April 18, 2008

INFORMATIONAL MEMORANDUM: PM-08-019

TO: All Approved Insurance Providers  
    All Risk Management Agency Field Offices  
    All Other Interested Parties

FROM: Tim B. Witt /s/Tim B. Witt  
      Deputy Administrator

SUBJECT: Availability of Revised Livestock Gross Margin Swine and Cattle, and  
         Livestock Risk Protection-Lamb Insurance Policy Materials

BACKGROUND:

Livestock Gross Margin (LGM) uses a state basis to adjust futures prices for swine, cattle  
and corn. The state cash prices used to calculate the state basis are provided by National  
Agricultural Statistics Service (NASS) and published annually in February. Iowa  
Agricultural Insurance Innovations updates the state basis numbers annually for LGM and  
they are released in the applicable Commodity Exchange Endorsement (CEE).

The LGM policies have been revised to incorporate non-significant clarifications  
recommended by approved insurance providers (AIP) and an insurance services  
organization. The Frequently Asked Questions (FAQ) have been updated to reflect the  
policy revisions, and the CEE updated to include the state basis numbers by month for  
LGM cattle, corn, and swine.

Livestock Risk Protection-Lamb (LRP-Lamb) provides insurance against a decline in lamb  
price. LRP Lamb policy materials have been revised to clarify that insured lambs are those  
intended for eventual, not necessarily immediate, slaughter. Revised policy materials will  
be effective beginning July 1, 2009 for the LRP 2009 reinsurance year.

ACTION:

The following updated LGM materials will be available on the RMA website by close of  
business today and may be accessed from the Livestock page at:  
http://www.rma.usda.gov/livestock/
LGM Swine

- Basic Policy (2009)
- Commodity Exchange Endorsement (2009)
- FAQ (2009)

LGM Cattle

- Basic Policy (2009)
- Commodity Exchange Endorsement (2009)
- FAQ (2009)

LRP Lamb

The following updated LRP materials will be available on the RMA website by close of business today and may be accessed from the Livestock page at:
http://www.rma.usda.gov/livestock/

- Basic Policy (2008)
- Lamb Specific Coverage Endorsement (SCE) (2009)
- Lamb Premium Calculation Instructions (2009)
- Lamb Underwriting Rules (2009)
- Lamb Questions and Answers (2009)
- LRP Handbook (Slipsheeted) (2009)

Additional livestock materials may be found at:

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2008.
LIVESTOCK GROSS MARGIN FOR SWINE 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 FCIC nor the Risk Management Agency has the authority to revise, amend or otherwise alter this policy. In the event the Company cannot pay your loss, your claim will be settled in accordance with the provisions of this Policy and paid by FCIC. 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 of 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).

1. Definitions


   Actual Corn Price - For months in which a CBOT corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT corn futures contract for that month expressed in dollars per bushel plus the applicable state’s corn basis for the month. For months when there is no expiring CBOT corn futures contract, the actual corn price is the weighted average of the prices on the nearest two contract months plus the applicable state’s corn basis for the month. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April for Iowa is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March and May plus the April corn basis for Iowa. For the month of January in Iowa, the actual corn price will equal two-thirds times the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March and May plus the April corn basis for Iowa. For the month of January in Iowa, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts for that month expressed in dollars per bushel plus the applicable state’s corn basis for the month.

   Actual Cost of Feed - For farrow to finish operations, the actual cost of feed for each month equals 13.86 bushels times the actual corn price for that month plus 196.16 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For feeder pig finishing operations, the actual feed cost for each month equals 9.6 bushels times the actual corn price for that month plus 132 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For SEW pig finishing operations, the actual cost of feed for each month equals 9.7 bushels times the actual corn price for that month plus 142 pounds divided by 2000 pounds per ton times the actual soybean price for that month, or as stated in the Special Provisions. For months in which a CBOT soybean meal futures contract expires, the actual soybean meal price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT soybean meal futures contract for that month expressed in dollars per ton. For months when there is no expiring CBOT soybean meal futures contract, the actual soybean meal price is the weighted average of the prices on the nearest two contract months.

   Actual Gross Margin Per Month - The actual gross margin per swine for a particular month multiplied by the actual marketings for that month.

   Actual Gross Margin Per Swine - For farrow to finish operations, the actual swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 250 pounds, or as stated in the Special Provisions, minus the actual cost of feed three months prior to that month. For feeder pig and SEW pig finishing operations, the actual swine price for the month is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT soybean meal futures contract for that month expressed in dollars per ton. For months in which a CBOT soybean meal futures contract expires, the actual soybean meal price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT soybean meal futures contract for that month expressed in dollars per ton. For months when there is no expiring CBOT soybean meal futures contract, the actual soybean meal price is the weighted average of the prices on the nearest two contract months.

   Actual Marketings - The total number of slaughter-ready swine sold by you for slaughter for human or animal consumption in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of swine and determine approved target marketings.

   Actual Soybean Meal Price - For months in which a CBOT soybean meal futures contract expires, the actual soybean meal price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT soybean meal futures contract for that month expressed in dollars per ton. For months when there is no expiring CBOT soybean meal futures contract, the actual soybean meal price is the weighted average of the prices on the nearest two contract months. The
weights depend on the time period between the month in question and the nearby contract months. For example, the actual soybean meal price in April is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT corn futures contract for that month expressed in dollars per bushel plus the applicable state’s corn basis for that month. For example, for a sales closing date of March 30, the expected corn price for July in Iowa equals the simple average of the daily settlement prices on the CBOT July corn futures contract over the three trading days prior to sales closing in February plus the July Iowa corn basis.

(a) For months with unexpired corn futures contracts, the expected corn price is the simple average of the CBOT corn futures contract for that month over the last three trading days prior to the sales closing date expressed in dollars per bushel plus the applicable state’s corn basis for that month. For example, for a sales closing date of February 27, the expected corn price for July in Iowa equals the simple average of the daily settlement prices on the CBOT July corn futures contract over the three trading days prior to sales closing in February plus the July Iowa corn basis.

