

LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE POLICY

Throughout the policy, “you” and “your” refer to the named insured shown on the summary of insurance and “we”, “us”, and “our” refer to the Company. Unless the context indicates otherwise, use of the plural form of a word includes the singular and use of the singular form of the word includes the plural.

This policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the authority of sections 508(h) and 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. §§ 1508(h) and 1523(b)). The provisions of the policy may not be waived or varied in any way by any crop insurance agent of the Company. Neither we, our employees or contractor, FCIC nor the Risk Management Agency has the authority to revise, amend, or otherwise alter this policy. In the event we cannot pay your loss, your policy will revert to one insured by FCIC and your claim will be settled and paid by FCIC in accordance with the provisions of this Policy. No state insurance guarantee fund will be liable to pay your loss.

Agreement to Insure: In return for the payment of the premium, and subject to all the provisions of this policy, we agree to pay you the difference between the gross margin guarantee and the actual total gross margin, as determined by policy provisions, for the insurance period identified in your Summary of Insurance. If a conflict exists among the policy provisions, the order of priority is as follows: (1) The Special Provisions and (2) these Basic Provisions, with (1) controlling (2).

BASIC PROVISIONS TERMS AND CONDITIONS

1. Definitions

Act - The Federal Crop Insurance Act (7 U.S.C. 1501-1524).

Actual corn price – For months in which a CME Group corn contract expires, the simple average of the daily settlement prices for the CME Group corn futures contract for the month during the actual price measurement period. For other months, the weighted average of the immediately surrounding months’ simple average of the daily settlement prices during the actual price measurement period. (See the Commodity Exchange Endorsement for more information.)

Actual cost of feed - The actual cost of feed for each month equals the target corn (or corn equivalent) to be fed times 2,000/56 (to convert tons to bushels) times the actual corn price for that month, plus the target protein meal (or protein meal equivalent) to be fed times the actual soybean meal price for that month.

Actual gross margin per month - Actual revenue less the actual cost of feed for the month.

Actual marketings - The total amount of milk sold by you in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of milk and determine approved target marketings.

Actual milk price – The simple average of the daily settlement prices of the CME Group Class III milk futures contract for the month during the actual price measurement period. (See the Commodity Exchange Endorsement for more information.)

Actual milk revenue – The actual milk price for a month times target marketings for the month.

Actual price measurement period – The last three trading days prior to the last trading day for the futures contract.

Actual soybean meal price - For months in which a CME Group soybean meal contract expires, the simple average of the daily settlement prices for the CME Group soybean meal contract for the month during the actual price measurement period. For other months, the weighted average of actual soybean meal prices in the immediately surrounding months. (See the Commodity Exchange Endorsement for more information.)

Actual total gross margin - The sum of actual gross margins per month across all months of the insurance period.

Application - The form required to be completed by you and accepted by us before insurance coverage will commence.

Approved target marketings - The maximum target marketings allowed for the designated months of the applicable insurance period. The producer’s target marketings for any month may not be more than the producer’s approved target marketings. Approved target marketings will be based on the lesser of farm capacity or underwriting capacity for the ten-month insurance period as determined by the insurance underwriter.

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

CME Group - The Chicago Mercantile Exchange Group.

Company - The insurance company reinsured by FCIC that is identified on, and issuing, your summary of insurance.

Consent - Approval in writing by us allowing you to take a specific action.

Contract change date - The calendar date by which we make any policy changes available for inspection in the agent's office.

Corn equivalent - The amount of corn equivalent to the energy content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

Coverage - The insurance provided by this policy, against insured loss of gross margin as shown on your 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 total gross margin that you elect not to insure. Per hundredweight deductible amounts range from zero to \$2.00 per cwt in 10 cent increments. The deductible equals the selected per hundredweight deductible times the sum of target marketings across all months of the insurance period.

End of insurance period, date of - The date the insurance provided by this policy ceases.

Expected corn price – For months in which a CME Group corn contract expires, the simple average of the settlement prices for the CME Group corn futures contract for the month during the expected price measurement period. For other months, the weighted average of the immediately surrounding months' simple average of the daily settlement prices during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

Expected cost of feed - The expected cost of feed for each month equals the target corn (or corn equivalent) to be fed times 2000/56 (to convert tons to bushels) times the expected corn price for that month, plus the target protein meal (or protein meal equivalent) to be fed times the expected soybean meal price for that month.

