



September 9, 2009

## **Alberta's beef producers to benefit from risk management product**

### ***New cattle insurance program for feedlot operators first of its kind in Canada***

*Edmonton...* The Alberta government is offering beef producers a new form of risk management with the introduction of the Cattle Price Insurance Program (CPIP) for feedlot operators. CPIP, the first of its kind in Canada, will help Alberta's feedlot operators manage price risk on fed cattle through price insurance and basis insurance available through Alberta's Agriculture Financial Services Corporation (AFSC).

"Our government understands the risk and price volatility the beef industry faces and identified the need for cattle price insurance in the Alberta Livestock and Meat Strategy," said George Groeneveld, Minister of Agriculture and Rural Development. "This program is a made-in-Alberta solution that reflects industry needs and allows producers to customize coverage levels and policy length to suit their operation."

The coverage sets a guaranteed price for fed cattle intended for sale 12 to 36 weeks from the policy purchase date. Program coverage levels and premiums react to market factors on a daily basis, with policies settled against an Alberta average index.

CPIP reflects industry needs and effectively fills an area of risk management that did not previously exist. The program was developed in consultation with industry, including the Alberta Beef Producers (ABP) and the Feeder Associations of Alberta who were key in its development.

"ABP supported the initial work on development of CPIP because we thought that price and basis insurance could be valuable risk management tools for cattle producers," said Rich Smith, General Manager of ABP. "This is a new option for risk management which could provide significant benefits to our industry."

"CPIP was designed to be flexible, and it has absolutely delivered with a voluntary, market-driven program that's easy to understand," confirmed Reg Schmidt, Chair of the Feeder Associations of Alberta. "It fills the gap in price risk management, and we will be encouraging

our members to take advantage of this unique risk management tool.”

An outcome of the Alberta Livestock and Meat Strategy (ALMS), CPIP complements the work led by the Alberta Livestock and Meat Agency (ALMA). “The project is an excellent example of cooperation that furthers the goals of ALMS,” said Joe Makowecki, ALMA board chair.

“Industry developed the program, AFSC is delivering it and ALMA is helping finance it. That's how true progress is made.”

CPIP is now available for purchase. For more information or to enroll call AFSC at 1-888-786-7475 or visit [www.afsc.ca](http://www.afsc.ca).

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**Backgrounder: Cattle Price Insurance Program in Alberta**

**Media inquiries may be directed to:**

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# Background

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## Cattle Price Insurance Program

The Cattle Price Insurance Program (CPIP) is a voluntary, producer-funded insurance product that protects against significant declines in Alberta fed-cattle prices. CPIP offers feedlot operators two types of insurance: one for price risk and the other for basis risk. Basis-only insurance protects against the difference between U.S. and Canadian cattle prices while price insurance covers all three components of price risk - the futures price risk, currency exchange risk, and basis risk. CPIP is designed to be an effective price risk management tool reflective of the risk to producers feeding cattle in Alberta.

Work is currently underway by Agriculture Financial Services Corporation (AFSC) and the Alberta Livestock and Meat Agency (ALMA) to develop a feeder and calf insurance program as well.

### CPIP and the Alberta Livestock and Meat Strategy

CPIP is key to building stability in the industry, one of the nine priority initiatives in the Alberta Livestock and Meat Strategy (ALMS). Other initiatives include: building relationships; building knowledge; responding to consumers/building demand; building opportunities; building acceptance; building response; and, building capabilities. For more information on ALMS, visit [www.alms.alberta.ca](http://www.alms.alberta.ca).

### CPIP Program Details

CPIP is designed to be a flexible program for feedlots of all size. CPIP policies are offered continuously throughout the year, with a range of coverage options of 12 to 36 weeks from the date of purchasing the coverage. Coverage and premium levels offered to producers change on a daily basis to reflect actual market conditions, adjusting every Tuesday, Wednesday, and Thursday with purchasing also available on those days. There is no minimum weight to purchase, allowing producers to tailor coverage to their own operations and risk preferences. Producers pay a premium up front in order to purchase CPIP protection.

A producer has the flexibility to file a claim in the last four weeks of a policy. CPIP coverage is designed to match the marketing of cattle, but producers are not required to sell their cattle to file an insurance claim.

### Premiums & Settlements

CPIP premiums are producer-funded and based on current market conditions. Premium levels are based on a forecast of what the Alberta fed cattle price will be when each policy expires. This forecast takes into account the Chicago Mercantile Exchange live cattle futures price, forward foreign exchange, and basis. Premiums are then calculated using this forecast as well as market volatility, and interest rates. Being that CPIP is designed to be market responsive, producers will want to monitor coverage levels and premiums on a regular basis to decide on the best time to purchase.

Policies are settled using a provincial cattle price index, which is determined weekly and is based on the average sale price for fed cattle in Alberta. This results in payouts that are timely and directly related to price impacts experienced by producers in Alberta.

### **Enrollment & Purchasing**

A one-time application form is available on the AFSC website ([www.afsc.ca](http://www.afsc.ca)) or can be picked up from any AFSC District Office across the province. Once the form has been completed and eligibility confirmed, feedlot operators will be given access to the CPIP website.

CPIP is the first of AFSC's programs to be delivered online. Producers have the option to use this website to monitor coverage levels and premiums as well as the weekly Settlement Index. The ability to purchase insurance as well as to make claims is available through this secure website. Additionally, producers can utilize AFSC's District Offices and call center to make purchases and file claims.

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