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Department of  
Agriculture



Federal Crop  
Insurance  
Corporation

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# **LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK**

## **2024 and Succeeding Crop Years**

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**UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM PRODUCTION AND CONSERVATION  
RISK MANAGEMENT AGENCY  
KANSAS CITY, MO 64133**

<b>TITLE: LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK</b>	<b>NUMBER: FCIC-20060-1 OPI: Product Administration &amp; Standards Division</b>
<b>EFFECTIVE DATE: 2024 and Succeeding Crop Years</b>	<b>ISSUE DATE: June 29, 2023</b>
<b>SUBJECT:</b>  Provides the procedures and instructions for administering the Livestock Gross Margin for Cattle (LGM-Cattle) Plan of Insurance	<b>APPROVED:</b>  <i>/s/ John W. Underwood for</i>  <b>Deputy Administrator for Product Management</b>

**REASON FOR ISSUANCE**

This handbook is being issued to provide procedures and instructions for administering the Livestock Gross Margin for Cattle Plan of Insurance for the 2024 and succeeding crop years.

**SUMMARY OF CHANGES**

Listed below are the changes to the 2024 FCIC Livestock Gross Margin for Cattle Handbook with significant content change. All changes, and additions are highlighted. Minor changes and corrections are not included in this listing. \*\*\* used throughout the handbook indicate where major deletions occurred.

<b>Reference</b>	<b>Description of Change</b>	<b>Directive</b>
<a href="#">Para. 1 F</a>	Revised to comply with EHS.	20060
Para. 21 B 3	Deleted as no longer applicable.	20060
<a href="#">Para. 21 C</a>	Added paragraph for Application to allow existing MPC1 application forms to be used for LGM.	20060
<a href="#">Para. 21 D</a>	Added that the SCE must be received by the AIP's information technology system by 8:25 AM Central Time.	20060-1
<a href="#">Para. 22</a>	Deleted instructions to calculate premium.	20060
<a href="#">Exhibit 2 (Definitions)</a>	Added definitions: effective date and specific coverage endorsement. Revised definitions: actual marketings, application, cattle, expected total gross margin, policy, premium, premium billing date, sales closing date, sales period and summary of insurance. Deleted definitions: approved target marketings and target marketings report.	20060
<a href="#">Exhibit 3</a>	Added that AIPs can use existing DSSH application and related forms for LGM.	20060
<a href="#">Exhibit 4</a>	Deleted LGM for Cattle Application, Target Marketings and Change form. Added new SCE form and standards.	20060
<a href="#">Exhibit 5</a>	Removed Marketing Report form example and added form standards.	20060
<a href="#">Exhibit 6</a>	Removed LGM for Cattle Notice of Loss form example and added form standards.	20060
<a href="#">Exhibit 7</a>	Removed Transfer of Coverage and Right to Indemnity form example and added form standards.	20060

## LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK

### CONTROL CHART

	<b>TP Page(s)</b>	<b>TC Page(s)</b>	<b>Text Page(s)</b>	<b>Exhibit Page(s)</b>	<b>Date</b>	<b>Directive Number</b>
Current Index	1-2	1	1-7	8-26	06-2023	FCIC-20060-1

### FILING INSTRUCTIONS

This handbook replaces FCIC-20060 Livestock Gross Margin for Cattle (LGM-Cattle) Handbook, dated May 2022. This handbook is effective for the 2024 and succeeding crop years until obsoleted.

# LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK

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## PART 1: GENERAL INFORMATION AND RESPONSIBILITIES

### 1 General Information

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#### A. Purpose and Objective

This handbook provides procedures for administering the LGM plan of insurance in accordance with the LGM Insurance Policy.

If there is a conflict between this handbook and the GSH or other FCIC approved handbook, this handbook controls. If there is a conflict between this handbook and the policy, the policy controls.

#### B. Source of Authority

The LGM is a privately-developed product submitted and approved by the FCIC Board of Directors in accordance with section 508(h) of the Federal Crop Insurance Act.

#### C. Title VI of the Civil Rights Act of 1964

The USDA prohibits discrimination against its customers. Title VI of the Civil Rights Act of 1964 provides that “No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.” Therefore, programs and activities that receive Federal financial assistance must operate in a non-discriminatory manner. Also, a recipient of RMA funding may not retaliate against any person because they opposed an unlawful practice or policy, or made charges, testified or participated in a complaint under Title VI.

It is the AIPs’ responsibility to ensure that standards, procedures, methods and instructions, as authorized by FCIC in the sale and service of crop insurance contracts, are implemented in a manner compliant with Title VI. Information regarding Title VI of the Civil Rights Act of 1964 and the program discrimination complaint process is available on the USDA public website at [www.ascr.usda.gov](http://www.ascr.usda.gov). For more information on the RMA Non-Discrimination Statement see the DSSH.

#### D. Program Duration

LGM is available until cancelled by **the submitter or reinsurance is withdrawn by** the FCIC Board of Directors.

#### E. AIP Option to Offer

In accordance with Section II. (a) (3) of the LPRA, AIPs are not required to offer LGM to producers. Accordingly, each AIP must determine whether it will offer the LGM in the approved area. AIPs that elect to offer the LGM must offer all LGM products to all eligible producers in the approved area and must administer the program according to the policies approved and issued by FCIC, procedures in this handbook and the provisions of Section II. (a) (3) of the LPRA.

## 1 General Information (Continued)

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### F. Related Handbooks

The following table provides handbooks related to this handbook.