(b) For months with expired corn futures contracts, the expected corn price is the simple average of daily settlement prices for the CBOT corn futures contract for that month expressed in dollars per bushel in the last three trading days prior to contract expiration plus the applicable state’s corn basis for that month. For example, for a sales closing date of March 30, the expected corn price for March in Nebraska is the simple average of the daily settlement prices on the CBOT March corn futures contract for the three trading days prior to sales closing plus the March Nebraska corn basis.

(c) For months without a corn futures contract, the futures prices used to calculate the expected corn price are the weighted average of the futures prices used to calculate the expected corn prices for the two surrounding months which have futures contract plus the applicable state’s basis for the month. The weights are based on the time difference between the month and the contract months. For example, for the March 30th sales closing date, the expected corn price for April in Kansas equals one-half times the simple average of the daily settlement prices on the CBOT March corn futures contract over the last three trading days prior to sales closing plus one-half times the simple average of the daily settlement prices on the CBOT May corn futures contract for the last three trading days prior to sales closing plus the April Kansas corn basis. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Cost Of Feed** - For farrow to finish operations, the expected cost of feed for each month equals the sum of 13.86 bushels times the expected cost of feed per bushel.
corn price for that month, plus 196.16 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For feeder pig finishing operations the expected cost of feed for each month equals the sum of 9.6 bushels times the expected corn price for that month, plus 132 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For SEW pig finishing operations the expected cost of feed for each month equals the sum of 9.7 bushels times the expected corn price for that month, plus 142 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month.

**Expected Gross Margin Per Month** - The expected gross margin per swine multiplied by the target marketings for each month of an insurance period.

**Expected Gross Margin Per Swine** - For farrow to finish operations, expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 250 pounds, or as stated in the Special Provisions, minus the expected cost of feed three months prior to that month. For feeder pig finishing operations or SEW pig finishing operations, the expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 250 pounds, or as stated in the Special Provisions, minus the expected cost of feed two months prior to that month. For example, the expected gross margin per swine for April for a farrow to finish operation is the expected swine price for April times 0.74, times 2.5 hundredweight, less the expected cost of feed for January. For a finishing operation, expected gross margin per swine for April is the expected swine price for April times 0.74, times 2.5 hundredweight, less the expected cost of feed for February.

**Expected Soybean Meal Price** - Expected soybean meal prices for months in an insurance period are determined using three-day average settlement prices on CBOT soybean meal futures contracts and a basis adjustment that varies by month and state.

(a) For months with unexpired soybean meal futures contracts, the expected soybean meal price is the simple average of the CBOT soybean meal futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per ton. For example, for a sales closing date of February 27, the expected soybean meal price for July equals the simple average of the daily settlement prices on the CBOT July soybean meal futures contract over the last three trading days prior to sales closing in February.

(b) For months with expired soybean meal futures contracts, the expected soybean meal price is the simple average of daily settlement prices for the CBOT soybean meal futures contract for that month expressed in dollars per ton in the last three trading days prior to sales closing. For example, for a sales closing date of March 30, the expected soybean meal price for March is the simple average of the daily settlement prices on the CBOT March soybean meal futures contract over the last three trading days prior to sales closing.

(c) For months without a soybean meal futures contract, the futures prices used to calculate the expected soybean meal price are the weighted average of the futures prices used to calculate the expected soybean meal prices for the two surrounding months which have futures contracts. The weights are based on the time difference between the month and the contract months. For example, for the March 30th sales closing date, the expected soybean meal price for April equals one-half times the simple average of the daily settlement prices on the CBOT March soybean meal futures contract over the last three trading days prior to sales closing plus one-half times the simple average of the daily settlement prices on the CBOT May soybean meal futures contract for the last three trading days prior to sales closing in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Swine Price** - Expected swine prices for months in an insurance period are determined using three-day average settlement prices on CME lean hog futures contracts and a basis adjustment that varies by month and state.

(a) For months with unexpired lean hog futures contracts, the expected swine price is the simple average of the CME lean hog futures contract for that month over the last three trading days prior to the sales closing date in dollars per half ton.

(b) For months without a lean hog futures contract, the futures prices used to calculate the expected swine price are the weighted average of the futures prices used to calculate the expected swine prices for the two surrounding months which have futures contracts plus the applicable state’s swine basis for that month. For example, for a sales closing date of February 27, the expected swine price for July in Iowa equals the simple average of the daily settlement prices on the CME July lean hog futures contract over the last three trading days prior to sales closing plus one-half times the simple average of the daily settlement prices on the CME July lean hog futures contract over the last three trading days prior to sales closing in February plus the July Iowa swine basis.

**Expected Total Gross Margin** - The target marketings times the expected gross margin per swine for each month of an insurance period and totaled.
Farrow to Finish Operation - A type of farm operation that covers all aspects of breeding, farrowing and raising swine to slaughter.

FCIC - The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

Feeder Pig Finishing Operation - A type of farm operation that specializes in the feeding of swine (feeder pigs) from a weight of approximately 60 pounds to slaughter.

Gross Margin Guarantee - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible times the total of target marketings.

Insurance Period - The six-month period designated in the summary of insurance to which this policy is applicable. Swine are not insurable in the first month of any insurance period. See the LGM for Swine 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 swine insured under this policy. The marketing report must be accompanied by copies of packer sales receipts that provide records of the actual marketings shown on the marketing report.

Notice of Probable Loss - Our notice to you of a probable loss on your insured swine.

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.

RMA - Risk Management Agency, an agency within USDA.

Sales Closing Date - The last day of the sales period by which your completed application and premium 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 second to last business day of the month after validation of prices and rates and ends on the following day at 9:00 AM central time.

SEW Pig Finishing Operation - A type of farm operation that specializes in the feeding of swine (Segregated Early Weaned pigs) from the age of approximately 12 to 21 days to slaughter.

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

Substantial Beneficial Interest - An interest held by a person of at least 10 percent in the applicant or insured. All spouses who 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 swine owned is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the swine farming operation of the insured or applicant.

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

Swine - Any species of domesticated mammal of the family Suidae commonly grown for pork production. Also referred to as hog or pig.

Target Marketings - Your determination as to the number of swine you elect to insure in each month during the insurance period. You can only report the number of swine in which you have a share.

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.

Yield Factor - The factor used to convert lean hog price, carcass price, to live hog price. The factor equals 0.74.

