

New USDA-RMA Insurance

Product:

Weaned Calf Risk Protection
(WCRP)

Pricing in Nebraska



Provide yield and revenue protection up to weaning age for SPRING born calves



Yield Protection

Pays for losses from average historical total weaning weight

Revenue Protection

Pays for losses in revenue based on projected prices

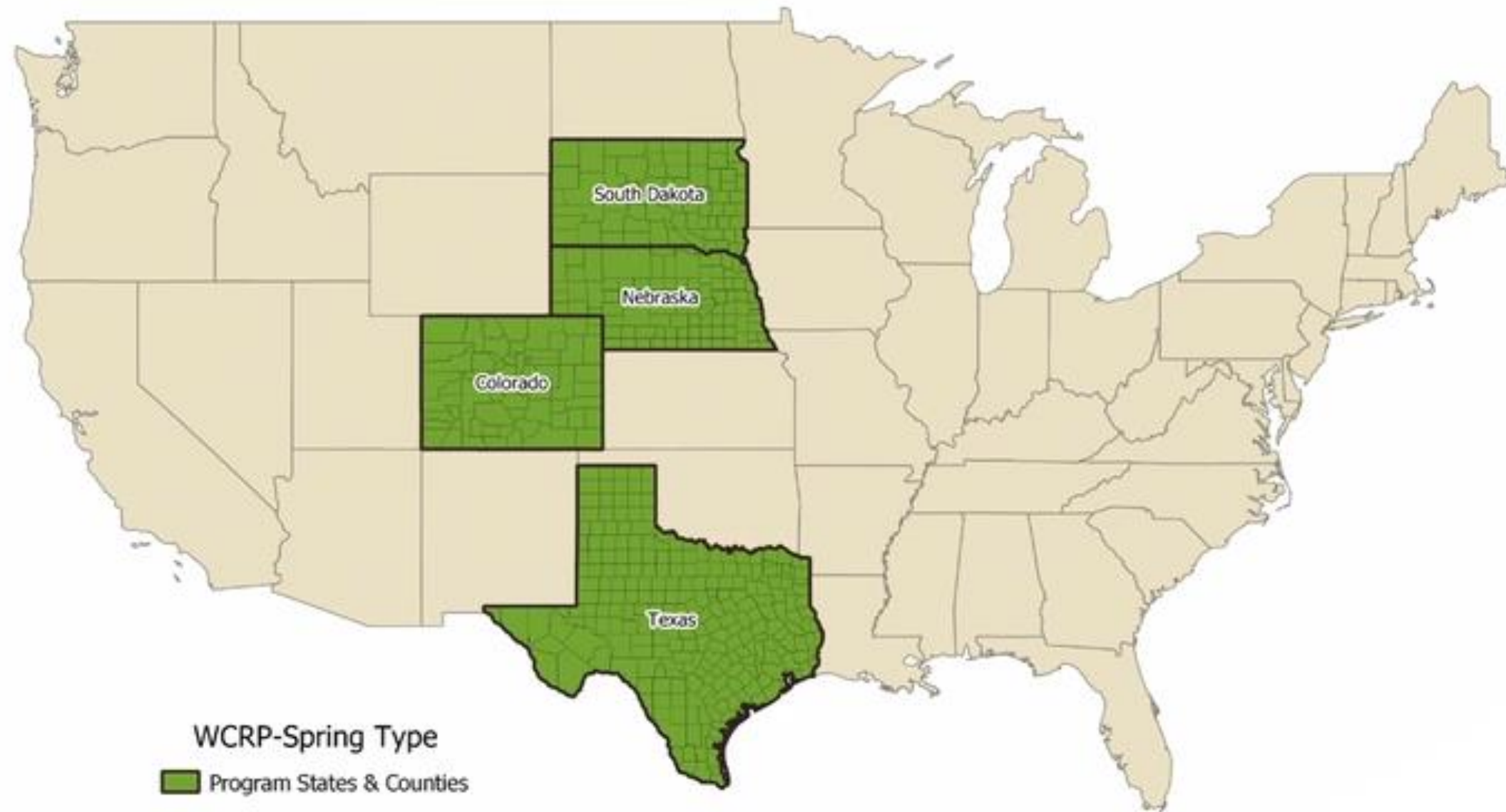
Revenue Protection with Harvest Price Exclusion

Pays for losses in revenue based on observed harvest prices

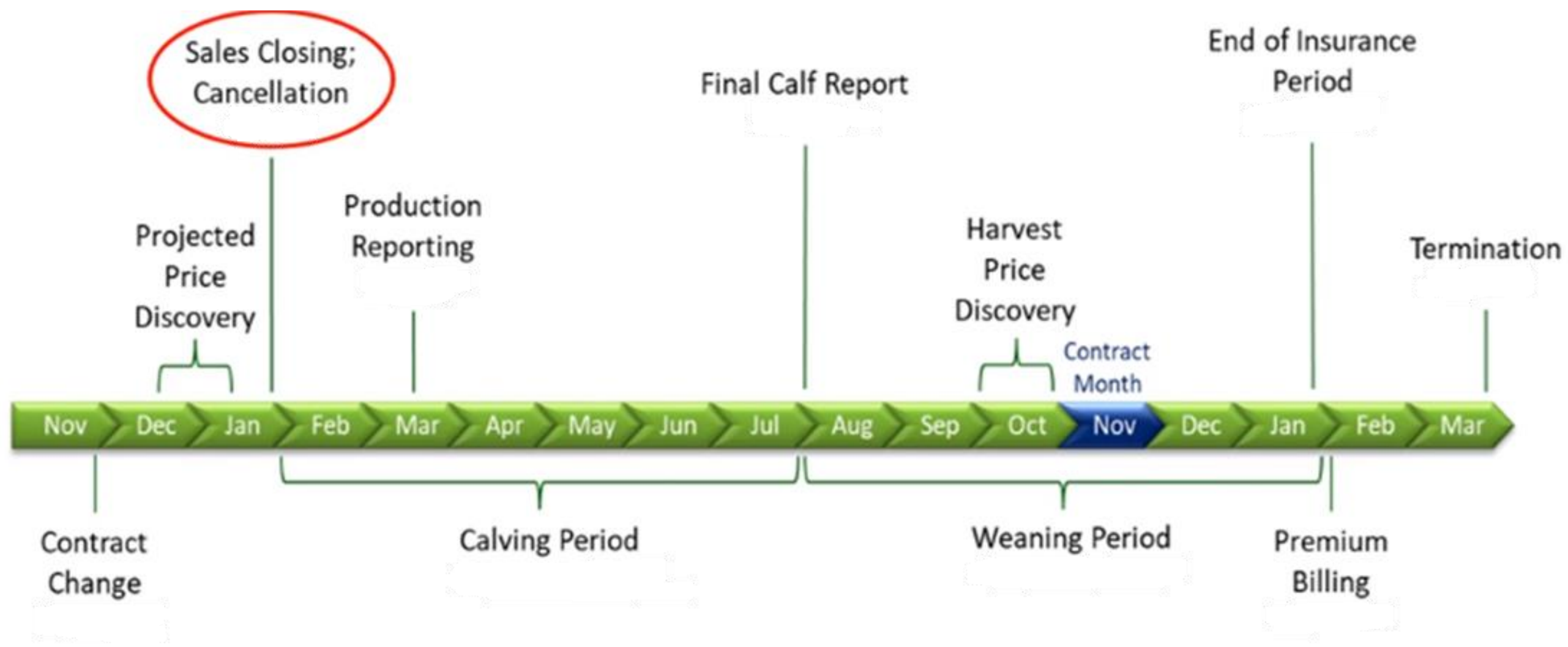


Where can WCRP be purchased?