Expected gross margin per month - Expected revenue less the expected cost of feed for the month.

Expected milk price – The simple average of the daily settlement prices of the CME Group Class III milk futures contract for the month during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

Expected milk revenue – The expected milk price for a month times target marketings for the month.

Expected price measurement period – The three trading days prior to and including the last Friday of the month that is a business day on which sales takes place.

Expected soybean meal price – For months in which a CME Group soybean meal contract expires, the simple average of the daily settlement prices of the CME Group soybean meal futures contract for the month during the expected price measurement period. For other months, the weighted average of the immediately surrounding months' simple average of the daily settlement prices during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

Expected total gross margin - The sum of expected gross margins per month across all months of the insurance period.

FCIC - The Federal Crop Insurance Corporation, a wholly owned government corporation and agency 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.

Insurance period - The eleven-month period designated in the summary of insurance to which this policy is applicable. See the Commodity Exchange Endorsement for additional detail on insurance periods.

Insured - The person as 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.

Marketing report - A report submitted by you on our form showing for each month your actual marketings for that month of milk insured under this policy. The marketing report must be accompanied by copies of sales receipts that provide records of the actual marketings shown on the marketing report.

Milk – Milk produced from any species of domesticated mammal of the family *Bovidae* commonly grown for production of dairy products, also referred to as dairy cows.

Notice of probable loss - Our notice to you of a probable loss on your insured milk.

Person - An individual, partnership, association, corporation, estate, trust, or other legal entity.

Policy - The agreement between you and us consisting of these provisions, the Special Provisions, the summary of insurance, the Commodity Exchange Endorsement, and the applicable regulations published in 7 CFR chapter IV.

Premium - The amount you owe us for this insurance coverage based on your target marketings in accordance with section 5.

Premium billing date - The earliest date upon which you will be billed for insurance coverage based on your target marketing report. The premium billing date is the first business day of the month following the last month of the insurance period in which you have target marketings.

Producer premium - The total premium minus the premium subsidy paid by FCIC.

RMA - Risk Management Agency, an agency within USDA.

Sales closing date - A date by which your completed application must be received by us. Also, the last date by which you may change your insurance coverage for an insurance period.

Sales period - The period that begins on the last business Friday of the month after validation of prices and rates and ends at 8:00 PM Central Time of the following day.

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

Soybean meal equivalent - The amount of soybean meal equivalent to the protein content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

Substantial beneficial interest - An interest held by a person of at least 10 percent in the applicant or insured. All spouses that reside in the household will be considered to have a substantial beneficial interest in the applicant or insured unless the spouse can prove that the milk owned is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the dairy operation of the insured or applicant.

Summary of insurance - Our statement to you, based upon your application, specifying the insured, the milk, the target marketings, gross margin guarantee, and the premium for an insurance period.

Target corn to be fed - Your determination as to the number of tons of corn or corn equivalent that you will feed for each month.

Target protein meal to be fed - Your determination as to the number of tons of soybean meal or protein meal equivalent you will feed each month.

Target marketings - Your determination as to the number of hundredweight of milk you elect to insure in each month during the insurance period.

Target marketings report - A report submitted by you on our form showing for each month your target marketings for that month.

Termination date - The calendar date upon which your insurance ceases to be in effect because of nonpayment of any amount due us under the policy, including premium.

UCM - FCIC's Underwriting Capacity Manager (UCM) web site. This is a facility through which FCIC manages underwriting capacity for livestock.

USDA - The United States Department of Agriculture.

