

# Livestock Indemnity Program



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## **Livestock Disaster Provisions of the Food, Conservation, and Energy Act of 2008**

The 2008 Farm Bill established three livestock related disaster payment programs: Livestock Indemnity Program (LIP), Livestock Forage Disaster Program (LFP), and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP). Unlike previous farm bills, the 2008 bill provided a permanent disaster funding source for livestock producers who previously had relied on Congress to provide disaster payment funding on a case by case basis. The Livestock Indemnity Program is the first of the three disaster payment programs to have its rules finalized. Producers are encouraged to stay in contact with their local FSA office to learn of the other programs being finalized.

### **The Livestock Indemnity Program**

The Livestock Indemnity Program provides Louisiana livestock producers and contract (poultry) growers with payment for livestock deaths associated with adverse weather conditions. Funding for LIP is provided by the Agricultural Disaster Relief Trust Fund and is administered by the Farm Service Agency (FSA). This program only addressed livestock related losses as aquaculture losses (specifically crawfish and catfish) are covered under the SURE Program.

A parish does not have to be declared to exist in a state of emergency by state or federal authorities to qualify for LIP. The determination of an adverse weather condition is made at the local level. Qualifying weather conditions include hurricanes, lightning strikes, floods, blizzards, disease, wildfire, extreme heat, and extreme cold. Diseases must be the result of the qualifying adverse weather event and documentation provided from qualified sources to substantiate the death from weather induced diseases. This documentation should address how the disease was accelerated or exacerbated by an eligible weather event. A weather event may lead to relocation of animals into other pasture areas. However, if those animals consume toxic plants and ultimately die as a result, those animal deaths do not qualify for payment under LIP.

Weather-related losses experienced in 2008 qualify for this indemnity program; however the producers must file a notice of loss and complete the appropriate application package by September 13, 2009. Producers who experience a loss from January 1 to July 12, 2009 must file a notice of loss by September 13, 2009 and submit a completed application package by January 30, 2010. For losses occurring from July 13 to December 31, 2009, a notice of loss must be filed within 30 days after death of livestock is apparent. Application for payment must then be submitted by January 30, 2010. This program covers losses until October 1, 2011.

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Table 1. Deadline to Apply for Livestock Indemnity Program

Date of Livestock Death	Final Date to File Notice of Loss	Final Date to Submit an Application for Payment
Calendar Year 2008	September 13, 2009	September 13, 2009
January 1 to July 12, 2009	September 13, 2009	January 30, 2010
July 13 to December 31, 2009	30 days after the death is apparent	January 30, 2010

Source: Farm Service Agency

### **Verification Procedures**

All decisions regarding whether or not a weather event qualifies are made by the local FSA office. Livestock deaths prior to the qualifying weather event are not covered by LIP. Deaths occurring sixty (60) days after a qualifying weather event are eligible for the program (morbidity is not covered). As an example, Hurricane Gustav made landfall on September 1, 2008, and any livestock deaths that occurred from that date until October 30, 2008, could potentially qualify as a weather-related livestock death.

The application process begins with the producer filing a notice of loss followed by an actual application available from the local FSA office. Documentation is required to establish the level of inventory present prior to the qualifying weather event. Additional documentation is needed to establish the cause of loss as a result of the weather event and evidence of that loss. Verifiable records to establish the level of inventory includes but is not limited to veterinarian records, written contracts, loan documents, purchase records, and invoices stating amount of live poultry delivered. Reliable records are acceptable in the event that verifiable records are not available. The list of reliable records includes dairy herd improvement records, brand inspection, and pictures with dates.

In the absence of proof of death information, third party certification is acceptable if the livestock producer or contract grower certify that no other information is available. The third party must show specific details about how they have knowledge of the deaths, affiliation of the third party to the owner, and the number, type, and weight range(s) of the livestock. The third party cannot be a hired hand or family member related to the applicant or the spouse. FSA states that general knowledge of livestock death or adverse weather in the affected area is not acceptable third party certification under any circumstances.

### **Payment Calculation**

The program compensates eligible livestock producers for eligible livestock death losses in excess of normal mortality because of eligible adverse weather events. Producers are only eligible for payments that occur above the expected mortality rate. As shown in the table below, different categories within a species are eligible for the program. No differentiation is made between a contract poultry grower and a non-contract poultry grower in terms of mortality rates. The amount of eligible livestock is calculated separately by type and weight range.

