

## Livestock Gross Margin (for cattle) | LGM

MPCI Crop-Hail Specialty Crop Farm Property and Casualty



Rain and Hail  
Agricultural Insurance



www.RainHail.com

## The Rain and Hail Difference

The Rain and Hail difference sets us apart from other agricultural insurance providers. The difference is our commitment to always provide the best service possible to each and every customer, being employee owned, just like you, and believing in a strong safety net for America's agricultural communities.

### Sound Products Backed by Strong Companies

- **Agri General Insurance Company** - AM Best Rating A (Excellent)
- **ACE USA Companies** - AM Best Rating A+ (Superior)

### Unmatched Claims Service

Response in a loss situation brings out the true character of the company. Time and time again, Rain and Hail is there for our customers when they need us, by providing:

- Tools to quickly and easily submit claims
- Prompt and accurate claims adjustment
- Expedited claim payments

### One Stop Service

Rain and Hail is a "one-stop insurance shop" offering all of the agricultural insurance products you need to properly protect your operation, including:

- Multi-Peril
- Crop-Hail
- Specialty crop lines
- Farm Property and Casualty
- Commercial Auto
- Farm Umbrella

For more information, visit [www.RainHail.com](http://www.RainHail.com) or contact your local Rain and Hail Insurance Professional with the Blue Sign:



## The Rain and Hail Family of Companies

Rain and Hail and Agri General Insurance Company  
9200 Northpark Drive • Johnston, Iowa 50131

MKTG\_1029\_06\_22\_09

### LGM Loss Payments

- Calculate the Actual Gross Margin using the last three trading days prior to each contract's expiration date.
- Subtract the Total Actual Gross Margin from the Gross Margin Guarantee to obtain the loss payment.
- The price at which cattle are sold does not affect the loss payment.
- **Loss payments will be prorated if actual marketings fall below 75% of target marketings.**

### How it Works (3 months of Marketings)

Month	Expected Live Cattle	Actual Live Cattle	Expected Feeder Cattle	Actual Feeder Cattle	Expected Corn	Actual Corn	Expected Feed Cost Per Head	Actual Feed Cost Per Head	Expected Gross Margin per head	Actual Gross Margin per head	Expected Number of Head	Expected Gross Margin	Actual Gross Margin	
October			\$112.67	\$112.67										
November			\$114.72	\$114.72										
December			\$115.84	\$115.84	\$1.82	\$1.82								
January					\$1.89	\$2.24								
February					\$1.96	\$2.26								
March	\$93.70	\$93.70			\$104.65	\$104.65	\$104.65	\$104.65	\$221.58	\$221.58	100 Head	\$22,158	\$22,158	
April	\$93.22	\$89.65			\$108.68	\$128.80	\$128.80	\$128.80	\$196.18	\$131.43	280 Head	\$49,045	\$32,658	
May	\$90.29	\$90.23			\$112.70	\$129.95	\$129.95	\$147.13	\$129.13	\$129.13	1,000 Head	\$147,130	\$129,130	
<b>Total Head and Gross Margin</b>												<b>1,350</b>	<b>\$216,333</b>	<b>\$184,146</b>
<b>Total Expected Gross Margin Less Deductible</b>														
												\$13,500 Ded (1,350 ha x \$10 per hd ded)	\$204,833	
														<b>Indemnity (\$204,833 - \$184,146) = \$20,687</b>

# Livestock Gross Margin for Cattle (LGM)

## About LGM

LGM provides protection against loss of gross margin (market value of cattle minus feeder cattle and feed costs) on cattle.

LGM covers a decline in cattle prices and/or an increase in feed costs and/or an increase in feeder cattle prices.

## LGM Eligibility

Cattle producers in CO, IL, IN, IA, KS, MI, MN, MO, MT, NE, NV, ND, OH, OK, SD, TX, UT, WI, WV, and WY feeding cattle in these states are eligible for LGM (producers must have an ownership share in cattle being produced).

## LGM Coverage Levels

Producers can choose deductible amounts from \$0 to \$150 per head in increments of \$10.

