**K-State Research and Extension news service**

MANHATTAN, Kan. – Jennifer Ifft knows that farmers and ranchers face risk each day, so finding strategies to mitigate risk is necessary to be successful.

Ifft, an associate professor of agricultural economics at Kansas State University, has released a nine-part series and historic performance decision aid about price risk management considerations and strategies for cow-calf producers.

She said that those that will benefit from the series include cow-calf producers with limited experience hedging; and producers who are interested in learning more about Livestock Risk Protection (LRP), including stockers, feedlot operators and cow-calf producers with hedging experience.

“In today’s volatile commodity markets, price risk management is as important as ever,” Ifft said. “Cow-calf producers historically have had limited options for formal price risk management. LRP is a livestock insurance product that has been available for two decades, but recent policy changes make it more affordable to producers. LRP makes payments when national prices drop below the producer-selected coverage price.”

She said the risk management series will:

- Help cow-calf producers assess whether LRP is a good fit for their operation, or learn more.
- Increase awareness of key policy characteristics and decisions for producers that are interested in LRP.

Ifft said the series is designed to provide a gradual introduction to LRP. She said cow-calf producers -- especially small and midsize operations -- may have limited experience with hedging, which is similar to LRP.
“The series begins with key price risk management concepts and practices before presenting policy details. The series concludes with a discussion of how LRP would have performed historically for Kansas cow-calf producers,” she said.

“LRP is very similar to a put option (which gives an option buyer the right to sell at a predetermined price) but is more affordable and small-producer friendly,” Ifft said. A producer can enroll anywhere from 1 to 6,000 head of cattle (feeder or fed) in a single policy (endorsement) and premiums are not due until the end of the coverage period (usually after cattle would be sold).”

Ifft added that LRP is designed to replace the income that is lost due to unexpected price declines.

“The producer must select a coverage price, or the level to which prices must drop for an LRP payout to be triggered,” she said.

Ifft noted that like other federal crop and livestock insurance products, LRP is designed so the producer comes out ahead in the long run. Producers are more likely than not to receive more in payouts than they pay in premiums in the long run, she said.

“The key phrase here is ‘the long run,’” Ifft said. “Several years can pass without a payout. Having a long-term perspective and understanding how LRP works as insurance against price declines can help producers decide whether LRP is a good choice for their operation.”

The series of articles can be found online from the K-State Department of Agricultural Economics.

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FOR PRINT PUBLICATIONS: Links used in this story

K-State Research and Extension is a short name for the Kansas State University Agricultural Experiment Station and Cooperative Extension Service, a program designed to generate and distribute useful knowledge for the well-being of Kansans. Supported by county, state, federal and private funds, the program has county extension offices, experiment fields, area extension offices and regional research centers statewide. Its headquarters is on the K-State campus in Manhattan. For more information, visit www.ksre.ksu.edu. K-State Research and Extension is an equal opportunity provider and employer.

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