United States Department of Agriculture

Federal Crop Insurance Corporation

FCIC-20080 (05-2022)
Private product 508(h)

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

2023 and Succeeding Crop Years

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

TITLE: LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE (LGM-DAIRY CATTLE) HANDBOOK	NUMBER: FCIC - 20080 OPI: Product Administration & Standards Division
EFFECTIVE DATE: 2023 and Succeeding Crop Years	ISSUE DATE: May 27, 2022
SUBJECT: Provides the procedures and instructions for administering the Livestock Gross Margin for Dairy Cattle (LGM-Dairy Cattle) Plan of Insurance	APPROVED: */s/ Richard Flournoy* **Deputy Administrator for Product Management**

REASON FOR ISSUANCE

This handbook is being issued to provide procedures and instructions for administering the Livestock Gross Margin for Dairy Cattle Plan of Insurance for the 2023 and succeeding crop years.

SUMMARY OF CHANGES

Listed below are the changes to the 2023 FCIC Livestock Gross Margin for Dairy 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.

Reference	Description of Change
LGM-Dairy Cattle Handbook	This is a new handbook so no changes noted.

CONTROL CHART

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Page(s)	Date	Directive Number
Current Index	1-2	1	1-10	11-33	05-2022	FCIC-20080

FILING INSTRUCTIONS

This handbook replaces FCIC-20080 Livestock Gross Margin for Dairy Cattle (LGM-Dairy Cattle) Handbook, dated June 2021. This handbook incorporates and replaces the Underwriting Rules, LGM Dairy Cattle, dated April 2019. This handbook incorporates and replaces the Premium Calculation Instruction, LGM Dairy Cattle, dated October 2010. This handbook is effective for the 2023 and succeeding crop years until obsoleted.

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

TABLE OF CONTENTS

PART 1: GENERAL INFORMATION AND RESPONSIBILITIES

1   General Information

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 he or she 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. For more information on the RMA Non-Discrimination Statement see the DSSH.

D.   Program Duration

LGM is available until cancelled 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.

F. Related Handbooks

The following table provides handbooks related to this handbook.

Handbook	Relation/Purpose
GSH	The duties and responsibilities identified in the GSH apply to LGM except as otherwise noted in Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, and Exhibit 7.
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. The duties and responsibilities identified in the DSSH apply to the LGM for applicable forms and procedures except as otherwise noted in Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, and Exhibit 7.
ITS	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

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

PART 2: INSURABILITY

21   LGM for Dairy Cattle Underwriting Rules

The LGM for Dairy Cattle Insurance Policy provides insurance against the loss of gross margin (market value of milk minus feed costs) on the cattle described on the Application or Target Marketings Report.

A.   Basic Principles

(1)   These underwriting rules ("Rules") govern the LGM for Dairy 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 Dairy Cattle Insurance Policy is a livestock insurance product 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 Insurance Policy, then the rights and obligations of the insured and of the Company will be determined in accordance with the LGM for Dairy Cattle Insurance Policy.

B.   Eligibility

(1)   Only agricultural producers ("Producers") of milk in all 50 states are eligible for the LGM for Dairy Cattle Insurance Policy.

(2)   Eligibility for the LGM for Dairy 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)   The producer's target marketings may not be more than the producer's approved target marketings. Approved target marketings will be the capacity of the producer's dairy operation for the 11-month insurance period as determined by the insurance provider. See Exhibit 4 for instructions to determine Target Marketings.

(4)   You may not have any other FCIC reinsured livestock policy covering the same class of livestock for any month for which the insured has declared target marketings or have any other FCIC reinsured livestock policy covering the same insured livestock at the same time.

C.   Coverage

(1)   The LGM 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. Thispolicy does not insure against death or other loss or destruction of dairy cattle, production loss of milk, or unexpected changes in feed rations.

C.   Coverage (Continued)

(2)   There are twelve insurance periods in each calendar year. Each insurance period runs 11 months and no milk can be insured the first month of any insurance period. Coverage begins on the insured's milk one full calendar month following the SCD, unless otherwise specified in the Special Provisions. For example, for the contract with a SCD in January, coverage will begin on March 1.

(3)   This is a continuous policy and will remain in effect following the acceptance of the original application unless cancelled by the insured or the company in accordance with the terms of the policy. After the initial insurance period the producer must complete a target marketings report by the SCD of the next insurance period to be eligible for coverage in that insurance period.

(4)   The producer must elect the number of cwt of milk to be insured and the number of tons of corn and soybean meal to be fed during the insurance period (with the exception of the first month of any insurance period). This will be the producer's target marketings and feed. Round target marketings to the nearest whole number. The number of tons of corn per month is restricted to be between 0.00364 and 0.0381 tons per cwt of milk. The number of tons of soybean meal per month is restricted to be between 0.000805 and 0.013 tons per cwt of milk. Default values of 0.014 tons (0.5 bushels) of corn and 0.002 tons (4 pounds) of soybean meal per cwt of milk can be used if producers do not wish to choose feed amounts.

(5)   All milk 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 cwt to $2.00 per cwt in $0.10 increments. Each target marketings report 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 per each target marketings report.

(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 program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.

D.   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 endorsement that has not ended, the producer may request the premium and administrative fees to be offset from any indemnity or prevented planting payment due the producer; or

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

E.   Indemnity Reduction

In the event that the total of actual marketings are less than 75 percent of the total of 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.

