United States Department of Agriculture

News Release

USDA Announces Enhancements to Livestock and Dairy Insurance Programs

WASHINGTON, April 22, 2019 – USDA's Risk Management Agency (RMA) announced today several enhancements to insurance programs that will provide a more efficient level of coverage for livestock and dairy producers. These program improvements to the Dairy Revenue Protection (DRP), Livestock Gross Margin (LGM) and Livestock Risk Protection (LRP) programs take effect July 1, 2019.

"These changes to livestock and dairy programs strengthen risk management options and provide peace of mind in times of unpredictable market fluctuations," said RMA Administrator Martin Barbre.

Livestock Gross Margin:
LGM provides protection against loss of gross margin or the market value of livestock minus feed costs. The Bipartisan Budget Act of 2018 removed the livestock capacity limitation, which allowed the LGM program to remove the individual capacity limitation under the cattle, dairy and swine program. Prior to the revised legislation, the Federal Crop Insurance Act limited the amount of funds available to support livestock plans of insurance offered by RMA to $20 million per fiscal year.

Livestock Risk Protection
LRP protects livestock producers from the impact of declining market prices. RMA offers LRP insurance plans for fed cattle, feeder cattle and swine.

Beef producers electing the LRP insurance plan for fed cattle may choose from a variety of coverage levels and insurance periods that correspond with the time the market-weight cattle would normally be sold. Likewise, the LRP plan for feeder cattle allows beef producers to choose from a variety of coverage levels and insurance periods that match the time feeder cattle would normally be marketed (ownership may be retained).

LRP insurance for swine gives pork producers the opportunity to choose from a variety of coverage levels and insurance periods that match the time hogs would normally be marketed.

LRP improvements include:
- Expanded LRP coverage for swine, fed and feeder cattle to all states;
- Increased LRP subsidy from the current 13 percent for all coverage levels to a range from 20 percent to 35 percent based on the coverage level selected;
- Updated the Chicago Mercantile Exchange trading requirements to allow for more insurance endorsement lengths to be offered for producers to purchase;
- Increased per head and annual head limits - fed cattle and feeder cattle: 3,000 head per endorsement and 6,000 head annually; swine: 20,000 per endorsement and 75,000 annually; and
- Modified the Price Adjustment Factor for Predominately Dairy cattle to 50 percent for both weight ranges, which allows dairy cattle to reflect market prices more accurately.

RMA has also enhanced risk management options for dairy producers.

Dairy Revenue Protection
DRP is designed to insure for unexpected declines in the quarterly revenue from milk sales compared with a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer. The covered milk production is indexed to the state or region where the dairy producer is located.

Improvements for the 2020 crop year:
- Modified the minimum declared butterfat from 3.50 to 3.25 pounds, making the range 3.25-5 pounds, and the minimum declared protein range is expanded from 3.00 to 2.75 to 2.75-4 pounds, affording greater coverage flexibilities for dairy producers;
- Removed the declared butterfat test to declared protein test ratio to simplify the process for dairy producers; and
- Adjusted the coverage levels - removal of the 70 and 75 percent coverage levels.

Additionally, the Agriculture Improvement Act of 2018 allows producers to enroll in LGM-Dairy or DRP and simultaneously participate in Dairy Margin Coverage, a program administered by the Farm Service Agency.

For more information and answers to frequently asked questions on livestock and dairy risk management options, visit www.rma.usda.gov or contact an approved insurance provider.

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