

Commodity Exchange Endorsement for Livestock Gross Margin for Dairy Cattle

This endorsement contains the exchange prices that are used to set expected and actual prices for LGM for Dairy Cattle. The relevant exchange prices are determined by the closing month of the policy. The closing month is determined by the month of the first day of the sales period. For example, if LGM for Dairy Cattle has sales periods that begin on January 7, 14, 21, and 28, the closing month of all of these sales periods is January. To find the relevant commodity exchange prices for LGM for Dairy Cattle, choose a closing month (in Column 1). The closing month determines the insurance period (in Column 2). In all cases, the relevant futures prices for this contract are the simple average of prices during the price measurement period, the three trading days prior to sales closing for active futures contracts or are the simple average of the three trading days prior to contract expiration for expired futures contracts. Within each insurance period, the insurance months are shown in Column 3 and the relevant milk and feed months are shown in Columns 4-6. Commodity exchange contract months are shown in **bold**. All milk prices are expressed in dollars per hundredweight, all corn prices are expressed in dollars per bushel, and all soybean meal prices are expressed in dollars per ton.

For example, given a sales period beginning January 28, the closing month is January and the insurance period runs from February to December. The month of February is the first month of the insurance period, but no marketings will be insured in February. You will not be allowed to insure milk the first month of any insurance period. Coverage begins on your dairy cattle on the first calendar day of the second month after the month of the sales closing date, unless otherwise specified in the Special Provisions. Thus, in the example, coverage begins on March 1st for LGM policies sold in January.

Continuing the example for a sales period beginning January 28, for the March insurance month, the expected milk price is the CME Group March Class III milkfutures price. The expected corn price for March is the CME Group March corn futures price. The expected soybean meal price for March is the CME Group March soybean meal futuresprice. All three prices are set during the expected price measurement period which is the three trading days prior to and including January 28.

For the June insurance month (continuing the January 28 example), the expected milk price is the June Class III milk futures price. As June does not have a corn futures contract, the expected corn price for June is the simple average of settlement prices for the CME Group corn futures contracts for May and July. Because June does not have a soybean meal futures contract, the expected soybean meal price for June is the simple average of settlement prices for the CME Group soybean meal futures contracts for May and July.

The sales period begins on the Thursday of the week when the coverage prices and rates are posted on the RMA website and ends at 9:00 AM Central Time of the following calendar day. Sales will not be available for purchase if the Thursday of the sales period is a federal holiday. If the expected milk and feed prices are not available on the RMA website, LGM for Dairy Cattle will not be offered for sale for that insurance period.

You may choose not to convert feed to corn and soybean meal equivalents and use default values for the feed inputs. The default values for feed coefficients are 0.014 tons (0.5 bushels) of corn and 0.002 tons (4 pounds) of soybean meal per hundredweight of milk. For example, if you have target marketings of 1,560 cwt. of milk, you will multiply $1,560 \times 0.014$ to get 21.84 tons of corn. To determine the tons of soybean meal, multiply $0.002 \times 1,560 = 3.12$ tons of soybean meal.

Table 2 contains suggested conversion rates for dairy feeds to convert feeds into corn and soybean meal equivalents. For example, if a producer fed 140 bushels of oats and 0.2 tons of meat meal, he/she would need to convert these to corn and soybean meal equivalents.

The conversion for the oats can be done in two steps:

Step 1. Converting feed to tons.

$$140 \text{ bushels of oats} \times (32 \text{ pounds}/1 \text{ bushel of oats}) \times (1 \text{ ton}/2,000 \text{ pounds}) = 2.24 \text{ tons}$$

Step 2. Using the suggested conversion rates for corn and soybean meal equivalents.

$$2.24 \text{ tons of oats} \times 0.120 = 0.2688 \text{ tons of soybean meal equivalents}$$

$$2.24 \text{ tons of oats} \times 0.779 = 1.7450 \text{ tons of corn equivalents}$$

The conversion for the meat meal can be done in one step as the meat meal is already measured in tons:

Step 1. Using the suggested conversion rates for corn and soybean meal equivalents.

$$0.2 \text{ tons of meat meal} \times 1.227 = 0.2454 \text{ tons of soybean meal equivalents}$$

$$0.2 \text{ tons of meat meal} \times -0.349 = -0.0698 \text{ tons of corn equivalents}$$

So the corn and soybean meal equivalents for 140 bushels of oats and 0.2 tons of meat meal are 0.5142 tons of soybean meal (0.2688 + 0.2454) and 1.6752 tons of corn equivalent (1.7450 – 0.0698).