WCRP will initially be available for spring calves in the 4 highlighted states

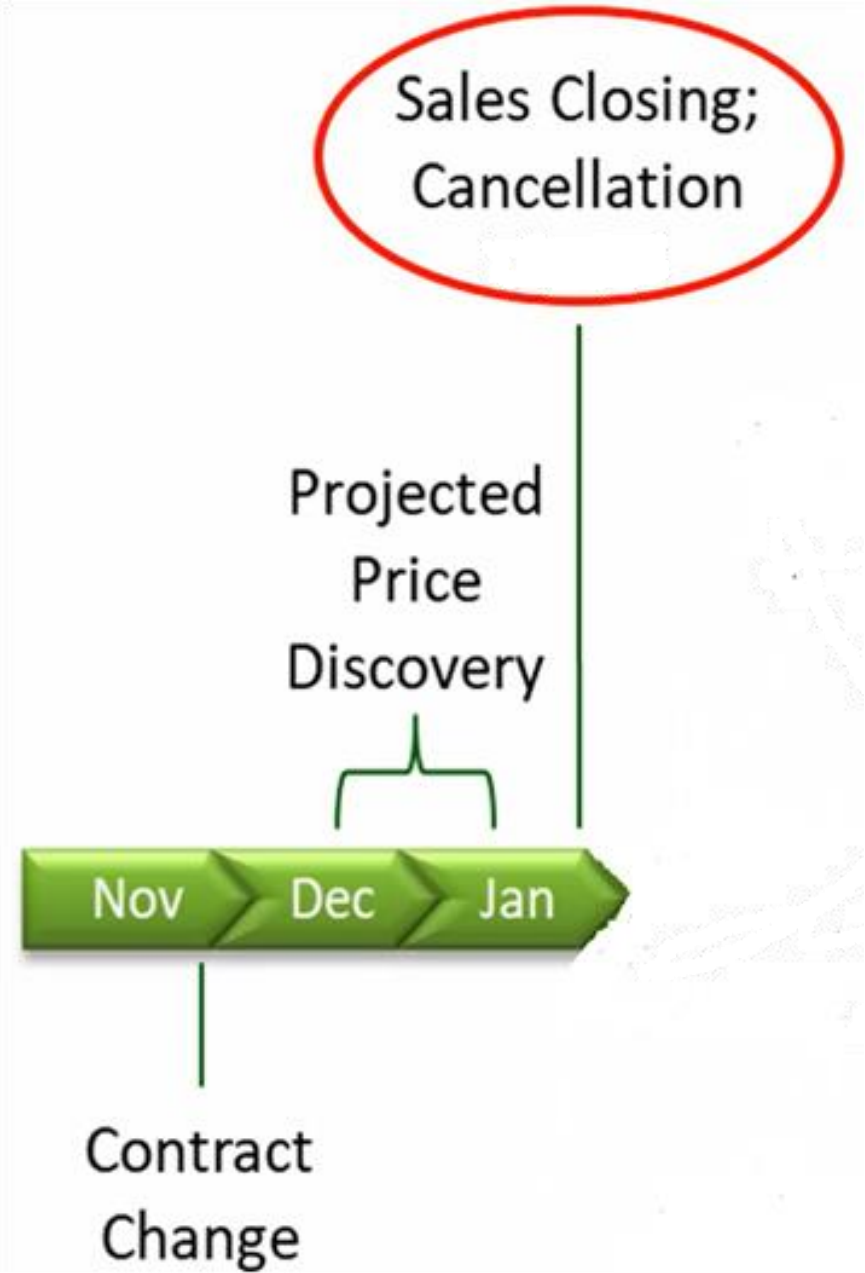


WCRP Timeline



**Coverage begins with submission of the Calf Report submitted by the insured. The Calf Report may be revised as often as required to report the birth of additional calves during the 60-day period after the date calving begins except that the Calf Report may not be revised after the earlier of the insured's Calf Reporting Date for the type and unit or the Final Calf Reporting Date for the type specified in the actuarial documents.*

Signup and Price Discovery Timeline

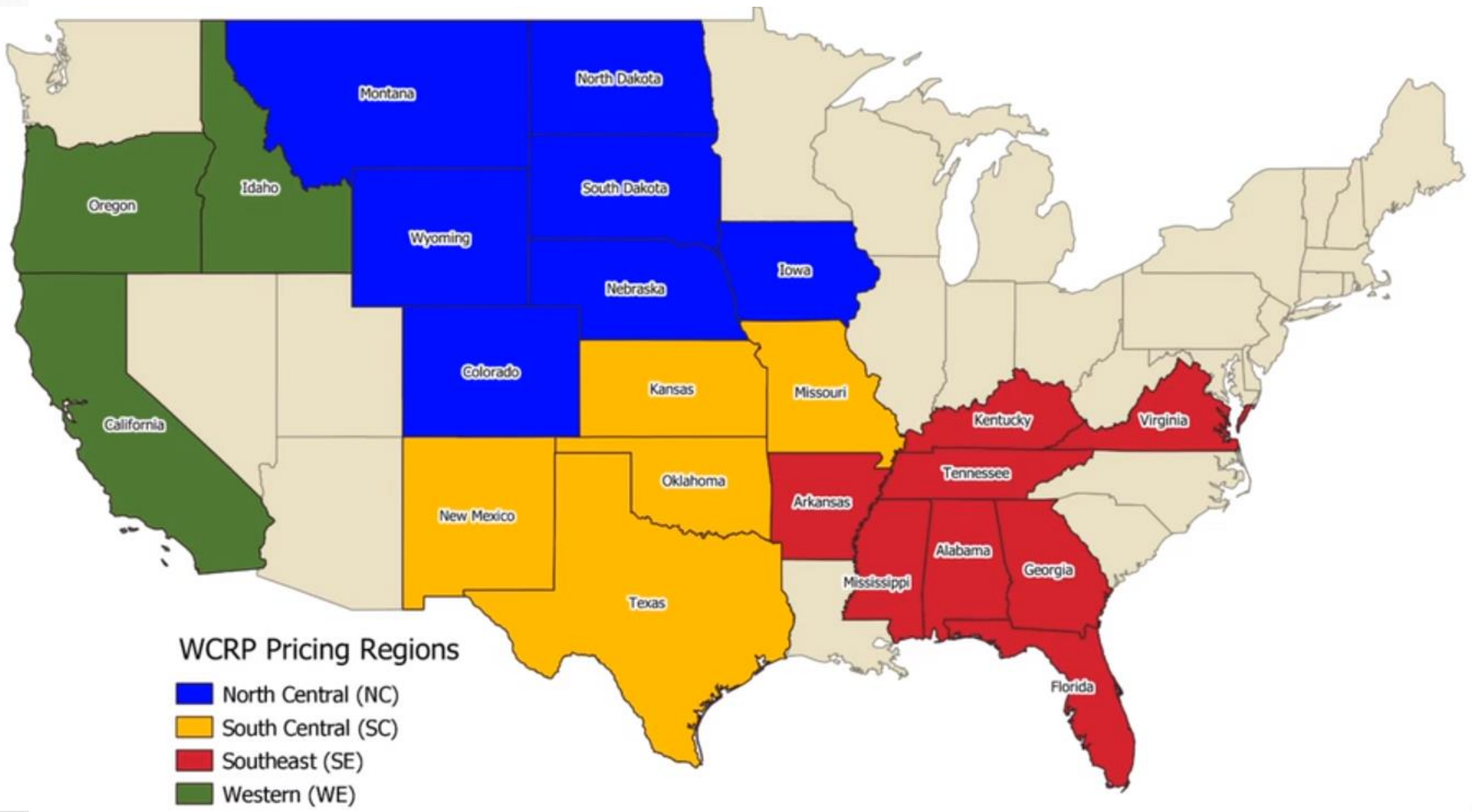


Calculating Production History (Anytime)