F.   Marketing Records

The same marketing records can only be used for one endorsement.

(1)   Example 1: Insured declared target marketings of 5,000 cwt of milk for March 2023 on an endorsement purchased in November 2022. The insured also declared another 5,000 cwt of milk for March 2023 on an endorsement purchased in December 2022. In March 2023, the insured marketed 5,000 cwt of milk. They used those marketing records to prove actual marketings for the endorsement purchased in November 2022. They cannot reuse the same record to prove actual marketings for the endorsement purchased in December.

(2)   Example 2: Insured declared target marketings of 5,000 cwt of milk for March 2023 on an endorsement purchased in November 2022. The insured also declared another 5,000 cwt of milk for March 2023 on an endorsement purchased in December 2022. In March 2023, the insured marketed 9,000 cwt of milk. Of the marketed cwt of milk, 5,000 will be considered as actual marketings for the purpose of determining indemnity for the endorsement purchased in November, and 4,000 cwt of milk will be used as actual marketings for the purpose of determining indemnity for the endorsement purchased in December 2022.

A.   Step by Step Instructions to Calculate Premium

(1)   The premium is calculated by a determinant Monte Carlo simulation procedure. The procedure is determinant because the same random "draws" are used for every insured. Inputs into this simulation are projected monthly milk, corn, and soybean meal prices; 5,000 monthly milk, corn, and soybean meal price draws; a marketing plan that shows the amount of milk marketed in each of ten months; the amounts of corn and soybean meal-equivalent feed fed in each of ten months; and a deductible level.

(2)   Let *mep(m)* be the per-cwt expected milk price for month m, m = 2, 3, …, 11. Let *cep(m)* be the per-bushel expected corn price for month m, m = 2, 3, …, 11. Let *sep(m)* be per-ton expected soybean meal price for month m, m = 2, 3, …, 11. Let *mq(m)* be the number of cwt of milk marketed in each month under the producer's marketing plan, m = 2, 3, …, 11. Let *cq(m)* be the number of tons of corn or corn-equivalent feed fed in each month under the producer's marketing plan, m = 2, 3, …, 11. Let *sq(m)* be the number of ton of soybean meal or soybean meal-equivalent feed fed in each month under the producer's marketing plan, m = 2, 3, …, 11. Let *msp(i,m)* be the per-cwt simulated milk price i for month m; i = 1, 2, …., 5,000; m = 2, 3, …, 11. Let *csp(i,m)* be the per-bushel simulated corn price i for month m; i = 1, 2, …., 5,000; m = 2, 3, …, 11. Let *ssp(i,m)* be the per-ton simulated soybean meal price i for month m; i = 1, 2, …., 5,000; m = 2, 3, …, 11. Let *gm(i,m)* denote simulated gross margin i, for month m; i = 1, 2, …., 5,000; m = 2, 3, …, 11. Let *DL* equal the deductible level. Let EMG equal the Expected Total Gross Margin. Let *GMG* equal the Gross Margin Guarantee for the insurance period. Let *SGM* equal the Simulated Total Gross Margin. The factor (2000/56) adjusts the per-bushel corn price to a per-ton corn price.

B.   Step 1. Calculate Expected Total Gross Margin (EGM) and Gross Margin Guarantee (GMG)

EGM(m) = mq(m)*mep(m) - cq(m)*(2000/56)*cep(m) - sq(m)*sep(m)
(round to dollars and cents)

$$EGM = \sum_{m=2}^{11} [EGM\,(m)]\,(\text{round to dollars and cents})$$

$$GMG = EGM - DL * \sum_{m=2}^{11} mq(m)(\text{round to dollars and cents})$$

C.   Step 2. Calculate ten month Simulated Total Gross Margins (SGM)

SGM(i,m) = mq(m)*msp(i,m) - cq(m)*(2000/56)*csp(i,m) - sq(m)*ssp(i,m)
(round to dollars and cents)

$$SGM(i) = \sum_{m=2}^{11} [SGM(i, m)]\ (\text{round to dollars and cents})$$

D.   Step 3. Calculate simulated losses

Loss(i) = max(GMG - SGM(i),0) (round to dollars and cents)

E.   Step 4. Calculate premium

$$\text{premium} = \frac{1}{5000} \sum_{i=1}^{5000} \text{loss(i)} \text{(round to dollars and cents)}$$

F.   Step 5. Calculate total premium

total premium = 1.03*premium (round to whole dollar amount)

G.   Step 6. Look up premium subsidy

Premium subsidy is given in the table below under step six, based on the deductible chosen and the numbers of months with insured marketings. Pooled coverage is when two or more months of an insurance period have insured marketings. Unpooled coverage is when only one month of an insurance period has insured marketings.

H.   Step 7. Calculate producer Premium

Producer premium = Total premium*(1-Premium subsidy) (round to whole dollar amount)

I.   Worked Example of Premium Calculation

Here are the data for the worked example for a February to December insurance period. The deductible level used is $0.00.

