Western LIVESTOCK PRICE INSURANCE PROGRAM

Western Livestock Price Insurance Program

Saskatchewan producers have access to a new risk management tool to help withstand volatility in the market. The Western Livestock Price Insurance Program (WLPIP) enables livestock producers to protect themselves against unexpected price declines, by allowing them to purchase price insurance protection for their cattle and hogs while still being able to take advantage of favourable market conditions, if livestock prices should rise.

WHY USE LIVESTOCK PRICE INSURANCE?

WLPIP provides price insurance to manage risk on finished cattle, feeders, calves and hogs for producers across Western Canada.

- Protect against volatility in the market place
- Manage risk of falling prices
- Market driven with coverage based on current market conditions
- Provides a ‘floor’ price on livestock
- Tailored products for every aspect of the beef production chain and for hog price protection

WHERE TO START

Saskatchewan Crop Insurance Corporation (SCIC) staff are available to sit down one-on-one with producers to provide more information on how livestock price insurance works, how to sign up for the program and how to purchase insurance policies. Producers can find more information by visiting their local Crop Insurance office or online at www.wlpip.ca.

PROGRAM INFORMATION

Producers can purchase price insurance options for their calves, fed cattle, feeder cattle and hogs.

Calf

The calf product is offered in the spring (February - end of May) and covers the price risk a cow-calf producer faces selling calves in the fall market. The settlement index is based on the average price of a 600 pound steer.

Feeder

The feeder product covers the price risk a cattle feeder faces when marketing. The settlement index is based on the average price of an 850 pound steer.

Fed

The fed product is offered year-round for cattle being finished in Western Canada. Producers can also purchase a fed-basis option to protect against basis risk.

Hogs

The hog product offers hog producers protection against a decline in prices over a defined period of time. Hog producers choose from a range of policy lengths and price coverage.

Growing Forward 2
A federal-provincial-territorial initiative
SCIC Saskatchewan Crop Insurance Corporation
Canada

PRICE INSURANCE BASICS

Producers will purchase insurance based on the expected sale weight. They will match the policy length to the time period they expect to sell in and choose their coverage and pay the premium.

Producers will now have a protected floor price. If the cash market is below the selected coverage during the last four weeks of a policy (cattle) or in the month the policy expires (hogs), the producer can make a claim. There is no requirement to sell livestock at the time of expiration.

COST TO PARTICIPATE

Premiums are fully funded by producers and are based on traditional insurance principles and will fluctuate due to factors such as:

- Forward price
- Volatility
- Coverage level
- Policy length
- Interest

HOW TO PARTICIPATE

Purchasing livestock price insurance is a three step process:

1. Complete an Application
   Producers are required to complete an application. They can do this by downloading the forms from www.wlpip.ca, completing the required information and submitting their form to their local Crop Insurance office. Producers can also access forms directly from any Crop Insurance office.
2. Application Approval
   SCIC will review and approve the application and forward it to the WLPIP administrator for processing. Once processed the producer will receive two emails from the WLPIP administrator; one verifying account set-up and another containing the activation key. The activation key is required to purchase policies online. It can take up to 48 hours (two business days) to receive the activation key.
3. Purchase Insurance
   The producer will use the activation key to establish their online account. This is done through www.wlpip.ca. Once an online account is created, the producer is able to purchase policies, monitor premiums and coverage levels, pay premiums and file claims. WLPIP is only set up for online purchasing with a credit card. SCIC offices are available to assist producers wherever necessary in completing their WLPIP purchases.

EXAMPLE

A producer plans to sell 75 calves in October weighing 600 pounds.

Insured weight = (# of head x expected sale weight)/100
= (75 calves x 600 pounds) / 100
= 450 cwt

The premium table on April 8, 2014, offers insurance coverage for October at $192/cwt, or $1.92 per pound. This coverage will cost $3.04/cwt.

Premium Cost = 450 cwt x $3.04
= $1,368.00

The producer now has a 'floor' price of $1.92 per pound and knows that if the market average price goes below the floor price a claim can be submitted and the price insurance will provide a benefit.

The producer elects to use the price insurance coverage in the last week of the policy's length because the cash market is $180/cwt, as indicated by the settlement index (*for example purposes only*). This is below the insured price selected in the spring. This results in an indemnity for the producer.

Indemnity Owed = 450 cwt x ($192- $180)
= $5,400.00

Office Hours: 8:00 a.m. to 5:00 p.m.
Closed weekends and statutory holidays
Call toll-free 1-888-935-0000
www.saskcropinsurance.com
customer.service@scic.gov.sk.ca

Saskatchewan Crop Insurance Corporation Head Office
484 Prince William Drive, PO Box 3000
Melville, SK S0A 2P0