Livestock Gross Margin (LGM) Dairy

- Can be tailored to any size farm
- Gross margin is the market value of milk minus feed costs
- Enrollment is weekly on Thursdays
- Producers select deductible between $0 and $2.00 per hundredweight of milk in $0.10 increments
- No minimum or maximum number of hundredweights that can be insured

AFBIS, INC.
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To locate an AFBIS appointed agent in your area, visit us online at www.FarmBureauSellsCropInsurance.com

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Livestock Gross Margin (LGM) *Dairy*

a RMA Plan of Insurance

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Livestock Gross Margin (LGM) - Dairy

Plan of Insurance Details

Livestock Gross Margin (LGM) for Dairy Cattle provides protection when feed costs rise, or milk prices drop and can be tailored to any size farm. Gross margin is the market value of milk minus feed costs.

LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. 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. Prices are based on simple averages of Chicago Mercantile Exchange Group futures contract daily settlement prices, and are not based on the prices you receive at the market.

To enroll in LGM-Dairy, you must sign up on Thursday each week. The insurance period contains eleven months of coverage. However, no milk can be insured in the first month following the Sales Closing Date. Coverage will begin in the second month of the insurance period.

A premium subsidy is available for those policies that insure multiple months during the insurance period. The subsidy amount is determined by a dollar deductible chosen (ranges from $0—$2 in $0.10 increments).

Premium is due at the end of the coverage period. LGM premiums depend on the marketing plan, coverage, deductible level, and futures and price volatility.

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. If the actual gross margin is less than the expected gross margin (minus the deductible) for the insurance period, an indemnity may be payable.

Only milk sold for commercial or private sale and primarily intended for final human consumption from dairy cattle fed in the 48 contiguous states is eligible for coverage. There is no minimum or maximum number of hundredweights that can be insured.

LGM-Dairy does not cover dairy cattle death, unexpected decline in milk production, or unexpected increases in feed use.

LGM-Dairy and Dairy Revenue Protection (DRP) policies may be in effect for the same crop year, but only one policy, either LGM-Dairy or DRP, can have endorsements in effect for the quarterly insurance period.

What information is needed to determine coverage?

- The number of hundredweight of milk to be marketed and insured in each month of the insurance period. This is referred to as the Target Marketings.
- Number of tons of corn or corn equivalent and soybean or soybean meal equivalent.
- Deductible elected for the insurance period. Only one deductible is permitted and will be applicable for all Target Marketings.