LIVESTOCK PRICE INSURANCE

PROGRAM GUIDE

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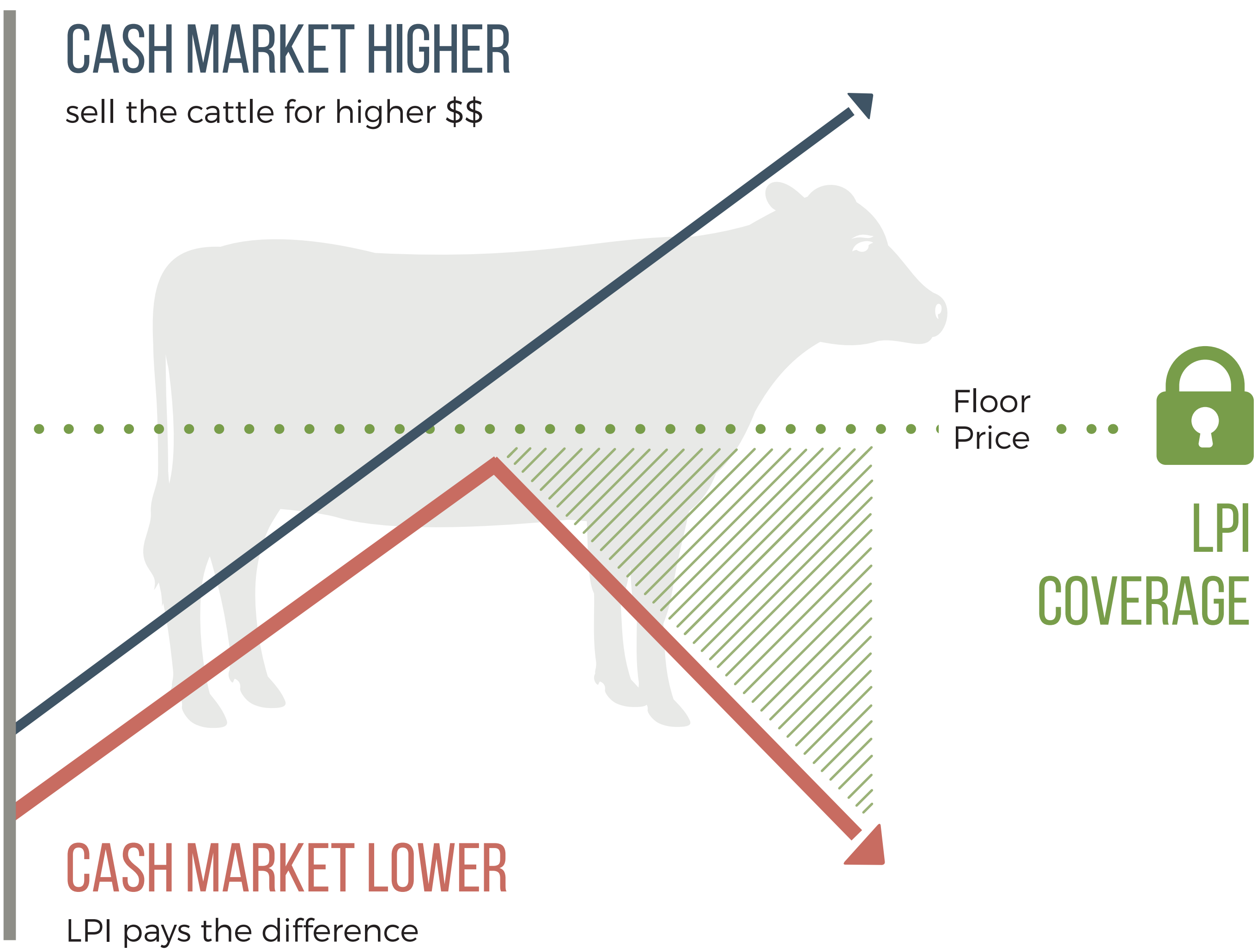
WHAT IS LPI?

LPI is a business risk management program where producers can purchase price protection on livestock in the form of an insurance policy.

LPI is available in British Columbia, Alberta, Saskatchewan and Manitoba. The Program provides producers with protection against unexpected drops in prices on cattle and hogs over a defined period of time.

Producers pay a premium to receive forward price coverage. If the market price falls below the insured index (coverage price) in the time frame selected, the producer receives a payment.

When a producer purchases coverage a floor price within the market is established. In the final four weeks of the policy, if the market falls below the insured index (coverage price) purchased, LPI will pay the difference. If the market is above the insured index (coverage price) purchased, producers can benefit by selling livestock into the higher regional market.



WHAT LPI HAS TO OFFER

LPI is not individualized production insurance, but a way to protect against a declining regional (Alberta or Sask/Man) market.

What does it mean to establish a floor price in the regional market?

The floor price in the regional market is the insured index (coverage level) of LPI insurance purchased. Meaning, if the market price, in the region the producer has chosen (Alberta or SaskMan), drops below the coverage the producer selected during the four week claim window, LPI will pay the difference.

LPI covers declining price movements but does not limit the upwards price movement potential.

WHY USE LPI?

LPI allows livestock producers in Western Canada to effectively manage their risk.

Cattle and hog producers in western Canada may face volatile market prices. LPI is designed to be market driven to reflect the unique risks these producers face.

LPI offers protection from the following risks:

price

currency

basis

LPI is the only tool available in Canada that covers all three price risks producers face, in one package. Protection against unknown market fluctuations gives producers peace of mind.

LPI WILL

Insure regional market price

Help eliminate severe losses to the policy holder

Insure the market for a specific time frame

LPI WON'T

Guarantee individual cattle prices

Force producers to sell on a specific date

Serve as a contract or marketing tool

AVAILABLE PRODUCTS

LPI - Calf

The calf product is offered in the spring and covers the price risk a cow-calf producer faces selling calves in the September to February markets. The settlement index is based on the average price of a 600 pound steer.

LPI - Feeder

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

LPI - Fed

The fed product is offered year-round for cattle being finished in western Canada. The settlement index is based on the weekly Alberta fed cattle price, using Canfax steer and heifer data.

LPI - Fed Cattle Price Reporting

The fed cattle price reporting option enables producers to report their cash prices directly to LPI to benefit the settlement index and sustainability of the program.

LPI – Hog

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

PROGRAM PARTICIPATION

Participation is voluntary and available to cattle and hog producers in western Canada.

General Eligibility Requirements

In order to be eligible for LPI, producers must meet the following criteria:

1. File farm income taxes in British Columbia, Alberta, Saskatchewan, or Manitoba; or if one of these provinces is the province for which the greatest amount of income would be reportable under the Income Tax Act (Canada) for Eligible Livestock.
2. Be the owner of the livestock.
3. Be the age of majority.

Product Specific Eligibility Requirements (In addition to general eligibility requirements.)

LPI – Calf

Be able to provide proof of calf ownership for 60 continuous days throughout the policy.

