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The Livestock Indemnity Program: A Case for Managing Risk with Good Recordkeeping

Keeping good records is an important risk management tool for agricultural producers. Good records provide accurate, complete and consistent information that leads to better decision making. Good records also keep the farm or ranch operation in a good position to participate in USDA programs when those opportunities are available.

The Livestock Indemnity Program (LIP), one of the USDA disaster assistance programs administered by the Farm Service Agency (FSA), is an example of how good recordkeeping can be rewarded. LIP provides compensation to eligible livestock producers who have suffered livestock death losses in excess of normal mortality due to adverse weather, such as blizzards, floods, extreme heat, extreme cold, wildfires, tornados, and lightning. LIP also covers attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. Eligible livestock includes beef cattle, dairy cattle, bison, poultry, sheep, swine, horses, and other livestock as determined by the U.S. Secretary of Agriculture. The LIP payment rates are based on 75 percent of the market value of the livestock. Payment rates for beef cattle losses in 2020 are shown in Table 1.

Table 1. 2020 LIP Payment Rates for Beef Cattle

Type	Weight Range	Normal Mortality Rate
Adult	Bulls	$1,156.86
	Cows	$889.89
Nonadult	800 pounds or more	$951.60
	400 to 799 pounds	$640.04
	250 to 399 pounds	$440.63
	Less than 250 pounds	$162.89

Good livestock inventory records can lead to good LIP documentation and provide access to LIP benefits that are designed to help recover from unexpected livestock losses. Detailed information about acceptable documentation is contained in the USDA LIP Factsheet available at https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity .

Producers need accurate counts of the number and type of livestock in their inventory before the eligible loss event. Beginning year inventories are needed as a starting point but they should be supplemented with production records (births, death losses, weaning numbers, etc.), purchase records, sale records, veterinarian records, inventory related bank loan documentation, records assembled for tax filing, and other verifiable and reliable documents that can help determine livestock inventories at different points throughout the year.

Producers must file a notice of loss with their local FSA within 30 calendar days of when the death losses due to an eligible event became apparent. The producer can then file an application for payment to request compensation for losses in excess of the normal mortality rate. This must be completed no later than 60 calendar days after the end of the calendar year in which the loss occurred (i.e. March 1, 2021 for losses occurring in 2020). Multiple notices of losses and multiple applications for payment may be filed by producers that suffer multiple livestock losses during the same calendar year.

When submitting a LIP notice of loss and application for payment to their FSA office, producers should ask themselves, "How can I provide verification of what I am telling them?" LIP provides compensation to eligible livestock producers who suffer livestock death losses in excess of normal mortality due to an eligible event. Normal mortality rates are established by FSA on a state-by-state basis using recommendations from state livestock and Extension service organizations. Table 2 displays the normal mortality rates for 2020 in the state of Nebraska. These rates include some changes taking effect in 2020 that split the nonadult weight range of less than 400 pounds with an annual mortality rate of 5 percent into two smaller weight ranges with lower normal mortality rates. For 2020 and later, LIP includes a weight range from 250 to 399 pounds with a normal annual mortality rate in Nebraska of 3 percent and a weight range less than 250 pounds with a normal annual mortality rate in Nebraska of 4 percent.

Table 2. Normal Mortality Rates (annual) for Beef Cattle in Nebraska

Type	Weight Range	Normal Mortality Rate
Adult	Cows and Bulls	1.5%
Nonadult	800 pounds or more	1%
	400 to 799 pounds	2%
	250 to 399 pounds	3%
	Less than 250 pounds	4%

Livestock producers with good records will find it much easier to file a LIP notice of loss and an accurate application for payment. There are two types of death losses to be concerned about, those that are attributed to a LIP-eligible adverse event and those that are considered normal death losses. Supporting documents for death loss due to a LIP-eligible adverse event must show evidence of loss, current physical location of livestock in inventory, and location of the livestock at the time of death. Producers must provide adequate proof that the eligible livestock deaths occurred as a direct result of an eligible adverse event. Documentation should always include the type of livestock and the date the livestock died so their death can possibly be attributed to the eligible event. Livestock dying within 30 days of a qualifying event may be considered for eligible loss benefits. Furthermore, date of birth and date of purchase records are extremely important to verify when animals became a part of your inventory and that they were present at the time the eligible event occurred. Accurate documentation of other death losses is equally important so they can be counted as part of normal mortality for the year. In instances where livestock die from a disease that was exacerbated from an eligible adverse weather event and within 30 calendar days of the eli-gible adverse weather event, a FSA Veterinarian certification form is required to support the death loss.

Suppose you own 400 head of pregnant spring calving cows. A wet, spring blizzard in the middle of calving results in 20 dead calves and three dead cows. The blizzard is declared a LIP- eligible adverse weather event by your local FSA office and your calving records provide clear evidence that 200 calves were born and alive at the time the blizzard hit. Normal mortality calculations establish a death loss threshold of six cows (400 x 1.5%) and eight calves (200 x 4%). This means that you are currently not eligible for LIP payment compensation for the cows (3 head < 6 head of normal annual mortality) but you are eligible for payment on 12 head (20 – 8 = 12) of calves provided you file the proper paperwork on form CCC-852 within 30 days of the blizzard with your local FSA office.

However, suppose you also lose five cows during the course of the calendar year due to natural causes. Furthermore, five more calves are lost during the remainder of calving and two more are lost in the early summer. Accurately documenting inventory counts and these death losses throughout the year provides you with the information you need to potentially count these death losses toward the annual death loss threshold (normal mortality) and file another application for payment in January.

Table 3 shows how the death loss numbers for the calves and the cows in the above example would work out at the time of the blizzard and again at the end of the year. Calf death losses would total 27 head at the end of the year, which is 11 head above the updated expected normal mortality of 16 head (based on 4 percent of 400 total head of calves). The earlier application for payment resulted in payment for 12 head of calves verified as being lost above normal mortality rate due to the LIP-eligible adverse weather event. Therefore, it does not make sense for you to file an updated application for payment on the calves. On the other hand, you should consider filing an updated application for payment on the cows that includes documentation of the additional normal mortality. The documentation of the additional cow death losses throughout the year would make you eligible for LIP payment compensation on two of the three cows lost in the blizzard because the eight total losses now exceed normal annual mortality.

Table 3. Livestock Indemnity Eligible Loss Example

Calf Summary		Cow Summary	
Inventory to count at the time of the adverse event	200	Inventory to count at the time of the adverse event	400
Number lost due to the adverse weather event	20	Number lost due to the adverse weather event	3
Normal Annual Mortality at the time of initial application	8	Normal Annual Mortality at the time of initial application	6
Adjusted number lost due to adverse weather event	12	Adjusted number lost due to adverse weather event	0
End of the Year Calculations			
Inventory to count	400	Inventory to count	400
Number lost due to the adverse weather event	20	Number lost dueto the adverse weather event	3
Number lost due to normal mortality	7	Number lost due to normal mortality	5
Total mortality	27	Total Mortality	8
Normal Annual Mortality	16	Normal Annual Mortality	6
Adjusted number lost due to adverse weather event	11	Adjusted number lost due to adverse weather event	2

Good records are a tremendously effective tool for managing risk. When adverse events occur, knowing the true impact of those events is only possible if you have good information to work with. The Livestock Indemnity Program is a concrete example where good record keeping practices can be used to help mitigate some of the negative impacts of weather risk. Situations will vary but good records provide the information you need to make the most of the situation despite the severe weather event occurring. Producers should work closely with their local FSA office to accurately and effectively utilize the disaster assistance available in the Livestock Indemnity Program when they are negatively impacted by qualifying events.

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