Joe Horner, MU Extension Economist www.dairy.missouri.edu

Your Dairy Farm Using Livestock Gross Margin Insurance

Livestock Gross Margin – Dairy Insurance

- A subsidized insurance program.
- Sold thru livestock insurance agents.
- Sold only last Friday of each month.
- Hedges your expected feed usage using market prices available for feed and milk at the time of booking the insurance.



Livestock Gross Margin (LGM) LOM Dutry Cattle (LOM Dutry) purishes perfection operar has of gross margor (market rather of naile manus field costs) on malk produced from dairy cous. LGM Dairy uses the Chicago Mercastile Exchange George Statutes prices for your, subbess med, and class III malk to determine the expected

greet tanges and the actual greet margin.

Produces pression subsidy is available for the LGM. Dairy plan of assumer and is determined by the deductible assumed chosen by the producer. All administrative and operating calculates are paid by the Federal Clop Terranere Corporation

The codenanty of the mall of the 13 executs according period is the difference, if positive, between the groscougus guarantee and the actual grow stargio. The price the conducer receives at the local market is not used as these coloristics.

LGM is available to any producer who owns dairy contains the 43 contiguous states.

Mrik Coverage Availability Only soft sold for conservation or private saleprimarily astended for East boson convergeion from harn meth felt in spy of the elogible steen in elogible for LOM Deary coverage. There is no management souther of loaderdroughts a producer can write-However, the partitions reported of sight that can be armed in 34 auditon prouds per crop year.

Coverage Levelt: Deductibles Produces can refer deducable levels between \$0 and

\$2.00 per hundredweight of milk in \$0.10 increpents.

To enroll, produces usual sign-up on the last business. Finday of the month, submitting an application with a target conforming report for the milk and corn and wybean condinguinalests to be somed.

Prizes for LGM Dairy are based on simple streng of fatures contract Andy settlement proces, and me unit broad on the proint the producer receives at the

The attractures period contons the 11 sacratus following sales closing. For enample, the attracture the quarter of February through December Houseway coverings begins in the second names of the james see period, so the coverage period for this example is the mostle of March though December.

LOM Setting Period

LOM Darry is sold on the last business Friday of each stoods. The roles period begins as soon as RMA sections the data substated by the owner and developes of LOM-Dury other the close of markets on the last they of the passe threevery period. The infer-period each at 0.00 p.m. CST the following evening. If expected stalk and feed prices are not available on the EMA. Web-cox. LOM Deep will not be officed for role for the manuace period.

Annual Premium

LOM premium depend on producers' marketing plan deducable level, famous and proce voluntity Personan follog dates are determined by the target marketing report and wall be the first transees day of the month following the last month that a producer reports they improved anotherism in the terror mediation report

LGM Dary covers the difference between the grow-margin premates sed the activit grow margin. LGM Doiry does not surus against thury cardle death loss. managed ed decreases in milit production, or mespected accesses as find use. Indeposition to be paid will equal the definence between the growasserted treatments and the actual total more paperty for



Understanding Dairy Markets

Your Source for Market Information and Price Risk Management Principles

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Livestock Gross Margin Insurance for Dairy Cattle

This section of our website provides information concerning the *Livestock Gross Margin for Dairy (LGM-Dairy)* program made available by the <u>Risk Managment Agency</u> of USDA. The site will be under construction over the next few months as new information becomes available and related new materials are added. Please come back often to see what's new.

As with other sections of this website by clicking on an active link, you may generate an expanded menu. To make this menu disappear, click on the link again. If you have material that you think you would find useful please contact <u>Prof.</u> Brian W. Gould with your suggestions.

The material contained within this site is for informational and research purposes only. The official website concerning material related to the *Livestock for Gross Margin for Dairy* program is the USDA Risk Management Agency website (http://www.rma.usda.gov).

- Sign-up for the LGM-Dairy Mailing List
- List of LGM-Dairy Providers
- Background Material Made Available by the RMA

This is a collection of information provided by USDA as to introduce the LGM-Dairy program

Supporting Software

This is a collection of spreadsheet and other software used to exemplify the use of LGM-Dairy

Underlying Data

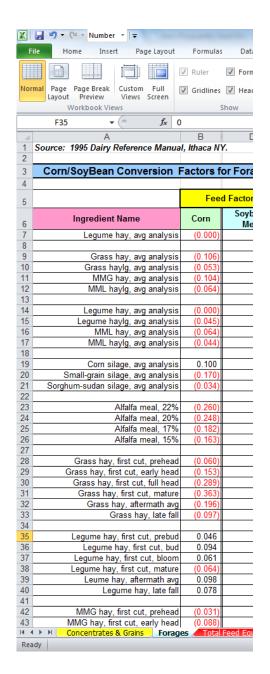
This is a collection of data used in the implementation of LGM-Dairy

Additional Material Explaining LGM-Dairy

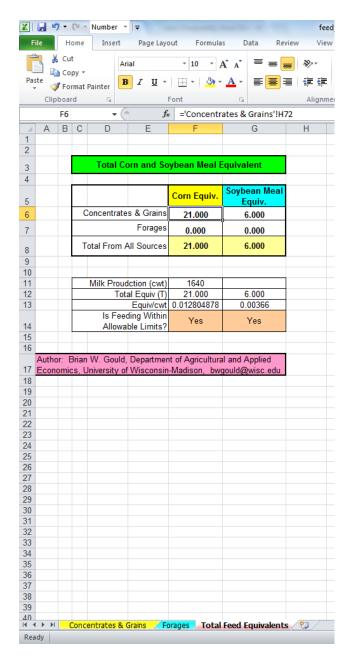
This section contains background material related to LGM-Dairy