## Determining Coverage for LGM

First, determine whether the operation is a yearling to finish, or a calf to finish. Next, determine the number of cattle to be marketed each month of the insurance period, then sum the ten monthly expected Gross Margin amounts and subtract the applicable deductible (ded. per head x sum of target marketings) to obtain the insurance period Gross Margin Guarantee:

### • Yearling to Finish

Expected Gross Margin per Head =  
 $(12.50 \times \text{Live Cattle}_{t-1}) - (7.50 \times \text{Feeder Cattle}_{t-6}) - (50.0 \times \text{Corn}_{t-2})$

### • Calf to Finish

Expected Gross Margin per Head =  
 $(11.50 \times \text{Live Cattle}_{t-1}) - (5.50 \times \text{Feeder Cattle}_{t-8}) - (52.0 \times \text{Corn}_{t-4})$

## LGM Coverage Period and Restrictions

- 12 insurance periods per calendar year.
- Target marketings can't be insured in the first month of the period.
- Price risk protection lasts for eleven months (ex: Jan. 31 sales closing date covers Feb. [no cov. in Feb.] - Dec.).
- Price guarantees are based on futures prices and are set the last business Friday of each month.
- Sales period begins the last business Friday of each month until 8:00 p.m. the following evening.
- Covers up to 5,000 head during any eleven month insurance period and up to 10,000 head per crop year.

**Contract Months Used to Determine Expected Price for Each Calendar Month (Commodity exchange contract months are in BOLD)**

