



## LRP: Risk management for swine producers

By James Sedman and John Hewlett

Swine production in the Mountain West and especially Wyoming is not one of the more talked-about subjects.

It may be an often overlooked part of agriculture in these areas, but there are a number of smaller swine operations and especially swine produced for show. Many swine owners may not realize there are risk-management options available through the federal crop insurance program administered by the U.S. Department of Agriculture's Risk Management Agency.

Livestock Risk Protection Insurance (LRP) policies can be purchased through local crop insurance agents and can help mitigate price and market risks associated with the swine business. In 2004,

there were no LRP policies purchased for swine, even though they were offered in Wyoming. This underutilized program could be of considerable risk-management value to swine producers.

### How LRP Can Benefit You

The swine market, like any agricultural commodity market, is subject to cyclical (and occasional sudden) ups and downs. As in much of agriculture, predicting exactly when these changes will occur is nearly impossible. LRP insurance was designed to help cattle and swine producers deal with price risk in much the same way crop producers use crop insurance to mitigate price risk.

In late 1998 and early 1999, the U.S. hog market fell to record lows. With an LRP policy, hog

producers of all sizes can protect against such huge losses for a relatively small premium investment. For example, even if a producer only marketed five hogs per year, the difference in 1998 between \$200 hogs and \$45 hogs can be staggering. LRP can benefit the smallest and largest hog producers because, unlike futures contracts, there is no set weight or number of head that must be purchased.

Determining whether LRP is right for your swine operation starts with determining your goals and risk preference. If your enterprise can withstand a price decline with enough liquidity to deal with expenses, then LRP may not be needed. If your goals are to maximize profitability and minimize price risk, then LRP may benefit the operation. It is important to know your costs to properly determine the amount of insurance protection needed.

### How an LRP Policy Works

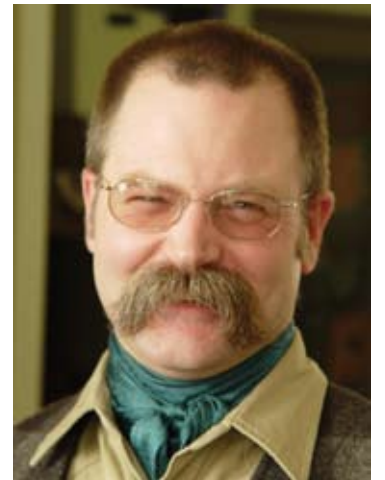
LRP insurance may be thought of as selecting a price floor for your livestock – in this case swine – at some point in the future.

To purchase an LRP policy, a producer must first determine

the exact number of head, weight, and future time when they will be sold. Premiums vary by day and the length of contract purchased so consult your insurance representative to determine exact premium costs. The policy is completed when the producer selects a coverage price – between 70 to 95 percent of the expected ending value of the animals sold.

An example may help determine if this type of insurance will work for your situation. Assume a producer has 10 hogs to sell with an expected ending weight of 250 pounds or a lean weight of 185 pounds each. The expected ending value is \$55/cwt, and a coverage price of \$52.25/cwt (lean weight basis) is chosen. In addition, the insured share is 100 percent.

If the hog market drops considerably and the hogs bring only \$44.80, then the indemnity payment would total \$137.83. Multiply 10 head x 1.85 cwt/head x 7.45[\$52.25-\$44.80] x 1.00. While this may not be a large payment, the premium for such a policy would cost only \$24.14. Multiply 10 head x 1.85 cwt/head x \$52.25 x 1.00 x 0.028708 (or 2.8708 percent) minus a 13-percent subsidy.



John Hewlett

### For More Information

For further information on swine and other LRP insurance policies, consult your local crop insurance agent or your local USDA service center to locate an LRP agent near you. For more information on this and other risk management topics on the Web, please visit the Western Risk Management Library at <http://agecon.uwyo.edu/RiskMgt>.

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## Roundup Ready® alfalfa: New technology for hay production

By Ryan Rapp

Producing alfalfa for hay has just become much easier. Roundup Ready® alfalfa is now approved for sale in the United States.

Establishing alfalfa can be difficult, and weeds in established alfalfa and seedling alfalfa can be a serious problem. Unwanted plants growing with alfalfa compete for water, nutrients, and sunlight, which can decrease the quality and yield of alfalfa. Roundup Ready® alfalfa offers a more effective weed-control option for hay producers.

The performance of Roundup Ready® alfalfa has been outstanding. Trials in Wyoming and Nebraska show exceptional yields and quality. The average yield for two years of a trial established at the University of Wyoming's former Torrington Research and Extension Center showed 4 to 4.4 tons per acre from two cuttings. Relative feed value equals that of conventional alfalfa.

Quality of alfalfa is increased when harvested at optimum maturity and when the forage is weed free. This new technology gives the opportunity to increase the quality forage by gaining weed control.



Ryan Rapp

Weed control for Roundup Ready® alfalfa is now more flexible than conventional methods for alfalfa. While timing is still important, it may not prove as important as it is with some of the alternative methods. There will be little to no carryover, and there is a minimum wait of five days after Roundup application before haying or feeding. There is also the simplicity of using one chemical instead of tank mixing several for control of the perennial and annual weeds often found in alfalfa fields. Roundup Ready® alfalfa creates a lower dollar per acre weed-control method for the life of the alfalfa field.

The cost of the technology will be an additional \$2.40 to \$3 more a pound for seed when compared to conventional alfalfa. This is about \$125 to \$150 more for a 50-pound bag of seed. The economic feasibility of the technology will be dependent upon the quality demands of the production system the hay will be marketed toward. The higher the quality demand, the higher the price the producer will receive.

A grower would incur an additional \$30 per-acre cost if seeding at 12 pounds per acre factoring in the \$2.50 per-pound cost of the Roundup Ready® technology.

It is important to remember that the effectiveness of weed control can increase alfalfa quality from fair to supreme, yielding more dollars per ton.

Regulations restrict overseas sales of Roundup Ready® alfalfa or purchases with the intent of overseas export.

When stand removal becomes necessary, there are options to remove Roundup Ready® alfalfa. Guidelines can be found with the Monsanto *Technical Use Guide* provided with all Roundup Ready® seed purchases. In addition, information regarding stand take-out for

Wyoming and Nebraska areas can be found in the UW Cooperative Extension Service bulletin 1173, *Roundup Ready® Alfalfa: A New Technology for High Plains Hay Producers*. This bulletin will be available in April. Downloads will be free or a hardcopy version can be obtained by e-mailing the College of Agriculture's Resource Center at [bixbyd@uwyo.edu](mailto:bixbyd@uwyo.edu), calling the center at (307) 766-2115, or writing to the University of Wyoming, College of Agriculture, Department 3313, 1000 E. University Ave., Laramie, WY 82071

Roundup Ready® alfalfa does not just offer herbicide resistance for weed control, it also adds agronomic and pest resistance

traits. To determine which traits are needed for a particular growing area, consult a local seed dealer or CES educator.

Roundup Ready® alfalfa offers comparable yields and quality but most importantly offers exceptional flexible weed-control options. Economic benefits will depend on market prices but will allow for cheaper weed control per acre than conventional methods.

For more information contact your local CES office or seed dealer.

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