



United States
Department of
Agriculture

Risk
Management
Agency

6501 Beacon Drive
Kansas City,
MO 64133-4676

November 28, 2005

INFORMATIONAL MEMORANDUM: R&D-05-051

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ *Tim B. Witt*
Deputy Administrator

SUBJECT: Livestock Gross Margin (LGM) Cattle Insurance Policy Materials
Available

BACKGROUND:

On August 5, 2005, the Federal Crop Insurance Corporation's (FCIC) Board of Directors approved the Livestock Gross Margin (LGM) Cattle insurance policy, which was submitted by the Iowa Agricultural Insurance Innovations L.L.C. (IAII).

The LGM Cattle program is available in all counties in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin, and Wyoming. and provides coverage to cattle producers from production and marketing risks. LGM Cattle provides coverage protection against the loss of declining livestock market value. The LGM Cattle Insurance Policy pays producers at the end of the eleven-month insurance period if the difference, between the Expected Gross Margin and the Actual Gross Margin is positive. The LGM Cattle Insurance Policy uses futures prices and State National Agricultural Statistics Service data to determine the Expected Gross Margin and the Actual Gross Margin. The price the producer receives at the local market is not used in the loss calculation. Producers can choose to insure two types of operations, yearling-finishing or calf-finishing. LGM Cattle is sold monthly.

Producers interested in LGM Cattle should contact a crop insurance agent and complete an application, which will be submitted through the approved insurance provider to FCIC. The Risk Management Agency (RMA) will publish on its website a list of agents authorized by their insurance providers to write livestock insurance. The address of the website is: www.rma.usda.gov/ .



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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LGM insurance purchases must be executed through crop insurance agents. However, the RMA premium calculator will be available on the RMA web site for general information purposes. To find the LGM premium calculator on the web-site:

Go to: Tools/Calculators
Scroll to: Premium Calculation Software for 2000 and succeeding years
(Online Version) - Calculate Premiums
Click on: Calculate Premiums

The first day on which applications for LGM Cattle may be submitted to RMA will be January 31, 2006, after rates are submitted, verified and posted to the RMA web site.

ACTION:

The Livestock Gross Margin (LGM) materials listed below have been placed on the RMA website. The materials placed there include the following:

<u>Material</u>	<u>Comment</u>
Basic Policy	http://www.rma.usda.gov/policies/2006policy.html
Underwriting Rules	http://www.rma.usda.gov/policies/2006LGM.html
LGM Cattle Handbook	http://www.rma.usda.gov/data/directives.html (Under the directive No. 20060)
Draft Data Layouts-e-DAS	http://www.rma.usda.gov/data/m13/
Premium Calculation Instructions	http://www3.rma.usda.gov/apps/premcalc/

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2006.