A new risk management tool was made available to sheep producers starting September 17, 2007. Livestock Risk Protection (LRP)-Lamb is a livestock insurance risk management product that is designed to insure against unexpected declines in market prices. LRP-Lamb is available in the following 27 states: Arizona, California, Colorado, Idaho, Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin and Wyoming. Coverage may be purchased from approved livestock insurance agents each week on Monday from approximately 10:00 a.m. through 7:00 p.m. central time. The policies issued by individual insurance companies are reinsured by the Federal Crop Insurance Corporation, a wholly owned government corporation within the United States Department of Agriculture (USDA).

Sheep producers submit a one-time application for LRP-Lamb coverage. Once an LRP-Lamb application is approved, Specific Coverage Endorsements (SCE) may be purchased for different groups of lambs. The number of lambs that can be insured under each SCE is limited to 7,000 head; however, there is no minimum number. There is an annual limit of 28,000 head per producer per crop year, which runs from July 1 to June 30. When a group of lambs are jointly owned, each producer may insure up to their share of ownership in the lambs. This is their insured share. The insured share is 100% if the lambs are solely owned. To be insured the lambs must be located in one of the 27 states approved for LRP-Lamb at the time insurance is purchased. Premium rates are established by the USDA and must be paid when the SCE is purchased. Producer premiums are subsidized 13 percent by the USDA.

The three choices for the length of insurance for each SCE are 13, 26, or 39 weeks. Producers should choose the coverage period that best matches their own production and feeding system. Ownership of the lambs must be maintained up to the last 30 days of coverage for the SCE, otherwise coverage will be terminated and no indemnity will be paid on that portion of the endorsement (SCE). Coverage prices available are 80, 85, 90, and 95 percent of the expected ending value. The expected ending value is calculated by the USDA each week using an economic model composed of slaughter lamb prices, actual slaughter under Federal inspection, live weight, pelt price, a moving average seasonal index and other variables.

The actual ending value is the price of live lambs as calculated by the Agricultural Marketing Service (AMS) in the “National Weekly Slaughter Sheep Review” report. The price series used is the “Weighted Average Net Price” under the “Domestic” heading in the section labeled “Formula Prices established for previously slaughtered lambs (live basis)”. If the actual ending value is less than the coverage price at the end of the insurance period, an indemnity will be paid for the difference between the coverage price and the actual ending value. In order to receive an indemnity a producer must submit an LRP Claim Form within 60 days following the coverage end date. Producers and feeders may continue to market their own lambs through their own market channels and at the maximum price they can negotiate, however, neither the actual market weights nor the actual market price received by a producer is used with respect to the insurance.
Coverage prices, rates, actual ending values, premium calculation instructions and all policy materials can be accessed at: http://www2.rma.usda.gov/livestock/
Approved livestock insurance agents can be found at: http://www3.rma.usda.gov/tools/agents/companies/indexLPI.cfm
At the above website click on “Clickable National Map” and select “Iowa”, then “Agent Locator”.

Example of Livestock Risk Protection (LRP-Lamb).

<table>
<thead>
<tr>
<th>Coverage Length*</th>
<th>Expected Ending Value</th>
<th>Coverage Price</th>
<th>Coverage Level</th>
<th>Premium Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 weeks</td>
<td>$106.51</td>
<td>$101.18</td>
<td>95%</td>
<td>1.997%</td>
</tr>
<tr>
<td>13 weeks</td>
<td>$106.51</td>
<td>$ 85.21</td>
<td>80%</td>
<td>0.077%</td>
</tr>
<tr>
<td>26 weeks</td>
<td>$110.43</td>
<td>$104.91</td>
<td>95%</td>
<td>3.644%</td>
</tr>
<tr>
<td>26 weeks</td>
<td>$110.43</td>
<td>$ 88.34</td>
<td>80%</td>
<td>0.497%</td>
</tr>
<tr>
<td>39 weeks</td>
<td>$113.64</td>
<td>$107.96</td>
<td>95%</td>
<td>4.782%</td>
</tr>
<tr>
<td>39 weeks</td>
<td>$113.64</td>
<td>$ 90.91</td>
<td>80%</td>
<td>0.899%</td>
</tr>
</tbody>
</table>

*Other coverage lengths, prices, and levels are available.

Projected sales are for 100 head marketed in 26 weeks at a live target weight of 1.30 cwt., with 100% insured share and a 95% coverage level is chosen.

Insured Value = Number of head x target weight x coverage price x insured share

Insured Value = 100 head x 1.30 cwt x $104.91 x 100% = $13,638

Total Premium = Insured Value x Premium Rate
Total Premium = $13,638 x 3.644% = $497

The Subsidy = Total Premium x 13% USDA Subsidy
The Subsidy = $497 x 13% = $65

The Producer Premium = Total Premium – The Subsidy
The Producer Premium = $497 - $65 = $432

Indemnity Payment Calculation
Indemnity Payment = Number of head x target weight x (coverage price – actual ending value)

Example with indemnity paid
a. The actual ending value at the end of the 26 week period is $98.00. Since the actual ending value ($98.00) is less than the coverage price ($104.91), indemnity will be paid.

Indemnity payment = 100 head x 1.30 cwt. x ($104.91 – $98.00) = $898.30

Example with no indemnity paid
b. The actual ending value at the end of the 26 week period is $105.00. Since the actual ending value ($105.00) is more than the coverage price ($104.91), no indemnity will be paid.