LPI – Feeder

Be able to provide proof of cattle ownership for 60 continuous days throughout the policy.

LPI – Fed

Producers need to finish the fed cattle in western Canada for the final four-week period immediately prior to the claim window.

LPI – Fed Cattle Price Reporting

Participation is voluntary and available to all beef producers finishing cattle in British Columbia, Alberta, Saskatchewan or Manitoba. Producers do not need to be current LPI program subscribers.

LPI – Hog

Be able to provide proof hog ownership for 20 continuous days throughout the length of the purchased policy.

PRODUCT DEADLINES

LPI products are offered year-round, apart from the calf program being seasonal.

	CALF	FED	FEEDER	HOG
Purchasing	First Tuesday in February to the second Thursday in June	Offered year-round	Offered year-round	Offered year-round
Settlements	September to February	Offered year-round	Offered year-round	Offered year-round

*All LPI products experience blackout dates throughout the year. Please refer to the Calendar of Insurance for more information.

PURCHASING AND CLAIM HOURS

CATTLE	HOG
Purchase – Available Tuesday, Wednesday, Thursday	
2:00 p.m. to 11:00 p.m. MT	
Claim – Available Monday	
2:00 p.m. to 11:00 p.m. MT	N/A - Claims automatically triggered

HOW **LPI** WORKS

PARTICIPATING IN LPI

To get started:

1. Enrol.

Producers can enrol in LPI with no obligation to purchase a policy.

Visit LPI.ca and click on 'Apply Now' to start the enrolment process.

2. Register for weekly premium and settlement emails.

This information allows producers to be responsive when making timely risk management decisions. Sign up here.

3. Create an online account.

This allows the producer to conduct LPI business online. Visit LPI.ca and click on login. Producers can create a new account or login as an existing member.

4. Review the weekly premium table and settlements.

Producers can learn how premium tables are calculated and how data is collected when establishing settlement values.

LPI policies are available every Tuesday, Wednesday, and Thursday at 2:00 p.m. MT until 11:00 p.m. MT the same day of published premium table to submit their selection for purchase.

Why is there a specific time window to purchase?

The LPI program is designed to be responsive to current market conditions at any given time. Market fluctuations happen quickly, therefore LPI publishes daily premium tables Tuesday through Thursday each week.

Producers have the flexibility to insure all or a portion of their anticipated marketing's. They can hold more than one policy at a time to match coverage to their business needs.

LPI OFFERING

UNDERSTANDING LPI PREMIUM TABLES

To provide relevant business risk management insurance to livestock producers across the western provinces, LPI offers different premium tables to reflect the marketing region producers are located in (see section A).

CALF AND FEEDER	FED	HOG
Alberta and SaskMan	Price - Alberta	Alberta, Saskatchewan, Manitoba

Becoming familiar with the premium tables and how they fluctuate day-to-day will assist producers in their purchasing decisions.

Select the region which best reflects marketing risk.

Producers can purchase LPI calf and feeder policies from the Alberta or Saskatchewan-Manitoba (SaskMan) premium tables. They should select the region best representing their marketing risk.

[About LPI - Cattle | Livestock Price Insurance](#)

Match the policy length to the time period when cattle are expected to be marketed.

When producers select a policy length, the date on the table represents the expiry date of the policy.

Producers should select a policy length expiring closest to their anticipated marketing date. For example, a producer plans to sell livestock around the first of October. The policy expiry dates on the premium table are for September 19 and October 17. It is best to choose October 17 because it covers their marketing time frame, taking into account the entire claim window.

Feeder
A Alberta Premium Table as of : 01-Feb-2022
Note: These premiums and coverage levels change on a daily basis.

Insured Index ($/cwt)	Premium ($/cwt) 12 weeks 02-May-2022	16 weeks 30-May-2022	20 weeks 27-Jun-2022	28 weeks 22-Aug-2022	32 weeks 19-Sep-2022	B 36 weeks 17-Oct-2022
222					7.29	7.83
220					6.89	7.37
218					6.47	6.92
216					6.05	6.55
214			5.14	6.26	5.73	6.22
212			4.73	5.80	5.43	5.85
210			4.37	5.43	5.05	5.49
208			4.05	5.11	4.76	5.28
206		5.11	3.77	4.78	4.51	4.96
204		4.60	3.49	4.50	4.32	4.78
202		4.24	3.25	4.20	4.07	4.50
200		3.86	2.94	3.93	3.80	4.28
198		3.45	2.75	3.71	3.61	4.05
196	4.68	3.20	2.64	3.43	3.42	3.87
194	4.08	2.95	2.47	3.22	3.28	3.63
192	3.66	2.75	2.29	3.09		
190	3.30	2.48	2.14	2.90		

Feeder
Alberta Premium Table as of : 01-Feb-2022
Note: These premiums and coverage levels change on a daily basis.

Insured Index ($/cwt)	Premium ($/cwt) 12 weeks 02-May-2022	16 weeks 30-May-2022	20 weeks 27-Jun-2022	28 weeks 22-Aug-2022	32 weeks 19-Sep-2022	36 weeks 17-Oct-2022
222					7.29	7.83
220					6.89	7.37
218					6.47	6.92
216					6.05	6.55
214			5.14	6.26	5.73	6.22
212			4.73	5.80	5.43	5.85
210			4.37	5.43	5.05	5.49
208			4.05	5.11	4.76	5.28
206		5.11	3.77	4.78	4.51	4.96
204		4.60	3.49	4.50	4.32	4.78
202		4.24	3.25	4.20	4.07	4.50
200		3.86	2.94	3.93	3.80	4.28
198		3.45	2.75	3.71	3.61	4.05
196	4.68	3.20	2.64	3.43	3.42	3.87
194	4.08	2.95	2.47	3.22	3.28	3.63
192	3.66	2.75	2.29	3.09		
190	3.30	2.48	2.14	2.90		

Select coverage to establish floor price.

Producers can tailor coverage to best suit their operation's needs. Both steers and heifers can be insured.

The premium cost is calculated using the estimated market weight (cwt) of calf, feeder or fed cattle the producer plans to insure.

* The insured index is based on steer data.

Premiums are associated to the insured index/coverage the producer selected.

Example

A producer selects a 36 week policy expiring on October 17. The producer selects $212 insured index (coverage) for a premium cost of $5.85/CWT. The producer is insuring 100 head of feeder cattle and estimates them to weigh 700 lbs each at time of policy expiration.

100 Head x 700 lbs each = 70,000 lbs Total
70,000 lbs / 100 = 700 cwt (insured weight)
700 cwt x $5.85 = $4,095.00 Total Premium
$4,095.00/100 head = **$40.95/head**

*Hog policies automatically settle on the final day of each month. More information on the Hog process can be found on page 32.

CLAIM WINDOW

All cattle policies have a claim window ahead of the expiry date. This enables policy holders to claim on settlement indices published on Mondays of each settlement week. The claim window is the **three consecutive weeks** leading up to the expiry date.