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

2. Life of Policy, Cancellation, and Termination

- (a) Unless we are notified by FCIC that underwriting capacity for this plan of insurance is available, we will not accept your application or extend insurance for additional insurance periods. Sales for the year will be suspended or terminated if there is insufficient underwriting capacity.
- (b) Your agent does not have authority to bind coverage under this policy. Coverage for the milk described in the application will only become effective when we notify you in writing that your application has been accepted and approved by us, and we issue a written summary of insurance to you.
 - (1) For subsequent insurance periods, coverage will only be effective if there is sufficient underwriting capacity and we issue a written summary of insurance to you.
 - (2) This policy will be available for sale only on business days when FCIC's UCM web site is operational.
- (c) The application must be completed by you and received by us not later than the sales closing date of each insurance period for which insurance coverage is requested. See the LGM for Dairy Cattle Commodity Exchange Endorsement for additional detail on sales closing dates.
- (d) Insurance coverage will not be provided if you are ineligible under the contract or under any Federal statute or regulation or if you do not have a share in the livestock or livestock products to be insured.
- (e) This is a continuous policy and will remain in effect for each crop year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or terminated by operation of the terms of the policy or by us. In accordance with section 4, FCIC may change the coverage provided from year to year.
- (f) With respect to your application for insurance:
 - (1) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you may provide an employer identification number (EIN) but you must also provide your SSN); or
 - (2) You must include your EIN if you are a person other than an individual;
 - (3) In addition to the requirements of section 2(f)(1) or (2), you must include the following for all persons who have a substantial beneficial interest in you:
 - (i) The SSN for individuals; or
 - (ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with

- the EIN if such individuals also have a substantial beneficial interest in you;
- (4) Your application will not be accepted and no insurance will be provided for the year of application if the application does not contain your SSN or EIN. If your application contains an incorrect SSN or EIN for you, your application will be considered not to have been accepted, no insurance will be provided for the year of application and for any subsequent crop years, as applicable, and such policies will be void if:
- (i) Such number is not corrected by you; or
 - (ii) You correct the SSN or EIN but:
 - (A) You cannot prove that any error was inadvertent (Simply stating the error was inadvertent is not sufficient to prove the error was inadvertent); or
 - (B) It is determined that the incorrect number would have allowed you to obtain disproportionate benefits under the crop insurance program, you are determined to be ineligible for insurance or you could avoid an obligation or requirement under any State or Federal law;
- (5) With respect to persons with a substantial beneficial interest in you:
- (i) The insurance coverage for all crops included on your application will be reduced proportionately by the percentage interest in you of persons with a substantial beneficial interest in you (presumed to be 50 percent for spouses of individuals) if the SSNs or EINs of such persons are included on your application, the SSNs or EINs are correct, and the persons with a substantial beneficial interest in you are ineligible for insurance;
 - (ii) Your policies for all commodities included on your application, and for all applicable crop years, will be void if the SSN or EIN of any person with a substantial beneficial interest in you is incorrect or is not included on your application and:
 - (A) Such number is not corrected or provided by you, as applicable;
 - (B) You cannot prove that any error or omission was inadvertent (Simply stating the error or omission was inadvertent is not sufficient to prove the error or omission was inadvertent); or
 - (C) Even after the correct SSN or EIN is provided by you, it is determined that the incorrect or omitted SSN or EIN would have allowed you to obtain disproportionate benefits under the crop insurance program, the person with a substantial beneficial interest in you is determined to be ineligible for insurance, or you or the person with a substantial beneficial interest in you could avoid an obligation or requirement under any State or Federal law; or
- (iii) Except as provided in sections 2(b)(6)(ii)(B) and (C), your policies will not be voided if you subsequently provide the correct SSN or EIN for persons with a substantial beneficial interest in you and the persons are eligible for insurance;
- (6) When any of your policies are void under sections 2(b)(4) or (5):
- (i) You must repay any indemnity, prevented planting payment or replant payment that may have been paid for all applicable commodities and crop years;
 - (ii) Even though the policies are void, you will still be required to pay an amount equal to 20 percent of the premium that you would otherwise be required to pay; and
 - (iii) If you previously paid premium or administrative fees, any amount in excess of the amount required in section 2(b)(7)(ii) will be returned to you;
- (7) Notwithstanding any of the provisions in this section, if you certify to an incorrect SSN or EIN, or receive an indemnity, prevented planting payment or replant payment and the SSN or EIN was not correct, you may be subject to civil, criminal or administrative sanctions;
- (8) If any of the information regarding persons with a substantial beneficial interest in you changes after the sales closing date for the previous crop year, you must revise your application by the sales closing date for the current crop year to reflect the correct information. However, if such information changed less than 30 days before the sales closing date for the current crop year, you must revise your application by the sales closing date for the next crop year. If you fail to provide the required revisions, the provisions in section 2(b)(6) will apply; and
- (9) If you are, or a person with a substantial beneficial interest in you is, not eligible to obtain a SSN or EIN, whichever is required, you must request an assigned number for the purposes of this policy from us:
- (i) A number will be provided only if you can demonstrate you are, or a person with a substantial beneficial interest in you is, eligible to receive Federal benefits;

