coverage levels obviously protect higher price floors but result in higher premium costs.

Federal premium subsidies apply to all LRP endorsements and vary by coverage level, generally ranging from approximately 35 to 55 percent. Lower coverage levels receive higher subsidy percentages, while higher coverage levels receive lower subsidy support.

Number of Head, Mortality, and Expected Weights

One of the benefits of the LRP is the flexibility it offers in the number of cattle insured. Producers may insure as few as one head per endorsement up to a limit of 12,000 head per endorsement and up to 24,000 head per year. This is especially beneficial for smaller producers that have limited risk management and marketing alternatives given the number of calves they can market in a year.

At the time of purchasing the endorsement, the producer must own the number of animals being insured and be able to verify ownership at the end of the endorsement. Indemnities are paid only on the number of head for which ownership can be documented at the end of the endorsement, while premiums are based on the originally insured number.

Because the LRP program does not adjust premiums for cattle deaths, producers may wish to insure a slightly lower number of head to account for expected mortality. Any deaths should be reported to the insurance agent within 72 hours to facilitate accurate recordkeeping and avoid delays in indemnity processing.

Expected weight refers to the average weight at which cattle are expected to be sold. The expected weight identified by the producer must align with the appropriate endorsement category. For example, if steers are expected to weigh 675 pounds at the time of sale, then the Feeder Steers Weight 2 (600–1,000 pounds) endorsement should be selected. As long as the actual weight of the cattle when sold is within the range of the selected endorsement, no adjustments in indemnities are made. However, if actual sale weights fall outside the policy weight range, indemnities may be adjusted, though the policy itself remains valid.

Expected Ending Value, Coverage Price, and Actual Ending Value

As mentioned earlier, the Expected Ending Value (EEV) represents the expected market value of cattle at the end of the policy. The EEV, along with the coverage level selected, determines the Coverage Price or the guaranteed price level. The EEV is based on Chicago Mercantile Exchange (CME) feeder cattle futures prices. The specific futures contract used depends on the policy end date.

Expected Ending Values (EEVs) for feeder cattle endorsements are derived from CME feeder cattle futures prices and adjusted using RMA-established price relationships for different classes of cattle (e.g., heifers, Brahman-influenced cattle, lightweight cattle). These adjustment factors are determined by RMA and may vary over time.

The Risk Management Agency (RMA) publishes daily Expected Ending Values and premiums, typically around 3:00 p.m. central time. These values can be found at:

https://public.rma.usda.gov/livestockreports/LRPReport

Endorsements must be purchased after the release time and before the insurance company's sales closing deadline and before the CME opening the next morning to lock in that day's values.

The Actual Ending Value is based on the CME Feeder Cattle Index, which reflects a seven-day weighted average of feeder steer prices. CME Feeder Cattle Index values can be found at:

https://www.cmegroup.com/market-data/browse-data/commodity-index-prices.html

How Indemnities Are Calculated

An indemnity is owed when the Actual Ending Value is below the Coverage Price. Since the Actual Ending Value is based solely on the CME Feeder Cattle Index value, the price at which the producer sells the cattle does not factor into the equation. Because indemnities are based on national price indexes rather than local sale prices, it is possible for a producer to receive an indemnity even if cattle are sold at favorable local prices.

Indemnities are calculated based on the difference between the Coverage Price and the Actual Ending Value. While premiums are billed separately, producers often evaluate outcomes on a net basis by subtracting the premium cost from any indemnity received. The total indemnity payment is calculated by multiplying the indemnity per hundredweight by the expected target weight (in hundredweight) and the number of head insured.

If the Actual Ending Value exceeds the Coverage Price, no indemnity is paid and the full premium is owed. Any premiums owed are due within 30 days of the endorsement end date.

Claims, Documentation, and Recordkeeping

Indemnities are not automatically paid. When an indemnity is due, the insurance company issues a notice of loss. Producers must submit a claim form and supporting documentation within 60 days of that notice.

If cattle are sold from 60 days before to 60 days after the policy end date, acceptable documentation includes bills of sale, auction settlement sheets, or buyer settlement statements. This documentation must clearly show the seller's name, buyer's name, sale date, number of head, weights, and sex of cattle. In addition, the seller's name must match the name on the endorsement.

If the decision was to retain ownership in the cattle rather than selling them, documentation of ownership must be provided. This documentation may include financing records, feeding or grazing records,

veterinary records, tax records, or written third-party verification confirming visual observation of the cattle and attesting the endorsement holder's ownership. Examples of third parties include veterinarians, feed suppliers, and lenders.

