



LIVESTOCK GROSS MARGIN DAIRY CATTLE (LGM-DAIRY)

LGM-Dairy Cattle (LGM-Dairy) provides protection against loss of gross margin (market value of milk minus feed costs) on milk produced from dairy cows. LGM-Dairy uses the Chicago Mercantile Exchange Group futures prices for corn, soybean meal and class III milk to determine the expected gross margin and the actual gross margin sold.

Producer premium subsidy is available for the LGM-Dairy plan of insurance and is determined by the deductible

amount chosen by the producer. All administrative and operating subsidies are paid for by the Federal Crop Insurance Corporation.

The indemnity at the end of the 11-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The price the producer receives at the local market is not used in these calculations.

Milk Coverage Availability

To qualify for LGM Dairy coverage, the milk must be sold for commercial or private sale, primarily intended for final human consumption and the dairy cattle must be fed in any of the eligible states. There is no minimum number of hundredweights a producer can insure. Farm Bill provisions allow for dairy operations to participate in both LGM-Dairy and Farm Service Agency's Dairy Margin Coverage (DMC) program.



Coverage Levels, Deductibles, and Prices

Producers can select deductible levels between \$0 and \$2.00 per hundredweight of milk in \$0.10 increments. Prices are based on simple averages of futures contract daily settlement prices and are not based on local prices.

Sales Closing

To enroll, producers must sign up on Thursday of each week, submitting an application with a target marketings report for the milk and corn and soybean meal equivalents.

Availability

LGM is available to any producer who owns dairy cattle in the 48 contiguous states.

Insurance Months

The insurance period contains the 11 months following sales closing. For example, the insurance period for the January 29 sales closing date contains the months of February through December. However, coverage begins in the second month of the insurance period, so the coverage period for this example would be the months of March through December.

LGM Selling Period

Producers can sign up each week and insure all of the milk production expected to be marketed over a rolling 11-month insurance period. LGM-Dairy is sold on Thursday of each week when the coverage prices and rates are posted on RMA's website and ends at 9:00 AM Central Time of the following calendar day. If expected milk and feed prices are not available on the RMA website, or if the Thursday of the sales period is a federal holiday, LGM-Dairy will not be offered for sale for the insurance period.

Annual Premium

LGM premiums depend on producers' marketing plan, deductible level, futures and price volatility. Premium billing dates are determined by the target marketing report and will be the first business day of the month following the last month of the insurance period for which the producer has target marketings.



Cause of Loss

LGM-Dairy covers the difference between the gross margin guarantee and the actual gross margin. LGM-Dairy does not insure against dairy cattle death, unexpected decreases in milk production, unexpected increases in feed use, anticipated or multiple-year declines in milk prices, or anticipated or multiple-year increases in feed costs. Indemnities to be paid will equal the difference between the gross margin guarantee and the actual total gross margin for the insurance period.



LGM-Dairy Advantages

CONVENIENCE:

Producers can sign up for LGM-Dairy each week and insure all of the milk production they expect to market over a rolling 11-month insurance period.

CUSTOMIZATION:

Can be tailored to any size farm. Bundled Option Insurance: LGM-Dairy is similar to buying both a call option, to limit higher feed costs, and a put option, to set a floor on milk prices.

For More Information Online

LGM Expected and Actual Gross Margins may be viewed on RMA's website at www.rma.usda.gov/tools/livestock.html.

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