- (ii) If a number cannot be provided for you in accordance with section 2(b)(10)(i), your application will not be accepted; or
 - (iii) If a number cannot be provided for any person with a substantial beneficial interest in you in accordance with section 2(b)(10)(i), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
- (g) After acceptance of the application, you may not cancel this policy for the initial crop year. Thereafter, the policy will continue in force for each succeeding crop year unless canceled or terminated as provided below.
- (h) Either you or we may cancel this policy after the initial crop year by providing written notice to the other on or before the cancellation date in accordance with section 2(m).
- (i) Any amount due to us for any policy authorized under the Act will be offset from any indemnity or prevented planting payment due you for this or any other crop insured with us under the authority of the Act.
- (1) Even if your claim has not yet been paid, you must still pay the premium on or before the termination date for you to remain eligible for insurance.
 - (2) If we offset any amount due us from an indemnity or prevented planting payment owed to you, the date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity in accordance with section 14(e) (Your Duties).
- (j) A delinquent debt for any policy will make you ineligible to obtain crop insurance authorized under the Act for any subsequent crop year and result in termination of all policies in accordance with section 2(f)(2).
- (1) With respect to ineligibility:
 - (i) Ineligibility for crop insurance will be effective on:
 - (A) The date that a policy was terminated in accordance with section 2(f)(2) for the commodity for which you failed to pay premium, an administrative fee, or any related interest owed, as applicable;
 - (B) The payment due date contained in any notification of indebtedness for any overpaid indemnity, prevented planting payment or replanting payment, if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date;
- (C) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a written payment agreement if you fail to pay the amount owed by any payment date in any agreement to pay the debt; or
- (D) The termination date the policy was or would have been terminated under sections 2(f)(2)(i)(A), (B) or (C) if your bankruptcy petition is dismissed before discharge.
- (ii) If you are ineligible and a policy has been terminated in accordance with section 2(f)(2), you will not receive any indemnity, prevented planting payment or replanting payment, if applicable, and such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity, prevented planting payment or replanting payment that may be owed for the policy before it has been terminated will remain owed to you, but may be offset in accordance with section 2(e), unless your policy was terminated in accordance with sections 2(f)(2)(i)(A), (B), (D) or (E).
- (2) With respect to termination:
- (i) Termination will be effective on:
 - (A) For a policy with unpaid administrative fees or premiums, the termination date immediately subsequent to the billing date for the crop year (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year and no indemnity, prevented planting or replant payment will be owed);
 - (B) For a policy with other amounts due, the termination date immediately following the date you have a delinquent debt (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year