Insured quantities

Cwt of Milk Insured, mq(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1560	1560	1560	1560	1560	1560	1560	1560	1560	1560

Corn Equivalent Fed per Month (tons), cq(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5

Soybean Meal Fed per Month (tons), sq(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
6	6	6	6	6	6	6	6	6	6

I.   **Worked Example of Premium Calculation (Continued)**

Expected prices

Per-Cwt of Milk, mep(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18.84	17.36	17.24	17.16	17.37	17.48	17.83	18.09	18.14	17.85

Per-Bushel of Corn Equivalent Feed, cep(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
4.83	4.90	4.96	5.01	5.00	4.94	4.97	4.91	4.90	4.91

Per-Ton of Soybean Meal Equivalent Feed, sep(m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
337.07	340.09	343.10	345.45	347.80	344.57	339.37	325.10	324.80	324.50

Expected Gross Margins, EGM(m)

Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
23,831.73	21,453.56	21,204.37	21,028.86	21,349.69	21,584.59	22,139.83	22,674.98	22,762.10	22,304.18

As an example, the expected gross margin for March is given by:
EGM(March) = 1560*18.84 - 20.5*(2000/56)*4.83 - 6*337.07 = 23831.73

J.   **Step 1. Calculate Expected Total Gross Margin and Gross Margin Guarantee**

EGM = 23831.73 + 21453.56 + 21204.37 + 21028.86 + 21349.69 + 21584.59 + 22139.83 + 22674.98 + 22762.10 + 22304.18 = 220,333.90

GMG = 220,333,90 - 0.00*(1560+1560+1560+1560+1560+1560+1560+1560+1560+1560)
= 220,333.90

K.   **Step 2. Calculate Ten Month Simulated Total Gross Margins**

Per-Cwt of Milk, msp(i,m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
18.63	17.68	17.09	15.06	16.77	17.81	16.6	15.52	19.33	20.06
16.95	15.58	15.75	15.98	15.66	15.52	15.43	14.56	15.29	16.28
19.88	17.26	16.69	17.23	17.15	17.22	17.95	20.34	17.43	17.71

K.   Step 2. Calculate Ten Month Simulated Total Gross Margins (Continued)

Per-Bushel of Corn Equivalent Feed, csp(i,m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
5.45	5.97	6.47	6.13	5.72	6.19	6.75	6.86	7.00	7.18
4.14	3.87	3.58	3.96	4.28	4.14	4.09	3.68	3.30	2.96
3.93	4.23	4.51	3.87	3.17	3.03	2.97	3.19	3.46	3.75

Per-Ton of Soybean Meal Equivalent Feed, ssp(i,m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
353.04	401.76	450.48	448.74	446.99	477.93	538.53	546.86	563.21	579.56
285.71	256.61	227.51	256.20	284.88	281.95	256.80	237.29	211.26	185.22
328.86	329.66	330.46	337.69	344.92	306.96	338.84	324.87	354.83	384.78

Simulated Gross Margins, SGM(i,m)

Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
22,954.38	20,799.35	19,220.56	16,313.12	19,291.4	20,384.06	17,722.86	15,907.54	21,650.54	22,559.45
21,696.67	19,931.75	20,583.87	20,492.31	19,586.75	19,488.43	19,535.54	18,595.57	20,168.77	22,118.34
26,162.32	21,850.68	20,751.68	22,019.27	22,363.59	22,803.05	23,794.5	27,445.64	22,528.61	22,573.38

As an example, the simulated gross margin for March in the 2nd simulation is given by:
SGM(2,March) = 1560*16.95 - 20.5*(2000/56)*4.14 - 6*285.71 = 21,696.67

Simulated Total Gross Margins, SGM(i)
SGM(i)
196,803.30
202,198.00
<u>232,292.70</u>

L.   Step 3. Calculate Simulated Losses

Using the simulations from above:

SGM(i)	Loss(i)
196,803.30	23,530.63
202,198.00	18,135.89
<u>232,292.70</u>	<u>0.00</u>

M.   Step 4. Calculate Premium
The average of all simulated losses equals $12,470.74. Thus, Premium = $12,470.74.

N.   Step 5. Calculate Total Premium

Total premium = 1.03 * $12,470.74 = $12,844.86.

O.   Step 6. Look Up Premium Subsidy

Deductible	Subsidy for Pooled Coverage	Subsidy for Unpooled Coverage
$0.00	0.18	0.00
$0.10	0.19	0.00
$0.20	0.21	0.00
$0.30	0.23	0.00
$0.40	0.25	0.00
$0.50	0.28	0.00
$0.60	0.31	0.00
$0.70	0.34	0.00
$0.80	0.38	0.00
$0.90	0.43	0.00
$1.00	0.48	0.00
$1.10	0.50	0.00
$1.20	0.50	0.00
$1.30	0.50	0.00
$1.40	0.50	0.00
$1.50	0.50	0.00
$1.60	0.50	0.00
$1.70	0.50	0.00
$1.80	0.50	0.00
$1.90	0.50	0.00
$2.00	0.50	0.00

In this example, since the producer chose a $0.00 deductible and had pooled coverage, the premium subsidy is 0.18 or 18%.

P.   Step 7. Calculate Producer Premium

Producer premium = $12,844.86*(1-0.18) = $10,532.79, which is rounded to $10,533.

23-99 (Reserved)

EXHIBITS

Exhibit 1   Acronyms and Abbreviations

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

Approved Acronym/Abbreviation	Term
ACT	The Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).
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
USDA	United States Department of Agriculture

Exhibit 2   Definitions

The following are definitions of terms used in this handbook.