Policies may have a shortened claim window if one of the claim weeks falls on a Monday when no settlement is being offered. Producers are encouraged to reference the LPI Calendar of Insurance for blackout and settlement dates before making their policy purchase. To view the LPI Calendar of Insurance, visit lpi.ca/calendar.

Selling livestock outside of the claim window for the policy does not alter or void the contract. The Program is not meant to change marketing decisions for the insured, only to offset risk. Producers must meet all eligibility requirements to be in compliance with their Contract of Insurance (60 continuous days of ownership for Feeder and Calf policies, and four weeks prior to the claim window for Fed policies).

Producers who purchase Livestock Price Insurance enter their claim window in the final four weeks of the policy.

Weeks 21, 22 and 23:

To claim in the first three weeks of the claim window, producers must contact their local LPI Office at lpi.ca/contact-us or use the self service LPI.ca portal.

Week 24:

If the producer does not claim early, the policy automatically settles in the fourth and final week on the expiry date with no action required from the producer.

First Three Weeks of the Claim Window

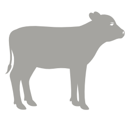
During the first three weeks of the claim window, producers must manually manage their settlement if they are in a claim position. Each Monday (in the claim window), they can settle a portion or all of their insured weight. If producers choose to take no action on that Monday, the price is no longer available and a new price will be published the subsequent week.

Last Week of the Claim Window

During the last week of the producer's claim window, the LPI system will automatically settle against that week's price. If the settlement index for that week is lower than the producer's insured price, a claim will calculate for any remaining insured weight.

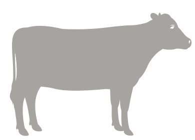
LPI cattle policies are not settled against the exact price the policy holder may have sold their cattle for.

Settlement values reflect weekly market conditions and are determined using data collected from various auction markets across western Canada. Once data is collected, it is sorted to be representative of the two regions (AB and SaskMan) on the premium tables. Click here to view the list of participating auction markets.



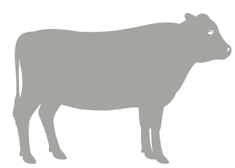
CALF PROGRAM

The settlement index is calculated with data collected from electronic and auction market sales across western Canada and based on an average 600 lb steer. This data is sorted to represent regions on the premium table.



FEEDER PROGRAM

The settlement index is representative of an 850 lb steer and data is collected from electronic and auction market sales across western Canada. This data is also sorted to represent regions on the premium table.



FED PROGRAM

The settlement index is calculated using data collected and reported to Canfax. Finish weights are reflective of this data.

UNDERSTANDING LPI SETTLEMENT PROCESS

1. Enrol in Livestock Price Insurance

2. Register for weekly premium and settlement emails

3. Purchase a Livestock Price Insurance policy

4. Producers enter their claim window in the final four weeks of policy

   * Not all policies are subject to 4 weeks of claim window.

5. Producers review their policy and can settle if they are in a claim position

6. Last week of claim where indemnities payable will be calculated

   LPI system automatically settles against remaining hundredweight on the producer's policy during the last week of the claim window.

A crucial part of purchasing an LPI policy, is understanding how the policy will settle.

WHAT IS A SETTLEMENT INDEX (PRICE)?

The settlement index is the average market price for relative cattle sold on a weekly basis.

Settlement is not based on actual prices received from each individual policy holder's sales. The settlement index for each cattle product is determined using different sources, as depicted below.

Settlement Indices by Program (published each Monday)

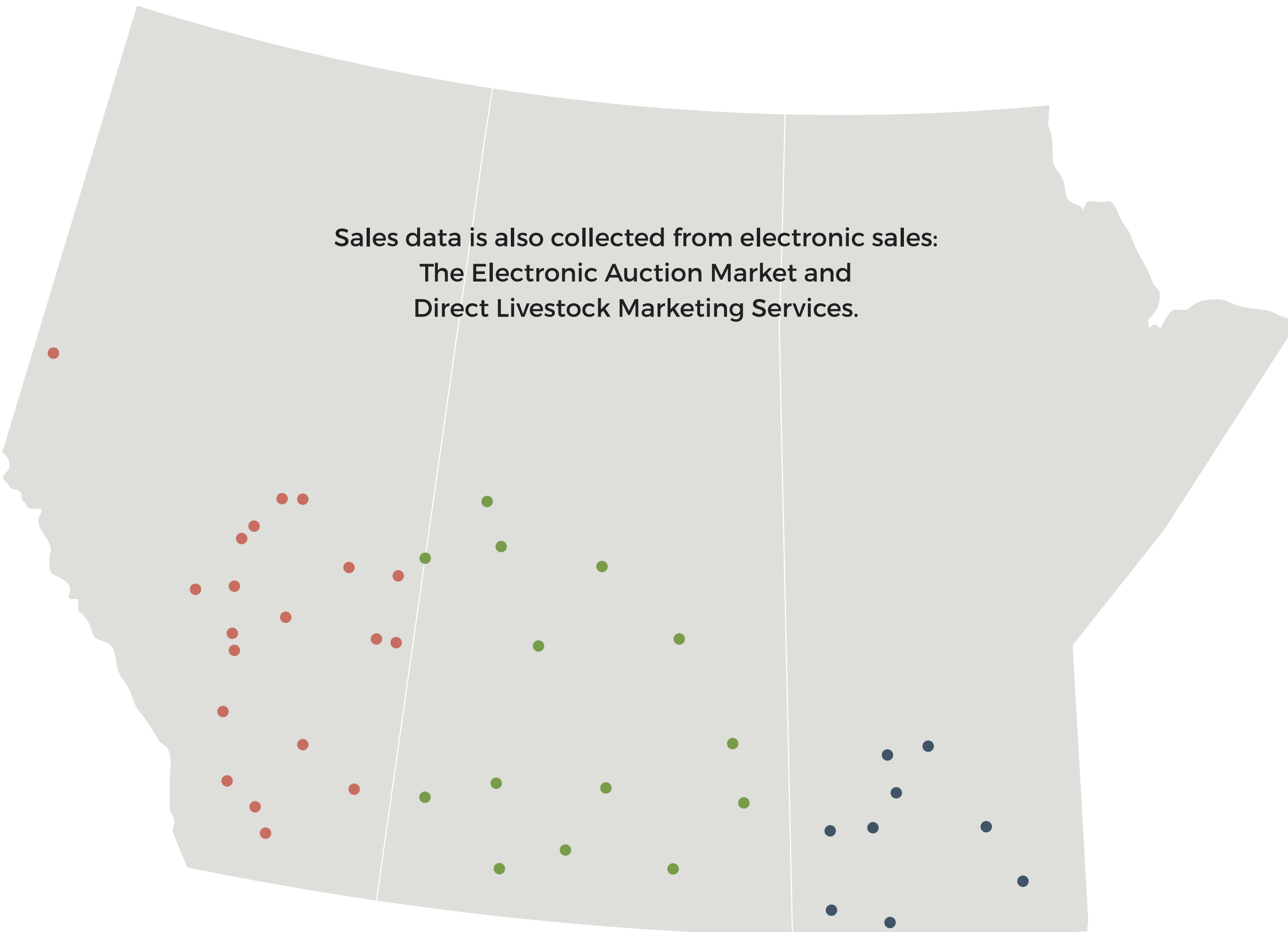
<table>
<tr><th></th><th>CALF</th><th>FEEDER</th><th>FED</th></tr>
<tr><td>Data Source</td><td colspan="2">Auction markets, The Electronic
Auction Market (TEAM) and Direct Livestock Marketing
Systems (DLMS) (42 participants across the western provinces)</td><td>Canfax:
producer reported</td></tr>
<tr><td>Sex</td><td colspan="2">Steers only</td><td>60-40 ratio
steers to heifers</td></tr>
<tr><td>Weight Range Collected</td><td>550-650 lbs
(average 600 lb)</td><td>750-950 lbs
(average 850 lb)</td><td>Finished weight</td></tr>
<tr><td>Adjustments</td><td>None
(based on an average
600 lb steer calf)</td><td>Slide adjusted to
850 lbs</td><td>Producers capped to
20 per cent of index yield
ratios used to convert
rail-to-live</td></tr>
<tr><td>Outlier Rule</td><td>1 and 2 head dropped
+/- 12 per cent of
daily mean</td><td>1 and 2 head dropped
+/- 10 per cent of
daily mean</td><td>+/- $4 of average
is examined</td></tr>
</table>