- and no indemnity, prevented planting or replant payment will be owed);
- (C) For all other policies that are issued by us under the authority of the Act, the termination date that coincides with the termination date for the policy with the delinquent debt or, if there is no coincidental termination date, the termination date immediately following the date you become ineligible;
 - (D) For execution of a written payment agreement and failure to make any scheduled payment, the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment (for this purpose only, the crop year will start the day after the termination date and end on the next termination date, e.g., if the termination date is November 30 and you fail to make a payment on November 15, 2011, your policy will terminate on November 30, 2010, for the 2011 crop year); or
 - (E) For dismissal of a bankruptcy petition before discharge, the termination date the policy was or would have been terminated under sections 2(f)(2)(i)(A), (B) or (C).
- (ii) For all policies terminated under sections 2(f)(2)(i)(A), (B), (D) or (E), any indemnities paid subsequent to the termination date must be repaid.
 - (iii) Once the policy is terminated, it cannot be reinstated for the current crop year unless the termination was in error. Failure to timely pay because of illness, bad weather, or other such extenuating circumstances is not grounds for reinstatement in the current year.
- (3) To regain eligibility, you must:
 - (i) Repay the delinquent debt in full;
 - (ii) Execute a written payment agreement and make payments in accordance with the agreement (We will not enter into a written payment agreement with you if you have previously failed to make a scheduled payment under the terms of any other payment agreement with us or any other insurance provider); or
 - (iii) File a petition to have your debts discharged in bankruptcy (Dismissal of the bankruptcy petition before discharge will terminate all policies in effect retroactive to the date your policy would have been terminated in accordance with section 2(f)(2)(i)).
- (4) After you become eligible for crop or livestock insurance, if you want to obtain coverage for your crops or livestock, you must submit a new application on or before the sales closing date for the commodity (Since applications for crop insurance cannot be accepted after the sales closing date, if you make any payment after the sales closing date, you cannot apply for insurance until the next crop year).
 - (5) For example, for the 2011 crop year, if crop A, with a termination date of October 31, 2010, and crop B, with a termination date of March 15, 2011, are insured and you do not pay the premium for crop A by the termination date, you are ineligible for crop insurance as of October 31, 2010, and crop A's policy is terminated as of that date. Crop B's policy does not terminate until March 15, 2011, and an indemnity for the 2010 crop year may still be owed. If you enter into a written payment agreement on September 25, 2011, the earliest date by which you can obtain crop insurance for crop A is to apply for crop insurance by the October 31, 2011, sales closing date and for crop B is to apply for crop insurance by the March 15, 2012, sales closing date. If you fail to make a payment that was scheduled to be made on April 1, 2012, your policy will terminate as of October 31, 2011, for crop A, and March 15, 2012, for crop B, and no indemnity, prevented planting payment or replant payment will be due for that crop year for either crop. You will not be eligible to apply for crop insurance for any crop until after the amounts owed are paid in full or you file a petition to discharge the debt in bankruptcy.
 - (6) If you are determined to be ineligible under section 2(f), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (k) In cases where there has been a death, disappearance, judicially declared incompetence, or dissolution of any insured person:
 - (1) If any married individual insured dies, disappears, or is judicially declared incompetent, the named insured on the policy will automatically convert to the name of the spouse if:
 - (i) The spouse was included on the policy as having a substantial beneficial interest in the named insured; and
 - (ii) The spouse has a share of the commodity/crop.
 - (2) The provisions in section 2(g)(3) will be applicable if:
 - (i) Any partner, member, shareholder, etc., of an insured entity dies, disappears, or is judicially declared incompetent, and such

- event automatically dissolves the entity;
or
- (ii) An individual, whose estate is left to a beneficiary other than a spouse or left to the spouse and the criteria in section 2(g)(1) are not met, dies, disappears, or is judicially declared incompetent.
- (3) If section 2(g)(2) applies and the death, disappearance, or judicially declared incompetence occurred:
- (i) More than 30 days before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
 - (ii) Thirty days or less before the cancellation date, or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
 - (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
 - (B) Any indemnity, will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
- (4) If any insured entity is dissolved for reasons other than death, disappearance, or judicially declared incompetence:
- (i) Before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
 - (ii) On or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
 - (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
 - (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
- (5) If section 2(g)(2) or (4) applies, a remaining member of the insured person or the beneficiary is required to report to us the death, disappearance, judicial incompetence, or other event that causes dissolution not later than the next cancellation date, except if section 2(g)(3)(ii) applies, notice must be provided by the cancellation date for the next crop year. If notice is not provided timely, the provisions of section 2(g)(2) or (4) will apply retroactive to the date such notice should have been provided and any payments made after the date the policy should have been canceled must be returned.
- (l) We may cancel your policy if no premium is earned for 3 consecutive years.
 - (m) The cancellation date is June 30 for all insurance periods.
 - (n) When obtaining additional coverage, you must provide information regarding crop insurance coverage on any crop previously obtained at any other local FSA office or from an approved insurance provider, including the date such insurance was obtained and the amount of the administrative fee.
 - (o) Any person may sign any document relative to crop insurance coverage on behalf of any other person covered by such a policy, provided that the person has a properly executed power of attorney or such other legally sufficient document authorizing such person to sign. You are still responsible for the accuracy of all information provided on your behalf and may be subject to the consequences in section 6(g), and any other applicable consequences, if any information has been misrepresented.
- 3. Insurance Coverages**
- (a) Your gross margin guarantee, deductible, and maximum premium for the insurance period are as shown on your summary of insurance.
 - (b) You must select a deductible by the sales closing date.
 - (c) You may only select one deductible that is applicable for all target marketings.
 - (d) Target marketings must be submitted on our form by the sales closing date for each insurance period in which you desire coverage. If target marketings are not submitted by the sales closing date, your target marketings for the insurance period will be zero.
 - (e) Target marketings for any month of an insurance period cannot be greater than the approved target marketings for that insurance period. Your target marketings are due at the time of application in the initial insurance period and your target marketings report is due by the sales closing date in subsequent insurance periods.