Producers are advised to retain all LRP records and documentation for at least three years in case of USDA audit.

Selecting the Right Endorsement

The best LRP endorsement is one that aligns with the producer's marketing plans. Cow-calf producers selling lighter calves typically use Weight 1 policies, while backgrounding and stocker operations often use Weight 2 policies. Policy length should align with the expected sale date, and coverage level selection reflects the tradeoff between higher price protection and higher premium cost.

A practical strategy is to establish a target price based on breakeven costs plus desired profit and then select the least expensive policy that protects that price level. This approach can help reduce uncertainty and improve risk management outcomes.

Example

Consider a cow-calf producer with a spring-calving operation. All calves are born by March 30 each year. Calves are weaned at approximately six months of age, followed by a 14-day preconditioning (weaning) period, which results in calves being sold in mid- to late September each year.

Based on production records, the producer estimates total annual costs of $850 per head for his 60-cow herd. With calving complete for the year, he has 26 steer calves and 22 heifer calves, which represents an 80 percent calving rate. The producer normally culls 10 percent of the cow herd annually and replaces those cows with heifers raised within his own operation. As a result, he plans to retain 6 of the 22 heifer calves, leaving 16 heifers and 26 steers available for sale.

The producer's five-year average weaning weights are 575 pounds for steers and 525 pounds for heifers. Because he has experienced calf mortality in previous years, he decides to insure slightly fewer calves than he expects to sell. Specifically, he chooses to insure 25 steers and 15 heifers, ensuring that he can deliver and document the sale of all insured animals.

Using his estimated production costs and the number of calves insured, the producer calculates his breakeven prices at $221.17 per hundredweight (cwt) for steers and $242.86 per cwt for heifers. He would like to protect a return that is 40 percent above breakeven, resulting in target prices of $310.43 per cwt for steers and $340.00 per cwt for heifers.

Available LRP Coverage

According to the USDA Risk Management Agency (RMA), the available 26-week LRP feeder cattle endorsements for April 10, 2026, are shown below for steers and heifers.

LRP – Feeder Steer Weight 1 Endorsement for April 10, 2026

Exp. End Value Per Cwt	Coverage Price Per Cwt	Coverage Level Percent	Cost Per Cwt	Producer Premium Per Cwt	End Date	Net Coverage Price Per Cwt[A]
$405.755	$405.76	100.00%	$21.87	$14.22	10/9/2026	$391.54
$405.755	$401.70	99.00%	$19.84	$12.89	10/9/2026	$388.81
$405.755	$397.64	98.00%	$17.94	$11.66	10/9/2026	$385.98
$405.755	$393.58	97.00%	$16.22	$10.54	10/9/2026	$383.04
$405.755	$389.52	96.00%	$14.64	$9.52	10/9/2026	$380.00
$405.755	$385.47	95.00%	$13.21	$8.58	10/9/2026	$376.89
$405.755	$375.32	92.50%	$9.96	$5.98	10/9/2026	$369.34
$405.755	$365.18	90.00%	$7.50	$4.50	10/9/2026	$360.68
$405.755	$355.04	87.50%	$5.51	$3.03	10/9/2026	$352.01
$405.755	$344.89	85.00%	$4.14	$2.28	10/9/2026	$342.61
$405.755	$324.60	80.00%	$2.29	$1.15	10/9/2026	$323.45
$405.755	$304.32	75.00%	$1.31	$0.59	10/9/2026	$303.73

[A] Net Coverage Prices is coverage price MINUS producer premium

LRP – Feeder Heifer Weight 1 Endorsement for April 10, 2026

Exp. End Value Per Cwt	Coverage Price Per Cwt	Coverage Level Percent	Cost Per Cwt	Producer Premium Per Cwt	End Date	Net Coverage Price Per Cwt[A]
$368.868	$368.87	100.00%	$19.89	$12.93	10/9/2026	$355.94
$368.868	$365.18	99.00%	$18.03	$11.72	10/9/2026	$353.46
$368.868	$361.49	98.00%	$16.31	$10.60	10/9/2026	$350.89
$368.868	$357.80	97.00%	$14.75	$9.58	10/9/2026	$348.22
$368.868	$354.11	96.00%	$13.31	$8.65	10/9/2026	$345.46
$368.868	$350.42	95.00%	$12.01	$7.80	10/9/2026	$342.62
$368.868	$341.20	92.50%	$9.06	$5.43	10/9/2026	$335.77
$368.868	$331.98	90.00%	$6.82	$4.09	10/9/2026	$327.89
$368.868	$322.76	87.50%	$5.01	$2.75	10/9/2026	$320.01
$368.868	$313.54	85.00%	$3.77	$2.07	10/9/2026	$311.47
$368.868	$295.09	80.00%	$2.09	$1.04	10/9/2026	$294.05
$368.868	$276.65	75.00%	$1.19	$0.53	10/9/2026	$276.12

[A] Net Coverage Prices is coverage price MINUS producer premium

A key value shown in the tables is the Net Coverage Price, which equals the Coverage Price minus the producer-paid premium. This net price represents the effective floor price. Prices must fall below this level between April 10 and the endorsement end date (October 9, 2026) for an indemnity to be triggered.