Handbook	Relation/Purpose
GSH	This handbook provides the official FCIC-approved standards for policies administered by AIPs under the General Administrative Regulations, Common Crop Insurance Policy Regulations Basic Provisions, including the Catastrophic Risk Protection Endorsement, Actual Production History Regulation Subpart G; the Area Risk Protection Insurance Regulations Basic Provisions; the Stacked Income Protection Plan of Insurance; the Rainfall and Vegetation Index Plans; and the Whole-Farm Revenue Protection Pilot Policy. ***
DSSH	This handbook provides the official FCIC-approved form standards and procedures for use in the sale and service of any eligible Federal crop insurance policy; required statements and disclosures; and the standards for submission and review of non-reinsured supplemental policies in accordance with the SRA. ***
ITSH	This handbook provides the official FCIC standards and instructions for use in administering the Ineligible Tracking System, identifying and notifying ineligible persons, and implementing RMA and AIP reinstatement.

## 2 Responsibilities

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### A. Insured's Responsibilities

To be eligible for LGM, the insured must comply with all terms and conditions of the LGM policy.

### B. AIP Responsibilities

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using FCIC approved procedure. AIPs should report any program issues or concerns to the Product Administration and Standards Division of RMA.

## 3-20 Reserved

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## PART 2: INSURABILITY

### 21 LGM for Cattle Underwriting Rules

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The LGM for Cattle Insurance Policy provides insurance against the loss of gross margin (market value of cattle minus feed and feeder cattle costs) on the cattle described on the Application or **SCE**.

#### A. Basic Principles

- (1) These underwriting rules (“Rules”) govern the LGM for Cattle Insurance Policy as offered by the FCIC under the authority of Section 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. 1523(b)).
- (2) The LGM for Cattle Insurance Policy is a livestock insurance product **covered** under the federal crop insurance program and is reinsured by the FCIC.
- (3) The provisions of the Policy may not be waived or varied in any way by the crop insurance agent, field representative, or any other agent or employee of FCIC or the AIP.
- (4) If any portion of these Rules is inconsistent with the LGM for Cattle Insurance Policy, then the rights and obligations of the insured and of the Company will be determined in accordance with the LGM for Cattle Insurance Policy.

#### B. Eligibility

- (1) Only agricultural producers (“Producers”) of cattle fed in all 50 states are eligible for the LGM for Cattle Insurance Policy.
- (2) Eligibility for the LGM for Cattle Insurance Policy is determined exclusively by federal law and regulations promulgated, and as interpreted, by the FCIC and its Administrator, the USDA-RMA.
- (3) **\*\*\***
- (4) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock for any month for which the insured has declared target marketing or have any other FCIC reinsured livestock policy covering the same insured livestock at the same time.

#### C. Application

- (1) **LGM is a continuous policy and will remain in effect for each crop year following the acceptance of the original application until cancelled or terminated by the insured or AIP in accordance with the terms of the policy.**
- (2) **The application can be submitted at any time during the crop year. It must be completed by the insured and received by the agent not later than the SCD for which coverage is requested under a SCE.**



C. Application (Continued)

- (3) An application is required to purchase LGM Cattle coverage under an SCE.
  - (a) The application establishes eligibility for insurance.
  - (b) An SSN and EIN Reporting Form showing those with a SBI shall be attached to the application. This form shows the social security numbers, employer identification numbers, and share of those with a 10 percent interest or more in the insured person. The SBI Form is used to establish eligibility and to account for insurance limits.
  - (c) No insurance coverage attaches to the application until the producer submits a SCE.
  - (d) Additional applications are necessary for each different SBI arrangement and for each state where the livestock is located and will be insured.
- (4) The producer must complete the application before electing coverage under the SCE to ensure the producer is eligible to participate in the crop insurance program.
- (5) Early completion of an application allows time for the AIP to confirm whether the producer is compliant with the conservation provisions and, if applicable, qualifies as a beginning farmer or rancher or veteran farmer or rancher. These determinations may impact the producer's coverage decisions. According to GSH para. 303, if the BFR/VFR application is received before any SCEs are purchased, then the BFR/VFR benefits would be applicable for all SCEs for the entire crop year. If the BFR/VFR application is received after any SCEs are purchased, then the BFR/VFR benefits would not be applicable for the current crop year but would be applicable for the next crop year, provided the AIP accepts the application.
- (6) Instructions for information to be entered on the application:
  - (a) Crop year. The crop year is the twelve-month period beginning July 1 and ending the following June 30 and designated by the calendar year in which the period ends. The crop year in which the effective date falls will determine the crop year for an SCE.
  - (b) State and county where the livestock are located. Only one application is required per state and all the insurable livestock within a state is covered under this policy provided the SBI(s) are the same.
  - (c) Crop. The crop is Cattle (0803).
  - (d) Plan of insurance. The plan of insurance is LGM (82).