Feeds should be combined when creating corn and soybean meal equivalents. Please notice that many of the protein meal feeds have negative corn equivalent values. Producers may utilize their own conversion rates to create corn and soybean meal equivalents. The values in Table 2 are only suggested conversion rates. Target feed values must be within the bounds set with the LGM for Dairy Cattle Underwriting Rules.

Table 1. Cycles within the insurance periods for LGM for Dairy Cattle Insurance

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Sales Closing Month	Insurance Period	Insurance Month	Class III Milk Price	Corn Price	Soybean Meal Price
January	February-December	March April May June July August September October November December	March April May June July August September October November December	March April May June July August September October November December	March April May June July August September October November December
February	March-January	April May June July August September October November December January	April May June July August September October November December January	April May June July August September October November December January	April May June July August September October November December January
March	April-February	May June July August September October November December January February	May June July August September October November December January February	May June July August September October November December January February	May June July August September October November December January February
April	May-March	June July August September October November December January February March	June July August September October November December January February March	June July August September October November December January February March	June July August September October November December January February March

Table 1. continued

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Sales Closing Month	Insurance Period	Insurance Month	Class III Milk Price	Corn Price	Soybean Meal Price
May	June-April	July August September October November December January February March April	July August September October November December January February March April	July August September October November December January February March April	July August September October November December January February March April
June	July-May	August September October November December January February March April May	August September October November December January February March April May	August September October November December January February March April May	August September October November December January February March April May
July	August-June	September October November December January February March April May June	September October November December January February March April May June	September October November December January February March April May June	September October November December January February March April May June
August	September-July	October November December January February March April May June July	October November December January February March April May June July	October November December January February March April May June July	October November December January February March April May June July

Table 1. continued

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Sales Closing Month	Insurance Period	Insurance Month	Class III Milk Price	Corn Price	Soybean Meal Price
September	October-August	November	November	November	November
		December	December	December	December
		January	January	January	January
		February	February	February	February
		March	March	March	March
		April	April	April	April
		May	May	May	May
		June	June	June	June
		July	July	July	July
		August	August	August	August
October	November-September	December	December	December	December
		January	January	January	January
		February	February	February	February
		March	March	March	March
		April	April	April	April
		May	May	May	May
		June	June	June	June
		July	July	July	July
		August	August	August	August
		September	September	September	September
November	December-October	January	January	January	January
		February	February	February	February
		March	March	March	March
		April	April	April	April
		May	May	May	May
		June	June	June	June
		July	July	July	July
		August	August	August	August
		September	September	September	September
		October	October	October	October
December	January-November	February	February	February	February
		March	March	March	March
		April	April	April	April
		May	May	May	May
		June	June	June	June
		July	July	July	July
		August	August	August	August
		September	September	September	September
		October	October	October	October
		November	November	November	November

Table 2. Suggested Conversion Rates for Dairy Feeds, Based on Protein and Energy Content per Ton

	Soybean Meal Ratio	Corn Ratio
Barley	0.111	0.866
Blood meal	2.025	-1.235
Brewer's grain, dry	0.433	0.357
Brewer's grain, wet (21% DM)	0.099	0.081
Brewer's grain, wet (40% DM)	0.188	0.155
Corn, shelled	0.000	1.000
Corn and cob meal (ear corn)	-0.007	0.985
Corn gluten meal, dry	1.408	-0.420
Corn gluten feed, dry	0.304	0.597
Whole cottonseed	0.323	0.850
Cottonseed meal (41% CP)	0.905	0.036
Cottonseed meal (36% CP)	0.867	0.015
Distiller's grain with solubles, dried (92% DM)	0.394	0.686
Distiller's grain with solubles, wet (60% DM)	0.257	0.447
Feather meal	1.600	-0.743
Fish meal, herring	1.875	-0.865
Fish meal, menhaden	1.651	-0.768
Hominy	0.057	0.977
Meat meal	1.227	-0.349
Meat and bone meal	1.426	-0.555
Molasses, cane, dry	0.075	0.791
Molasses, cane, wet	-0.037	0.747
Oats	0.120	0.779
Peanut skins	0.265	0.439
Whole soybeans	0.836	0.279
Soybean meal	1.000	0.000
Soyhulls	0.100	0.819
Thin stillage (slop) (6% DM)	0.026	0.045
Wheat	0.161	0.884
Wheat bran	0.235	0.585
Wheat middlings	0.274	0.523