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Livestock risk protection now available for lambs

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agriculture's production capacity. This will include:

- Technologies to increase yields,
- Technologies to reclaim degraded farmland,
- Conversion of pastureland into cropland,
- Tile drainage to remove excess moisture, and
- Technologies and investments of which we are not yet aware.

The expansion of agriculture's production capacity is difficult to estimate, but I suspect it will be greater than many people expect.

Whom do you want to support?

Crude oil and corn prices over the last 40 years are shown in Figure 3. During this period, the price of 100 pounds of corn (about two bushels) went from $2.02 to $3.96, an increase of 90 percent. During the same period, the price of a barrel of oil went from $2.92 to $58.30, an increase of 1,900 percent. This stark comparison explains why the energy sector has made much more money than the agriculture sector in recent decades.

Some say that agriculture should stick to making food and leave the energy business to the oil companies. But we live in a free-market, capitalistic society. The basic premise of this society is that businesses are free to deploy their resources where they will generate the greatest return. Through competition the consumer is better-off by having the highest quality products at the lowest price. So let the marketplace determine where agriculture's bounty should be deployed. The marketplace has an excellent track record in serving the best interests of the consumer.

Livestock risk protection now available for lambs

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Lamb producers and feeders in Iowa and 26 other states can now manage the risk of declining prices for fed lambs with an insurance product known as Livestock Risk Protection (LRP).

LRP has been available for cattle and hog producers for several years. Lamb-LRP is very similar to the cattle and hog programs. An application can be filed with any crop insurance agent authorized to sell LRP coverage. This allows lamb feeders to purchase a "specific coverage endorsement" any time they have a group of lambs that will go to market. Coverage can be purchased for projected marketing dates 13, 26 or 39 weeks in the future.

Each Friday a projected market price, called the "expected ending value" is posted on the Risk Management Agency (RMA) Website (http://www.rma.usda.gov/livestock/ under Coverage Prices, Rates and Actual Ending Values) for each feeding period. Coverage can be purchased for a price equal to 80, 85, 90 or 95 percent of the expected ending value, for any number of lambs (up to 7,000 head) and target selling weight. Premiums are listed on the RMA Website, and are subsidized 13 percent by the USDA. Coverage can be purchased Monday mornings from 10 a.m. to 7 p.m. Central time.

At the end of the coverage period the actual ending value of the lambs is calculated based on the insured number and weight, and the current price of slaughter lambs as reported by the Agricultural Marketing Service (AMS) of the USDA. If the ending value of the lambs is less than the revenue guarantee that was purchased, the policy holder will be paid an indemnity equal to the difference.

More detailed explanations of Lamb-LRP, with examples, are available in Briefing Paper No. 83 from the Agricultural Marketing Center at Montana State University, can be found at: http://www.ampc.montana.edu/briefings/briefing83.pdf, or Ag Decision Maker File B1-52, Risk Management Tool for Sheep Producers available at http://www.extension.iastate.edu/agdm/livestock/html/b1-52.html.