D. **Specific Coverage Endorsement**

- (1) The LGM for Cattle Policy provides insurance only for the difference between the Gross Margin Guarantee and the Actual Total Gross Margin based on a Producer's Target Marketings and futures prices prior to and during the insurance period. This Policy does not insure against death or other loss or destruction of cattle.
- (2) There are twelve insurance periods in each calendar year. Each insurance period runs 11 months, and no cattle can be insured during the first month of any insurance period. Coverage begins on the insured's cattle one full calendar month following the SCD, unless otherwise specified in the SP. For example, for the contract with a SCD in January, coverage will begin on March 1.
- (3) Coverage does not attach until the insured submits a SCE. A new SCE must be submitted for each subsequent insurance period in the crop year.
- (4) The producer must elect the number of cattle to be insured during the Insurance Period (with the exception of the first month of any insurance period). This will be the producer's Target Marketings. Round Target Marketings to the nearest whole number.
- (5) All cattle will be insured at 100% share.
- (6) The Date of End of Insurance is 11 months after sales closing.
- (7) The producer may choose deductible amounts from \$0 per head to \$150 per head in \$10 increments. Each SCE can have a different deductible.
- (8) The producer is only eligible for premium subsidy if they target market two (2) or more months of an insurance period. This is calculated for each SCE.
- (9) Coverage may not be available in instances of a news report, announcement, or other event that occurs during or after trading hours that is believed by the Secretary of Agriculture, Manager of the RMA, or other designated staff of the RMA to result in market conditions significantly different than those used to rate the LGM for Cattle program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Cattle policy sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.
- (10) Cattle insured in a yearling finishing operation are assumed to weigh 750 pounds (7.5 cwt) when they enter the feedlot, to weigh 1,250 pounds at slaughter (12.5 cwt), and to consume 50 bushels of corn. Cattle insured in a calf finishing operation are assumed to weigh 550 pounds (5.5 cwt) when they enter the feedlot, to weigh 1,150 pounds at slaughter (11.5 cwt), and to consume 52 bushels of corn.

**D. Specific Coverage Endorsement (Continued)**

- (11) To obtain coverage on the Cattle, an insured must submit an SCE during the sales period.
- (a) Any properly executed SCE provided to an agent before the sales period will not be considered submitted until the sales period has begun.
  - (b) The insured may revise the SCE at any time up to 11:59 PM of the day prior to the effective date. The revisions should be documented by completing a new SCE and writing in the remarks "This SCE replaces the SCE signed on mm/dd/year."
  - (c) After the start of the sales period, the SCE may not be revised and will be presumed to be the election of the insured.
  - (d) The insured's signature can be obtained up to 14 calendar days prior to the end of the sales period of the effective date provided all the substantive items regarding insured information, crop information and required statements are completed on the SCE. The date must be the calendar date when the form is signed by the insured.
  - (e) The agent's signature can be obtained up to 14 calendar days prior to the end of the sales period of the effective date provided all the substantive items are completed on the SCE. The date must be the calendar date when the form is signed by the agent.
- (12) The SCE must contain the following information:
- (a) the practice/insurance period;
  - (b) the effective date of coverage;
  - (c) the deductible; and
  - (d) by month, the target marketings in head by Yearling Finishing or Calf Finishing type of operation.
- (13) The SCE must be received by the AIP's information technology system by 8:25 AM Central Time, the end of the sales period.

**E. Offset of Premium Prior to Billing Date**

If the producer is entitled to an indemnity under the LGM policy or any other agricultural commodity policy insured with the AIP and it is:

- (1) prior to the premium billing date or for any SCE that has not yet ended, the producer may request the premium and administrative fees to be offset from any indemnity or prevented planting payment due the producer; or

## 21 LGM for Cattle Underwriting Rules (Continued)

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### E. Offset of Premium Prior to Billing Date (Continued)

- (2) on or after the premium billing date or for any SCE that has ended, the producer's premium and administrative fees will be offset from any indemnity payment due to the producer.

### F. Indemnity Reduction

In the event that the total of actual marketings are less than 75 percent of the total target marketings for the insurance period, indemnities will be reduced by the percentage by which the total of actual marketings for the insurance period fell below the total target marketings for the period.

### G. Marketing Records

Each head of cattle whose sale is verified by the marketing records can only be used for one SCE, in the chronological order in which SCEs with probable loss were purchased.

- (1) Example 1: Insured declared target marketings of 500 head of cattle for March 2023 on a SCE purchased in November 2022. The insured also declared another 500 head of cattle for March 2023 on a SCE purchased in December 2022. In March 2023, the insured marketed 500 head of cattle. They used those marketing records to prove actual marketings for the SCE purchased in November 2022. They cannot reuse the same record to prove actual marketings for the SCE purchased in December.
- (2) Example 2: Insured declared target marketings of 500 head of cattle for March 2023 on a SCE purchased in November 2022. The insured also declared another 500 head of cattle for March 2023 on a SCE purchased in December 2022. In March 2023, the insured marketed 900 head of cattle. Of the marketed head of cattle, 500 will be considered as actual marketings for the purpose of determining indemnity for the SCE purchased in November, and 400 head of cattle will be used as actual marketings for the purpose of determining indemnity for the SCE purchased in December 2022.

## 22-99 (Reserved)

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## EXHIBITS

### Exhibit 1 Acronyms and Abbreviations

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The following table provides approved acronyms and abbreviations used in this handbook.

Approved Acronym/Abbreviation	Term
AIP	Approved Insurance Provider
CME	Chicago Mercantile Exchange
CWT	Hundredweight
DSSH	Document and Supplemental Standards Handbook
FCIC	Federal Crop Insurance Corporation
GSH	General Standards Handbook
ITSH	Ineligible Tracking System Handbook
LGM	Livestock Gross Margin
LPRA	Livestock Price Reinsurance Agreement
RMA	Risk Management Agency
SBI	Substantial Beneficial Interest
SCD	Sales Closing Date
SCE	Specific Coverage Endorsement
SP	Special Provisions
USDA	United States Department of Agriculture

## Exhibit 2 Definitions

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The following are definitions of terms used in this handbook.

**Actual cattle price:** For the months of February, April, June, August, October, and December, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME Group live cattle futures contracts. For the months of January, March, May, July, September, and November, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract that expire in the immediately surrounding months.

