



Risk Management Agency

Livestock Gross Margin Insurance Cattle

FACT SHEET
May 2021

Livestock Gross Margin

The Livestock Gross Margin for Cattle (LGM-Cattle) Insurance Policy provides protection against the loss of gross margin (market value of livestock minus feeder cattle and feed costs) on cattle. 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 LGM-Cattle Insurance Policy uses futures prices to determine the expected gross margin and the actual gross margin. Prices for LGM-Cattle 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.

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 that you choose (ranges from \$0-\$150 in \$10 increments). If you choose a \$0 deductible you receive a lower premium subsidy (18 percent) and if you choose the highest deductible of \$150 you receive a higher premium subsidy (50 percent). The premium is due at the end of the coverage period. LGM premiums depend on your marketing plan, coverage you choose, deductible level, and futures and price volatility.



Availability

LGM-Cattle is available to any producer who owns cattle in the following 20 states: Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin, and Wyoming.

Causes of Loss

LGM-Cattle covers the difference between the gross margin guarantee and the actual gross margin. LGM-Cattle does not insure against:

- Cattle death;
- Unexpected increases in feed use; or
- Anticipated or multiple-year increases in feed costs

Buying a Policy

You can sign up for LGM-Cattle each week and insure all of the production that you expect to market over a rolling 11-month insurance period. LGM-Cattle is sold on the Thursday of the week when the coverage prices and rates are posted on the RMA website and ends at 9:00 AM Central Time of the following day. Your premium payment is due at the end of the insurance period. If expected gross margins and feed prices are not available on the RMA website or if the Thursday of the sales period is a federal holiday, LGM-Cattle will not be offered for sale for the insurance period.

The insurance period contains the 11 months following the sales closing date. For example, the insurance period for the January 29 sales closing date contains the months of February through

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December. Coverage begins the second month of the insurance period, so the coverage period for this example is March through December.

To enroll, you must sign up on Thursday each week. You must also submit an application with a target marketings report for the cattle.

Indemnity Payments

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.

Definitions

Actual Marketings - The total number of slaughter-ready cattle sold by you for slaughter for human or animal consumption in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of cattle and determine approved target marketings.

Actual Total Gross Margin - The target marketings for each month of an insurance period multiplied by the actual gross margin per head for each month of that insurance period and totaled.

Deductible - The portion of the expected gross margin that you choose not to insure. Allowable deductible amounts range from \$0 to \$150 per head, in \$10 increments. The deductible equals the selected head deductible multiplied by the sum of target marketings across all months of the insurance period.

Gross Margin Guarantee - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible times the total of target marketings.

Gross Margin - Market value of cattle minus feed and feeder animal costs.

Marketing Report - A report submitted by you

on our form showing for each month your actual marketings of cattle insured under this policy. The marketing report must be accompanied by copies of packer sales receipts that provide records of the actual marketings shown on the marketing report.

Target Marketings - Your determination as to the number of cattle you elect to insure in each month during the insurance period.

Target Marketings Report - A report that you submit on the insurance company's form showing the target marketings for each month.



Where to Buy Livestock Insurance

All multi-peril livestock insurance, including Catastrophic Risk Protection policies, are available from private insurance agents. A list of livestock insurance agents is available on the RMA website at: rma.usda.gov/Information-Tools/Agent-Locator-Page

Useful Links

LGM Coverage, Rates, and Margin Values:
rma.usda.gov/Information-Tools/Livestock-Reports

Premium Calculator:
ewebapp.rma.usda.gov/apps/costestimator/

Approved livestock agents and insurance companies:
rma.usda.gov/Information-Tools/Agent-Locator-Page

Related AMS online livestock reports:
marketnews.usda.gov

This fact sheet gives only a general overview of the crop insurance program and is not a complete policy. For further information and an evaluation of our risk management needs, contact a crop insurance agent.