Sales Closing Date*	Insurance Period	Month	Yearling Finishing			Calf Finishing			Sales Closing Date*	Insurance Period	Month	Yearling Finishing			Calf Finishing			Sales Closing Date*	Insurance Period	Month	Yearling Finishing			Calf Finishing								
			Cattle	Feeder	Corn	Cattle	Feeder	Corn				Cattle	Feeder	Corn	Cattle	Feeder	Corn				Cattle	Feeder	Corn	Cattle	Feeder	Corn	Cattle	Feeder	Corn			
January No cov. in Feb.	February - December	Mar.	Mar.	Oct.	Jan.	Mar.	July	Nov.	May No cov. in June	June - April	July	July	Feb.	May	July	Nov.	Mar.	Sept.	October - August	Nov.	Nov.	June	Sept.	Nov.	Mar.	July						
		Apr.	Apr.	Nov.	Feb.	Apr.	Aug.	Dec.			Aug.	Aug.	Mar.	June	Aug.	Dec.	April			Dec.	Dec.	July	Oct.	Dec.	April	Aug.						
		May	May	Dec.	Mar.	May	Sept.	Jan.			Sept.	Sept.	April	July	Sept.	Jan.	May			Jan.	May	Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.				
		June	June	Jan.	April	June	Oct.	Feb.			Oct.	Oct.	May	Aug.	Oct.	Feb.	June			June	June	June	Feb.	Feb.	Sept.	Dec.	Feb.	June	Oct.			
		July	July	Feb.	May	July	Nov.	Mar.			Nov.	Nov.	June	Sept.	Nov.	Mar.	July			July	July	July	Mar.	Mar.	Oct.	Jan.	Mar.	July	Nov.			
		Aug.	Aug.	Mar.	June	Aug.	Aug.	Dec.			April	Dec.	Dec.	July	Oct.	Dec.	April			April	April	Nov.	Feb.	April	Nov.	Feb.	April	Aug.	Dec.			
		Sept.	Sept.	April	July	Sept.	Jan.	May			Jan.	Jan.	Jan.	Aug.	Nov.	Jan.	May			May	May	Dec.	Mar.	May	May	Dec.	Mar.	May	Sept.	Jan.		
		Oct.	Oct.	May	Aug.	Oct.	Feb.	June			Feb.	Feb.	Feb.	Sept.	Dec.	Feb.	June			June	June	June	Oct.	June	June	Jan.	April	June	Oct.	Feb.		
		Nov.	Nov.	June	Sept.	Nov.	Mar.	July			Mar.	Mar.	Mar.	Oct.	Jan.	Mar.	July			July	July	Nov.	July	July	July	Feb.	May	July	Nov.	Mar.		
		Dec.	Dec.	July	Oct.	Dec.	April	Aug.			April	April	April	Nov.	Feb.	April	Aug.			Aug.	Aug.	Dec.	April	Aug.	Aug.	Mar.	June	Aug.	Dec.	April		
		Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.			Jan.	May	May	Dec.	Mar.	May	Sept.			Jan.	Jan.	Jan.	Jan.	Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.		
		February No cov. in Mar.	March - January	April	April	Nov.	Feb.	April			Aug.	Dec.	June No cov. in July	July - May	Aug.	Aug.	Mar.			June	Aug.	Dec.	April	Oct.	November - September	Dec.	Dec.	July	Oct.	Dec.	April	Aug.
May	May			Dec.	Mar.	May	Sept.	Jan.	Sept.	Sept.	April	July			Sept.	Jan.	May	Jan.	Jan.	Aug.	Nov.	Jan.	May			Sept.						
June	June			Jan.	April	June	Oct.	Feb.	Oct.	Oct.	May	Aug.			Oct.	Feb.	June	June	June	Feb.	Feb.	Sept.	Dec.			Feb.	June	Oct.				
July	July			Feb.	May	July	Nov.	Mar.	Nov.	Nov.	June	Sept.			Nov.	Mar.	July	July	July	July	March	Mar.	Oct.			Jan.	Mar.	July	Nov.			
Aug.	Aug.			Mar.	June	Aug.	Dec.	April	Dec.	Dec.	July	Oct.			Dec.	April	Aug.	April	April	Nov.	Feb.	April	Nov.			Feb.	April	Aug.	Dec.			
Sept.	Sept.			April	July	Sept.	Jan.	May	Jan.	Jan.	Jan.	Aug.			Nov.	Jan.	May	May	May	Dec.	Mar.	May	May			Dec.	Mar.	May	Sept.	Jan.		
Oct.	Oct.			May	Aug.	Oct.	Feb.	June	Feb.	Feb.	Feb.	Sept.			Dec.	Feb.	June	June	June	June	June	June	June			Jan.	April	June	Oct.	Feb.		
Nov.	Nov.			June	Sept.	Nov.	Mar.	July	Mar.	Mar.	Mar.	Oct.			Jan.	Mar.	July	July	July	Nov.	July	July	July			Feb.	May	July	Nov.	Mar.		
Dec.	Dec.			July	Oct.	Dec.	April	Aug.	April	April	April	Nov.			Feb.	April	Aug.	Aug.	Aug.	Dec.	April	Aug.	Aug.			Mar.	June	Aug.	Dec.	April		
