



United States
Department of
Agriculture

Risk
Management
Agency

P.O. Box 419205
Kansas City, MO
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June 2, 2008

INFORMATIONAL MEMORANDUM: PM-08-025

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

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

SUBJECT: Livestock Gross Margin for Dairy Cattle Plan of Insurance-
Policy and Insurance Documents Release

BACKGROUND:

The Federal Crop Insurance Corporation's (FCIC) Board of Directors approved the Livestock Gross Margin for Dairy Cattle (LGM-Dairy) plan of insurance on July 26, 2007. LGM-Dairy is similar to previously approved LGM plans for swine and cattle.

The LGM-Dairy program is available in all counties in Arizona, Connecticut, Delaware, Colorado, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Vermont, West Virginia, Wisconsin, and Wyoming. LGM-Dairy provides coverage protection against the loss of declining milk market value or increases in feed costs. The LGM-Dairy plan of insurance pays producers at the end of an 11-month insurance period if the difference, between the Expected Gross Margin and the Actual Gross Margin is positive.

LGM-Dairy uses futures prices and state National Agricultural Statistics Service (NASS) data to determine the Expected Gross Margin and the Actual Gross Margin. The price the producer receives at the local market for milk is not used in the loss calculation. LGM-Dairy is sold monthly. The following are features of LGM-Dairy:

- Producers can select the amount of corn (or corn equivalent) and soybean meal (or soybean meal equivalent) they plan to feed each month, subject to maximums based on usage per expected hundredweight of milk production;
- Eleven month contract, first month is blacked out (10 insurance months);
- Use of basis adjustments for milk and corn prices, utilizing data from the National Agricultural Statistics Service (NASS); and



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

An Equal Opportunity Employer

- Dollar denominated deductible (not percent of coverage) from \$0-\$1.50 in \$.10 increments.

Producers interested in LGM-Dairy will need to 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 RMA premium calculator will be available on the RMA web site for general information purposes. Actual Expected Gross Margin data will not be available until the first sales closing date. 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

LGM-Dairy will be available for sale beginning August 27, 2008, after Expected Gross Margins are submitted and reviewed by RMA.

ACTION:

The following 2009 reinsurance year LGM-Dairy materials will be available by close of business today and may be accessed on the RMA website from the Livestock page at: <http://www.rma.usda.gov/livestock/>

Material

- Basic Policy (2009)
- Commodity Exchange Endorsement (2009)
- FAQ (2009)
- LGM-Dairy Handbook (2009)
- Underwriting Rules (2009)
- Premium Calculation (2009)

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2008.