**Actual corn price:** For months in which a CME Group corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME Group corn futures contract for that month expressed in dollars per bushel. For months when there is no expiring CME Group corn futures contract, the actual corn price is the weighted average of the prices on the nearest two contract months. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March and May. For the month of January, the actual corn price will equal two-thirds multiplied by the simple average of the daily settlement prices in the last three trading days prior to expiration of the December CME Group corn futures contract plus one-third multiplied by the simple average of the daily settlement prices in the last three trading days prior to expiration of the March CME Group corn futures contract.

**Actual cost of feed:** For yearling finishing operations, the actual cost of feed for each month equals 50 bushels multiplied by the actual corn price for that month, or as stated in the SP. For calf finishing operations, the actual feed cost for each month equals 52 bushels multiplied by the actual corn price for that month, or as stated in the SP.

**Actual Feeder Cattle Price:** For months in which a CME Group feeder cattle futures contract expires, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date, expressed in dollars per cwt. For other months, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months. For example, the actual feeder cattle price in February is the simple average of the daily settlement prices in the last three days prior to the contract expiration date of the feeder cattle futures contracts in January and March.

**Actual gross margin per head:** For yearling finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed multiplied by the assumed weight of the cattle at marketing of 12.5 cwt, minus the actual cost of feed two months prior to that month, minus the actual feeder cattle price five months prior to that month multiplied by the assumed weight of feeder cattle of 7.5 cwt. For calf finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed multiplied by the assumed weight of the cattle at marketing of 11.5 cwt, minus the actual cost of feed four months prior to that month, minus the actual feeder cattle price eight months prior to that month multiplied by the assumed weight of feeder cattle of 5.5 cwt. For example, the actual gross margin per cattle for April for a yearling finishing operation is the actual cattle price for April multiplied by 12.5 cwt, minus the actual cost of feed for February, minus the actual feeder cattle price for November multiplied by 7.5 cwt.

**Actual gross margin per month:** The actual gross margin per head of cattle for a particular month multiplied by the target marketings for that month.

## Exhibit 2 Definitions (Continued)

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**Actual marketings:** The total number of slaughter-ready cattle sold by the insured for slaughter for human or animal consumption in each month of the insurance period and for which the insured has proof of sale. Actual marketings are used to verify ownership of cattle. \*\*\*

**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.

**Actuarial documents:** The information for the crop year which is available for public inspection in the insured's agent's office and published on RMA's website which shows available crop insurance policies, coverage levels, information needed to determine amounts of insurance, prices, premium adjustment percentages, practices, particular types of the insurable crop, and other related information regarding crop insurance in the state.

**Application:** The form required to be completed by the insured and accepted by the AIP before any SCE can be submitted and insurance coverage commences. \*\*\*

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**Assignment of indemnity:** A transfer of policy rights, made on our form, and effective when approved by us in writing, whereby you assign your right to an indemnity payment for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation.

**Beginning farmer or rancher:** An individual who has not actively operated and managed a farm or ranch in any state, with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than five crop years, as determined in accordance with FCIC procedures. Any crop year's insurable interest may, at the insured's election, be excluded if earned while under the age of 18, while in full-time military service of the United States, or while in post-secondary education, in accordance with FCIC procedures. A person other than an individual may be eligible for beginning farmer or rancher benefits if there is at least one individual SBI holder and all individual SBI holders qualify as a beginning farmer or rancher.

**Calf finishing operation:** A type of farm operation that purchases 550-pound calves and feeds them until slaughter.

**Cancellation date:** The calendar date specified in the actuarial documents on which coverage will automatically renew unless canceled in writing by either the insured or the AIP or terminated in accordance with the policy terms.

**Cattle:** Any species of domesticated mammal of the family *Bos Taurus or Bos Indicus* commonly grown for beef production. Also referred to as steer or heifer or cow.

**CME group:** The Chicago Mercantile Exchange Group.

**Commodity Exchange Endorsement for Cattle:** An endorsement that contains the exchange prices that is used to set the expected and actual prices for LGM Cattle.

## Exhibit 2 Definitions (Continued)

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**Company**: The insurance company identified on, and issuing, the insured's summary of insurance.

**Consent**: Approval in writing by the AIP allowing the insured to take a specific action.

**Contract change date**: The calendar date contained in the actuarial documents by which changes to the policy, if any, will be made available in accordance with section 20(d) of the LGM for Cattle Insurance Policy.

**Coverage**: The insurance provided by this policy against insured loss of gross margin as shown on the insured's summary of insurance.

**Crop year**: The twelve-month period, beginning July 1, and ending the following June 30, which is designated by the calendar year in which it ends.

**Date coverage begins**: The calendar date the insurance provided by this policy begins.

**Days**: Calendar days.

**Deductible**: The portion of the expected gross margin that the insured elects not to insure. Allowable deductible amounts range from zero to \$150 per head in \$10 per head increments.

**Delinquent debt**: Has the same meaning as the term defined in 7 CFR part 400, subpart U.

**Effective date**: The date coverage begins, as shown in the SCE. The effective date will always be the date the prices were published on the RMA website. If the SCE was purchased and the AIP approved it on the day following the date the prices were published on the RMA website, the effective date is still the date that the prices were published on the RMA website. **End of insurance period, Date of**: The date upon which the insured's insurance provided by this policy ceases.