HOW IS THE SETTLEMENT INDEX ESTABLISHED?

Settlement prices reflect current western Canadian prices and are derived from auction market data gathered from Saskatchewan, Manitoba and Alberta.

As data is collected, it is sorted into two regions (Saskatchewan/Manitoba and Alberta), which correlate to the two premium tables representing index and coverage. Settlements are calculated weekly for cattle.

Participating Auction Markets



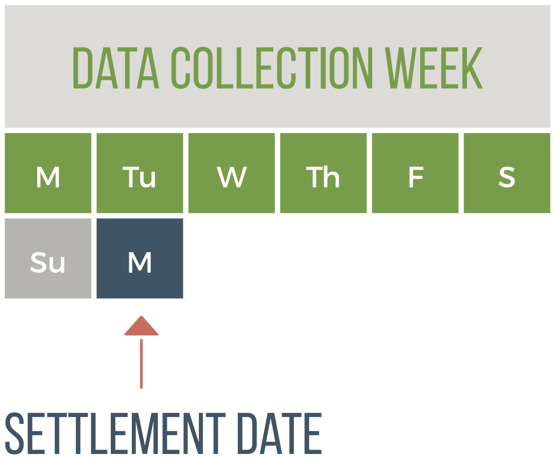
View the map of participating auction markets at lpi.ca/participating-auction-markets

More detail on how settlement indices are calculated by product can be found in the Cattle Products Specific section, along with specific online and auction markets participating in the LPI program.

Auction market sales and Canfax data will not be disclosed due to contractual obligations.

Calf + Feeder

Using data collected directly from local participating auction markets (steers only) the settlement index is published on Mondays.



Local auction markets do not always get their data in on time to be included.

Auction market data must be received by 10:00 a.m. MT Monday morning to be included.

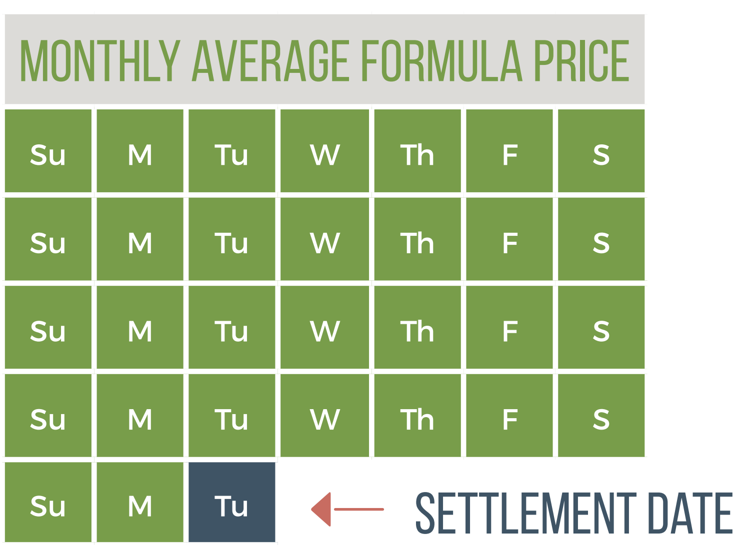
Fed

For weeks where data is insufficient, a backfill index will be calculated.

Using Canfax reported data from the previous week on heifers and steers the settlement index is published on Mondays.

Hog

Using USDA data in a monthly load, a monthly average formula price is published on the last day of each month.

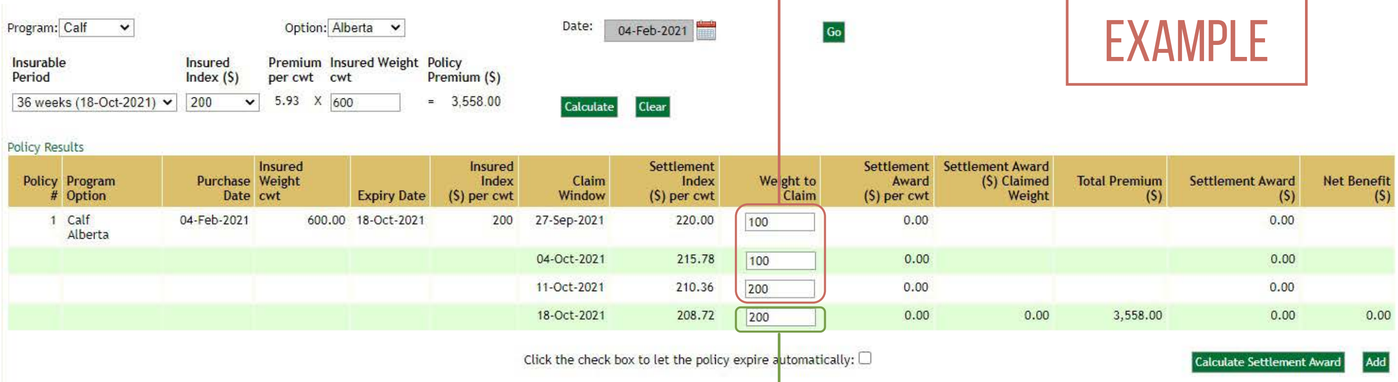


CLAIM EXAMPLE

Decision Making - How do I settle a claim?