Projected Price Discovery (Dec 15 – Jan 15) -> COMPLETED

Application Signup (Deadline Jan 31)





WCRP Pricing Regions

- North Central (NC)
- South Central (SC)
- Southeast (SE)
- Western (WE)

Uses a regional factor to convert CME prices to a regional price

Normalizes to different weights using a linear price-weight slide (650# base)

Price Discovery



Price discovery happened between December 15 2024 – January 15, 2025

The November '25 CME Feeder Cattle Futures contract is used

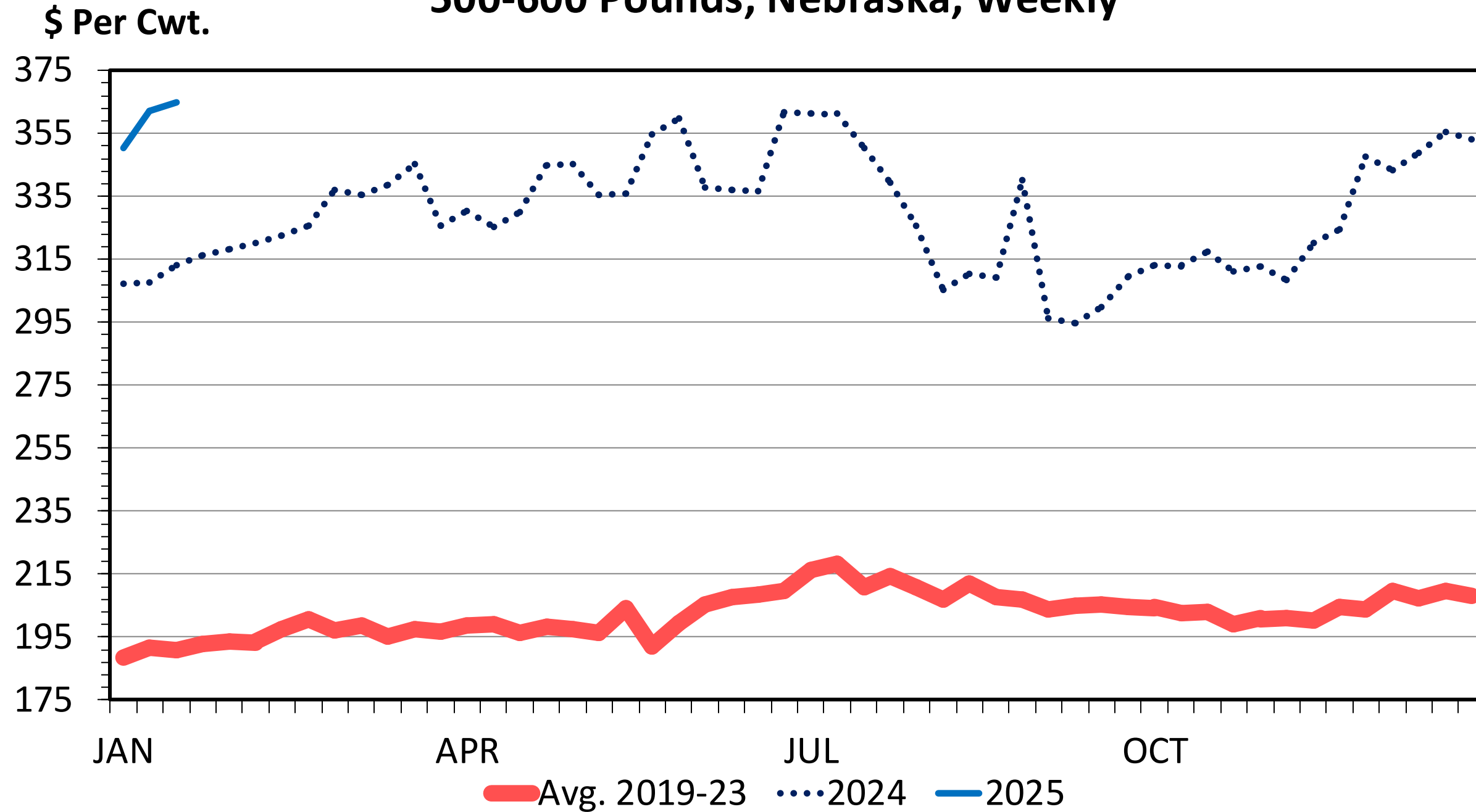
Projected Price for Nebraska is \$2.88 for a 650 lb. steer/heifer

Nebraska 600-700 lb. Steer and Heifers





MED. & LRG. #1 STEER CALF PRICES 500-600 Pounds, Nebraska, Weekly



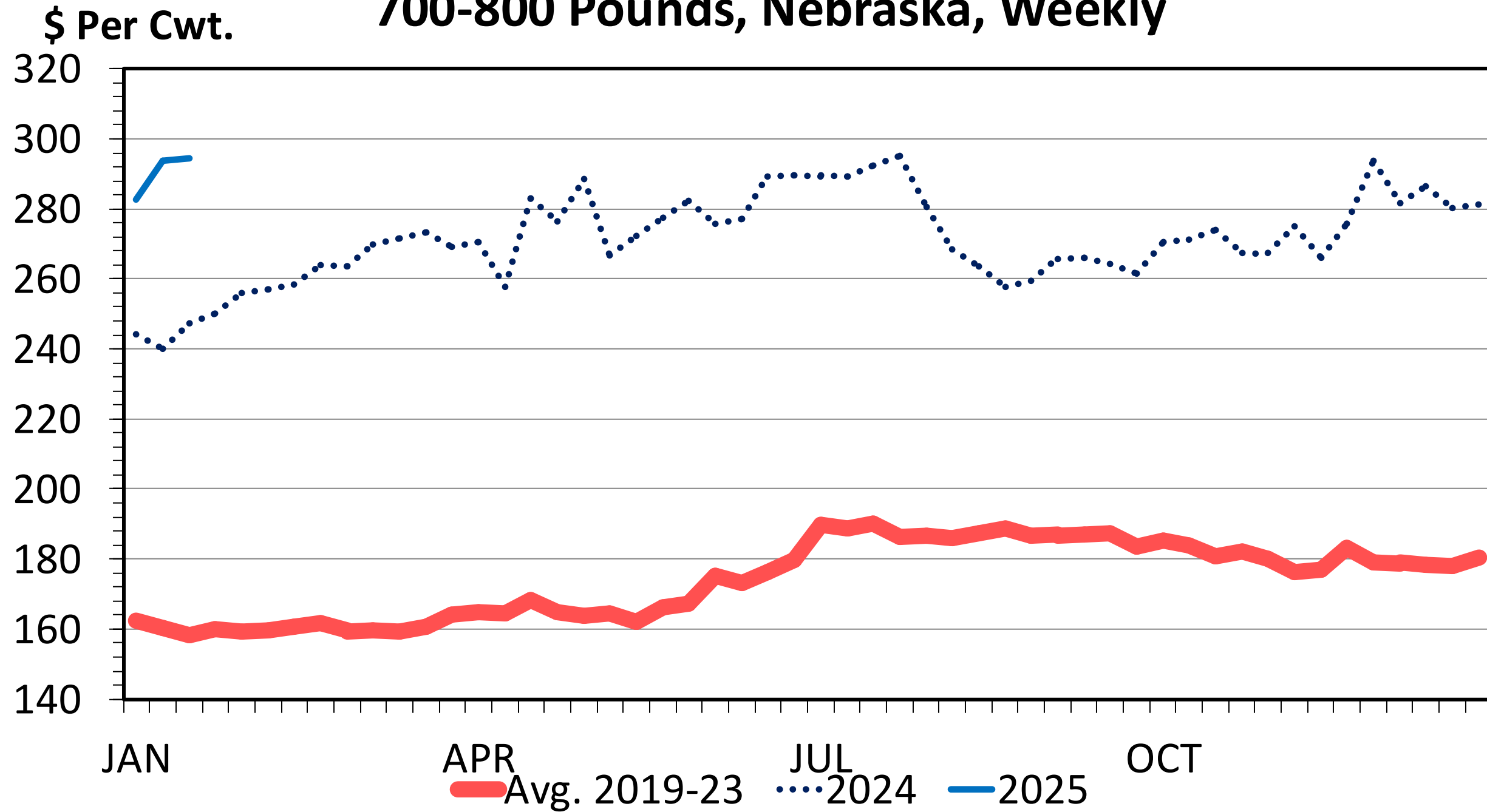
Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