- (f) No indemnity will be owed, but you will still be responsible for any premiums owed, if we find that your marketing report:
 - (1) Is not supported by written verifiable records in accordance with the definition of marketing report; or
 - (2) Fails to accurately report actual marketings or other material information.
- (g) Under no circumstance will the total number of hundredweight insured exceed 240,000 hundredweight of milk in any insurance period or insurance year.
- (h) Coverage can be purchased from the time during the sales period or as otherwise specified in the Special Provisions. Coverage is not available for purchase if expected milk and feed prices are not available on the RMA website.
- (i) Sales of LGM may be suspended for the next sales period if unforeseen and extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or milk commodity markets. Evidence of such events may include, but is not limited to, consecutive limit down moves in the milk futures markets or limit up moves in the corn and soybean meal contracts.

4. Causes of Loss Covered

This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee due to natural occurrences. This policy does not insure against the death or other loss or destruction of your dairy cattle, or against any unexpected decline in milk production, or in other loss or damage of any kind whatsoever.

5. Premium

- (a) The premium (gross premium less premium subsidy paid on your behalf by FCIC) is earned and payable at the time coverage begins.
- (b) You are only eligible for premium subsidy if you target market in two (2) or more months of an insurance period.
- (c) Payment of premium with a check that has been returned for insufficient funds will result in your target marketings being reduced to zero for each month of the insurance period and you will have no coverage for milk under this policy.
- (d) The premium amount is shown on your summary of insurance.
- (e) Premium owed by you will be offset from an indemnity due you. The date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity.

6. Insurance Period

- (a) Coverage begins on your milk on the first day of the second calendar month following the month of the sales closing date, unless otherwise specified in the Special Provisions. For example for the contract with a sales closing date in January, coverage will begin on March 1.

- (b) Coverage ends at the earliest of:
 - (1) The last month of the insurance period in which you have target marketings.
 - (2) As otherwise specified in the policy.
 - (3) If the end date is on a Saturday, Sunday, or federal holiday or, if for any reason the relevant report is not available to us for that day or any other day of the ending period, then the actual ending value will be based on the most recent reports made prior to that date.

7. Determining Indemnities

- (a) In the case of a payable loss on insured milk, we will send you a notice of probable loss approximately ten days after all actual gross margins applicable for the insurance period are released by RMA. You must submit a marketing report, within 15 days of your receipt of the notice of probable loss.
- (b) In the event of loss covered by this policy, we will settle your claim by subtracting the actual total gross margin from the gross margin guarantee. If the result is greater than zero, an indemnity will be paid. Under no circumstances will the indemnity be greater than your total target marketings multiplied by the three-day average CME Group Class III milk futures price established at the beginning of the insurance period.
- (c) In the event that the total of actual marketings are less than 75 percent of the total of targeted 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 of target marketings for the period.

8. Conformity to Food Security Act

Although your violation of a number of federal statutes, including the Act, may cause cancellation or termination of the policy or may cause the policy to become void, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to violation of the controlled substance provisions (title XVII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations published at 7 CFR part 400, subpart F. Your policy will be canceled if you are determined, by the appropriate agency, to be in violation of these provisions. We will recover any and all monies paid to you or received by you during your period of ineligibility, and your premium will be refunded, less a reasonable amount for expenses and handling not to exceed 20 percent of the total premium.