Selecting Coverage Levels

The producer's objective is to protect prices that are at or above his target prices. To evaluate this, he compares his target prices with the Net Coverage Prices available under different coverage levels.
For steers, the producer selects an 80 percent coverage level, which provides a Net Coverage Price of $323.45 per cwt. This exceeds his projected target price of $310.43 per cwt.

For heifers, he selects a 95 percent coverage level, which provides a Net Coverage Price of $342.62 per cwt, slightly above his target price of $340.00 per cwt.

Contract Outcome at Expiration

Assume that on the October 9, 2026, ending date of the endorsements, the Actual Ending Prices, based on the CME Feeder Cattle Index, are $415.00 per cwt for steers and $377.00 per cwt for heifers.

Contract Outcome of 26 Week Endorsements Purchased on April 10 with Ending Dates of October 9

	Number Insured	Expected Weight (Pounds)	Coverage Price ($/Cwt)	Actual Ending Value ($/Cwt)	Premium ($/Cwt)	Indemnity ($/Cwt)	Net Indemnity ($/Cwt)
Steer Weight 1 Endorsement	25	575.0	$324.60	$415.00	$1.15	$0.00	-$1.15
Heifer Weight 1 Endorsement	15	525.0	$350.42	$377.00	$7.80	$0.00	-$7.80
Total / Weighted Average	40	556.3	$334.28	$400.75	$3.64	$0.00	-$3.64

Because the Actual Ending Prices are higher than the Coverage Prices for both endorsements, no indemnities are paid. In this situation, the producer's only cost is the premium associated with each endorsement. As a result, the net indemnity is negative and equals the premium paid.
For the steer endorsement, the premium is $1.15 per cwt. This results in a total premium cost of $165.31, calculated as:

$$\$1.15 \times 5.75 \text{ cwt} \times 25 \text{ head}$$

For the heifer endorsement, the premium is $7.80 per cwt, resulting in a total premium cost of $614.25, calculated as:

$$\$7.80 \times 5.25 \text{ cwt} \times 15 \text{ head}$$

The producer owes a total of $779.56 in premiums, payable within 30 days after the endorsement end date.

Actual Sale of Calves

The producer weans his calves on September 8, 2026, and sells them on September 22, 2026. Although only 25 steers and 15 heifers were insured, he experiences no death loss and ultimately sells 26 steers and 16 heifers at the local auction market.

Results of Cattle Sales, Including LRP Outcome

	Number Sold	Actual Sale Weight (pounds)	Actual Sale Price ($/cwt)	Total Actual Revenue (Dollars)	LRP Proceeds (Dollars)	Adjusted Total Actual Revenue (Dollars)	Adjusted Actual Sale Price ($/cwt)
Steers	26	567	$385.00	$56,756.70	-$165.31	$56,591.39	$383.88
Heifers	16	515	$350.00	$28,840.00	-$614.25	$28,225.75	$342.55
Total / Weighted Average	42	547.2	$371.67	$85,596.70	-$779.56	$84,817.14	$351.31

The steers averaged 567 pounds and sold for $385.00 per cwt while the heifers averaged 515 pounds and sold for $350.00 per cwt. Total sale revenue equaled $56,756.70 for steers and $28,840.00 for heifers, for a combined total of $85,596.70.

After accounting for the LRP premiums paid, adjusted revenue becomes $56,591.39 for steers and $28,225.75 for heifers, for a combined adjusted total of $84,817.14.

Final Results

Given the producer did not receive any indemnity payments, the LRP premiums simply reduced his sale revenue by the cost of the endorsements. Adjusting for the premium costs results in an adjusted selling price for the steers of $383.88 per cwt and an adjusted selling price for the heifers of $342.55 per cwt.

In both cases, the producer's final prices remained above his target prices, demonstrating that LRP can be an effective price-risk management tool—even when no indemnity is paid—by helping producers confidently market cattle while protecting downside price risk.