01/21/25

MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Nebraska, Weekly



Data Source: USDA-AMS, Compiled by LMIC

Livestock Marketing Information Center

01/21/25

Where do I Access Quotes
(<https://www.rma.usda.gov/>)

 Risk Management Agency
U.S. DEPARTMENT OF AGRICULTURE

Policy & Procedure ▾

RMA Local ▾

Tools & Reports ▾

About Crop Insurance ▾

News & Events ▾

Search this site



Insurance coverage for hurricanes and tropical storms?

Learn more about the HIP-WI Endorsement and Tropical Storm Option.

[Go to the HIP-WI resources](#)





Insurance cover

Learn more about the H

Actuarial Documents ▲

Actuarial Information Browser

RMA Information Reporting System

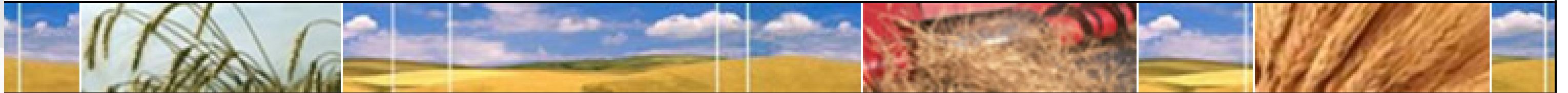
Agent Locator

Approved Insurance Providers

anes and tropical storms?

and Tropical Storm Option.

to the HIP-WI resources



Home

Browse by Application

- ▶ AIB Landing Page
- ▶ AIB 2011
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- ▶ AIB 2019
- ▶ AIB 2020
- ▶ AIB 2021
- ▶ AIB 2022
- ▶ AIB

◦ Crop

Information Tools > AIB > Crop



Crop

| | | | |
|---|-------------------|-----------------------|---|
| 1 | Reinsurance Year: | 2024 | ▼ |
| 2 | Commodity: | Weaned Calves (0805) | ▼ |
| 3 | Commodity Year: | 2024 | ▼ |
| 4 | Insurance Plan: | Yield Protection (01) | ▼ |
| 5 | State: | Nebraska (31) | ▼ |
| | County: | Adams (001) | ▼ |

Clear

View Report

1 Reinsurance Year: 2024

2 Commodity: Weaned Calves (0805)

3 Commodity Year: 2024

4 Insurance Plan: Yield Protection (01)

5 State: Nebraska (31)

County: Adams (001)

Types / Practices | Unit Structure | **Prices** | T-Yield | Dates | Rates | Subsidy Factors | Special Provisions | Links

1 of 1 | 100% | Find | Next

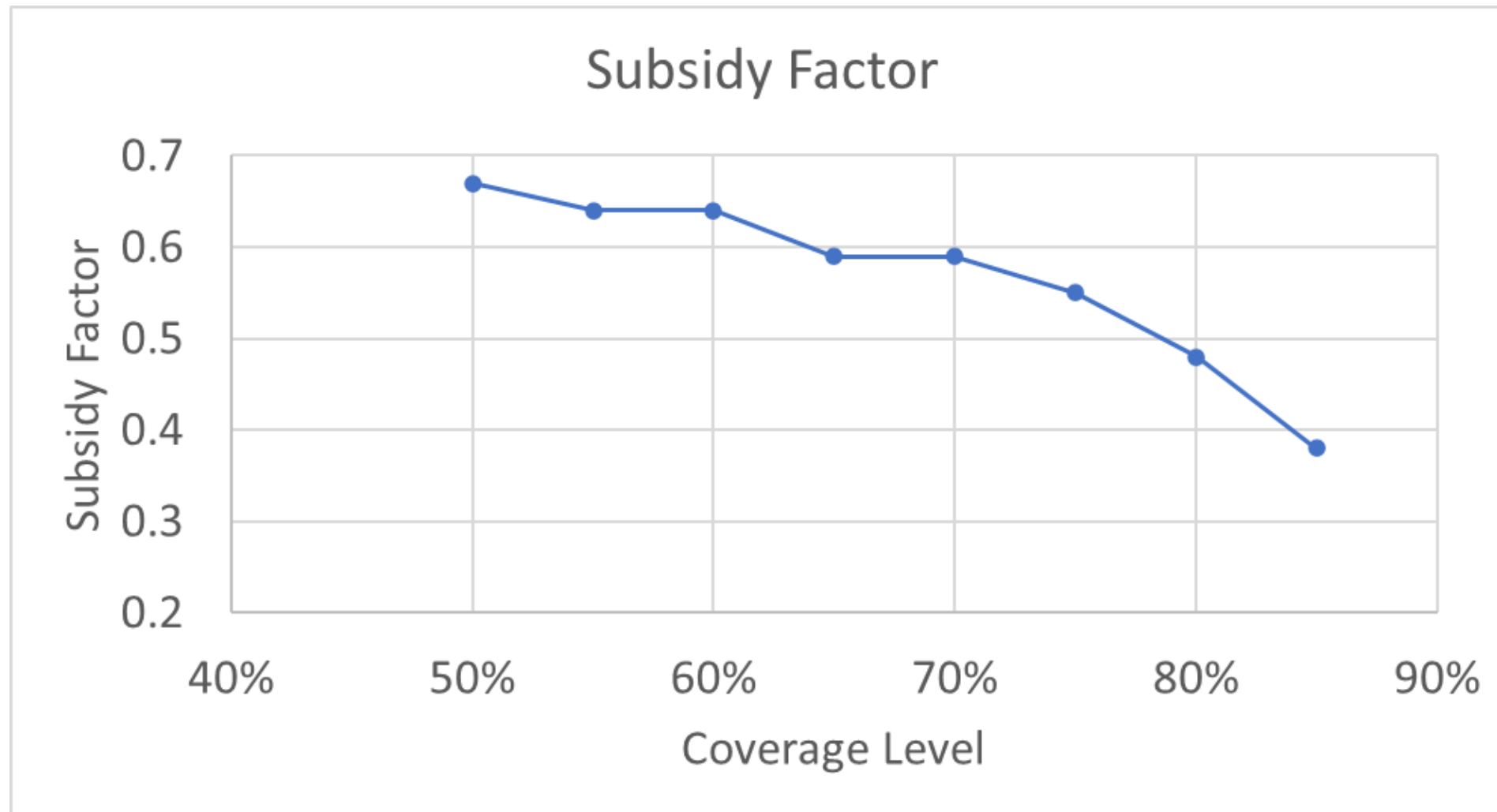
| Types / Practices | | T/P 1 |
|---------------------|--|--------------------------------------|
| Type | | Spring Calving 801 |
| Practice | | No Practice Specified 997 |
| Commodity Type | | Calving 800 |
| Class | | Spring 053 |
| Sub Class | | No Subclass Specified 997 |
| Intended Use | | No Intended Use Specified 997 |
| Irrigation Practice | | No Irrigation Practice Specified 997 |
| Cropping Practice | | No Cropping Practice Specified 997 |
| Organic Practice | | No Organic Practice Specified 997 |
| Interval | | No Interval Specified 997 |