2. Life of Policy, Cancellation and Termination

(a) You can only purchase this plan of insurance during a sales period, if:

(1) The expected gross margins are available on the RMA website.

(2) Underwriting capacity for this plan of insurance is available.

(b) LGM for Swine will not be offered for a sales period if the required data for establishing the expected gross margins for each month of the insurance period are not available because futures did not trade, or were not able to continue trading at the end of the day (such as the price moved the maximum allowed by the exchange and trading was suspended), for any day that the information is needed.

(1) LGM for Swine will not be offered if CME lean hog futures prices decline by the maximum allowed by the exchange two consecutive days during the time period for establishing the expected gross margins.

(2) LGM for Swine will not be offered if CBOT corn or soybean meal futures prices increase by the maximum allowed by the exchange two consecutive days during the time period for establishing the expected gross margins.
Your application must contain all the information required by us to complete the summary of insurance.

Applications that do not contain all social security numbers and employer identification numbers of the applicant and all social security numbers of individuals with a substantial beneficial interest in the applicant, as applicable, share, deductible, target marketings, and any other material information required to insure the gross margin for the animals are not acceptable.

If an entity has an interest of more than 10 percent in the insured or applicant, the social security numbers of all individuals with a substantial beneficial interest in the entity must also be provided.

Coverage can only be effective if there is sufficient underwriting capacity and we issue a written summary of insurance to you.

For subsequent insurance periods, coverage will only be effective if 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.

This policy will be available for sale only on days when FCIC’s UCM web site is operational.

Coverage can be purchased from the time starting after the review of prices and ending on the following day at 9:00 AM Central Time or as otherwise specified in the Special Provisions.

Coverage is not available for purchase if expected gross margins are not available on the RMA website or 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 or the Manager of RMA, or his designee, to result in market conditions significantly different than those used to rate the LGM for Swine program.

In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Swine sales will resume, after a halting or suspension in sales, during the next scheduled sales period provided the market prices needed to establish expected gross margins can be obtained and the Secretary or designee determines there are no program integrity issues that preclude resumption of sales.

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 Swine Commodity Exchange Endorsement for additional information on sales closing dates.

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 to be insured.

Your application must contain all the information required by us to complete the summary of insurance.

If we discover that a person with a substantial beneficial interest has failed to provide a social security number or the person with a substantial beneficial interest is ineligible, the application will not be accepted or no indemnity will be due for the insurance period for the swine insured for which the social security numbers were not provided or the person was ineligible. Because no indemnity is due as a result of a breach of this policy, any premiums will still be owed.

This is a continuous policy, but will automatically terminate at the end of the pilot program.

After acceptance of the application, you may not cancel this policy for the initial insurance period.

Thereafter, the policy will continue in force for each succeeding insurance period unless canceled or terminated.

Either you or we may cancel this policy after the initial insurance period by providing written notice to the other on or before the cancellation date.

If any amount due, including a check returned for insufficient funds or overpayment, plus any accrued interest, is not paid, or an acceptable arrangement for payment is not made, on or before the termination date specified in these Basic Provisions or the date contained in any notice to you, the amount will be considered delinquent and your insurance coverage will terminate.

Termination may affect your eligibility for benefits under other USDA programs.

You will also be determined to be ineligible to participate in any crop insurance program authorized under the Act in accordance with 7 CFR part 400, subpart U.

For unpaid premium resulting from a check returned for insufficient funds, the policy will terminate as of the sales closing date;

For other amounts due, the policy will terminate effective on the termination date immediately after the debt becomes delinquent;

Payment of premium with a check returned for insufficient funds may result in your ineligibility for participation in any program administered under the authority of the Act.

Ineligibility for unpaid premium resulting from a check returned for insufficient funds or failure to timely pay other amounts due will be effective on:

(i) The date that a policy was terminated for the livestock for which you failed to pay premium and any related interest owed;

(ii) The payment date contained in any notification of indebtedness for any overpaid indemnity, if you fail to pay the amount owed by such due date; or

(iii) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a payment agreement if you fail to pay the amount owed by any payment date in such payment agreement.
(7) All other policies that are issued by us under the authority of the Act, including all crop insurance policies, will also terminate as of the next termination date contained in the applicable policy.

(8) A policy already in effect at the time you become ineligible will not be affected until the termination date for that policy, and if you are ineligible, you may not obtain any insurance under the Act for any crop or livestock until payment is made in full, you execute an agreement to repay the debt and make payments in accordance with the agreement, or you file a petition to have your debts discharged in bankruptcy (Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any indemnities paid subsequent to that date must be repaid).

(9) If you execute an agreement to pay the debt and fail to make any scheduled payment:
   (i) All your policies, including all crop insurance policies, will be terminated effective on the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment and no indemnity will be due for that year;
   (ii) You will no longer be eligible to obtain insurance under the Act by execution of an agreement to pay the debt; and
   (iii) You will be ineligible for insurance under the Act until the debt is paid in full or you file a petition to discharge the debt in bankruptcy. Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any payments and indemnities paid subsequent to that date must be repaid.

(10) Once the policy is terminated, it cannot be reinstated for the current crop year unless the termination was in error because you did not owe any amounts or you paid the amounts owed on or before the termination date.

(11) After you again become eligible for insurance under the Act, if you want to obtain coverage, you must reapply on or before the sales closing date for the crop or livestock (You cannot reapply for insurance in the crop year in which you became ineligible.) and

(12) Any amount due us for any livestock or crop insured by us under the authority of the Act will be deducted from any indemnity due you for this or any other crop or livestock insured with us. If we deduct the amount due us from an indemnity, the date of payment for the purpose of this section will be the date you sign the properly executed claim for indemnity.

(k) If you die, disappear, or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved, the policy will terminate as of the date of death, judicial declaration, or dissolution. If such event occurs after coverage begins for any insurance period, the policy will continue in force through the insurance period and terminate at the end of the insurance period and any indemnity will be paid to the person or persons determined to be beneficially entitled to the indemnity. The premium will be deducted from the indemnity or collected from the estate. Death of a partner in a partnership will dissolve the partnership unless the partnership agreement provides otherwise. If two or more persons having a joint interest are insured jointly, death of one of the persons will dissolve the joint entity.