Table 2. Louisiana Livestock Mortality Rates

Kind	Type	Weight Range	Normal Mortality
Alpaca			5.00%
Beef	Non-adult	Less than 400 pounds	5.00%
		400-799 pounds	4.00%
		Over 800 pounds	4.00%
	Adult	Cow	2.00%
		Bull	2.00%
Buffalo/Beefalo	Non-adult	Less than 400 pounds	5.00%
		400-799 pounds	5.00%
		Over 800 pounds	5.00%
	Adult	Cow	2.00%
		Bull	2.00%
Chickens	Layers/Roasters		2.50%
	Broilers/Pullets		2.50%
	Chicks		5.00%
Dairy	Non-adult	Less than 400 pounds	5.00%
		400-799 pounds	5.00%
		Over 800 pounds	5.00%
	Adult	Cow	1.50%
		Bull	1.50%
Deer			9.00%
Ducks	Ducks		6.50%
	Ducklings		10.00%
Elk			2.20%
Emus			N/A
Equine			2.50%
Geese	Goose		6.50%
	Gosling		10.00%
Goats	Bucks		5.00%
	Nannies		5.00%
	Slaughter Goats/Kids		10.00%
Llamas			N/A
Reindeer			N/A
Sheep	Rams		4.00%
	Ewes		4.00%
	Lambs		10.00%
Swine	Sows/Boars	Over 450 pounds	4.00%
	Sows/Boars/Barrows/Gilts	151 to 450 pounds	3.00%
	Lightweight Barrows/Gilts	50-150 pounds	3.00%
	Feeder Pigs	Under 50 pounds	10.00%
Turkeys	Toms/Fryers/Roasters		7.00%
	Poults		9.00%

Source: Farm Service Agency

The number of livestock eligible for payment is calculated in the following manner. For example, consider a producer who has 50 adult beef cows. A qualifying weather event occurs resulting in the loss of 10 cows. The expected mortality rate for Louisiana for adult cattle is 2.00%. The expected loss is calculated by multiplying the mortality rate by the size of the herd:

$$\begin{aligned} 50 \text{ head} \times 2\% &= 1 \text{ animal (loss threshold)} \\ 10 \text{ head lost} - 1 \text{ (loss threshold)} &= 9 \text{ adult beef cows eligible for payment} \end{aligned}$$

In addition to the loss of adult beef cows, the producer has 40 calves (20 calves less than 400 pounds) and 20 calves were lost (10 calves weighing 400 to 799 pounds and 10 calves less than 400 pounds). The expected mortality rate for calves weighing less than 400 pounds is 5% and 4% for calves above 400 pounds. The expected loss for these animals is:

$$\begin{aligned} 20 \text{ head} \times 5\% \text{ (for calves less than 400 lbs.)} &= 1 \text{ calf (loss threshold)} \\ 20 \text{ head} \times 4\% \text{ (for calves weighing 400 to 799 lbs.)} &= 0.8 \text{ calf (loss threshold)}. \end{aligned}$$

It is FSA's procedure to round up if a decimal is 0.5 or greater and down for all other instances. Thus, the calf loss threshold for animals less than 400 pounds is 1 calf in the above example. The eligible number of calves for payment is then

$$\begin{aligned} 10 \text{ calves} - 1 \text{ (loss threshold)} &= 9 \text{ calves less than 400 pounds} \\ 10 \text{ calves} - 1 \text{ (loss threshold)} &= 9 \text{ calves weighing 400 to 799 pounds} \end{aligned}$$

To calculate the total amount a producer would be eligible for, multiply the number of animals eligible for loss by the per head payment rates shown in Table 2. If the loss occurred in 2008, the payment due the producer in the above example would be

$$\begin{aligned} 9 \text{ eligible adult beef cows} \times \$681.62 &= \$6,134.58 \\ 9 \text{ calves less than 400 pounds} \times \$343.83 &= \$3,094.47 \\ 9 \text{ calves weighing 400 to 799 pounds} \times \$487.04 &= \$4,383.36. \end{aligned}$$

When these values are summed, a producer would be eligible for \$13,612.41 based on the losses in this example. Notice that the payment per head rates for 2009 are different than for 2008. Using the 2009 payment rates with the above example losses would result in the following payment levels:

$$\begin{aligned} 9 \text{ eligible adult beef cows} \times \$694.98 &= \$6,254.82 \\ 9 \text{ calves less than 400 pounds} \times \$319.44 &= \$2,874.96 \\ 9 \text{ calves weighing 400 to 799 pounds} \times \$463.41 &= \$4,170.69 \\ \$6,254.82 + \$2,874.96 + \$4,170.69 &= 13,300.47 \end{aligned}$$

Contract poultry growers (i.e. those producing for Tyson, House of Raeford, Pilgrim's Price, or Foster Farms) should note their payment rates per head are shown in Table 4. These values are calculated by FSA based on 75 percent of the average income loss sustained. Payment rates in Tables 3 and 4 are the latest posted by FSA and may be subject to change.