**Expected cattle price**: Expected cattle prices for months in an insurance period are determined using three-day average settlement prices on CME Group live cattle futures contracts. Given the differences in contract structure for CME Group live cattle futures contracts, only the February, April, June, August, October, and December CME Group live cattle futures are used in LGM price calculations. For months with unexpired live cattle futures contracts, the expected cattle price is the simple average of the daily settlement prices for the CME Group cattle futures contract for that month during the expected price measurement period for the sales period expressed in dollars per cwt. For example, for a sales period beginning on February 28, the expected cattle price for August equals the simple average of the daily settlement prices on the CME Group August live cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including February 28. For months without a live cattle futures contract, the futures prices used to calculate the expected cattle price are the weighted average of the futures prices used to calculate the expected cattle prices for the two surrounding months that have futures contracts. The weights are based on the time difference between the cattle month and the contract months. For example, for a sales period beginning on February 28, the expected cattle price for November equals one-half multiplied by the simple average of the daily settlement prices on the CME Group October live cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including February 28, plus one-half multiplied by the simple average of the daily settlement prices on the CME Group December live cattle futures contract during the same expected price measurement period. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.



**Expected corn price:** Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CME Group corn futures contracts. For months with unexpired corn futures contracts, the expected corn price is the simple average of the daily settlement prices for the CME Group corn futures contract for that month during the expected price measurement period for the sales period expressed in dollars per bushel. For example, for a sales period beginning on April 28, the expected corn price for July equals the simple average of the daily settlement prices on the CME Group July corn futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28. For months with expired corn futures contracts, the expected corn price is the simple average of daily settlement prices for the CME Group corn futures contract for that month expressed in dollars per bushel in the last three trading days prior to contract expiration. For example, for a sales period beginning on April 28, the expected corn price for March is the simple average of the daily settlement prices on the CME Group March corn futures contract over the last three trading days prior to contract expiration. For months without a corn futures contract, the futures prices used to calculate the expected corn price are the weighted average of the futures prices used to calculate the expected corn prices for the two surrounding months which have futures contract. The weights are based on the time difference between the month and the contract months. For example, for a sales period beginning on April 28, the expected corn price for April equals one-half multiplied by the simple average of the daily settlement prices on the CME Group March corn futures contract over the last three trading days prior to contract expiration plus one-half multiplied by the simple average of the daily settlement prices on the CME Group May corn futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected cost of feed:** For yearling finishing operations, the expected cost of feed for each month equals 50 bushels multiplied by the expected corn price for that month. For calf finishing operations, the expected cost of feed for each month equals 52 bushels multiplied by the expected corn price for that month.

## Exhibit 2 Definitions (Continued)

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**Expected feeder cattle price:** Expected feeder cattle prices for months in an insurance period are determined using three-day average settlement prices on CME Group feeder cattle futures contracts. For months with unexpired feeder cattle futures contracts, the expected feeder cattle price is the simple average of the daily settlement prices for the CME Group feeder cattle futures contract for that month during the expected price measurement period for the sales period expressed in dollars per cwt. For example, for a sales period beginning on April 28, the expected feeder cattle price for May for a yearling finishing operation equals the simple average of the daily settlement prices on the CME Group May feeder cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28. For months with expired feeder cattle futures contracts, the expected feeder cattle price is the simple average of daily settlement prices for the CME Group feeder cattle futures contract for that month expressed in dollars per cwt in the last three trading days prior to contract expiration. For example, for a sales period beginning on April 28, the expected feeder cattle price for March for a calf finishing operation is the simple average of the daily settlement prices on the CME Group March feeder cattle futures contract over the last three trading days prior to contract expiration. For months without a feeder cattle futures contract, the futures prices used to calculate the expected feeder cattle price are the weighted average of the futures prices used to calculate the expected feeder cattle prices for the two surrounding months that have futures contract. The weights are based on the time difference between the feeder cattle month and the contract months. For example, for a sales period beginning on April 28, the expected feeder cattle price for July for a calf finishing operation equals two-thirds multiplied by the simple average of the daily settlement prices on the CME Group August feeder cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28 plus one-third multiplied by the simple average of the daily settlement prices on the CME Group May feeder cattle futures contract during the same expected price measurement period. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected gross margin per head:** For yearling finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed multiplied by the assumed weight of the cattle at marketing of 12.5 cwt, or as stated in the SP, minus the expected cost of feed two months prior to that month, less the expected feeder cattle price five months prior to that month multiplied by the assumed weight of feeder cattle of 7.5 cwt. For calf finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed multiplied by the assumed weight of the cattle at marketing of 11.5 cwt, or as stated in the SP, minus the expected cost of feed four months prior to that month, less the expected feeder cattle price eight months prior to that month multiplied by the assumed weight of feeder cattle of 5.5 cwt. For example, the expected gross margin per head for April for a yearling finishing operation is the expected cattle price for April multiplied by 12.5 cwt, less the expected cost of feed for February, less the expected feeder cattle price multiplied by 7.5 cwt. For a calf finishing operation, expected gross margin per head for April is the expected cattle price for April multiplied by 11.5 cwt, less the expected cost of feed for December of the previous year, less the expected feeder cattle price for August of the previous year multiplied by 5.5 cwt.

**Expected gross margin per month:** The expected gross margin per cattle multiplied by the target marketings for each month of an insurance period.

**Expected price measurement period:** For each week in which sales occur, the three trading days prior to and including Thursday that is the beginning of the weekly sales period.

## Exhibit 2 Definitions (Continued)

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**Expected total gross margin:** The sum of target marketings multiplied by the expected gross margin per head for each month of the insurance period. \*\*\*

**Federal Crop Insurance Corporation:** A wholly owned Government Corporation administered by RMA within USDA.

**Gross margin guarantee:** The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible multiplied by the total of target marketings.

**Insurance period:** The 11-month period designated in the summary of insurance to which this policy is applicable. Cattle are not insurable in the first month of any insurance period. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on insurance periods.