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 the insured in each month of the insurance period and for which the insured has 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.

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 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 the farm capacity for the ten-month insurance period as determined by the insurance underwriter.

Exhibit 2   Definitions (Continued)

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.

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.

CME Group: The Chicago Mercantile Exchange Group.

Company: The insurance company reinsured by FCIC that is identified on, and issuing, the insured's summary of insurance.

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

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 Dairy Cattle Insurance policy.

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 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 total gross margin that the insured elects not to insure. Per cwt deductible amounts range from zero to $2.00 per cwt in 10 cent increments. The deductible equals the selected per cwt deductible times the sum of target marketings across all months of the insurance period.

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

Exhibit 2   Definitions (Continued)

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: 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.

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.

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.

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.

Liability: The maximum amount payable on an Insurance Period under this policy.

Exhibit 2   Definitions (Continued)

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

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 AIP consisting of the LGM for Dairy Cattle Insurance policy, the Special Provisions, the summary of insurance, the Commodity Exchange Endorsement, 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 insured's target marketings in accordance with section 5 of the LGM for Dairy Cattle Insurance policy.

Premium billing date: The earliest date upon which the insured will be billed for insurance coverage based on the insured's target marketing report. The premium billing date 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 or the billing date published in the actuarial documents. For example, if the insurance period is February-December, and the insured only has target marketings in March-May, the billing date is June 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/ or a successor website.

Sales closing date: The last day of the sales period by which the insured's completed application must be received by the AIP. Also, the last date by which the insured may change their insurance coverage for an insurance period.

Exhibit 2   Definitions (Continued)

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 at 9:00 AM Central Time of the following calendar day. Sales 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 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.

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

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 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 Dairy 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.

Summary of insurance: The AIP's statement to the insured, based upon their application, specifying the insured, the milk, the target marketings, gross margin guarantee, and the premium for an insurance period.

Target corn to be fed: The insured's determination as to the number of tons of corn or corn equivalent that they will feed for each month.

Target protein meal to be fed: The insured's determination as to the number of tons of soybean meal or protein meal equivalent they will feed each month.

Target marketings: The insured's determination as to the number of cwt of milk they elect to insure in each month during the insurance period.

Target marketings report: A report submitted by the insured on the AIP's form showing for each month the insured's target marketings for that month.

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.

Exhibit 2   Definitions (Continued)

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.

Exhibit 3   LGM For Dairy Cattle Plan of Insurance Forms

The following exhibits pertain to information the producer must provide to the AIP to obtain coverage under LGM for Dairy Cattle. Instructions must be provided for form completion.

The following forms are necessary for sales of the LGM for Dairy Cattle Plan of Insurance:

A.   Application, Target Marketings and Change Form

This form is filled out to apply for eligibility to purchase LGM for Dairy Cattle insurance. The application also includes the target marketings and target feed rations for each month of the insurance period. No insurance attaches until the company sends the insured a written summary of insurance. See Exhibit 4 for example form and completion instructions.

B.   Social Security Number and Employer Identification Number Reporting Form

See DSSH, Exhibit 23 for social security number and employer identification number reporting form standards. This form includes the social security numbers, employer identification numbers, and share of those with a 10 percent interest or more in the insurance entity and must accompany the application. The SBI is used to establish eligibility and to account for insurance limits.

C.   Marketing Report

This form is submitted by the insured showing for each month the insured actual marketings for that month of milk insured under the policy. The marketing report must be accompanied by copies of sales receipts that provide records of the actual marketings shown on the marketing report. See Exhibit 5 for example form and completion instructions.

D.   Notice of Probable Loss

This form notifies the insured of a probable loss on insured milk at the end of the insurance period. See Exhibit 6 for example form and completion instructions.

E.   Assignment of Indemnity

This form contains necessary information to assign any indemnity to a third party. The 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." See DSSH, Exhibit 28 for assignment of indemnity form standards.

     F.   **Transfer of Right to Indemnity**

         This form contains necessary information to transfer the right of an indemnity if the livestock or livestock product is sold prior to the end of insurance period to transfer any indemnity to the new owner (providing the new owner meets eligibility requirements). See Exhibit 7 for example form and completion instructions.

     G.   **Power of Attorney**

         This form contains the necessary information authorizing one to act as another's attorney or agent. See DSSH, Exhibit 27 for power of attorney form standards.