9. Amounts Due Us

- (a) Interest will start to accrue on the premium billing date if the check for premium is returned for insufficient funds at the rate of 1.25 percent simple interest per calendar month, or any portion thereof, on any unpaid amount due us.
- (b) For the purpose of any other amounts due us, such as repayment of indemnities found not to have

been earned, interest will start to accrue on the date that notice is issued to you for the collection of the unearned amount. Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice by us. The amount will be considered delinquent if not paid within 30 days of the date the notice is issued by us.

- (c) All amounts paid will be applied first to expenses of collection, if any, second, to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in collection, you agree to pay all the expenses of collection.
- (e) Amounts owed to us by you may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37.

10. Legal Action Against Us

- (a) You may not bring legal action against us unless you have complied with all of the policy provisions.
- (b) If you do take legal action against us, you must do so within 12 months after denial of your claim. Suit must be brought in accordance with the provisions of 7 U.S.C. 1508(j).
- (c) Under no circumstances will we be liable for the payment of damages (compensatory, punitive, or other), attorneys' fees, or other charges in connection with any claim for indemnity, whether we approve or disapprove such claim.

11. Payment and Interest Limitations

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction, from and including the 61st day after the date you sign, date, and submit to us the properly completed marketing report. Interest will be paid only if the reason for our failure to timely pay is **NOT** due to your failure to provide information or other material necessary for the computation or payment of the indemnity. The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

12. Concealment, Misrepresentation or Fraud

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has concealed or misrepresented any material fact relating to this Policy:
 - (1) This policy will be void; and
 - (2) You may be subject to remedial sanctions in accordance with 7 CFR part 400, subpart R.
- (b) Voidance of this policy will result in you having to reimburse all indemnities paid for the insurance period.

- (c) Voidance will be effective on the first day of the insurance period for the crop year in which the act occurred and will not affect the policy for subsequent insurance periods unless a violation of this section also occurred in such insurance periods.
- (d) Even though this policy is void, you will still be required to pay the administrative and operating expenses contained on your premium statement to offset costs incurred by us in the service of this policy.
- (e) If you are convicted of a felony for knowingly defrauding the government in connection with this policy, you will be permanently debarred from participation of any program administered by the U.S. Department of Agriculture. The Secretary may reduce the period of debarment to not less than 10 years.

13. Transfer of Coverage and Right to Indemnity

If you transfer any of your milk during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance.

- (a) We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred.
- (b) The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.
- (c) Both you and the transferee are jointly and severally liable for the payment of the premium.
- (d) The transferee has all rights and responsibilities under this policy consistent with the transferee's interest.
- (e) If the transferee is not eligible for livestock insurance for any reason, and the transfer occurs before the final 30 days of the insurance period, then the transferred portion of the coverage will be terminated and no premium for that portion will be refunded.

14. Assignment of Indemnity

- (a) You may assign your right to an indemnity for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation. You may be required to provide proof of the debt or other pecuniary obligation before we will accept the assignment of indemnity.
- (b) All assignments must be on our form and must be provided to us. Each assignment form may contain more than one creditor or other person to whom you have a financial debt or other pecuniary obligation.
- (c) Unless you have provided us with a properly executed assignment of indemnity, we will not make any payment to a lienholder or other person to whom you have a financial debt or other pecuniary obligation even if you may have a lien or other assignment recorded elsewhere. Under no circumstances will we be liable:

- (1) To any lienholder or other person to whom you have a financial debt or other pecuniary obligation where you have failed to include such lienholder or person on a properly executed assignment of indemnity provided to us; or
 - (2) To pay to all lienholders or other persons to whom you have a financial debt or other pecuniary obligation any amount greater than the total amount of indemnity owed under the policy.
- (d) If we have received the properly executed assignment of indemnity form:
- (1) Only one payment will be issued jointly in the names of all assignees and you; and
 - (2) Any assignee will have the right to submit all loss notices and forms as required by the policy.
- (e) If you have suffered a loss from an insurable cause and fail to file a claim for indemnity within the period specified in section 7(a), the assignee may submit the claim for indemnity not later than 15 days after the period for filing a claim has expired. We will honor the terms of the assignment only if we can accurately determine the amount of the claim. However, no action will lie against us for failure to do so.