(l) Any insured may sign any document relative to this policy on behalf of any other insured covered by this policy, provided that the person has a properly executed power of attorney or other legally sufficient document authorizing such insured to act for other insureds.

(m) We may cancel your policy if no premium is earned for three consecutive years.

(n) The cancellation date is June 30 for all insurance periods.

(o) The termination date for debt for the insurance period is the first day of the next month immediately following the sales closing date.

3. Insurance Coverages

(a) Your gross margin guarantee, deductible amount, and maximum premium for the insurance period are as shown on your summary of insurance.

(b) You must select a deductible amount by sales closing date.

(c) You may only select one deductible amount 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 swine insured exceed 15,000 head in any insurance period, or 30,000 head in any insurance year.

(h) Sales of LGM for Swine may be suspended if extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or lean hogs commodity markets as determine by FCIC. Evidence of such events may include, but is
not limited to, consecutive limit down moves in the lean hog futures markets or consecutive limit up moves in the corn and soybean meal futures markets.

4. Causes of Loss Covered
This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee caused by unavoidable cause of loss, as required by the Act. This policy does not insure against the death or other loss or destruction of your swine, or against any other loss or damage of any kind whatsoever.

5. Annual Premium
The premium is earned and payable at the time coverage begins. The application will not be accepted if the premium is not paid in full at the time of application. In subsequent insurance periods, if the premium is not paid in full by the applicable sales closing date, your target marketings will be reduced to zero for each month of the insurance period and you will have no coverage for swine under this policy. The premium amount is shown on your summary of insurance.

6. Insurance Period
   (a) Coverage begins on your swine one full calendar month and one day following the sales closing date, provided premium for the coverage has been paid in full. For example, for the contract with a sales closing date of January 31, 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 swine, 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 lean hog futures price established at the beginning of the insurance period multiplied by the assumed weight of the swine multiplied by the yield factor.
   (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 targeted 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 24.5 percent of the total premium.

9. Amounts Due Us
   (a) Interest will start to accrue on the sales closing day 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 of 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 for each insurance period in which the concealment, fraud or misrepresentation occurred; and
      (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 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 24.5 percent of the total premium due under the policy to offset costs incurred by us in the service of this policy.

13. Transfer of Coverage and Right to Indemnity
   If you transfer any number of your swine during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance. We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred. The transfer of coverage rights must be on our form and will not be effective until approved by us in writing. Both you and the transferee are jointly and severally liable for the payment of the premium. The transferee has all rights and responsibilities under this policy consistent with the transferee’s interest. 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
   You may assign to another party your right to an indemnity for the insurance period. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit all loss notices and forms as required by the policy. If you have suffered a loss from an insurable cause and fail to file a marketing report within 15 days after you receive a notice of probable loss, the assignee may submit the marketing report not later than 15 days after the 15-day period 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. Subrogation (Recovery of Loss from a Third Party)
   Since you may be able to recover all or a part of your loss from someone other than us, you must do all you can to preserve this right. If you recover any funds from someone else, you must repay to us the amount you receive from us, not to exceed the amount of indemnity we paid to you. If we pay you for your loss, your right to recovery will, at our option, belong to us. If we recover more than we paid you plus our expenses, the excess will be paid to you.

16. 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.

17. 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.

18. 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.

19. Other Insurance
   You must not obtain any other livestock insurance issued under the authority of the Act on the insured swine. If we determine that more than one policy on the swine 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.

20. Access to Insured Swine and Records, and Record Retention
   (a) We, and any employee of USDA, reserve the right to examine the insured swine, and all records
relating to the breeding, farrowing, feeding, finishing, and sale of the swine 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, shipment, sale, or other disposition of all the insured swine. 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 swine 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 swine 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 which we request from third parties.

21. 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.

(d) No award determined by arbitration or appeal can exceed the amount of liability established or which should have been established under the policy.

22. Contract Changes

(a) We may change the terms of your coverage under this policy from year to year.

(b) Any changes in policy provisions, basis amounts, 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.

23. 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.
Commodity Exchange Endorsement for Livestock Gross Margin for Swine

This endorsement contains the exchange prices and basis values that are used to set expected and actual prices for LGM for Swine. To find the relevant commodity exchange prices for LGM for Swine, choose a closing date (in Column 1). The closing date determines the insurance period (in Column 2). Within each insurance period, the insurance months are shown in Column 3 with the relevant hog and feed months shown in Columns 4-9 (Columns 4-6 for farrow-to-finish operations, Columns 7-9 for finishing operations). Commodity exchange contract months are shown in bold.

For example, given the closing date of January 30, the insurance period runs from February to July. This insurance period contains the insurance months of February, March, April, May, June, and July. 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 swine the first month of any insurance period. Coverage begins on your swine one full calendar month plus one (1) day following the sales closing date, unless otherwise specified in the Special Provisions, provided the premium for the coverage has been paid in full. For the March insurance month, the expected hog price is the March hog price. Since March does not have a hog futures contract, the expected March hog price is the weighted average of expected hog prices for two surrounding contract months (February and April) plus the March hog basis. The expected corn price for farrow-to-finish operations for the March insurance month is the December corn price. Since December corn futures have expired, the expected corn price for the March insurance month is the simple average of final daily settlement prices for the CBOT corn futures contract for December expressed in dollars per bushel in the last three trading days prior to the day that the contract expires plus the December corn basis. The expected soybean meal price for farrow-to-finish operations for the March insurance month is the December soybean meal price. Since December soybean meal futures have expired, the expected soybean meal price for the March insurance month is the simple average of final daily settlement prices for the CBOT soybean meal futures contract for December expressed in dollars per bushel in the last three trading days prior to the day the contract expires. There is no basis adjustment for soybean meal.