| Prices - Base County | |
|-----------------------------------|--------------|
| Base Weight | 650 |
| Projected Price Adjustment Factor | 0.0003021140 |
| Projected Price | \$2.6900 |
| Price Volatility Factor | 0.17 |



Is there a Subsidy to Use WCRP?

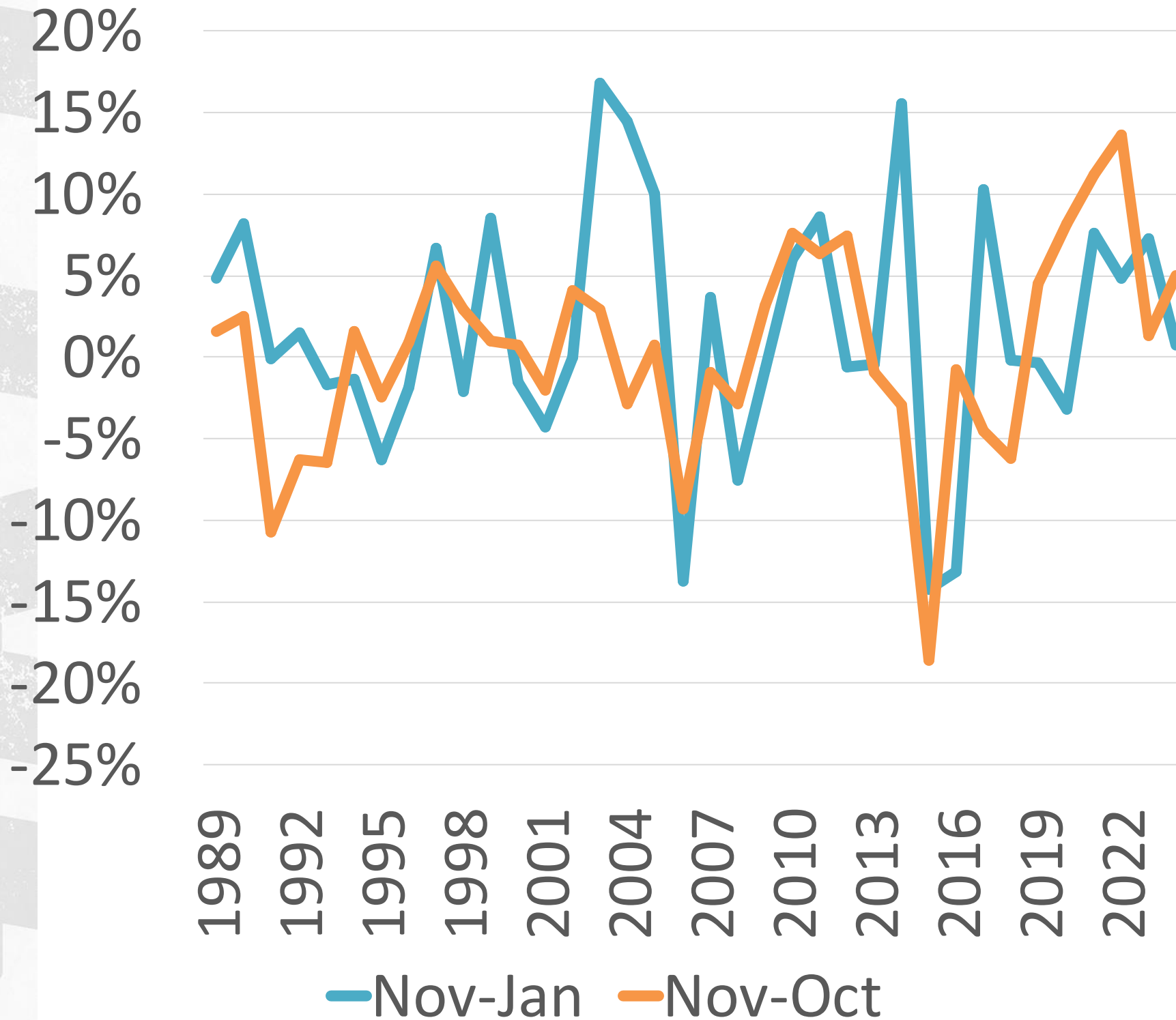
Similar to other Revenue Protection Programs for Crop Insurance



| Coverage Level | Subsidy Factor |
|----------------|----------------|
| 50% | 0.67 |
| 55% | 0.64 |
| 60% | 0.64 |
| 65% | 0.59 |
| 70% | 0.59 |
| 75% | 0.55 |
| 80% | 0.48 |
| 85% | 0.38 |



Differences in Prices in Futures Prices



| | Nov-Jan | Nov-Oct |
|---------------|----------------|----------------|
| Mean | 1.74% | 0.43% |
| Median | 0% | 1% |
| Min | -14% | -19% |
| Max | 17% | 14% |
| St.Dev | 7.46% | 6.20% |
| CV | 0.233 | 0.070 |
| Total | 36 | 36 |
| Above | 17 | 21 |
| Percent Above | 47% | 58% |

What are the Fee/Premiums associated with WCRP?

| Computed Results | |
|---|------------|
| | Total |
| Coverage: | \$1,577.00 |
| Production Guarantee Amount: | \$1,576.75 |
| Total Premium Amount (Including A&O): | \$188.19 |
| Premium Risk Subsidy: | \$59.00 |
| Administrative and Operating Subsidy: | \$34.19 |
| Producer Premium (No Administrative Fee Included): | \$95.00 |
| Administrative Fee: | \$30.00 |
| Producer Premium (Administrative Fee Included): | \$125.00 |



| | PriceElectionPercent | 85 % | 80 % | 75 % | 70 % | 65 % | 60 % | 55 % | 50 % |
|-----------------------|----------------------|------------|------------|------------|------------|------------|------------|------------|----------|
| Revenue Protection 02 | 100 % | \$1,577.00 | \$1,484.00 | \$1,391.00 | \$1,299.00 | \$1,206.00 | \$1,113.00 | \$1,020.00 | \$928.00 |