**Insured:** The person shown on the summary of insurance as the insured. This term does not extend to any other person having a share or interest in the animals (for example, a partnership, landlord, or any other person) unless also specifically indicated on the summary of insurance as the insured.

**Liability:** The maximum amount payable on an insurance period under this policy.

**Limit movement:** The maximum price change based on the CME group current daily price limit for commodity futures.

**Limited resource farmer or rancher:** Has the same meaning as the term defined by USDA at [lrftool.sc.egov.usda.gov/LRP\\_Definition.aspx](http://lrftool.sc.egov.usda.gov/LRP_Definition.aspx) or successor website.

**Livestock acceptance system:** A computer system that accepts livestock applications and endorsements.

**Marketing report:** A report submitted by the insured on the AIP's form showing for each month the insured's 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.

**Notice of probable loss:** The AIP's notice to the insured of a probable loss on the producer's insured cattle.

**Offset:** The act of deducting one amount from another amount.

**Person:** An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

**Policy:** The agreement between the insured and the AIP consisting of the LGM for Cattle Insurance Policy, the SP, the summary of insurance, the Commodity Exchange Endorsement, the SCE and the applicable regulations published in 7 CFR Chapter IV.

**Premium:** The amount the insured owes the AIP for this insurance coverage based on the information contained in the insured's SCE in accordance with section 5 of the LGM for Cattle Insurance Policy. \*\*\*

## Exhibit 2 Definitions (Continued)

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**Premium billing date:** The earliest date upon which the insured will be billed for insurance coverage based on the information contained in the insured's SCE. The premium billing date for each SCE is the earlier of the first day of the month following the last month of the insurance period in which the insured has target marketings on that SCE or the billing date published in the actuarial documents. For example, if the insurance period is April-February, and on March 16, 2023 the insured purchases two SCEs, one with declared target marketings for June and July 2023, and another SCE with declared target marketings for August and September 2023, then the premium billing date for the SCE covering June and July would be August 1, and the premium billing date for the SCE coverage August and September is October 1. \*\*\*

**Producer premium:** The total premium minus the premium subsidy paid by FCIC.

**Risk Management Agency:** The Risk Management Agency, which operates the Federal crop insurance program on behalf of FCIC.

**RMA's website:** A website hosted by RMA and located at [www.rma.usda.gov/](http://www.rma.usda.gov/) or a successor website.

**Sales closing date:** The effective date of the SCE. \*\*\*

**Sales period:** The period that begins on Thursday of each week when the coverage prices and rates are posted on RMA's website and ends on the following calendar day at 8:25 AM Central Time. Coverage will not be available for purchase if the Thursday of the sales period is a federal holiday. The calendar date for Thursday of the sales period will be shown as the effective date in the actuarial documents. \*\*\*

**Share:** The lesser of the insured's percentage interest in the insured livestock as an owner at the time insurance attaches and at the time of sale. Persons who lease or hold some other interest in the livestock other than as an owner are not considered to have a share in the livestock.

**Special provisions:** The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

**Specific coverage endorsement:** An endorsement to the policy purchased by the insured during the crop year necessary to provide coverage that includes information about the insurance period, coverage options and target marketings in accordance with Para. 21 D.

**Substantial beneficial interest:** An interest held by any person of at least ten percent in the insured (e.g., there are two partnerships that each have a 50 percent interest in the insured and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in the insured, and both the partnerships and the individuals would have a SBI in the insured. The spouses of the individuals would not be considered to have a SBI unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in the insured and although the partnership would still have a SBI in the insured, the individuals would not for the purposes of reporting in section 2 of the LGM for Cattle Insurance Policy). The spouse of any individual applicant or individual insured will be presumed to have a SBI in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable State dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a SBI in the applicant or insured unless the child has a separate legal interest in such person.

## Exhibit 2 Definitions (Continued)

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**Summary of insurance:** The AIP's statement to the insured, based upon the information contained in the SCE, specifying the insured, the cattle, the target marketings, the gross margin guarantee, and the premium for the insurance period covered by the SCE. \*\*\*

**Target marketings:** The insured's determination as to the number of cattle they elect to insure in each month during the insurance period. The insured can only report the number of cattle in which they have a share.

\*\*\*

**Termination date:** The calendar date upon which the insured's insurance ceases to be in effect because of nonpayment of any amount due the AIP under the policy, including premium.

**Veteran farmer or rancher:**

- (1) An individual who has served active duty in the United States Army, Navy, Marine Corps, Air Force, Space Force, or Coast Guard, including the reserve components; was discharged or released under conditions other than dishonorable; and:
  - (i) Has not operated a farm or ranch;
  - (ii) Has operated a farm or ranch for not more than 5 years; or
  - (iii) First obtained status as a veteran during the most recent 5-year period.
- (2) A person, other than an individual, may be eligible for veteran farmer or rancher benefits if all SBI holders qualify as a veteran farmer or rancher in accordance with paragraph (1) of this definition; except in cases in which there is only a married couple, then a veteran or non-veteran spouse is considered a veteran farmer or rancher.

**Void:** When the policy is considered not to have existed for an insurance period as a result of concealment, fraud, or misrepresentation.

**Yearling finishing operation:** A type of farm operation that purchases yearling steers and heifers and feeds them until slaughter.

### Exhibit 3 LGM For Cattle Plan Application Related Forms

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AIPs can use existing application and related forms for LGM for Cattle. The elements required on application and related forms for LGM are similar to the elements on such forms for other policies. The required elements on the application for LGM are effective crop year, state, county, crop and plan of insurance. Coverage level, price, etc., are not required on the LGM for Cattle application, as these elements are part of the SCE form. The duties and responsibilities identified on the DSSH and GSH apply to LGM except as otherwise noted in this handbook.