Jan.	Jan.			Aug.	Nov.	Jan.	May	Sept.	Jan.	May	May	Dec.			Mar.	May	Sept.	Jan.	Jan.	Jan.	Jan.	Jan.	Jan.			Aug.	Nov.	Jan.	May	Sept.		
Feb.	Feb.			Sept.	Dec.	Feb.	June	Oct.	June	June	June	Jan.			April	June	Oct.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.			Sept.	April	July	Sept.	Jan.	May	
March No cov. in April	April - February			May	May	Dec.	Mar.	May	Sept.	Jan.	July No cov. in Aug.	August - June			Sept.	Sept.	April	July	Sept.	Jan.	May	Nov.	December - October			Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.
		June	June	Jan.	April	June	Oct.	Feb.	Oct.	Oct.			May	Aug.	Oct.	Feb.	June	June	June	Feb.	Feb.			Sept.	Dec.	Feb.	June	Oct.				
		July	July	Feb.	May	July	Nov.	Mar.	Nov.	Nov.			June	Sept.	Nov.	Mar.	July	July	July	March	Mar.			Oct.	Jan.	Mar.	July	Nov.				
		Aug.	Aug.	Mar.	June	Aug.	Dec.	April	Dec.	Dec.			July	Oct.	Dec.	April	Aug.	April	April	Nov.	Feb.			April	Nov.	Feb.	April	Aug.	Dec.			
		Sept.	Sept.	April	July	Sept.	Jan.	May	Jan.	Jan.			Jan.	Aug.	Nov.	Jan.	May	May	May	Dec.	Mar.			May	May	Dec.	Mar.	May	Sept.	Jan.		
		Oct.	Oct.	May	Aug.	Oct.	Feb.	June	Feb.	Feb.			Feb.	Sept.	Dec.	Feb.	June	June	June	June	June			June	June	Jan.	April	June	Oct.	Feb.		
		Nov.	Nov.	June	Sept.	Nov.	Mar.	July	Mar.	Mar.			Mar.	Oct.	Jan.	Mar.	July	July	July	Nov.	July			July	July	Feb.	May	July	Nov.	Mar.		
		Dec.	Dec.	July	Oct.	Dec.	April	Aug.	April	April			April	Nov.	Feb.	April	Aug.	Aug.	Aug.	Dec.	April			Aug.	Aug.	Mar.	June	Aug.	Dec.	April		
		Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.	Jan.	May			May	Dec.	Mar.	May	Sept.	Jan.	Jan.	Jan.	Jan.			Jan.	Jan.	Aug.	Nov.	Jan.	May	Sept.		
		Feb.	Feb.	Sept.	Dec.	Feb.	June	Oct.	June	June			June	Jan.	April	June	Oct.	Feb.	Feb.	Feb.	Feb.			Feb.	Feb.	Sept.	April	July	Sept.	Jan.	May	
		April No cov. in May	May - March	June	June	Jan.	April	June	Oct.	Feb.			August No cov. in Sept.	September - July	Oct.	Oct.	May	Aug.	Oct.	Feb.	June			Dec.	January - November	Feb.	Feb.	Sept.	Dec.	Feb.	June	Oct.
				July	July	Feb.	May	July	Nov.	Mar.					Nov.	Nov.	June	Sept.	Nov.	Mar.	July					July	July	March	Mar.	Oct.	Jan.	Mar.
Aug.	Aug.			Mar.	June	Aug.	Dec.	April	Dec.	Dec.	July	Oct.			Dec.	April	Aug.	April	April	Nov.	Feb.	April	Nov.			Feb.	April	Aug.	Dec.			
Sept.	Sept.			April	July	Sept.	Jan.	May	Jan.	Jan.	Jan.	Aug.			Nov.	Jan.	May	May	May	Dec.	Mar.	May	May			Dec.	Mar.	May	Sept.	Jan.		
Oct.	Oct.			May	Aug.	Oct.	Feb.	June	Feb.	Feb.	Feb.	Sept.			Dec.	Feb.	June	June	June	June	June	June	June			Jan.	April	June	Oct.	Feb.		
Nov.	Nov.			June	Sept.	Nov.	Mar.	July	Mar.	Mar.	Mar.	Oct.			Jan.	Mar.	July	July	July	Nov.	July	July	July			Feb.	May	July	Nov.	Mar.		
Dec.	Dec.			July	Oct.	Dec.	April	Aug.	April	April	April	Nov.			Feb.	April	Aug.	Aug.	Aug.	Dec.	April	Aug.	Aug.			Mar.	June	Aug.	Dec.	April		
Jan.	Jan.			Aug.	Nov.	Jan.	May	Sept.	Jan.	May	May	Dec.			Mar.	May	Sept.	Jan.	Jan.	Jan.	Jan.	Jan.	Jan.			Aug.	Nov.	Jan.	May	Sept.		
Feb.	Feb.			Sept.	Dec.	Feb.	June	Oct.	June	June	June	Jan.			April	June	Oct.	Feb.	Feb.	Feb.	Feb.	Feb.	Feb.			Sept.	April	July	Sept.	Jan.	May	
Mar.	Mar.			Oct.	Jan.	Mar.	July	Nov.	July	July	July	Feb.			May	July	Nov.	Mar.	Mar.	July	Nov.	Nov.	Nov.			June	Sept.	Nov.	Mar.	July		

\*Available on the last business day of the month. t = base time; t-2 = base - 2 months; t-4 = base - 4 months; t-5 = base - 5 months, t-8 = base - 8 months