EXAMPLE FORM

LIVESTOCK GROSS MARGIN INSURANCE FOR DAIRY CATTLE POLICY APPLICATION, TARGET MARKETINGS AND CHANGE FORM

Policy #: **1**	State: **2**	
Reinsurance Year **3**	Page # **4** Of	

Applicant's Name: **5**	Agency Name: **15**	☐ New Applicant **22** ☐ Transfer / ☐ Additional Insurance Period
Street or Mailing Address: **6**	Agency/Agent Street or Mailing Address **16**	☐ Name Change ☐ Policy Change ☐ Address Change ☐ Correct Tax ID ☐ Cancellation ☐ Policy Cancellation *Reason for Cancellation ☐ In House Transfer ☐ Correct Spelling of Insured Name ☐ Add/Change Insured's Auth. Rep.* ☐ Other
City and State: **7** Zip Code	City and State **17** Zip Code	
Applicant's E-Mail Address: **8** Applicant's Fax #	Agent's E-Mail Address/Fax # **18**	
Phone # **9**	Phone # **19**	**CERTIFICATION:** **23** ☐ YES ☐ NO (a) I certify that the Target Marketings and Feed stated in this application reflect milk that I plan to produce and feed that I plan to use for milk production. ☐ YES ☐ NO (b) I certify that I control adequate facilities to produce the amount of milk reflected by the Target Marketings stated in this application. ☐ YES ☐ NO (c) I understand that, in the event of a claim, my coverage will be reduced to the amount of milk sold and no premium will be refunded if the amount of milk sold is less than 75% of the Target Marketings stated in this application.
Tax Identification # **10** Check One ☐ SSN ☐ EIN ☐ Other **11**	Agency Code **20**	
Spouse's Tax ID # **12** Type of Entity **13**	Applicant's Authorized Representative (Submit Completed Power of Attorney Form)	
Is applicant at least 18 years old? ☐ Yes ☐ No **14**	**21**	

(Complete for Transfer only) Current Insurer and Policy Number: **24**

☐ YES ☐ NO   I REQUEST INSURANCE COVERAGE FOR ALL MILK SPECIFIED BELOW. (Complete for Application and Additional Insurance Periods) **25** | Effective Date **26**

County **27**	Approved Marketings **28**	Deductible ($/cwt.) **29**		**30** Target Marketings and Feed By Month (Enter Month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month7	Month 8	Month 9	Month 10	Month 11
			Hundredweight of Milk										
			Tons of Corn										
			Tons of Protein Meal										

A.   Required Statements (Substantive)

(1)   "I understand Livestock Gross Margin for Dairy Cattle Insurance may not be purchased for the month immediately following the application date. I also understand that I will have no Livestock Gross Margin for Dairy Cattle Insurance coverage for the milk described in this application unless the insurance company issues a written summary of insurance to me. I certify that the information on this application is complete and accurate; that none of the reasons for rejection in items 1 through 3 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application."

(2)   "Subject to the provisions of the Federal Crop Insurance Act, and the regulations issued under that Act, I hereby apply for insurance on the commodity as specified below for the effective year. I understand that the premium rates and insurance periods are on file and available for my inspection in my agent's office. I further understand that no insurance will be available on a commodity unless an application and target marketings form is completed and filed with my agent by the sales closing date, if applicable. I also further understand that, although insurance under this application is continuous from year to year, policy terms may change from crop year to crop year. These changes will be made by the contract change date."

A.   **Required Statements (Substantive) (Continued)**

(3)   "This insurance policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the provisions of the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) (Act). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act and may not be waived or varied in any way by any agent or employee of FCIC or the insurance provider. In the event we cannot pay your loss, your claim will be settled in accordance with the provisions of this policy and paid by FCIC. No state guarantee fund will be liable for your loss. Throughout this policy, "you" and "your" refer to the named insured shown on the application and "we," "us," and "our" refer to the insurance company providing insurance. 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."

(4)   Conditions of Acceptance Statements

   Note: See DSSH, Exh. 2

(5)   Certification Statement

   Note: See DSSH, Para. 502

(6)   Privacy Act Statement

   Note: See DSSH, Para. 501

(7)   Nondiscrimination Policy Statement

   Note: See DSSH, Para. 503

B.   **Required Signatures (Substantive)**

(1)   "Insured's Printed Name, Signature and Date" **31**

(2)   "Agent's Printed Name, Signature and Date" **32**

(3)   "Remarks" **33**

C.   **Application, Target Marketings, and Change Form Instructions (All items on Example Form are Substantive)**

(1)   Policy #: Enter the policy number from the confirmation screen.

(2)   State: Enter your state.

(3)   Reinsurance Year: Enter the year in which coverage will end.

(4)   Page # _ of _: Enter the number of the page and the number of pages of the complete application. For example, if four pages were used to complete the application and this is the second page, fill in Page # 2 of 4.

(5)   Applicant's Name: Enter the applicant's name.

(6)   Street or Mailing Address: Enter the applicant's street or mailing address.

(7)   City, State, Zip Code: Enter the applicant's city, state, and zip code.

(8)   Applicant's E-Mail Address/Fax: Enter the applicant's email address and fax number if available.

(9)   Phone #: Enter the applicant's phone number.

(10)   Tax Identification #: Enter the applicant's Tax ID number. This may be the same as the applicant's social security number. This information is used to report any loss payments to the IRS.

(11)   Check One: SSN, EIN, Other: Check the type of tax identification number used.

(12)   Spouse's Tax ID #: Enter the applicant's spouse's tax identification number.

(13)   Type of Entity: State the applicant's type of business entity (individual, corporation, partnership).

(14)   Is the applicant at least 18 years old? Check yes or no.

(15)   Agency Name: Enter the insurance agency name.

(16)   Agency/Agent Street or Mailing Address: Enter the street or mailing address.

(17)   City and State, and Zip Code: Enter the city, state and zip code of the insurance agency.

(18)   Agent's E-mail Address/Fax: Enter the e-mail address and fax number of the insurance agency.

(19)   Phone #: Enter the phone number of the agency.

C.   **Application, Target Marketings, and Change Form Instructions (Continued)**

(20)   Agency Code: Enter the agency code.