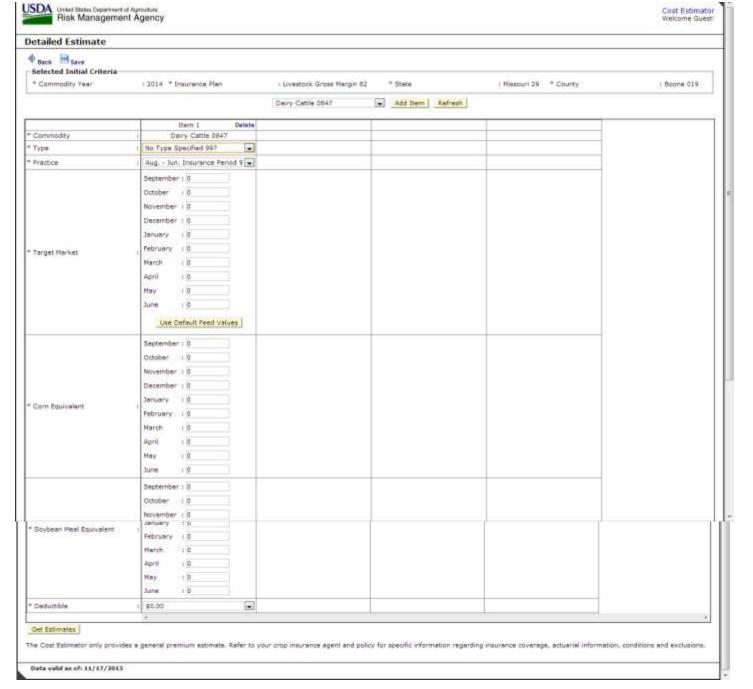
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http://future.aae.wisc.edu/lgm_dairy.html

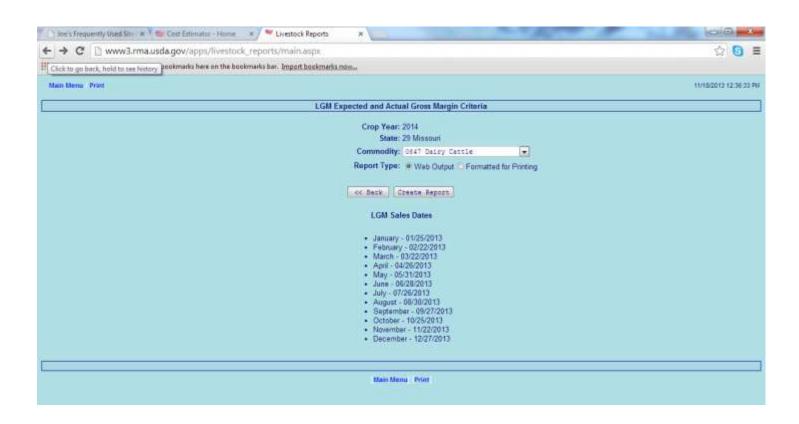








http://ewebapp.rma.usda.gov/apps/costestimator/Estimates/DetailedEstimate.aspx



http://www3.rma.usda.gov/apps/livestock_reports/main.aspx

After each presentation we will review the mechanics of methods

Method of insuring a margin	Where do I do this?	When do I do this?	How do I pay for it	How do I get paid?	Profitability & Cash Flow Impacts?
Farm Bill Margin Insurance	Local FSA Office	One time per year	Check	Every 2 months	Profit Cash Flow
DFA Risk Management Services	Call DFA	Normal office hours	Profit or loss on milk check	Profit or loss on milk check	Profit Cash Flow
LGM- Dairy Insurance	Insurance office	Last business Friday	Check at end of contract	Final indemnity payment	Profit Cash Flow
Hedging via Brokers					

Today's Workshop

9:30 – 10:00	Learning to Insure Your Dairy Margins – Overview, Tools, Techniques Joe Horner, MU Extension Economist
10:00 – 10:45	Mechanics of the USDA Margin Insurance Proposed in Farm Bill Scott Brown, MU Research Assistant Professor
10:45 – 11:00	Your Dairy Farm Using USDA's Margin Insurance Program Joe Horner, MU Extension Economist
11:00 – 11:15	Break
11:15 – 12:00	Risk Management Tools offered by Milk Marketing Cooperatives Earl Biggers, Manager DFA Risk Management
12:00 – 1:00	Lunch sponsored by FCS Financial
1:00 – 1:45	Livestock Gross Margin Insurance Greg Sowders, Great American Insurance
1:45 – 2:00	Your Dairy Farm Using Livestock Gross Margin Insurance Joe Horner, MU Extension Economist
2:00 – 2:15	Break
2:15 – 3:00	Hedging Milk Prices and Feed Costs via Brokers & Futures or Options Joe Horner, MU Extension Economist
3:00 – 3:30	Insuring Your Dairy Margins – Putting the Pieces Together Questions & Answers Panel Discussion