The first three weeks must be manually managed by the producer. If in claim, the producer may settle a portion of insured weight or all insured weight

EXAMPLE



Program: Calf | Option: Alberta | Date: 04-Feb-2021 | Go

Insurable Period	Insured Index ($)	Premium per cwt		Insured Weight cwt		Policy Premium ($)
36 weeks (18-Oct-2021)	200	5.93	X	600	=	3,558.00

Calculate | Clear

Policy Results

Policy #	Program Option	Purchase Date	Insured Weight cwt	Expiry Date	Insured Index ($) per cwt	Claim Window	Settlement Index ($) per cwt	Weight to Claim	Settlement Award ($) per cwt	Settlement Award ($) Claimed Weight	Total Premium ($)	Settlement Award ($)	Net Benefit ($)
1	Calf Alberta	04-Feb-2021	600.00	18-Oct-2021	200	27-Sep-2021	220.00	100	0.00			0.00	
						04-Oct-2021	215.78	100	0.00			0.00	
						11-Oct-2021	210.36	200	0.00			0.00	
						18-Oct-2021	208.72	200	0.00	0.00	3,558.00	0.00	0.00

Click the check box to let the policy expire automatically: ☐

Calculate Settlement Award | Add

The expiring week will automatically settle against that week's price.

CALCULATING INSURED WEIGHT

The next step is to determine how much weight producers want to insure; the LPI program is based on hundred weights (cwt).

CALF - EXAMPLE SCENARIO		
Number of head to insure:	A: **125 head**	*account for death loss
Expected weight at time of sale (lbs):	B: **600 lbs**	
Weight calculation: A x B = total poundage (lbs)	A: 125 head X 600 lbs = **75,000 lbs**	
Total hundred weight for policy: Total pounds (lbs) / 100 = hundred weight (cwt)	75,000 lbs / 100 = **750 cwt**	*no ½ cwt offered

LPI - CATTLE PRODUCT SPECIFICS

CATTLE - PRICE INSURANCE FEATURES

	CALF	FEEDER	FED
Eligible Estimated Weight	550 – 650 lbs (un-weaned calves)	750-950 lbs	1000+ Intended for slaughter and expected to Grade A or better
Eligible Animal Types	Beef heifers and steers	Beef heifers and steers	Beef heifers and steers
Policy Lengths	16 to 36 weeks	12 to 36 weeks	12 to 36 weeks
Coverage Level Range (of expected forward price for each policy length)	75%-95%	Up to 95%	75%-95%
Minimum Weight Requirements	No weight minimums	No weight minimums	No weight minimums
Claim Window	4 weeks*	4 weeks*	4 weeks*
Settlement Index	Weekly regional price based on steer data only between weight ranges of 550-650 lbs	Weekly regional price based on steer data only between weight ranges of 750-950 lbs	Western Canadian price for finished animals sourced from Canfax weekly

*policies nearing the end of a blackout are not guaranteed four weeks of claim.

Please note: Although the LPI Calf and Feeder settlement indices are only representative of steer data, heifers are still eligible to be insured under the Program.

COST TO PARTICIPATE

Premiums of the LPI program are fully funded by producers.

Premiums are market driven and based on traditional insurance principles. They fluctuate based on a number of factors:

Forward cattle price – The only forward-looking estimates for cattle prices in North America is the Chicago Mercantile Exchange (CME).

Calf: There is no forward-looking estimate for calf prices in North America, so the feeder cattle futures traded at CME is used. CME futures prices are used to establish a forward price for feeder cattle which is then converted to Canadian currency and adjusted with a basis projection, feeder to calf spread and barley price.

Feeder: CME feeder cattle futures prices are used to establish a forward price which is then converted to Canadian currency and adjusted with a basis projection. This model assumes the basis will eventually return to the three-year average basis.

Fed: CME live cattle futures prices are used to establish a forward price, which is then converted to Canadian currency and adjusted with a basis projection.

Life of the policy – Longer policy lengths may have a greater chance of the settlement price being below the insured price. Typically, longer policies have higher premiums.

Market volatility – If the market is highly volatile at the time of the policy sale, the premium will be higher. If the market is relatively stable, the premium should be less expensive.

Coverage price –The premium is reflective of the coverage selected. Higher coverage will produce a higher premium and lower coverage will produce a lower premium.

Interest - A fixed interest rate is assumed throughout the life of the policy. Interest rates are based on the Bank of Canada Treasury Bills.

A producer can monitor the daily insured indices (coverage prices) and premiums to decide when the time is right to purchase a policy.

CALF PROGRAM DETAILS

LPI – Calf is a market-driven program that uses several factors to forecast a future calf price. This coverage is driven by the daily feeder forecast (including currency and basis) and is influenced by the current and historical calf to feeder price spread, the current and historical price of barley.

COVERAGE FACTORS

Chicago Mercantile Exchange (CME) feeder cattle futures – The nearby futures data for each policy length is used to calculate a forward U.S. price of feeder cattle.

Canadian dollar – Forward currency exchange is used to convert the forward U.S. feeder price into Canadian currency.

Basis – The Canadian valued forward price is adjusted for basis which involves the historical, current and future market conditions.

- The basis is calculated for the policy's expiry week by comparing a three-year historical average of the feeder cattle price settlement index to a three-year historical average of the CME feeder cattle nearby futures.
- This calculation assumes the basis will eventually return to the three-year average but also takes into account the current cash to futures basis.

Feeder to calf spread – A spread is calculated by subtracting the feeder price from the calf price. The current spread is compared to the five-year average for the policy length being purchased.

Spot barley price (Lethbridge) – The current price of barley is compared to the five-year average price of barley.

By considering each of these factors, producers have market-driven, forward-price coverage to help manage the risk of marketing calves September through February.

SETTLEMENT

The LPI – Calf program creates a settlement index based on weekly data collected from electronic and auction market sales across western Canada.

The settlement index is representative of the average price of a 600 pound steer in any given week. The index is calculated by:

1. Collecting data electronically from online sales and auction market sales information for steers in the weight range of 550 to 650 pounds.
2. To ensure the settlement index represents an average quality steer, animals sold in one or two-head lots are not included.
3. Sale data will be included if there are five or more lots sold in one particular sale. The average price is calculated and lots which have values that are 12 per cent greater or lower than the average daily price are excluded. If there are fewer than five lots sold during a sale that data is rolled forward to the next sale day. This ensures the index is reflecting current market conditions.
4. A weekly average price is published using all eligible sale data from Monday to Saturday.
5. If fewer than 1,000 head are sold at all reporting auction markets and online sales in a given week, a settlement index will be calculated once enough data is available.

FEEDER PROGRAM DETAILS

LPI – Feeder is a market-driven program. Coverage directly reflects the feeder cattle futures and the Canadian dollar on the publishing day of the insured index (coverage prices). The current cash to futures basis is compared to the three-year historical basis and when all calculations are conducted a forecasted price is provided for an 850 pound steer.