For the July insurance month (continuing the January 30 closing date example), the expected hog price is the July hog price. Since July does have a hog futures contract, the expected July hog price is the simple average of final daily settlement prices for the CME lean hog futures contract for July expressed in dollars per hundredweight over the three trading days prior to the last trading day in January plus the July hog basis. The expected corn price for farrow-to-finish operations for the July insurance month is the April corn price. Since there are no corn futures contracts that expire in April, the April expected corn price is the weighted average of expected corn prices for surrounding contract months (March and May) plus the April corn basis. The expected soybean meal price for farrow-to-finish operations for the July insurance month is the April soybean meal price. Since there are no soybean meal futures contracts that expire in April, the April expected soybean meal price is the weighted average of expected soybean meal prices for surrounding contract months (March and May).

The sales period begins as soon as RMA reviews the price data submitted by the developer and ends at 9:00 AM Central Time the next day. If the expected gross margins are not available on the RMA website, LGM for Swine will not be offered for sale for that insurance period.
Table 1. Cycles within the insurance period for LGM for Swine Insurance

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1. **Q**: What is the Livestock Gross Margin for Swine Insurance Policy?

   **A**: The Livestock Gross Margin for Swine (LGM for Swine) Insurance Policy provides protection against the loss of gross margin (market value of livestock minus feed costs) on swine. The indemnity at the end of the 6-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The LGM for Swine Insurance Policy uses adjusted futures prices to determine the expected gross margin and the actual gross margin. Adjustments to futures prices are state- and month-specific basis levels. The price the producer receives at the local market is not used in these calculations.

2. **Q**: Who is eligible for the LGM for Swine Insurance Policy?

   **A**: Any producer who owns swine in the states of Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming is eligible for LGM for Swine insurance coverage.

3. **Q**: What swine are eligible for coverage under the LGM for Swine Insurance Policy?

   **A**: Only swine sold for commercial or private slaughter primarily intended for human consumption and fed in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming are eligible for coverage under the LGM for Swine Insurance Policy.

4. **Q**: What are some of the key features of the LGM for Swine Insurance Policy?

   **A**: LGM for Swine has two advantages features.

   Producers can sign up for LGM for Swine twelve times per year and insure all of the swine they expect to market over a rolling 6-month insurance period. The producer does not have to decide on the mix of options to purchase, the strike price of the options, or the date of entry.

   The LGM for Swine policy can be tailored to any size farm. Options cover fixed amounts of commodities and those amounts may be too large to be used in the risk management portfolio of some farms.

5. **Q**: How is LGM for Swine different from traditional options?

   **A**: LGM for Swine is different from traditional options in that LGM for Swine is a bundled option that covers the cost of feed. This bundle of options effectively insures the producer's gross margin (swine price minus feed costs) over the insurance period.
6. Q: Can LGM for Swine be exercised?

A: No. LGM for Swine cannot be exercised. LGM works as a bundle of options that pay the difference, if positive, between the value at purchase of the options and the value at the end of a certain time period. So, LGM for Swine would pay the difference, if positive, between the gross margin guarantee and the actual gross margin, as defined in the policy provisions.

7. Q: Does LGM for Swine use the price the producer actually receives at the market?

A: No. The prices for LGM for Swine are based on simple averages of futures contract daily settlement prices plus a fixed basis and are not based on the actual prices the producer receives at the market.

8. Q: Does LGM for Swine make early indemnity payments?

A: Yes. If an indemnity is due under LGM for Swine coverage, the company will send the producer a notice of probable loss after the last month of the producer’s marketing plan. The last month of the producer’s marketing plan is the last month in which the producer indicated target marketings on the application.

9. Q: How is the underwriting capacity for LGM for Swine distributed?

A: LGM for Swine has limited underwriting capacity that will be distributed through the Federal Crop Insurance Corporation’s underwriting capacity manager. The underwriting capacity will be distributed on a first come, first served basis. LGM for Swine will not be offered for sale after capacity is full or at any time the underwriting capacity manager is not functional.

10. Q: When is LGM for Swine sold and how long do the sales periods last?

A: LGM for Swine is sold on the second to last business day of each month. The sales period begins as soon as the Risk Management Agency (RMA) reviews the data submitted by the developer after the close of markets on the last day of the price discovery period. The sales period ends at 9:00 AM the following day. If expected gross margins are not available on the RMA website, LGM for Swine will not be offered for sale for that insurance period.

11. Q: How are the feed equations for LGM for Swine determined?

A: The feed equations for LGM for Swine are based on an optimal feeding ration developed through Iowa State University.

12. Q: What is the yield factor?

A: The yield factor converts lean hog prices to live hog prices. The yield factor is set at 0.74 for LGM for Swine.
13. Q: What types of losses are covered by LGM for Swine?

A: LGM for Swine covers the difference between the gross margin guarantee and the actual gross margin. LGM for Swine does not insure against death loss or any other loss or damage to the producer’s swine.

14. Q: Where can I purchase LGM for Swine coverage?

A: LGM for Swine is available for sale at your authorized crop insurance agent’s office. Crop insurance agents must be certified by an insurance company to sell LGM for Swine and that agent’s identification number must be on file with the Federal Crop Insurance Corporation.

15. Q: What makes up the Insurance Period?

A: There are twelve insurance periods in each calendar year. Each insurance period runs for 6 months. For the first month of any insurance period, no swine can be insured. Coverage begins on your swine one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example, the insurance period for the January 30 sales closing date contains the months of February (swine not insurable), March, April, May, June, and July.

16. Q: What are the Producer’s Target Marketings?

A: A determination made by the insured as to the maximum number of slaughter-ready swine that the producer will market (sell) during the insurance period. The target marketings must be less than or equal to that producer’s applicable approved target marketings as certified by the producer.

17. Q: What are the Producer’s Approved Target Marketings?

A: The Producer’s Approved Target Marketings are the maximum number of swine that may be stated as Target Marketings on the application. Approved Target Marketings are certified by the producer and are subject to inspection by the insurance company. A producer’s Approved Target Marketings will be the lesser of the capacity of the producer’s swine operation for the 6-month insurance period as determined by the insurance provider and the underwriting capacity limit as stated in the special provisions.

