

# Preface

This self-study guide is designed to provide livestock producers, insurance agents, and educators with information about USDA Risk Management Agency's Livestock Risk Protection program. Livestock Risk Protection insurance (LRP) provides single-peril price risk coverage for future livestock sales and can be used as a risk management tool for livestock producers.

This study guide is presented in five chapters with each chapter broken into several subsections. Also, an appendix containing example forms used in the LRP program is included. The first chapter provides a general overview of LRP and discusses some requirements of the program. Chapter two presents rules and policy provisions of LRP, along with advantages and drawbacks the program may have relative to other hedging strategies. The third chapter explains how the program works including terminology unique to LRP, price reports used to provide price insurance, and calculation of premium costs. Chapter four explores LRP basis and how it differs from futures basis. The chapter also examines how LRP basis is less risky for some LRP users. The final chapter presents an example of using LRP and how to calculate actual sale prices. Several scenarios with varying levels of price and basis are evaluated. A quiz at the end of each chapter can help readers check their understanding of the material from that chapter. Answers for the quizzes can be found at the back of the guide.

Other resources pertaining to LRP insurance are available online at [www.lrp.unl.edu](http://www.lrp.unl.edu). This Web site contains links to USDA LRP resources such as the premium pricing web site and the agent locator. Publications discussing other aspects of LRP in detail, such as LRP basis, are available. Finally, there is a series of video lectures that correspond to the chapters in this study course. The video lecture includes slides along with narration discussing the material presented in this self-study guide. Each video can be downloaded and viewed as a complement to this guide.

Although the chapters are fully integrated and intended to be studied sequentially, they also can be used individually for producers or insurance agents with different information needs.

The information contained in this self-study guide to LRP is based on the 2005 crop year underwriting rules for Livestock Risk Protection insurance. Modifications to the LRP insurance program in subsequent years may change the interpretation and use of some information in this guide. Therefore, users should always check with their insurance agents and USDA RMA underwriting rules for current rules and regulations relating to the use of LRP insurance. Also, updates may be provided online at [www.lrp.unl.edu](http://www.lrp.unl.edu). While the information in this self-study guide is believed to be accurate, no guarantee or warranty is made to its accuracy or completeness.