See DSSH, Exhibit 16 for application form standards.

See DSSH, Exhibit 19 for BFR application form standards.

See DSSH, Exhibit 20 for policy cancellation form standards.

See DSSH, Exhibit 21 for policy transfer/application form standards.

See DSSH, Exhibit 22 for policy change form standards.

See DSSH, Exhibit 23 for social security number and employer identification number reporting form standards.

See DSSH, Exhibit 26 for policy confirmation (policy declaration) form standards.

See DSSH, Exhibit 27 for power of attorney form standards.

See DSSH, Exhibit 28 for assignment of indemnity form standards.

For the purpose of LGM only, the GSH Para. 852 and DSSH Exhibit 28, Assignment of Indemnity is amended as follows:

The second sentence in opening paragraph “The assignment(s) applies for all acreage of the crop covered by the policy” is replaced with “The assignment(s) applies for all liability remaining on the livestock covered by the policy at the time the assignment is accepted by the AIP and any additional liability added for the crop year. An assignment cannot be executed for a single, specific SCE (e.g., not by practice).”

\*\*\*

The SCE is required to determine the deductible and target marketings by month. The standards below represent all SCE data elements to establish coverage according to the LGM for Cattle policy. All items within quotation marks in the subparagraphs below are substantive unless otherwise noted.

**A. Insured Information**

- (1) "Insured's Name"
- (2) "Insured's Authorized Representative"
- (3) "Street and/or Mailing Address"
- (4) "City and State"
- (5) "Zip Code"
- (6) "Insured's Telephone Number"
- (7) "Policy Number"
- (8) "Identification Number"
- (9) "Identification Number Type"
- (10) "Person Type"
- (11) "Spouse's Name"
- (12) "Spouse's Identification Number"

**B. Crop Information**

- (1) "Crop Year"
- (2) "Crop"
- (3) "State and County"
- (4) "Plan of Insurance"
- (5) "Effective Date"
- (6) "Insurance Period"
- (7) "Deductible (\$/cwt)"
- (8) "Target Marketings by Month (Enter Month)"
- (9) "Month 2 – Month 11"

**B. Crop Information (Continued)**

(10) "Type of Operation"

**Note:** Heading for Yearling Finishing or Calf Finishing.

(11) "Yearling Finishing"

(12) "Calf Finishing"

**C. Required Statements**

(1) USDA Multiple Benefit Certification Statement is required, see DSSH Para. 504.

(2) Certification Statement is required, see DSSH Para. 502.

(3) Privacy Act Statement is required, see DSSH Para. 501.

(4) Non-Discrimination Policy Statement is required, see DSSH Para. 503.

**D. Required Signatures**

(1) "Insured's Printed Name, Signature and Date"

(2) "Agent's Printed Name, Signature and Date"

(3) "Remarks"



\*\*\*

The Marketings Report Form is required to be completed by the insured at the time of loss to provide the actual marketings by month. The standards below represent the data elements to establish actual marketings according to the LGM for Cattle policy. All items within quotation marks in the subparagraphs below are substantive unless otherwise noted. \*\*\*

**A. Insured Information**

- (1) "Insured's Name"
- (2) "Street and/or Mailing Address"
- (3) "City and State"
- (4) "Zip Code"
- (5) "Insured's Telephone Number"
- (6) "Policy Number"
- (7) "Identification Number"
- (8) "Identification Number Type"
- (9) "Person Type"
- (10) "Spouse's Name"
- (11) "Spouse's Identification Number"

**B. Crop Information**

- (1) "Crop Year"
- (2) "Crop"
- (3) "State and County"
- (4) "Plan of Insurance"
- (5) "Effective Date"
- (6) "Insurance Period"
- (7) "Deductible (\$/cwt)"
- (8) "Actual Marketings by Month (Enter Month)"

**B. Crop Information (Continued)**

(9) "Month 2 – Month 11"

(10) "Type of Operation"

**Note:** Heading for Yearling Finishing or Calf Finishing.

(11) "Yearling Finishing"

(12) "Calf Finishing"

(13) "Copies of all marketing receipts and claim statements for the applicable marketing period must be attached to this marketing report."

**C. Required Statements**

(1) Certification Statement is required, see DSSH, Para. 502.

(2) Privacy Act Statement is required, see DSSH, Para. 501.

(3) Nondiscrimination Policy Statement is required, see DSSH, Para. 503.

**D. Required Signatures (Substantive)**

(1) "Insured's Printed Name, Signature and Date"

(2) "Remarks"

\*\*\*

The notice of probable loss is used to notify the insured of a probable loss after all LGM data necessary to calculate an indemnity for the selected practice are released by RMA. The insured should return the notice of probable loss to the AIP with the marketing report form and the marketing records. The AIPs may combine the marketing report form and the notice of probable loss into one form provided all the “substantive” items are included. These forms may include multiple SCEs in effect for the same practice. All items within quotation marks in the subparagraphs below are substantive unless otherwise noted.

**A. General Information**

(1) “According to our records, you may be entitled to an indemnity under this policy endorsement based on the information presented below. The calculation of the indemnity is shown in the indemnity section below. In order to receive an indemnity, your signed Marketings Report and marketing receipts are required to certify that the terms and conditions of the policy have been met. Please contact your livestock insurance agent if the information on this form is incorrect or you have any questions.”