COVERAGE FACTORS

Chicago Mercantile Exchange (CME) Feeder Cattle Futures – The nearby futures data is used to calculate a forward U.S. price.

Canadian dollar – Forward currency exchange data is used to convert the forward U.S. price into Canadian currency.

Basis – The Canadian valued forward price is adjusted for basis which involves the historical, current and future market conditions.

- The basis is calculated for the policy's expiry week by comparing the three-year average feeder settlement index to the three-year average CME feeder cattle nearby futures.
- This calculation assumes the basis will eventually return to the three-year average but also takes into account the current cash to futures basis.

Current and forecasted market conditions.

By considering each of these factors, producers have market-driven, forward-price coverage to help manage the risk of backgrounding cattle.

SETTLEMENT

The LPI – Feeder program creates a settlement index based on weekly data collected from online and auction market sales across western Canada.

The settlement index is representative of the price of an 850 pound steer in any given week. The index is calculated by:

1. Collecting data electronically from online and auction market sales across western Canada using data from steers sold in the weight range of 750 to 950 pounds.
2. To ensure the settlement index represents an average quality steer, animals sold in one- or two-head lots are not included.
3. A four-week average slide is calculated and is applied to standardize prices to represent an 850 pound steer.
4. Online and auction market sales are used if five lots or greater sold in one particular sale. The average price is calculated and prices that are above or below 10 per cent of the average are excluded from the calculation. If there are fewer than five lots sold during a sale, the data is rolled forward to the next sale day. This ensures the index is reflecting current market conditions.
5. A weekly average is then taken using all eligible sale data from the week. This becomes the published index.
6. If fewer than 1,000 head are sold at all reporting auction markets in a given week, a settlement index will be calculated once enough data is available.

PARTICIPATING AUCTION MARKETS FOR LPI

LPI - Feeder and Calf policies are not settled against the exact price the policy holder may have sold their feeders or calves for. Having a large number of online and auction markets participating in the Program allows settlement values to reflect the market conditions of the week across the provinces by specified region.

Alberta

Olds Auction Mart Ltd.

Southern Alberta Livestock Exchange Lt. Fort McLeod

Stettler Auction Mark (1990) Ltd.

Thorsby Stockyards Inc.

Medicine Hat Feeding Co.

VJV Auction, Ponoka

VJV Auction Rimbey

VJV Auction Westlock

VJV Auction Beaverlodge

Viking Auction Market Ltd.

Calgary Stockyards Ltd.

Dryland Cattle Trading Corp.,Veteran

Foothills Auctioneers Inc., Stavely

Balog Auction Services Inc., Lethbridge

North Central Livestock Exchange, Clyde

Provost Livestock Exchange

North Central Livestock Exchange, Vermilion

Innisfail Auction Mart

Bow Slope Shipping Association, Brooks

DLMS Electronic Sales

TEAM

Saskatchewan

Cowtown Livestock Exchange Inc., Maple Creek

Northern Livestock Sales, Lloydminster

Northern Livestock Sales, Prince Albert

Heartland Livestock Services, Yorkton

Heartland Livestock Services, Moose Jaw

Heartland Livestock Services, Swift Current

Assiniboia Livestock Auction

Mankota Stockmen's Weigh Co. Ltd.

Whitewood Livestock Sales

Saskatoon Livestock Sales

Meadow Lake Livestock Sales

Spiritwood Stockyards (1984) Ltd.

Kelvington Stockyards

Manitoba

Winnipeg Livestock Sales

Interlake Cattlemen's Co-op Association, Ashern

Gladstone Auction Mart

Heartland Livestock Services, Virden

Heartland Livestock Services, Brandon

Killarney Auction Mart

Taylor Auctions,

Ste Rose Auction Mart Ltd

Whitewood Livestock Sales

Saskatoon Livestock Sales

Meadow Lake Livestock Sales

Spiritwood Stockyards (1984) Ltd.

Kelvington Stockyards

FED PROGRAM DETAILS

LPI – Fed is a market-driven program. Coverage offered directly reflects the fed cattle market.

COVERAGE FACTORS

Chicago Mercantile Exchange (CME) Live Cattle Futures – The market driven futures data is used to calculate a forward U.S. price for each policy expiry date.

Canadian dollar – Forward currency exchange data is used to convert the forward U.S. price into Canadian currency.

Basis – The Canadian valued forward price is adjusted for basis which involves the historical, current and future market conditions.

- The basis is calculated for the policy's expiry week by comparing the five-year average fed settlement index to the five-year average Canadianized CME live cattle nearby futures.
- This calculation assumes the basis will eventually return to the five-year average but also takes into account the current cash to futures basis.

By considering each of these factors, producers have market-driven, forward-price coverage to help manage the risk of finishing cattle.

SETTLEMENT

The settlement represents an average weekly western Canadian price for finished cattle sold during the week, calculated by:

1. Using Canfax data to determine the settlement price for finished cattle in western Canada.
   - Prices for all Canfax fed cattle sales transactions occurring in the previous week may be combined to form a weekly settlement index.
   - Yield data may be used to convert rail data to a live basis.
   - The data includes the prices for fed cattle reasonably expected to be graded at inspection as Canada Grade A or better and excludes prices for exotics or poor quality cattle.
   - Protocols are in place to limit the effect of individual producers reporting large volumes (a producer is limited to 20 per cent of the weight on a given day). Figures which are either above or below 5%/CWT from the weekly average will be reviewed and removed if considered invalid.
   - A settlement index may not be provided in a given week if data volume falls below 2,500 head sold.
2. Other reasonable market sources may be used if there is not enough data to create a settlement index.

Using Canfax data of weekly fed cash cattle sales provides an accurate reflection of the western Canadian market conditions for the week.

FED CATTLE PRICE REPORTING

FED CATTLE PRICE REPORTING PROGRAM DETAILS

LPI strives to capture and provide producers with as much of the cash market sales as possible. Weekly reporting of cash prices by producers will directly benefit the settlement index and sustainability of the Program. All data reported is confidential and analyzed for program enhancements specific to LPI.

Voluntarily reporting cash prices on a weekly basis will:

- Reduce delays in settlement prices by continually thinning cash sales data.
- Stabilize the number of weeks offered for the settlement indices.
- Continue to provide producers an accurate reflection of western Canadian market conditions for the week.

CURRENT SETTLEMENT PROCESS

Currently, program data is collected electronically by Canfax and transmitted to AFSC. Canfax remains an essential resource to LPI. Cash sales not reported to Canfax are not included in the data. Therefore, it is valuable for producers to report cash sales to Canfax to continue generating relatable settlement prices. For more information on settlement methodology, visit LPI.ca.

INCORPORATING FED CATTLE PRICE REPORTING PROGRAM DATA

After completing sufficient analysis on reported pricing data, LPI notifies subscribers when it will be included in the settlement index.

REPORTING PRICES

Participation is voluntary and available to all beef producers finishing cattle in British Columbia, Alberta, Saskatchewan and Manitoba. Current LPI program subscription is not required to participate.