(21)   Applicant's Authorized Representative: If applicable, enter the applicant's authorized representative. A completed Power of Attorney form must be submitted with the initial application.

(22)   Check all that apply. If cancelling the policy, list the code of the reason for cancellation.
Cancellation Reason Codes
I   Insured's Request
D   Death, Incompetency, or Dissolution
M   Mutual Consent
O   Other (Please Explain)

(23)   Certification: Check yes or no.

(24)   (Complete for Transfer Only) Current Insurer and Policy Number: If transferring the LGM for Dairy Cattle Policy to a different insurance company, provide the name of the current insurer and the policy number. If not transferring, leave blank.

(25)   Check yes if the applicant is requesting insurance coverage for the milk specified in the target marketings portion of the application.

(26)   Effective Date: Enter the calendar date for Thursday of the sales period.

(27)   Enter the county dairy cattle are domiciled in.

(28)   Enter the applicant's number of approved marketings.

(29)   Enter the desired deductible amount per cwt of milk. The allowable deductible amounts range from $0 per cwt. to $2.00 per cwt. in $.10 per cwt. increments.

(30)   Target Marketings and Feed: Enter the target marketings and feed for each month. If there are months where the applicant is not marketing and/or insuring milk, enter a zero (0) for all three components. For each month, target tons of corn must be between 0.00364 and 0.02912 tons per cwt of insured milk and target tons of protein meal must be between 0.000805 and 0.006425 tons per cwt of insured milk.

(31)   Applicant's/Insured's Printed Name, Signature and Date.

(32)   Agent's Printed Name, Signature, Date and Code Number.

(33)   Remarks: Enter any remarks that should be known by the insurance company.

Exhibit 5 **LGM for Dairy Cattle Marketings Report Form**

EXAMPLE FORM

LIVESTOCK GROSS MARGIN INSURANCE FOR DAIRY CATTLE POLICY MARKETING REPORT

Policy # **1**	State **2**	
Reinsurance Year **3**	Page # **4**	Of

Insured's Name **5**	
Street or Mailing Address **6**	
City and State **7**	Zip Code
Insured's E-Mail Address **8**	Insured's Fax #
Phone # **9**	
Tax Identification # **10**	**11** Check One SSN ☐ EIN ☐ Other ☐
Spouse's Tax ID # **12**	Type of Entity* **13**
Is applicant at least 18 years old? Yes ☐ No ☐ **14**	

Producer's Initials

CONDITIONS: 15

_____ (a) All of the information on this Marketing Report is true to the best of my knowledge.

_____ (b) I understand that falsifying information on this marketing report is a crime punishable by jail or fine.

_____ (c) Copies of all marketing receipts and claim statements are attached.

CERTIFICATION: 16

☐ YES ☐ NO (a) I certify that the Actual Marketings stated in this marketing report reflect milk that I have produced during the insurance period using facilities that I control.

☐ YES ☐ NO (b) I certify that I control adequate facilities to produce the amount of milk reflected by the Actual Marketings stated in this marketing report.

☐ YES ☐ NO (c) I understand that, in the event of a claim, my coverage will be reduced to the amount of milk sold and no premium will be refunded if the amount of milk sold is less than 75% of the Target Marketings stated in this application.

COPIES OF ALL MARKETING RECEIPTS AND CLAIM STATEMENTS FOR THE APPLICABLE MARKETING PERIOD MUST BE ATTACHED TO THIS MARKETING REPORT.

LIST ALL COVERED MARKETINGS

	County **17**	Approved Marketings **18**	Deductible ($ per cwt.) **19**	**20** Actual Marketings By Month (enter month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Hundredweight of Milk													

A. Required Statements (Substantive)

(1) Certification Statement

Note: See DSSH, Para. 502

(2) Privacy Act Statement

Note: See DSSH, Para. 501

(3) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) "Insured's Printed Name, Signature and Date" **21**

(2) "AIP Verifier's Printed Name, Signature and Date" **22**

(3) "Remarks" **23**

C. Marketings Report Form Instructions (All items on Example Form are Substantive)

(1) Policy #: Enter the policy number from the confirmation screen.

(2) State: Enter your state.

(3) Reinsurance Year: Enter the year in which coverage will end.

Exhibit 5   **LGM for Dairy Cattle Marketings Report Form (Continued)**

C.   Marketings Report Form Instructions (Continued)

(4)   Page # _ of _: Enter the number of the page and the number of pages of the complete application. For example, if four pages were used to complete the application and this is the second page, fill in Page # 2 of 4.

(5)   Insured's Name: Enter the insured's name.

(6)   Street or Mailing Address: Enter the insured's street or mailing address.

(7)   City, State, and Zip Code: Enter the insured's city, state, and zip code.

(8)   Insured's E-Mail Address and Insured's Fax #: Enter the insured's email address and fax number if available.

(9)   Phone #: Enter the insured's phone number.

(10)   Tax Identification #: Enter the insured's tax identification number. This number may be the same as the insured's social security number, employer tax identification number, or other similar tax identification number.

(11)   Check one: Check the type of tax identification number used. If Other is checked, please write in the type of tax identification used.

(12)   Spouse's Tax Identification #: Enter the insured's spouse's tax identification number.

(13)   Type of Entity: Fill in the insured's type of tax entity. For example, specify corporation, partnership, L.L.C, etc. For an individual, leave blank.