18. Q: What is the Expected Corn Price?

A: Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CBOT corn futures contracts and a basis adjustment that varies by month and state. For corn months with unexpired futures contracts, the expected corn price is the simple average of the CBOT corn futures contract for that month over the three trading days prior to the last trading day in the month of the sales closing date expressed in dollars per bushel plus the state-specific corn basis for that month. For example, for a sales closing date of February 27, the expected corn price for July in Iowa equals the simple average of the daily settlement prices on the CBOT July corn futures contract.
18. A: (cont.)
over the three trading days prior to the last trading day in February plus the July
Iowa corn basis. For corn months with expired futures contracts, the expected
corn price is the simple average of daily settlement prices for the CBOT corn
futures contract for that month expressed in dollars per bushel in the last three
trading days prior to contract expiration plus the state-specific corn basis for that
month. For example, for a sales closing date of March 30, the expected corn
price for March in Nebraska is the simple average of the daily settlement prices
on the CBOT March corn futures contract over the last three trading days prior to
contract expiration plus the March Nebraska corn basis. For corn months without
a futures contract, the futures prices used to calculate the expected corn price
are the weighted average of the futures prices used in calculating the expected
corn prices for the two surrounding months that have futures contract plus the
state-specific basis for the month. The weights are based on the time difference
between the corn month and the contract months. For example, for the March 30
sales closing date, the expected corn price for April in Nebraska equals one-half
times the simple average of the daily settlement prices on the CBOT March corn
futures contract over the last three trading days prior to contract expiration plus
one-half times the simple average of the daily settlement prices on the CBOT
May corn futures contract for the three trading days prior to the last trading day in
March plus the April Nebraska corn basis. See the LGM for Swine Commodity
Exchange Endorsement for additional detail on exchange prices. Prices will be
released by RMA after the markets close on the last day of the price discovery
period.

19. Q: What is the Expected Soybean Meal Price?

A: The expected soybean meal price is set in three different ways, depending on the
insurance period and the lags used for the feed prices. For feed months with
unexpired futures contracts, the expected soybean meal price is the simple
average of daily settlement prices for the CBOT soybean meal futures contract
for that month expressed in dollars per ton over the three business days prior to
the last trading day of the month. For feed months with expired futures contracts
(example: the December soybean meal price for the LGM insurance policies sold
in January), the expected soybean meal price is the simple average of daily
settlement prices for the CBOT soybean meal futures contract for that month
expressed in dollars per ton in the last three trading days prior to contract
expiration. For feed months without futures contracts, the expected soybean
meal price is the weighted average of the expected soybean meal prices for
surrounding contract months where the weights are based on the time difference
between the feed month and the contract months. See the LGM for Swine Commodity
Exchange Endorsement for additional information on the calculation
of the expected soybean meal price. Prices will be released by RMA after the
markets close on the last day of the price discovery period.

20. Q: What is the Expected Cost of Feed?

A: The expected cost of feed depends on the type of operation. For farrow-to-finish
operations, the expected cost of feed equals 13.86 bushels times the Expected
Corn Price plus 196.16 pounds divided by 2000 pounds per ton times the
Expected Soybean Meal Price. For finishing feeder operations, the expected
20. A: (cont.)

cost of feed equals 9.6 bushels times the Expected Corn Price plus 132 pounds divided by 2000 pounds per ton times the Expected Soybean Meal Price. For finishing SEW operations, the expected cost of feed equals 9.7 bushels times the Expected Corn Price plus 142 pounds divided by 2000 pounds per ton times the Expected Soybean Meal Price.

21. Q: What is the Expected Swine Price?

A: Expected swine prices for months in an insurance period are determined using three-day average settlement prices on CME lean hog futures contracts and a basis adjustment that varies by month and state. For swine months with unexpired futures contracts, the expected swine price is the simple average of the CME lean hog futures contract for that month over the three trading days prior to the last trading day in the month of the sales closing date expressed in dollars per hundredweight plus the state-specific swine basis for that month. For example, for a sales closing date of February 27, the expected swine price for July in Missouri equals the simple average of the daily settlement prices on the CME July lean hog futures contract over the three trading days prior to the last trading day in February plus the July Missouri swine basis. For swine months without a futures contract, the futures prices used to calculate the expected swine price are the weighted average of the futures prices used in calculating the expected swine prices for the two surrounding months that have futures contracts plus the state-specific basis for the month. The weights are based on the time difference between the swine month and the contract months. For example, for the March 30 sales closing date, the expected swine price for September in Missouri equals one-half times the simple average of the daily settlement prices on the CME August lean hog futures contract over the three trading days prior to the last trading day in March plus one-half times the simple average of the daily settlement prices on the CME October lean hog futures contract for the three trading days prior to the last trading day in March plus the September Missouri swine basis. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices. Prices will be released by RMA after the markets close on the last day of the price discovery period.

22. Q: What is the Expected Gross Margin per Swine?

A: The expected gross margin per swine in a month for a particular state for a farrow-to-finish operation is the Expected Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Expected Cost of Feed for the state and the month three months prior to the month the swine are marketed.

\[
\text{Expected gross margin per swine for a farrow-to-finish operation} = (0.74 \times 2.5 \times \text{Swine}) - (13.86 \times \text{Corn}_{-3}) - ((196.16/2000) \times \text{Soybean Meal}_{-3}).
\]

The expected gross margin per swine in a month for a particular state for a finishing feeder operation is the Expected Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing...
22. A: (cont.)
marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Expected Cost of Feed for the state and the month two months prior to the month the swine are marketed.

Expected gross margin per swine for a finishing feeder operation =

\[(0.74 \times 2.5 \times \text{Swine}_t) - (9.6 \times \text{Corn}_t) - ((132/2000) \times \text{Soybean Meal}_t).\]

The expected gross margin per swine in a month for a particular state for a finishing SEW operation is the Expected Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Expected Cost of Feed for the state and the month two months prior to the month the swine are marketed.

Expected gross margin per swine for a finishing SEW operation =

\[(0.74 \times 2.5 \times \text{Swine}_t) - (9.7 \times \text{Corn}_t) - ((142/2000) \times \text{Soybean Meal}_t).\]

23. Q: How is the Expected Total Gross Margin calculated for each Insurance Period?

A: The expected total gross margin is the sum of the target marketings times the expected gross margin per swine for each month of an insurance period. If the producer from the above example has 10 swine to sell in June and an expected gross margin per head of $55, the expected total gross margin would be $550 (10 x $55 = $550).