To help significantly increase the value of LPI, producers can report their cash price to AFSC. This requires five minutes of time, each week. To register, complete this form: lpi.ca/livestock-price-insurance-cattle/lpi-fed/fed-client-data-share-agreement/. Once registered, participants will receive weekly email reminders to report their cash price to AFSC. LPI defines the Fed cash price as, "expected delivery within 30 days of price negotiation; live or rail."

FED CATTLE PRICE REPORTING PROGRAM ORIGIN

Industry consolidation and shifts in marketing evolved over the years to create a different risk management dynamic. In 2017, LPI conducted a third-party review of all programs, gathering valuable feedback from stakeholders and producers.

A common producer concern was the continual thinning of Fed cash market data reported to LPI and the potential of delays in settlement prices. These delays have varied in length, some only affecting the current week while others lasted a few weeks if data remained thin.

Both the Alberta Cattle Feeders Association and the Saskatchewan Cattlemen's Association approached AFSC to research the possibility of voluntary price reporting. This would capture as much of the cash market sales as possible. A pilot project of voluntary price reporting was conducted and ran for 18 consecutive weeks, consisting of six active cattle feeders. The pilot was deemed successful. Members actively participating each week increased data available to LPI.

Encouraged by the data received, LPI has continued with this initiative. The next step is for LPI to collect producer cash data from all willing producers across all four western provinces, specifically using data within our definition of cash price.

LPI - HOG

HOG - PRICE INSURANCE FEATURES

	HOG
Eligible Estimated Weight	100 kg
Eligible Animal Types	Market and Iso-Weans
Policy Lengths	Monthly – 2 to 10 months forward coverage
Coverage Level Range	75%-95% of the forecasted price for a specific month
Minimum Weight Requirements	No weight minimums
Claim Window	1 month

COST TO PARTICIPATE

Premiums of LPI are fully funded by producers.

The premiums are market driven and based on traditional insurance principles. They fluctuate based on a number of factors:

Forward hog price

- Olymel/WHE – The forward price works as the future market price of the WHE/Olymel lean hog. It is based on the CME Lean Hog Futures with an Iowa/Minnesota cash-to-futures basis adjustment which is then converted to the Olymel/WHE equivalent price by a forward exchange rate and the Olymel/WHE factor.
- Maple Leaf/Signature 4 Contract – The forward price works as the future market price of the Maple Leaf/Signature 4 Contract lean hog. It is based on the CME Lean Hog Futures with a national cash-to-futures basis adjustment which is then converted to the Signature 4 cash-to-futures basis adjustment which is then converted to the Signature 4 equivalent price by a forward exchange rate and the Signature 4 factor.
- Maple Leaf/Signature 3 Contract – The forward price works as the future market price of the Maple Leaf/Signature 3 Contract lean hog. It is based on the CME Lean Hog Futures with a Western Cornbelt cash-to-futures basis adjustment which is then converted to the Signature 3 cash-to-futures basis adjustment which is then converted to the Signature 3 equivalent price by a forward exchange rate and the Signature 3 factor.

Coverage price – Premiums are reflective of the coverage selected. Higher coverage will produce a higher premium and lower coverage will produce a lower premium.

Volatility – The market and exchange volatility are factored into the premium. The market volatility is derived from the CME Lean Hog Futures market. The exchange rate volatility is based on the forward-looking U.S. dollar (USD) to Canadian dollar (CAD) currency volatility from Thomson Reuters. Volatility plays one of the largest roles in the cost of premiums.

Life of the policy – Statistically, the longer the policy the greater the chance of the settlement price being below the insured price. Typically, longer policies have higher premiums.

Interest – Interest rate data is provided by the Reuters service.

A producer can monitor the insured indices (coverage prices) and premiums to decide what coverage is best for their business needs.

HOG PROGRAM DETAILS

LPI insured indices (coverage prices) are calculated based on market data on each given day.

LPI – Hog includes three indices for coverage. An Alberta index is based off of Red Deer, a Saskatchewan index is based off of Brandon, MB and a Manitoba index is based off of Brandon, MB. These indices are geographically representative for the producers selling to these slaughter facilities.

The forward price is calculated using the Chicago Mercantile Exchange's (CME) lean hog future with a cash-to-futures basis adjustment. This price is then converted to a western Canadian equivalent price by a forward exchange rate and a western Canadian factor.

COVERAGE FACTORS

CME Lean Hog Futures – The nearby futures contract for each policy length is used to calculate a forward U.S. price for hogs.

Basis – The basis is calculated as the five-year-average of the appropriate local U.S. region-to-CME basis.

Canadian dollar – A forward currency exchange is used to convert the forward U.S. hog price into Canadian currency.

Factor – Values from the appropriate plant are used to reflect the difference between the market conditions in western Canada and the United States.

By considering each of these factors, producers have market-driven, forward-price coverage to help manage the risk of marketing hogs.

The table below summarizes the three indices available and data sources used:

PLANT/ FORMULA NAME	LOCATION	USDA REPORT	GEOGRAPHIC SCOPE OF USDA REPORT	COMMENTS
Olymel/WHE	Red Deer, AB	LM_HG218	Iowa/Minnesota	Dominant pricing formula in AB
Maple Leaf/ Signature 4 Contract	Brandon, MB	LM_HG201	National	For MB producers selling to Brandon plant
Maple Leaf/ Signature 3 Contract	Brandon, MB	LM_HG218	Western Cornbelt	For SK producers selling to Brandon plant

SETTLEMENT

The LPI – Hog settlement price is a monthly averaged formula price. It is calculated using the appropriate daily hog price, USD to CAD exchange rate and the appropriate factor.

The settlement price is scheduled to be publically available on the first business day of each month and is calculated based on the data from the previous month. The index is calculated by:

1. Using one of HG218 or HG201 hog price.
2. Exchange rate - The USD to CAD noon rate from the Bank of Canada is used to convert the HG218 or HG201 average daily price to Canadian dollars.
3. Factor - Derived from the appropriate plant in AB or MB.

The calculation of the LPI – Hog settlement price is a two-step process:

1. The formula price is calculated for each business day of the calendar month.
2. A monthly average of the formula price for the calendar month is the LPI – Hog settlement price.

SETTLING A CLAIM

LPI – Hog settlement price is published publically at the beginning of the month and will automatically settle out the policy.

There is no requirement for the producer to sell their hogs at the time the policy expires. While the intent of the program is to match coverage with hog marketing timelines, there is no requirement to market hogs before the policy expires.

