



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

June 4, 2003

INFORMATIONAL MEMORANDUM: R&D-03-025

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ *Tim Witt*
Deputy Administrator

SUBJECT: Livestock Risk Protection-Feeder Cattle (LRP-Feeder Cattle) Policy

ISSUES:

Questions have arisen regarding:

1. The meaning of the term “to market” as used in the definition of Insured Feeder Cattle in the LRP-Feeder Cattle Specific Coverage Endorsement (SCE);
2. Insurability of feeder cattle if they are moved between states;
3. The 72 hour notice of loss requirement following the death of feeder cattle; and,
4. The definition of the term “predominantly Brahma” as used in section 2(a) of the SCE.

BACKGROUND:

LRP-Feeder Cattle was approved under section 508(h) of the Federal Crop Insurance Act on December 18, 2002. The product provides price protection on feeder cattle and is maintained by Applied Analytics Group. Feeder Cattle policies are offered in 10 states and sales will start on June 9, 2003.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

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ACTIONS:

Issue No. 1: “To market.” The LRP-Feeder Cattle SCE includes the definition of Insured Feeder Cattle as:

“The feeder cattle covered under the policy. The feeder cattle the producer expects to have and to market within a range of 6.5 to 9.0 hundred weight (cwt) at the end of the insurance period.” (Underscore added.)

It is likely that some producers may insure their feeder cattle and, at the end of the insurance period, retain ownership of the animals and feed them out. The policy’s designer did not intend to preclude such producers from eligibility, and this is consistent with the products approval.

Action: Feeder cattle producers who retain ownership of their livestock at the end of the insurance period are eligible for coverage under the LRP-Feeder Cattle SCE.

Issue No. 2: Movement Between States. The LRP-Feeder Cattle program is offered in all counties in the states of Colorado, Iowa, Kansas, Nebraska, Nevada, Oklahoma, South Dakota, Texas, Utah, and Wyoming. A common and accepted practice in pasturing feeder cattle is to move the cattle from pasture to pasture, sometimes, from one state to another.

Action: At the time insurance attaches, feeder cattle must be physically located in a state where LRP-Feeder Cattle insurance is offered for sale. Feeder cattle may subsequently be moved to any other state.

Issue No. 3: 72-Hour Notice. The LRP Basic Policy states in Section 3(k)(3) that:

“If at any time during the coverage period your livestock are seized, quarantined or destroyed by order of any governmental authority, or your livestock are not deliverable due to death or disease, and you provide us written notice of such circumstance within 72 hours, your end date for the covered livestock or livestock product will be the end date stated in the Specific Coverage Endorsement.” (Underscore added.)

In some regions, particularly in the West, it is a common practice to place feeder cattle on rangeland to graze. Feeder cattle grazing on rangeland often may not be collected until late summer or early fall and the loss of feeder cattle will not be known until that time.

Action: Written notice of livestock death(s) must be made within 72 hours of when the producer first knew or should have known of the animal(s) death(s).

Issue No. 4: “Predominantly Brahma.” The LRP-Feeder Cattle SCE states in Section 2(a) as follows:

“Coverage is available for steer feeder cattle, except for cattle identified as predominantly dairy or Brahma breed.”

Many recognized cattle breeds in the beef industry are the result of Brahma crosses. There is concern in the cattle industry as to what animals are ineligible for insurance as “predominately Brahma”.

Action: The term “predominately Brahma” means over 50 percent Brahman.

Some examples of common United States breeds that are insurable include: Beefmaster, Braford, Braler, Bramousin, Red Brangus, Black Brangus, Charbray, Santa Gertrudis, Simbrah, and Gelbray. Descriptions of cattle breed types can be found at the following website: <http://www.ansi.okstate.edu/breeds/cattle/>

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is June 30, 2004.