LIVESTOCK PRICE INSURANCE (LPI)

TOP 10 QUESTIONS

1 WHY HAVE LIVESTOCK PRICE INSURANCE (LPI)?

A Volatile market prices along with basis and the Canadian dollar all influence the financial return to a livestock operation and can be hard to manage. LPI is designed to reduce the financial risk to producers in Western Canada and protect against the unknowns of the market.

2 WHY DO LPI PREMIUMS FLUCTUATE?

A Premiums are strongly influenced by market volatility and can increase due to factors facing the market. Premiums can also be quite economical when market volatility is relatively low.

LPI offers a wide range of coverage which allows a producer to tailor their level of protection to the risk they want to insure and premium to the budget that they can afford.

3 IN RECORD HIGH MARKETS WHY SHOULD I PAY PREMIUM TO HAVE THIS COVERAGE?

A When a producer purchases a Livestock Price Insurance policy, it protects the producer's investment on calves, feeders and fed cattle and hogs. This program allows you to pocket the increase in the market price while still being protected from a market downturn. The program provides the peace of mind that your investment and future income is protected.

4 ALL PRODUCER PREMIUMS GO INTO A GENERAL FUND TO PAY INDEMNITIES. WHAT HAPPENS IF THE PAYOUT FOR INDEMNITIES EXCEEDS WHAT IS IN THIS FUND?

A If the fund goes into a deficit position, the Government of Canada and the Government of Alberta cover the remaining indemnities. Producers have no risk of policies not being paid if the fund goes into a deficit position. Existing policies will be honoured even in the case of a border closure or similar catastrophic market event.

5 WHY ARE CALF POLICIES NOT SOLD YEAR ROUND?

A Historically, the volume of calves sold outside of the September to February time frame has been too low to provide accurate market data that is needed to generate coverage and premium levels. Calf policies are available to purchase from February to June.

6 CAN A PRODUCER OVERLAP POLICIES FOR EACH PRODUCTION STAGE?

A Absolutely. A producer can overlap a feeder policy on a calf policy, and have a fed policy overlap a feeder policy all on the same weight, as long as the expiry for the next policy is far enough in the future for a reasonable rate of gain.

7 DOES THE PROGRAM RECOGNIZE EACH INDIVIDUAL PRODUCER'S MANAGEMENT PRACTICES?

A The settlement of LPI policies is index based calculated on average price, average quality of cattle for each specific program. Feeder and Calf data is collected from local electronic and auction market sales. Fed data is collected from producer reported weekly sales to Canfax. The settlement of policies is not based on the sale of the livestock covered by your LPI policy. The breed or animal conditions do not influence settlement of individual policies.

8 IF THE MARKET DROPS SIGNIFICANTLY, DOES LPI STILL WORK?

A Whether the market is hitting historical highs or lows, there is still the need to protect one's equity. LPI is a risk management tool meant to mitigate the risk throughout the whole market cycle. When the market is dropping, LPI provides a producer with a floor price, and if prices increase over the duration of the policy, a producer can benefit by selling livestock as he or she sees fit. LPI doesn't limit producers to the floor price if the market is going up.

9 WHEN DO I HAVE TO SELL MY ANIMALS AND WHAT SALE DOCUMENTATION DO I NEED TO PROVIDE?

A LPI does not require you to sell your animals. The producer should match the policy lengths with the sale of their cattle in order to mitigate their risk but if conditions change there is no commitment to sell your livestock at a specific time.

Producers do not need to provide documentation of sale because the settlement of policies is not determined from individual producer sales. It is based on the average cash price obtained from electronic and auction mart sales data.

10 LPI SETTLEMENTS FOR FEEDER AND CALF ARE DERIVED FROM STEER DATA ONLY, ARE HEIFERS STILL INSURABLE?

A Yes, heifers can be insured under LPI. However, coverage and settlement of the Feeder and Calf programs are based on average weekly **steer** prices. Indemnity will be based on the published steer settlement price compared to the insured coverage level chosen to determine if there has been a decline in the projected cattle prices from time of policy purchase.

QUESTIONS? NEED MORE INFORMATION?

- *Browse www.LPI.ca for more information or phone your provincial contact line:*
  1.844.782.5747 (BC) • 1.877.899.2372 (AB) • 1.888.935.0000 (SK) • 1.844.782.5747 (MB)

04/2023

LIVESTOCK PRICE INSURANCE · British Columbia · Alberta · Saskatchewan · Manitoba · Canada