HOW TO DO BUSINESS WITH LPI

Phone
1.844.782.5747

Online at
LPI.ca

Email
info@LPI.ca

Fax
1.403.782.8339
1.855.700.2372

Visit a
Local Office

CONTACTING AN LPI REPRESENTATIVE

BRITISH COLUMBIA PRODUCERS

LPI toll-free: 1.844.782.5747
8:15 a.m. – 4:30 p.m. MT
Closed weekends and statutory holidays
BC LPI Office Locations

ALBERTA PRODUCERS

AFSC toll-free: 1.877.899.2372
AFSC fax: 1.403.782.8339
AFSC toll-free fax: 1.855.700.2372
8:15 a.m. – 4:30 p.m. MT
Closed weekends and statutory holidays
AFSC Office Locations

SASKATCHEWAN PRODUCERS

SCIC toll-free: 1.888.935.0000
SCIC fax: 1.306.728.7202
8 a.m. – 5 p.m. CST
Closed weekends and statutory holidays
SCIC Office Locations

MANITOBA PRODUCERS

LPI toll-free: 1.844.782.5747
8:15 a.m. – 4:30 p.m. MT
Closed weekends and statutory holidays
MASC Office Locations

WHAT ELSE CAN LPI OFFER YOU?

LPI provides producers with access to Advance Payment Programs (APP). The following administrators below provide cattle and hog producers with the option to borrow interest-free money on livestock already owned, while using the LPI program as security.

CATTLE	HOG
Western Cash Advance Program Inc. (WECAP)	Canadian Canola Growers Association (CCGA)
Alberta Wheat Commission	Manitoba Pork Credit Corporation
Canadian Canola Growers Association (CCGA)	
Manitoba Livestock Cash Advance Inc.	

DEFINITIONS

Calendar of Insurance means the calendar published by the Program Administrator specifying dates and times of purchase and Claim availability for each type of Policy.

Cash to futures refers to basis.

CME means the Chicago Mercantile Exchange.

CWT per one hundred pounds (total lbs divided by 100).

Expiration Date means the last day that a Policy is in effect.

Floor price is the lowest price per hundred weight (cwt) at which a producer wishes to sell their livestock and still be able to meet their financial obligations or goals.

Forward Price means the forecasted (estimated) future price of livestock, established in accordance with the methodology as determined by the Program Administrator and posted to the LPI Website.

Insurable Period means the total length of time that a Policy is in effect.

Insured Index (Coverage Price) as specified in the Insuring Agreement means a price level expressed in dollars per Unit below which an Indemnity is recoverable under a Price Insurance Policy.

Insured Weight means the total combined weight of Eligible Livestock that has been selected for insurance under a Policy.

LPI means Livestock Price Insurance Program.

Market Price means the current cash price of livestock.

Premium means the dollar amount required to be paid by the Insured as consideration for a specified time period and amount of coverage under a Policy.

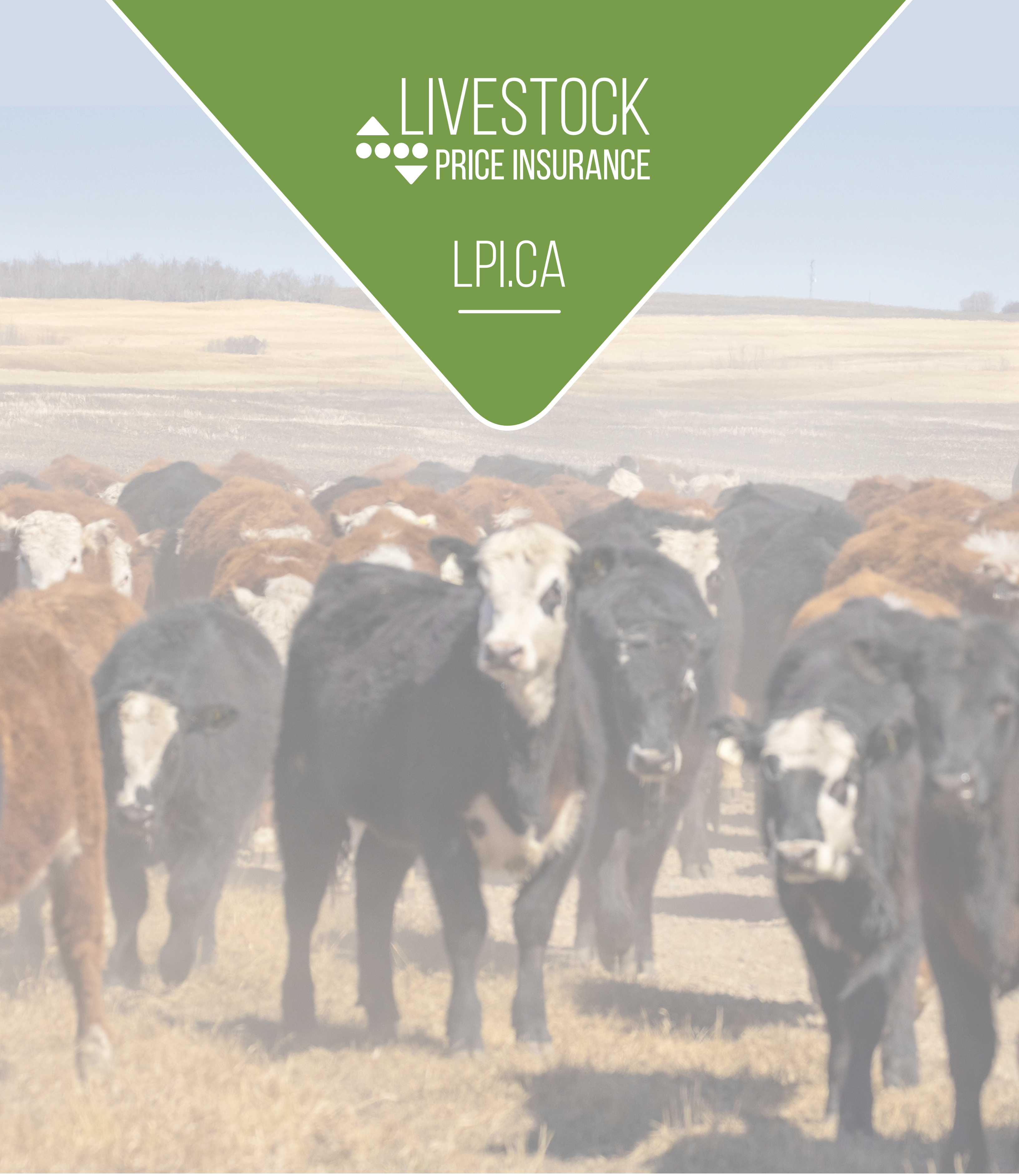
Regional Market Price means the average cash price of livestock in either Alberta or Saskatchewan/ Manitoba.

Settlement Index (Settlement Price) means the price calculated for Eligible Livestock in Western Canada, established in accordance with the methodology as determined by the Program Administrator and posted to the LPI Website.

Western Canada means the four provinces comprising of British Columbia, Alberta, Saskatchewan, and Manitoba.

NOTES


STOP



LIVESTOCK PRICE INSURANCE

LPI.CA

British Columbia

Alberta

Saskatchewan

Manitoba

Canada