24. Q: How is the Gross Margin Guarantee calculated for each Insurance Period?

A: The gross margin guarantee for each coverage period is calculated by subtracting the per head deductible times total number of swine to be marketed from the expected total gross margin for the applicable insurance period. If our example producer has a $10 per head deductible, the gross margin guarantee equals $450 [$550 – (10 x $10)].

25. Q: What is the Actual Corn Price?

A: For months in which a CBOT corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT corn futures contract for that month expressed in dollars per bushel plus the state-specific corn basis for that month. Note that the state-specific corn basis used to calculate actual corn prices is the same state-specific basis used to calculate expected corn basis for the month. For months when there is no expiring CBOT corn futures contract, the actual corn price is the weighted average of the futures prices on the nearest two contract months plus the state-specific corn basis for the month. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April in Missouri is one-half times the simple average of the daily settlement prices in the last three
25. A: (cont.)
trading days prior to the contract expiration date of the corn futures contracts that expire in March plus one-half times the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in May plus the Missouri April corn basis.

26. Q: What is the Actual Soybean Meal Price?

A: For months in which a CBOT soybean meal futures contract expires, the actual soybean meal price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT soybean meal futures contract for that month expressed in dollars per bushel. For months when there is no expiring CBOT soybean meal futures contract, the actual soybean meal price is the weighted average of the futures prices on the nearest two contract months. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual soybean meal price in April in Missouri is one-half times the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the soybean meal futures contracts that expire in March plus one-half times the daily settlement prices in the last three trading days prior to the contract expiration date of the soybean meal futures contracts that expire in May.

27. Q: What is the Actual Cost of Feed?

A: The actual cost of feed depends on the type of operation. For farrow-to-finish operations, the actual cost of feed equals 13.86 bushels times the Actual Corn Price plus 196.16 pounds divided by 2000 pounds per ton times the Actual Soybean Meal Price. For finishing feeder operations, the actual cost of feed equals 9.6 bushels times the Actual Corn Price plus 132 pounds divided by 2000 pounds per ton times the Actual Soybean Meal Price. For finishing SEW operations, the actual cost of feed equals 9.7 bushels times the Actual Corn Price plus 142 pounds divided by 2000 pounds per ton times the Actual Soybean Meal Price.

28. Q: What is the Actual Swine Price?

A: For months in which a CME lean hog futures contract expires, the actual swine price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME lean hog futures contracts plus the state-specific swine basis for that month. For other months the actual swine price is the simple average the daily settlement prices in the last three trading days prior to the contract expiration date of the lean hogs futures contracts that expire in the surrounding months. For example, the actual swine price in September is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the lean hog futures contracts that expire in August and October.
29. Q: What is the Actual Gross Margin per Swine?

A: The actual gross margin per swine in a month for a particular state for a farrow-to-finish operation is the Actual Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Actual Cost of Feed for the state and the month three months prior to the month the swine are marketed.

Actual gross margin per swine for a farrow-to-finish operation =

\[(0.74 \times 2.5 \times \text{Swinet}) - ((13.86 \times \text{Cornt-3}) - ((196.16/2000) \times \text{Soybean Meal-3}).\]

The actual gross margin per swine in a month for a particular state for a finishing feeder operation is the Actual Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Actual Cost of Feed for the state and the month two months prior to the month the swine are marketed.

Actual gross margin per swine for a finishing feeder operation =

\[(0.74 \times 2.5 \times \text{Swinet}) - (9.6 \times \text{Cornt-2}) - ((132/2000) \times \text{Soybean Meal-2}).\]

The actual gross margin per swine in a month for a particular state for a finishing SEW operation is the Actual Swine Price for the state and for the month the swine are marketed times the assumed weight of the swine at marketing (2.5 cwt.) times the yield factor (0.74) to convert the price to a live weight basis, minus the Actual Cost of Feed for the state and the month two months prior to the month the swine are marketed.

Actual gross margin per swine for a finishing SEW operation =

\[(0.74 \times 2.5 \times \text{Swinet}) - (9.7 \times \text{Cornt-2}) - ((142/2000) \times \text{Soybean Meal-2}).\]

30. Q: How is the Actual Total Gross Margin calculated?

A: The actual total gross margin is the sum of the target marketings times the actual gross margin per head of swine for each month of an insurance period. If the producer in the example sold 10 head of swine in June and had an actual gross margin per head of swine of $40, the actual total gross margin would be $400 (10 x $40 = $400).

31. Q: How are Indemnities determined?

A: Indemnities to be paid will equal the difference between the gross margin guarantee and the actual total gross margin for the insurance period. The producer in our example would receive an indemnity of $50 ($450 - $400 = $50).
32. Q: Is a Marketings Report required and when should the company receive it?

A: Yes, in the event of a loss the producer must submit a Marketings Report and sales receipts showing evidence of actual marketings. The producer must submit the Marketings Report within 15 days of receipt of Notice of Probable Loss.

33. Q: Is this a Continuous Policy?

A: This is a continuous policy with twelve overlapping insurance periods per year. Target marketings must be submitted for each insurance period. If a Target Marketings Report is not submitted by the sales closing date for the applicable insurance period, target marketings for that insurance period will be zero.

34. Q: When must the Application for insurance be turned into the company?

A: The sales closing dates for the policy are the next to last business day of the month for each of the twelve calendar months. The Application must be completed and filed not later than the sales closing date of the initial insurance period for which coverage is requested. Coverage for the swine described in the Application will not be provided unless the insurance company receives and accepts a completed Application and a Target Marketings Report, the producer pays the premium paid in full, and the company sends the producer a written Summary of Insurance.

35. Q: When does Coverage begin?

A: Coverage begins one month after the sales closing date. Coverage begins on your swine one full calendar month plus one day following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example for the January 30 sales closing date, coverage begins on March 1.

36. Q: When are the Contract Change Dates for the policy?

A: The contract change date is April 30. Any changes to the LGM for Swine Policy will be made prior to this contract change date.

37. Q: When are the Cancellation Dates for the Policy?

A: The cancellation date is June 30 for all insurance periods.

38. Q: When is the End of Insurance for the Policy?

A: The end of insurance for the policy is 6 months after the sales closing date. For example, for the January 30 sales closing date, coverage ends on July 31.