**Note:** This paragraph may be revised by the AIP to reflect their procedures.

(2) “Insured’s Name”

(3) “Insured’s Authorized Representative”

(4) “Street and/or Mailing Address”

(5) “City and State”

(6) “Zip Code”

(7) “Insured’s Telephone Number”

(8) “Policy Number”

(9) “Claim Number”

**Note:** This item is non-substantive.

(10) “Identification Number”

(11) “Identification Number Type”

(12) “Person Type”

(13) “Spouse’s Name”

(14) “Spouse’s Identification Number”

(15) “Assignment of Indemnity Yes  No ”

(16) “Transfer of Coverage and Right to an Indemnity Yes  No ”

**A. General Information (Continued)**

- (17) "Date Notice of Probable Loss Issued"
- (18) "Agent's Name"
- (19) "Agent's Street and/or Mailing Address"
- (20) "Agent's City and State"
- (21) "Agent's Zip Code"
- (22) "Agent's Phone Number"

**B. Crop Information**

- (1) "Crop Year"
- (2) "Crop"
- (3) "State and County"
- (4) "Plan of Insurance"

**C. Indemnity Calculation**

- (1) "If the actual gross margin is less than the expected gross margin, an indemnity is due."
- (2) "Insurance Period"
- (3) "Effective Date"
- (4) "Target Marketings by Month (Enter Month)"
- (5) "Month 2 – Month 11"
- (6) "Type of Operation"

**Note:** Heading for Yearling Finishing or Calf Finishing.

- (7) "Yearling Finishing"
- (8) "Calf Finishing"
- (9) "Deductible"
- (10) "Gross Margin Guarantee"
- (11) "Actual Gross Margin"
- (12) "Probable Indemnity"

Use a Transfer of Coverage and Right to an Indemnity to transfer insurance coverage and the right to any subsequent indemnity from one insured person to another person. The transfer is used when a transfer of part or all the ownership/share of the insured livestock commodity occurs before the end of the insurance period. A transfer is allowed at an individual SCE level. See the GSH for additional coverage transfer procedural details. All items within quotation marks in the subparagraphs below are substantive unless otherwise noted.

**A.      Transferor Information**

- (1)      "Transferor's Name"
- (2)      "Transferor's Street and/or Mailing Address"
- (3)      "City and State"
- (4)      "Zip Code"
- (5)      "Policy Number"

**B.      Crop Information**

- (1)      "Crop(s)"
- (2)      "Crop Year"
- (3)      "Endorsement Number"

**Note:**      This item is non-substantive.

- (4)      "Type"
- (5)      "Practice"
- (6)      "Effective Date"
- (7)      "Is the entire insured livestock commodity and the entire insured share on the listed type and practice being transferred? Yes  No
- (8)      Statement (a) below may be used alone. If both statements are used the form should indicate "Choose one of the boxes."
  - (a)      " Make check payable jointly to insured and transferee(s). Check will be mailed to the insured's address (unless an assignment of indemnity is on file)"; or
  - (b)      " Make checks payable to transferee(s) only. Check will be mailed to address shown for the transferee."

**C.      Transferee Information**

- (1)      “Transferee’s Name”
- (2)      “Transferee’s Street and/or Mailing Address”
- (3)      “City and State”
- (4)      “Zip Code”
- (5)      “Policy Number”
- (6)      “Transferee’s Identification Number”
- (7)      “Transferee’s Identification Number Type”
- (8)      “Person Type”
- (9)      “Share Transferred”
- (10)     “Effective Date of Transfer”
- (11)     “Nature of Transfer”

**D.      Terms and Conditions**

- (1)      “Acceptance by the Approved Insurance Provider of the above-described transfer shall transfer the insured’s right to an indemnity to the above-named transferee subject to:
  - (a)      “Receipt by the Approved Insurance Provider of satisfactory evidence that said transfer occurred before the end of the calendar date for the end of insurance period for the type and practice being transferred, as determined by the Approved Insurance Provider.”
  - (b)      “The terms of the above-identified insurance contract, including any outstanding assignment of indemnity made by the transferor prior to the date of transfer.”
- (2)      “The Approved Insurance Provider shall not be liable for any more indemnity than existed before the transfer occurred.”
- (3)      “The insurance policy of the transferor covers the share hereby transferred only to the end of the insurance period for the current crop year.”

**D.      Terms and Conditions (Continued)**

- (4)      “The “Transferee” and the “Transferor” shall be jointly and severally liable for any unpaid premium earned for the current crop year on the livestock commodity and share transferred. The premium for the practice is:”
- (a)      “\$\_\_\_\_\_ Total premium on this practice”
  - (b)      “\$\_\_\_\_\_ Premium on practice transferred”
  - (c)      “\$\_\_\_\_\_ Premium on retained practice”
  - (d)      “\$\_\_\_\_\_ Premium paid with transfer”

**E.      Required Statements**

- (1)      This statement must appear above the signature line:
- “I, [INSERT TRANSFEREE’S NAME], the Transferee, understand that all billing statements will only be issued to [INSERT TRANSFEROR’S NAME], the Transferor. Due process/Ineligibility notification letters will be issued to both the transferee and transferor. Any unpaid premium on the termination date of the policy will make both the transferee and the transferor ineligible for the crop insurance program.”
- (2)      Certification Statement is required, see DSSH, Para. 502.
- (3)      Privacy Act Statement is required, see DSSH, Para. 501.
- (4)      Nondiscrimination Policy Statement is required, see DSSH, Para. 503.

**F.      Required Signatures**

- (1)      “Transferor’s Printed Name, Signature and Date”
- (2)      “Transferee’s Printed Name, Signature and Date”
- (3)      “Agent’s Printed Name, Signature, Code Number and Date”