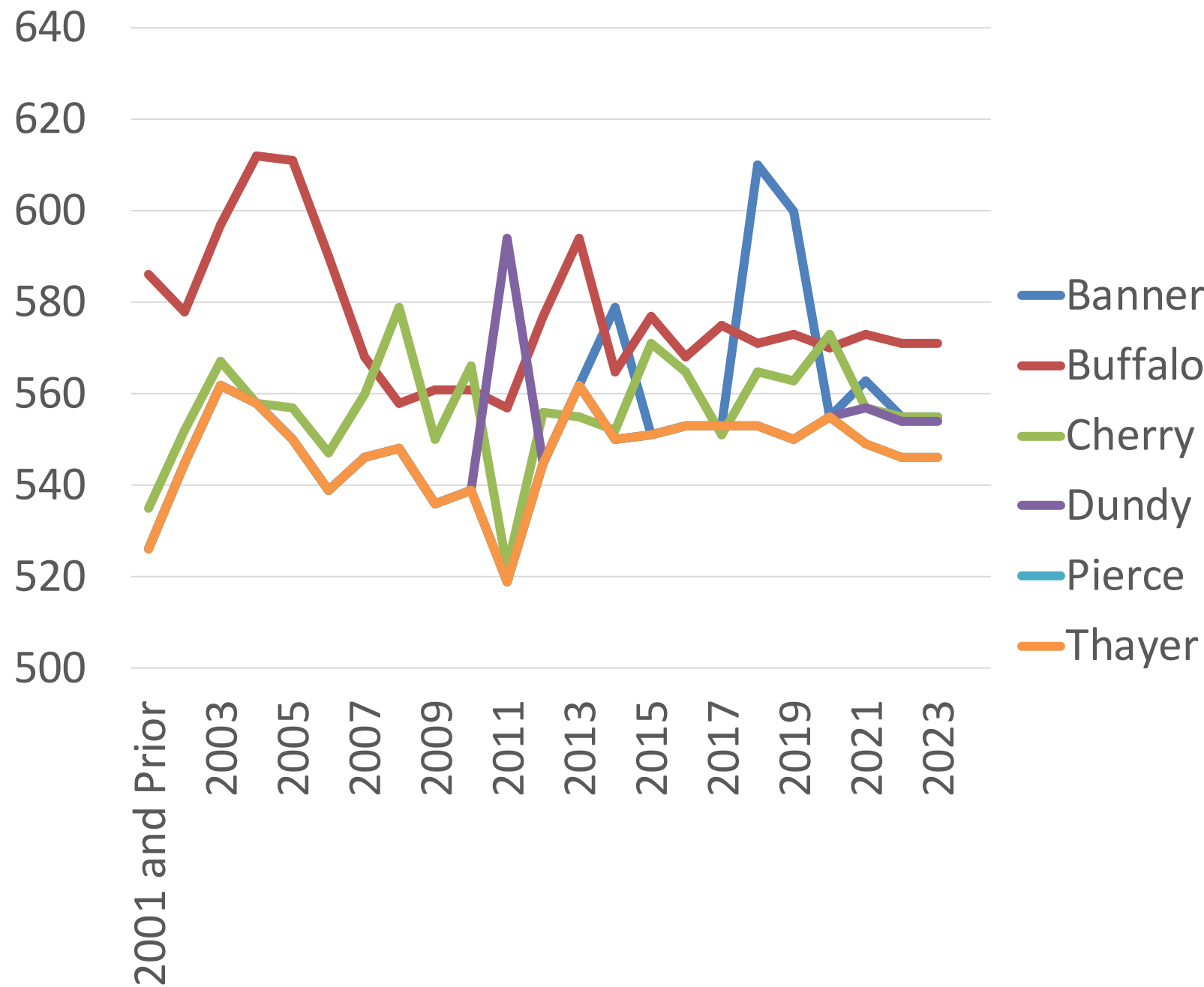
Choosing an Appropriate Coverage Level

| | | Coverage Level | | | | | | |
|---|----------------|----------------|----------|----------|---------|---------|-----------|-----------|
| | Price Election | 85% | 80% | 75% | 70% | 65% | 60% | 55% |
| <i>Panel (a): Producer Premiums Per Head</i> | | | | | | | | |
| YP | 100% | | | | | | | |
| RP | 100% | \$ 71.00 | \$ 37.00 | \$ 19.00 | \$ 9.00 | \$ 5.00 | \$ 2.00 | \$ 1.00 |
| RP-HPE | 100% | \$ 60.00 | \$ 31.00 | \$ 16.00 | \$ 8.00 | \$ 4.00 | \$ 1.00 | \$ 1.00 |
| <i>Panel (b): Producer Premiums Per Cwt (6.5 cwt)</i> | | | | | | | | |
| YP | 100% | | | | | | | |
| RP | 100% | \$ 10.92 | \$ 5.69 | \$ 2.92 | \$ 1.38 | \$ 0.77 | \$ 0.31 | \$ 0.15 |
| RP-HPE | 100% | \$ 9.23 | \$ 4.77 | \$ 2.46 | \$ 1.23 | \$ 0.62 | \$ 0.15 | \$ 0.15 |
| <i>Panel (c): Relative Cost to 65% Coverage Level</i> | | | | | | | | |
| YP | 100% | | | | | | | |
| RP | 100% | \$ 66.00 | \$ 32.00 | \$ 14.00 | \$ 4.00 | \$ - | \$ (3.00) | \$ (4.00) |
| RP-HPE | 100% | \$ 56.00 | \$ 27.00 | \$ 12.00 | \$ 4.00 | \$ - | \$ (3.00) | \$ (3.00) |
| <i>Panel (d): Relative Multiplier to 65% Coverage Level</i> | | | | | | | | |
| YP | 100% | | | | | | | |
| RP | 100% | 13.20 | 6.40 | 2.80 | 0.80 | - | (0.60) | (0.80) |
| RP-HPE | 100% | 14.00 | 6.75 | 3.00 | 1.00 | - | (0.75) | (0.75) |