## **Payment Limitations**

Producers should be aware of the fact that the combined payments for LIP, Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program, Livestock Forage Disaster Program, and the SURE Program are capped at \$100,000 for 2008. In addition, the amount of any payment for which a participant may be eligible for under LIP may be reduced by any amount received by the participant from some other source. For disasters occurring in 2009, no person or legal entity (excluding a joint venture or general partnership) may receive more than \$100,000 per program year under LIP, ELAP, LFP, and SURE combined.

In addition to the payment limitations, producers must also meet certain adjusted gross income (AGI) criteria. Producers whose average adjusted gross income (AGI) exceeds \$2.5 million in the previous three years are ineligible for payment. This requirement changes for livestock losses that are incurred from adverse weather in 2009 through 2011. The new criterion is that producers whose average adjusted gross nonfarm income exceeds \$500,000 are ineligible for LIP benefits.

Producers should consult with a qualified tax accountant to determine if there are tax implications from receiving benefits under the Livestock Indemnity Program. Additional information for interested producers may be obtained by contacting their local FSA office.

Table 3. Payment Rates for Eligible Livestock for Livestock Owners

Species	Type	Weight Range	2008 Payment Per Head	2009 Payment Per Head
Alpacas			\$262.50	\$262.50
Beef	Non-Adult	Less than 400 pounds	\$343.83	\$319.44
		400 - 799 pounds	\$487.04	\$463.41
		Over 800 pounds	\$749.76	\$722.13
	Adult	Cow	\$681.62	\$694.98
		Bull	\$886.11	\$903.48
Dairy	Non-Adult	Less than 400 pounds	\$345.00	\$366.09
		400 - 799 pounds	\$690.00	\$732.19
		Over 800 pounds	\$749.76	\$722.13
	Adult	Cow	\$1,380.00	\$1,464.38
		Bull	\$1,380.00	\$1,464.38
Buffalo/Beefalo	Non-Adult	Less than 400 pounds	\$326.64	\$303.47
		400 - 799 pounds	\$462.68	\$440.24
		Over 800 pounds	\$712.27	\$686.03
	Adult	Cow	\$600.00	\$611.76
		Bull	\$1,125.00	\$1,147.05
Swine	Boars/Sows	Over 450 pounds	\$124.20	\$114.98
	Sows/Boars/Barrows/Gilts	151 to 450 pounds	\$74.62	\$75.44
	Lightweight Barrows/Gilts	50 to 150 pounds	\$56.18	\$52.59
	Feeder Pigs	Under 50 pounds	\$37.75	\$29.74
Sheep	Rams		\$107.24	\$107.24
	Ewes		\$82.49	\$82.49
	Lambs		\$102.02	\$104.58
Goats	Bucks		\$73.66	\$65.28
	Does		\$73.66	\$65.28
	Slaughter Goats/Kids		\$47.36	\$48.56
Chickens	Layers/Roasters		\$10.45	\$13.66
	Broilers/Pullets		\$1.81	\$1.92
	Chicks		\$0.19	\$0.20
Turkeys	Toms/Fryers/Roasters		\$10.24	\$12.30
	Poults		\$0.99	\$1.08
Ducks	Ducks		\$2.73	\$3.33
	Ducklings		\$0.44	\$0.53
Geese	Goose		\$11.88	\$21.05
	Gosling		\$2.50	\$4.42
Deer		\$412.50	\$412.50	
Elk		\$572.59	\$572.59	
Emus		\$150.00	\$150.00	
Equine		\$637.50	\$637.50	
Llamas		\$210.00	\$210.00	
Reindeer		\$412.50	\$412.50	

Source: Farm Service Agency

Table 4. Payment Rates for Eligible Livestock for Livestock Contract Growers

Species	Type	Weight Range	2008 Payment Per Head	2009 Payment Per Head
Chickens	Layers/Roasters		\$0.63	\$0.82
	Broilers/Pullets		\$0.20	\$0.21
Turkeys	Toms/Fryers/Roasters		\$1.13	\$1.35
Ducks	Ducks		\$0.30	\$0.37
Geese	Goose		\$1.31	\$2.32
Swine	Boars/Sows	Over 450 pounds	\$51.04	\$47.25
	Sows/Boars/Barrows/Gilts	151 to 450 pounds	\$11.21	\$11.33
	Lightweight Barrows/Gilts	50 to 150 pounds	\$8.44	\$7.90
	Feeder Pigs	Under 50 pounds	\$4.29	\$3.38

Source: Farm Service Agency