



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. However, the maximum amount of milk that can be insured is 24 million pounds per crop year.



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 the last business Friday of the month, submitting an application with a target marketing report for the milk and corn and soybean meal equivalents to be insured.

Availability

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

Insurance Months

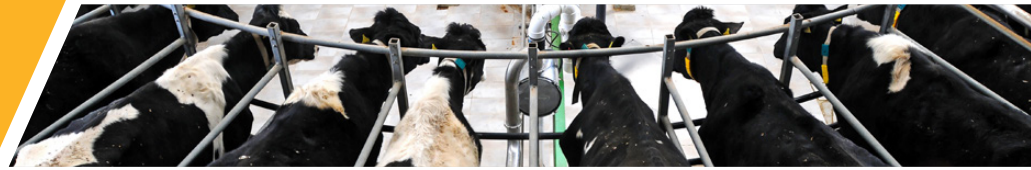
The insurance period contains the 11 months following sales closing. For example, the insurance period for the January 29 sales closing date contains the months of February through December. However, coverage begins in the second month of the insurance period, so the coverage period for this example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

LGM Selling Period

LGM-Dairy is sold on the last business Friday of each month. The sales period begins as soon as RMA reviews the data submitted by the developer of LGM-Dairy and after the close of markets on the last day of the price discovery period. The sales period ends at 7:00 p.m. CST the following evening. If expected milk and feed prices are not available on the RMA website, LGM-Dairy will not be offered for sale for that 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 that a producer reports their insured marketings in the target marketings report.



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 loss, unexpected decreases in milk production, or unexpected increases in feed use. 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 12 times per year 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 the RMA website at www.rma.usda.gov/tools/livestock.html.

Not all coverages or products may be available in all jurisdictions. The description of coverage in these pages is for informational purposes only. Actual coverages will vary based on the terms and conditions of the policy issued. The information described herein does not amend, or otherwise affect, the terms and conditions of any insurance policy issued by ProAg or any of its subsidiaries.

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