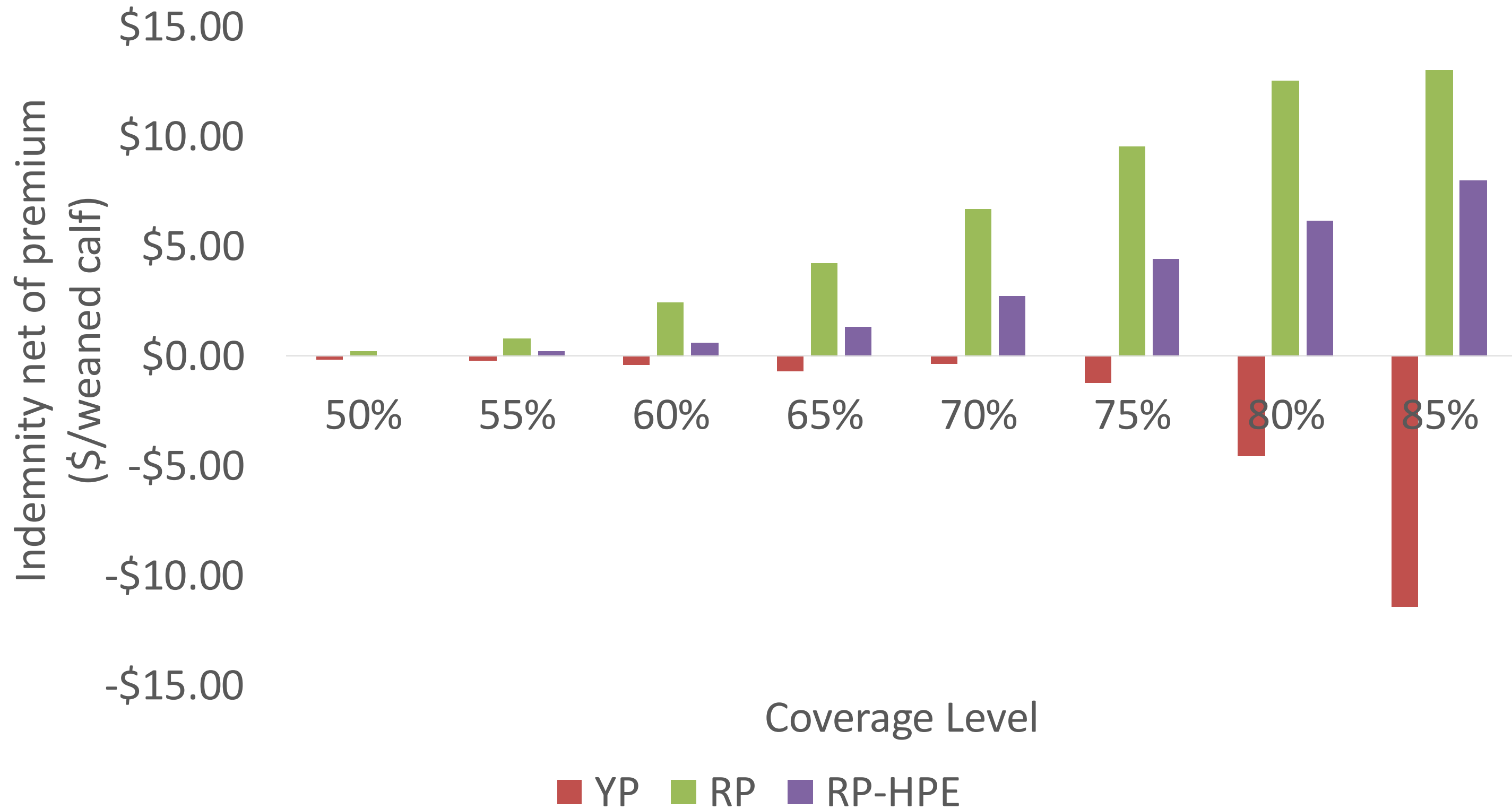
T-Yields by Select Counties in NE



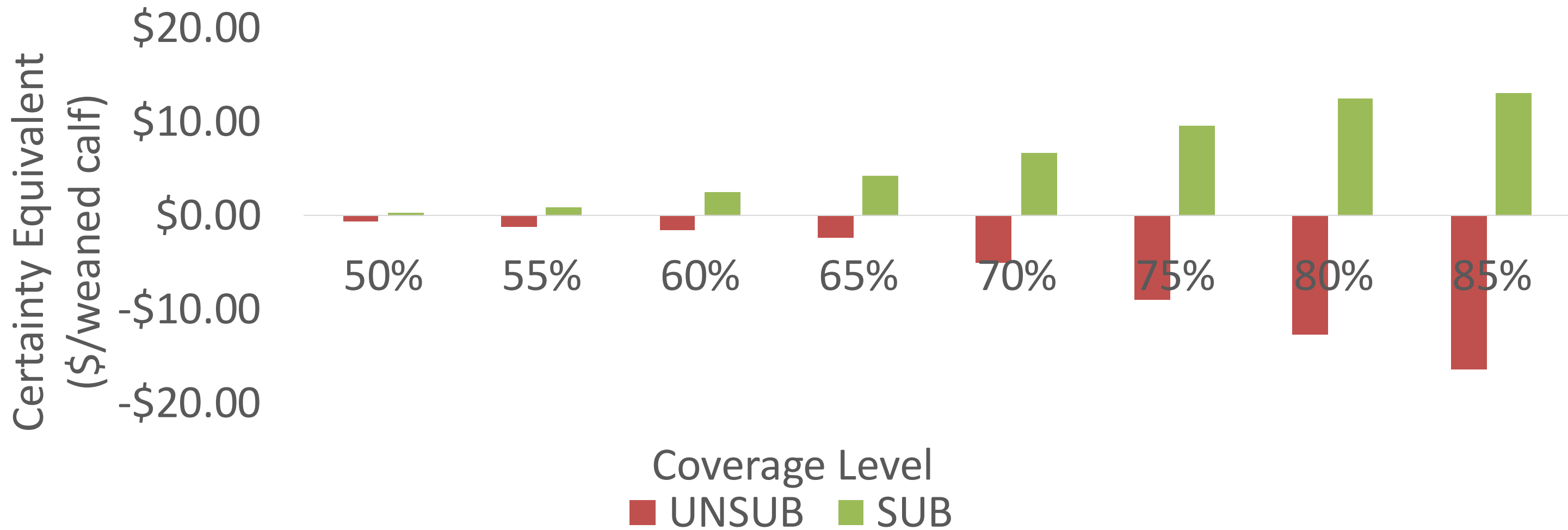
| Year | Weaning Weight T-Yields in: | | | | | |
|----------------|-----------------------------|---------|--------|-------|--------|--------|
| | Banner | Buffalo | Cherry | Dundy | Pierce | Thayer |
| 2001 and Prior | 542 | 574 | 501 | 542 | 542 | 542 |
| 2002 | 526 | 586 | 535 | 526 | 526 | 526 |
| 2003 | 545 | 578 | 552 | 545 | 545 | 545 |
| 2004 | 562 | 597 | 567 | 562 | 562 | 562 |
| 2005 | 558 | 612 | 558 | 558 | 558 | 558 |
| 2006 | 550 | 611 | 557 | 550 | 550 | 550 |
| 2007 | 539 | 590 | 547 | 539 | 539 | 539 |
| 2008 | 546 | 568 | 560 | 546 | 546 | 546 |
| 2009 | 548 | 558 | 579 | 548 | 548 | 548 |
| 2010 | 536 | 561 | 550 | 536 | 536 | 536 |
| 2011 | 539 | 561 | 566 | 539 | 539 | 539 |
| 2012 | 519 | 557 | 522 | 594 | 519 | 519 |
| 2013 | 545 | 577 | 556 | 545 | 545 | 545 |
| 2014 | 562 | 594 | 555 | 562 | 562 | 562 |
| 2015 | 579 | 565 | 552 | 550 | 550 | 550 |
| 2016 | 551 | 577 | 571 | 551 | 551 | 551 |
| 2017 | 553 | 568 | 565 | 553 | 553 | 553 |
| 2018 | 553 | 575 | 551 | 553 | 553 | 553 |
| 2019 | 610 | 571 | 565 | 553 | 553 | 553 |
| 2020 | 600 | 573 | 563 | 550 | 550 | 550 |
| 2021 | 555 | 570 | 573 | 555 | 555 | 555 |
| 2022 | 563 | 573 | 557 | 557 | 549 | 549 |
| 2023 | 555 | 571 | 555 | 554 | 546 | 546 |
| 2024 | 555 | 571 | 555 | 554 | 546 | 546 |

AVERAGE NET INDEMNITIES (SUBSIDIZED PREMIUMS)