(14)   Applicant over 18 years of age: Check yes or no.

(15)   Conditions: Check yes or no.

(16)   Certification: Check yes or no.

(17)   Enter county dairy cattle are domiciled.

(18)   Enter the insured's number of approved marketings.

(19)   Enter the desired deductible amount per cwt of milk. The allowable deductible amounts from $0 per cwt. to $2.00 per cwt. in $.10 per cwt. increments.

(20)   Actual Marketings. Enter the actual marketings for each month. Feed rations are held fixed at the target feed levels reported on the Application, Target Marketings, and Change Form. If there are months where the insured did not market milk, enter a zero (0).

Exhibit 5   **LGM for Dairy Cattle Marketings Report Form (Continued)**

C.   **Marketings Report Form Instructions (Continued)**

(21)   Insured's Printed Name, Signature and Date.

(22)   AIP Verifier's Printed Name, Signature and Date.

(23)   Remarks: Fill in any information that claims adjusters or insurance companies should be aware of.

Exhibit 6   Notice of Probable Loss Form

EXAMPLE LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE
NOTICE OF PROBABLE LOSS

Policy Number	1	Claim Number (Company Use)	2

According to our records, you may be entitled to an indemnity under the above policy endorsement based on the information presented below. The calculation of the indemnity is shown in Section 4 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 to receive a Marketings Report form or if the information shown in Sections 1, 2, or 3 is not correct.

Assignment of Indemnity? 3   Yes ☐ No ☐   Transfer of Right to Indemnity? 4   Yes ☐ No ☐

Section 1. INSURED			Section 2. INSURANCE AGENCY		
Insured's Name 5	SSN 6	EIN	Insurance Agency Name 13		Agency Code 14
Name of Farm/Ranch or Business 7			Insurance Agent's Name 15		Agent's Code 16
Street or Mailing Address 8			Street or Mailing Address 17		
City 9	County	State Zip Code	City 18	State	Zip Code
Insured's Phone 10	Fax 1 1	E-mail Address 12	Agent's Phone 19	Fax 20	E-mail Address 21

Section 3. ASSIGNMENT OF INDEMNITY/ TRANSFER OF RIGHT TO INDEMNITY	
Assignee's Name 22	Assignee's SSN / EIN (circle one and enter number) 25
Street or Mailing Address 23	Assignee's Phone 26 — Fax 27
City 24	State — Zip Code

Section 4. INDEMNITY CALCULATION

If the actual gross margin is less than the expected gross margin, an indemnity is due.

Insurance Period: Eleven-Month Insurance Period Beginning_____(Month, Year) 28

Effective Date 29

30 Target Marketings By Month
(enter month)

Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11

Probable Indemnity

Deductible 31	Gross Margin Guarantee 32	Actual Gross Margin 33	Probable Indemnity 34

    A.   **Notice of Probable Loss Form Instructions (All items on Example Form are Substantive)**

    (1)   Policy Number: Enter policy number.

    (2)   Claim Number: Enter claim number.

    (3)   Assignment of Indemnity: Check yes or no.

    (4)   Transfer of Right to Indemnity: Check yes or no.

    (5)   Insured's Name: Enter insured's name.

    (6)   SSN or EIN: Enter insured's social security number or employer identification number.

    (7)   Name of Farm/Ranch or Business: Enter name of insured's farm/ranch or business.

    (8)   Street or Mailing Address: Enter insured's street or mailing address.

    (9)   City, County, State, and Zip Code: Enter insured's city, county, state, and zip code.

    (10)   Phone: Enter insured's phone number.

    (11)   Fax: Enter insured's fax number (if available).

    (12)   E-mail address: Enter insured's e-mail address (if available).

    (13)   Insurance Agency Name: Enter name of insurance agency.

    (14)   Agency Code: Enter the agency code.

    (15)   Insurance Agent's Name: Enter agent's name.

    (16)   Agent's Code: Enter agent's code.

    (17)   Street or Mailing Address: Enter street or mailing address of agency.

    (18)   City, State, and Zip Code: Enter city, state, and zip code of agency.

    (19)   Phone: Enter agency's phone number.

    (20)   Fax: Enter agency's fax number (if available).

    (21)   E-mail Address: Enter agency's e-mail address (if available).

    (22)   Assignee's Name: Enter name of assignee.

     A.   **Notice of Probable Loss Form Instructions (Continued)**

         (23)   Street or Mailing Address: Enter assignee's street or mailing address.

         (24)   City, State, and Zip Code: Enter city, state, and zip code of assignee.

         (25)   Assignee's SSN/EIN: Enter assignee's social security number or employer identification number.

         (26)   Assignee's Phone: Enter assignee's phone number.

         (27)   Fax: Enter assignee's fax number (if available).

         (28)   Insurance Period: Enter month and year.

         (29)   Effective Date: Enter the calendar date for Thursday of the sales period.

         (30)   Target Marketings: Enter marketings.

         (31)   Deductible: Enter deductible amount ($ per cwt of milk).

         (32)   Gross Margin Guarantee: Enter guarantee.

         (33)   Actual Gross Margin: Enter actual gross margin.

         (34)   Probable Indemnity: Enter probable indemnity.