15. Descriptive Headings

The descriptive headings of the various policy provisions are formulated for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

16. Notices

- (a) All notices required to be given by you must be in writing and received by the insurance agent identified in your application within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by telephone or in person and confirmed in writing. Time of the notice will be determined by the time of our receipt of the written notice. If the date by which you are required to submit a report or notice falls on Saturday, Sunday, or a federal holiday, or if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.
- (b) All notices and communications required to be sent by us to you will be mailed to the address contained in the summary of insurance. Notice sent to such address will be conclusively presumed to have been received by you. You should advise us immediately of any change of address.

17. Applicability of State and Local Statutes

If the provisions of this policy conflict with statutes of the state or locality in which this policy is issued, the policy provisions will prevail. State and local laws and

regulations in conflict with federal statutes or regulations do not apply to this policy.

18. Other Insurance

You must not obtain any other livestock insurance issued under the authority of the Act on the insured milk. If we determine that more than one policy on the milk is intentional, you may be subject to the sanctions authorized under this policy, the Act, or any other applicable statute. If we determine that the violation was not intentional, the policy with the earliest date of application will be in force and all other policies will be void. Nothing in this paragraph prevents you from obtaining other insurance not issued under the Act.

19. Access to Insured Milk and Records, and Record Retention

- (a) We, and any employee of USDA, reserve the right to examine the dairy herd of the insured producer, and all records relating to sale of the milk as often as we reasonably require during the record retention period.
- (b) For three years after the end of the insurance period, you must retain, and provide upon our request, or the request of any USDA employee, complete records of the purchase, feeding (used to determine capacity only), shipment, sale, or other disposition of all the insured milk. This requirement also applies to the records to establish the basis for the marketing report for each insurance period. You must also provide upon our request, or the request of any USDA employee, separate records showing the same information from any milk not insured. We may extend the record retention period beyond three years by notifying you of such extension in writing. Your failure to keep and maintain such records will result in no indemnity being due and since the denial of indemnity is based on a breach of the policy for the insurance period, you will still be required to pay all premiums owed.
- (c) Any person designated by us, and any employee of USDA, will, at any time during the record retention period, have access:
 - (1) To any records relating to this insurance at any location where such records may be found or maintained; and
 - (2) To the farm.
- (d) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, or any person acting for us, to obtain records relating to the insured milk from any person who may have custody of those records including, but not limited to, packers, banks, shippers, sale barns, terminals, cooperatives, associations, and accountants. You must assist us in obtaining all records that we request from third parties.

20. Arbitration

- (a) Any dispute regarding a determination arising out of or relating to this policy will be resolved in

accordance with the rules of the American Arbitration Association (AAA). Notwithstanding any provisions in the rules of the AAA to the contrary, the arbitrator's decision is not binding on you or us and is subject to judicial review under the same standards as a decision rendered by the National Appeals Division.

- (b) The initiation of arbitration proceedings must occur within 12 months of the date of the denial of the claim, including disputes regarding the amount of the claim.
- (c) Failure to agree with any factual determination made by FCIC must be resolved through the FCIC appeal provisions published at 7 CFR part 11.
 - (1) Any interpretation by FCIC will be binding in any mediation or arbitration.
 - (2) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
 - (3) An interpretation by FCIC of a policy provision is considered a determination that is a matter of general applicability.
- (d) No award determined by arbitration or appeal can exceed the amount of liability established or which should have been established under the policy.

21. Contract Changes

- (a) We may change the terms of your coverage under this policy from year to year.
- (b) Any changes in policy provisions, amounts of insurance, premium rates, and program dates will be provided by us to your crop insurance agent not later than the contract change date. You may view the documents or request copies from your crop insurance agent.
- (c) You will be notified, in writing, of changes to the Basic Provisions and Special Provisions not later than 30 days prior to the cancellation date. Acceptance of changes will be conclusively presumed in the absence of notice from you to change or cancel your insurance coverage.
- (d) The contract change date is April 30.

22. Multiple Government Benefits

- (a) If you are eligible to receive an indemnity under this policy and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the insurance contract or by law.
- (b) The total amount received from all such sources may not exceed the amount of your actual loss. The total amount of the actual loss is the difference between the fair market value of the insured commodity before and after the loss, based on your records and the highest amount of insurance available for the commodity.
- (c) FSA will determine and pay the additional amount due you for any applicable USDA program after first considering the amount of any insurance indemnity.