Cherry County, NE



COMPARING UNSUBSIDIZED VS. SUBSIDIZED NET INDEMNITIES - RP Cherry County, NE



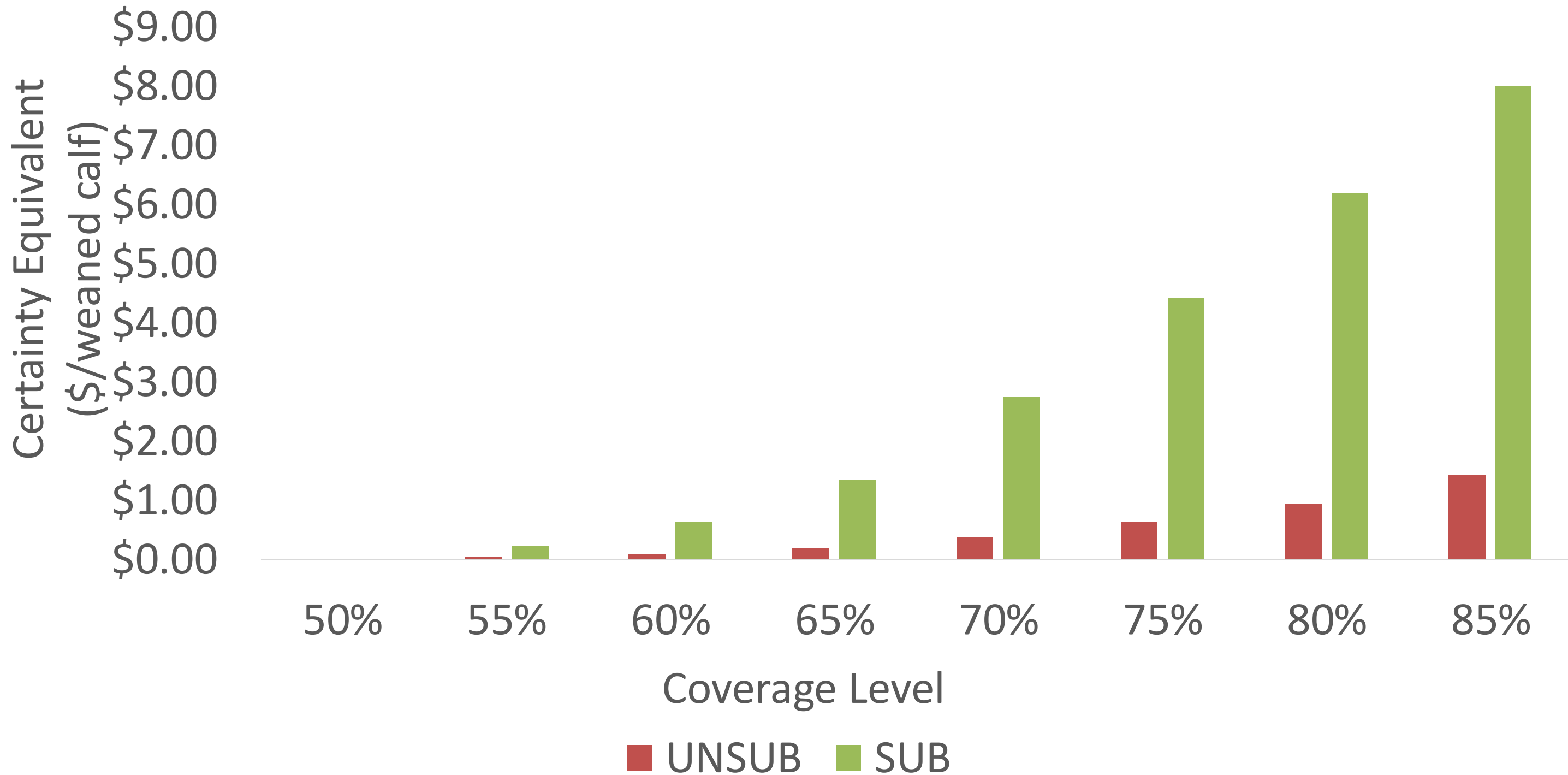
certainty equivalent is the amount of money you'd need to feel equally happy choosing the guaranteed option instead of taking the gamble.

If you're **risk-averse** (you don't like risk), you might accept \$40 as a guaranteed amount and skip the gamble, even though the average outcome of the gamble is \$50.



COMPARING UNSUBSIDIZED VS. SUBSIDIZED NET INDEMNITIES - RPHPE

Cherry County, NE



The greatest expected net indemnity (risk neutral) and certainty equivalent (risk averse) was found at RP at 85% coverage. No major difference between 80-85%

This implies that downside price risk is more likely and reflects the more expensive premium under RP relative to RP-HPE.

- This implies a greater willingness to pay for insurance for RP which provides both price upside and downside risk protection.**
- Does not necessary imply the best risk management option.**





| Commodity Year | Insurance Plan | State Abbrev. | Policies Sold | Policies Earning Prem | Head | Liabilities (\$) | Total Prem (\$) | Subsidy (\$) |
|-----------------------|-----------------------|----------------------|----------------------|------------------------------|-------------|-------------------------|------------------------|---------------------|
| 2024 | Revenue Protection | CO | 7 | 6 | 751 | 442,918 | 32,667 | 16,994 |
| 2024 | Revenue Protection | NE | 5 | 2 | 29 | 34,949 | 1,522 | 759 |
| 2024 | Revenue Protection | SD | 10 | 3 | 219 | 244,909 | 9,321 | 4,307 |
| 2024 | Revenue Protection | TX | 4 | 1 | 693 | 405,640 | 5,907 | 3,780 |

Price slide

More favorable if underweight (i.e. less discounts) than overweight (i.e. more discounts)

Backgrounding

If on a slow growth ration post-weaning (< 1.5 ADG), backgrounded adjusted weaning weights will be lower than actual weaning weights

Combined Risk Management

Not able to use LRP but can still use Futures and Options.
Lots of information from crop insurance



What Risk Do You Want To Manage?

$$\text{Net Profit} = \left[\underbrace{\text{Production Sold}}_A * \underbrace{\text{Output Price}}_B \right] - \left[\underbrace{\text{Variable Production Costs}}_C \right] - \left[\text{Fixed Costs} \right]$$

D

Types of Subsidized Risk Management Tools

A – WCRP-YP

B – CME Futures + CME Options, LRP

C – Pasture Range and Forage Insurance (PRF), Annual Forage (AF)

D – WCRP-RP, WCRP-RP w/HP exclusion



COMMENTS, QUESTIONS, AND SUGGESTIONS

Contact Information

elliott.dennis@unl.edu

402-472-2164



Covert CME to Regional Prices

- **Uses the CME Feeder Cattle Contract (assumes 700-900 lb.)**
- **Regional Factor: Adjusts futures price during price discovery to regional price**
- **CME November'24 Feeder Cattle × North Central Regional Factor
\$2.55/lb. × 1.02 = \$2.60/lb. base weight price**

$$\text{Regional Factor: } RF = \left(\frac{y_{RegionP_1}}{y_{FuturesP_1}} \right)$$

$$\text{Regional Base Price: } y_{RegBaseP_1} = RF \times y_{FuturesP_1}$$



- Weaning can occur at different weights
- Base price: 650 lbs. (each county has their own base wt)
- USDA-AMS market prices used to create a “price-weight slide” to base price by region

$$\text{Weight Differential: } \hat{y}_{RegD_1} = \frac{\left(\frac{y_{RegMAX(300-400)_1}}{y_{Reg650P_1}} \right) - 1}{650 - 300}$$

Example:

$$WD = ((300 \text{ lbs. price} \div 650 \text{ lbs. Price}) - 1) \div (650 - 300) \text{ lbs.}$$

$$WD = ((\$3.00 \div \$2.60) - 1) \div 350 \text{ lbs.}$$

$$WD = ((\$1.1538) - 1) \div 350 \text{ lbs.}$$

$$WD = (\$0.1538) \div 350 \text{ lbs.}$$

$$WD = 0.0004 \Rightarrow 0.04\% \text{ “price slide”}$$