Exhibit 7   Transfer of Right to an Indemnity Form

TRANSFER OF RIGHT TO AN INDEMNITY EXAMPLE FORM

Policy Number	Crop Year	Effective Date of Transfer	Nature of Transfer
1	2	3	4

TRANSFEROR (INSURED)	TRANSFEREE (S)
Transferor Name 5	Transferee Name 8
Street or Mailing Address 6	Street or Mailing Address 9
City, State, Zip Code 7	City, State, Zip Code 10
	SSN/EIN (circle one and enter number) 11

12 Are all the insured dairy cattle and milk and all the insured share in the operation(s) being transferred?

Yes	Make checks payable to Transferee(s) only. Check will be mailed to Transferee's address shown above
No	Make check payable jointly to Insured and Transferee(s). Check will be mailed to Insured's address shown above (unless an assignment of indemnity is on file.

Effective Date 13	Deductible ($ per head)	Target Marketings by Month (enter name of month and number of head)					Premium	Guarantee
		Month 2	Month 3	Month 4	Month 5	Month 6		
Total:	14	15					16	17
Transferred:	18	19					20	21
Retained:	22	23					24	25
		Target Marketings by Month (enter name of month and number of head)						
		Month 7	Month 8	Month 9	Month 10	Month 11		
							16	17
							20	21
							24	25

1. Acceptance by the 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 Insurance Provider of satisfactory evidence that said transfer occurred before the end of the insurance period; i.e., (1) the last month of the insurance period in which you have target marketings, (2) the sale of the dairy cattle and milk, or (3) as otherwise specified in the policy.
   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.
   c. All other terms and provisions set forth herein.
2. The Insurance Provider shall not be liable for any more indemnity than existed before the transfer occurred.
3. The insurance contract of the Transferor covers the share hereby transferred only to the end of the insurance period for the current crop year.
4. The Transferee and the Transferor shall be jointly and severally liable for any unpaid premium earned for the current crop year on the acreage and share transferred.

The premium for the coverage has been paid.   Yes ☐   No ☐   26

Exhibit 7   Transfer of Right to an Indemnity Form (Continued)

  A.   Required Statements (Substantive)

  (1)   "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 and/or administrative fees on the termination date of the policy will make both the transferee and the transferor ineligible for the crop insurance program."

  Note: This statement must appear above the signature line.

  (2)   Certification Statement

  Note: See DSSH, Para. 502

  (3)   Privacy Act Statement

  Note: See DSSH, Para. 501

  (4)   Nondiscrimination Policy Statement

  Note: See DSSH, Para. 503

  B.   Required Signatures (Substantive)

  (1)   "Transferor's Printed Name, Signature and Date" **27**

  (2)   "Transferee's Printed Name, Signature and Date" **28**

  (3)   "Agent's Printed Name, Signature, Code Number and Date" **29**

  C.   Transfer of Right to an Indemnity Form Instructions (All items on Example Form are Substantive)

  (1)   Policy Number: Enter the policy number.

  (2)   Crop Year: Enter the current crop year.

  (3)   Effective Date of Transfer: Enter the date on which the transfer of right to an indemnity will be effective.

  (4)   Nature of Transfer: Enter the reason for the transfer of right to an indemnity.

  (5)   Transferor Name: Enter the name of the transferor (Insured).

  (6)   Street or Mailing Address: Enter the street or mailing address of the transferor.

  (7)   City, State, Zip Code: Enter the city, state, and zip code of the transferor.

Exhibit 7   Transfer of Right to an Indemnity Form (Continued)

  C. **Transfer of Right to an Indemnity Form Instructions (Continued)**

    (8) Transferee Name: Enter the name of the transferee(s).

    (9) Street or Mailing Address: Enter the street or mailing address of the transferee(s).

    (10) City, State, Zip Code: Enter the city, state, and zip code of the transferee(s).

    (11) SSN/EIN: Circle the type of identification number as either a social security number (SSN) or employer identification number (EIN) and enter this identification number for the transferee(s).

    (12) Are all the insured livestock and livestock products and all the insured share in the livestock being transferred? Check yes or no.

    (13) Effective Date: Enter the calendar date of Thursday of the sales period.

    (14) Deductible/Total: Enter the deductible for the policy.

    (15) Total Target Marketings: Enter the total target marketings for each month of the insurance period.

    (16) Total Premium: Enter the total premium for the insurance period.

    (17) Total Guarantee: Enter the total guarantee for the insurance period.

    (18) Transferred Deductible: Enter the deductible for the transferred livestock and livestock product.

    (19) Transferred Target Marketings: Enter the target marketings that are transferred for each month of the insurance period.

    (20) Transferred Premium: Enter the premium for the transferred target marketings.

    (21) Transferred Guarantee: Enter the guarantee for the transferred target marketings.

    (22) Retained Deductible: Enter the deductible of the retained livestock and livestock products.

    (23) Retained Target Marketings: Enter the target marketings that are retained for each month of the insurance period.

    (24) Retained Premium: Enter the premium for the retained target marketings.

    (25) Retained Guarantee: Enter the guarantee for the retained target marketings.

    (26) The premium for the coverage has been paid: Check yes or no.

     C.   **Transfer of Right to an Indemnity Form Instructions (Continued)**

         (27)   Transferor's Printed Name, Signature and Date.

         (28)   Transferee's Printed Name, Signature and Date.

         (29)   Agent's Printed Name, Signature, Code Number and Date.