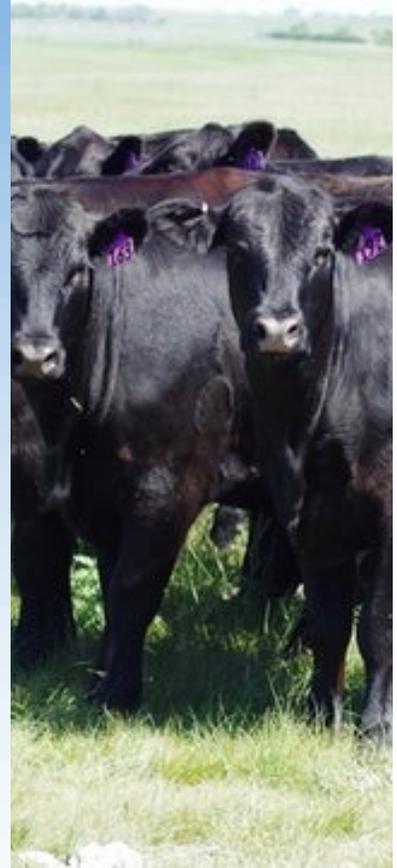




Insurance

And Real Estate

127 W 2nd St Box 99 Sutherland, IA 51058  
Phone: (712) 446-2663 | www.thejkway.com



# 2021 Livestock Insurance

April 16, 2021

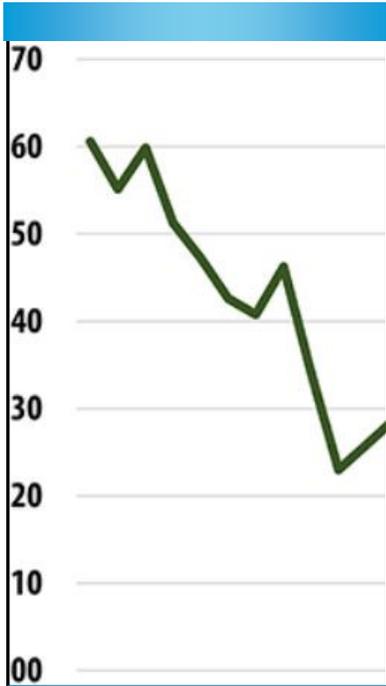
Livestock Risk Protection is a great way to protect prices for the livestock you are feeding. It gives a floor price similar to crop insurance and leaves the upside completely open. Prices are based CME on futures prices. They are subsidized similar to crop insurance with the higher percentages subsidized less than the lower percentages. Coverage levels are up to 99% of future prices and vary every day based on CME settlements. Prices are set everyday after the market closes. Producers have until 9am the following day to put coverage in place. A producer can have coverage on small numbers of cattle, hogs, or sheep. It can be as low as 1 animal. There are no margin calls and no decisions to be made as far as exiting the position. It settles on a given day according to the length of the contract and the premium is paid at settlement time.

## Inside this issue

- Livestock Risk Protection
- Market Update
- Subsidy Rates
- Specialty Coverage

## Special Points

- Changes for 2021
- Transportation Coverage



## Market Update

Feeder cattle futures look to be filling a gap left in 2018. This is based on historical feeder cattle futures charts. It looks like the top of this gap could be in the upper 150's. It also seems like the market futures are not holding up as the current months are trading off their highs, while the far off months are still holding at nice levels with Aug and Sept leading the way.

The fat cattle futures appear to be trending the same way. The nearby's haven't been holding levels like the future months.

Lean hog futures are also near record highs and may be at levels where profits could be protected while keeping the upside open.

*Be sure to visit [www.thejkway.com](http://www.thejkway.com) for more information!*

### Changes for 2021

Increased head limits to the following:

- Feeder Cattle—6,000 per endorsement or 12,000 head annually
- Fed Cattle—6,000 per endorsement or 12,000 head annually
- Swine—40,000 per endorsement or 150,000 head annually

## Subsidy Rates

With the purchase of LRP, the livestock producer is basically purchasing a "put option". This simply protects the floor price set by the CME and allows for upside potential. Just like with a normal put option the farther it is to the market date and the closer it is to the futures price the more expensive it can be.

The main difference with LRP is the government subsidy factors. As you can see from the chart below, the subsidy can be substantial depending on coverage levels. It is very similar to crop insurance in the fact that the closer to the CME price the lower the subsidy.

Coverage Level (Percent)	Previous Subsidy Rate (Percent)	Revised Subsidy Rate (Percent)
95-100	25	35
90-90	30	40
85-90	35	45
80-85	35	50
75-80	35	55
70-75	35	55



## Specialty Coverage

J & K Insurance and Real Estate offers specialty coverage on your prized show livestock as well. We have the ability to cover individual high dollar animals such as: cattle, goats, horses, dogs, camelids, poultry and hogs. With companies such as James Allen, Hartford and Markel, we can find an outlet to fit your exact needs. Please contact our office for more information today.

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## Transportation Coverage

Many people will be transporting cattle throughout the summer months. Let’s take a moment to ensure those cattle are fully covered in the event of an accident. Cattle, whether show cattle, cow/calves or feed lot cattle should be insured on a farm policy for mortality. We highly suggest also adding owner’s cargo coverage to auto policies that have a livestock trailer listed. Simple things such as a steer slipping in the trailer or forgetting to latch the back door of the trailer while driving away can easily create a claim which may not be covered unless the proper coverages are in place.