39. Q: What deductibles are available for the policy?

A: The producer may select deductibles from $0 to $20 per head of swine, in $2 per head increments.
40. Q: How is the producer’s premium calculated?

A: The producer’s premium is calculated by a premium calculator program that determines the premium per swine based on target marketings, expected gross margins for each period, and deductibles.

41. Q: When is the premium for the policy due?

A: The premium for the initial insurance period is due with the application for LGM for Swine Insurance coverage. The premium for all subsequent insurance periods is due with the Target Marketings Report, which is due no later than the sales closing date.

42. Q: What portion of a producer’s swine will be insured under the LGM for Swine policy?

A: A producer can insure any amount of swine that the producer owns up to a limit of 15,000 head for any 6-month insurance period and a limit of 30,000 head per crop year. Ownership of insured swine must be certified by the producer and may be subject to inspection and verification by the insurance company.

43. Q: What information is required for acceptance of an Application for the LGM for Swine Insurance Policy?

A: The Application for the LGM for Swine Insurance Policy must contain all the information required by us to insure the gross margin for the animals. Applications that do not contain all social security numbers and employer identification numbers, as applicable (except as stated in the policy), deductible, Target Marketings Report, and any other material information required to insure the gross margin for the animals, will not be acceptable.

44. Q: If a producer has a combination of farrow-to-finish, feeder finishing, and SEW finishing operations on the same policy, are the guarantees and the loss payments separate?

A: Yes. Guarantees and loss payments are calculated separately for each of these three types of swine. However, the producer is still limited to covering 15,000 head per insurance period and 30,000 annually.

45. Q: Can LGM sales be suspended?

A: Yes. Sales of LGM for Swine 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 lean hog commodity markets. 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 RMA staff, to result in market conditions significantly different than those used to rate the LGM for Swine program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Swine sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.
46. Q: What if the expected gross margins are not posted on the RMA website on the next to last business day of the month?

A: LGM for Swine will not be available for sale for that insurance period.
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 FCIC nor the Risk Management Agency has the authority to revise, amend, or otherwise alter this policy. In the event the Company cannot pay your loss, your claim will be settled in accordance with the provisions of this Policy and paid by FCIC. 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


Actual Cattle Price - For the months of February, April, June, August, October, and December, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME live cattle futures contracts plus the applicable state’s cattle basis for the month. For the months of January, March, May, July, September, and November, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract that expire in the immediately surrounding months plus the applicable state’s cattle basis for that month.

Actual Corn Price - For months in which a CBOT corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT corn futures contract for that month expressed in dollars per bushel plus the applicable state’s corn basis for the month. For months when there is no expiring CBOT corn futures contract, the actual corn price is the weighted average of the prices on the nearest two contract months plus the applicable state’s corn basis for the month. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April for Iowa is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March and May plus the April corn basis for Iowa. For the month of January in Iowa, the actual corn price will equal two-thirds times the simple average of the daily settlement prices in the last three trading days prior to expiration of the December CBOT corn futures contract plus one-third times the simple average of the daily settlement prices in the last three trading days prior to expiration of the March CBOT corn futures contract plus the January corn basis in Iowa.

Actual Cost of Feed - For yearling finishing operations, the actual cost of feed for each month equals 57.5 bushels times the actual corn price for that month, or as stated in the Special Provisions. For calf finishing operations, the actual feed cost for each month equals 54.5 bushels times the actual corn price for that month, or as stated in the Special Provisions.

Actual Feeder Cattle Price - For months in which a CME feeder cattle futures contract expires, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date, expressed in dollars per hundredweight, plus the applicable state’s feeder cattle basis for that month. For other months, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the applicable state’s feeder cattle basis for that month. For example, the actual feeder cattle price in February for Texas is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the applicable state’s feeder cattle basis for that month. For example, the actual feeder cattle price in February for Texas is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the applicable state’s feeder cattle basis for that month. For example, the actual feeder cattle price in February for Texas is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the applicable state’s feeder cattle basis for that month. For example, the actual feeder cattle price in February for Texas is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the applicable state’s feeder cattle basis for that month.

Actual Gross Margin per Head - For yearling finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed times the assumed weight of the cattle at
marketing of 12.5 hundredweight, minus the actual cost of feed two months prior to that month, minus the actual feeder cattle price five months prior to that month times the assumed weight of feeder cattle of 7.5 hundredweight. For calf finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 11.5 hundredweight, minus the actual cost of feed four months prior to that month, minus the actual feeder cattle price eight months prior to that month times the assumed weight of feeder cattle of 5.5 hundredweight. For example, the actual gross margin per cattle for April for a yearling finishing operation is the actual cattle price for April times 12.5 hundredweight, minus the actual cost of feed for February, minus the actual feeder cattle price for November times 7.5 hundredweight.

**Actual Gross Margin per Month** - The actual gross margin per head of cattle for a particular month multiplied by the target marketings for that month.

**Actual Marketings** - The total number of slaughter-ready cattle sold by you for slaughter for human or animal consumption in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of cattle and determine approved target marketings.

**Actual Total Gross Margin** - The target marketings for each month of an insurance period multiplied by the actual gross margin per head for each month of that insurance period and totaled.

**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 your policy rights, made on our form, and effective when approved by us, whereby you assign your right to an indemnity payment to any party of your choice for the insurance period.

**Calf Finishing Operation** - A type of farm operation that purchases 550-pound cattle and feeds them until slaughter.

**Cattle** - Any species of domesticated mammal of the family *Bovidae* commonly grown for beef production. Also referred to as steer or heifer or cow.

**Cattle Basis** - State- and month-specific estimates of differences between local cattle prices and CME live cattle futures prices. See the LGM for Cattle Commodity Exchange endorsement for the values of the cattle basis.

**CBOT** - The Chicago Board of Trade.

**CME** - The Chicago Mercantile Exchange.

**Company** - The insurance company 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 Basis** - State- and month-specific estimates of differences between local corn prices and CBOT corn futures prices. See the LGM for Cattle Commodity Exchange Endorsement for the values of the corn basis.

**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 gross margin that you elect not to insure. Allowable deductible amounts range from zero to $150 per head in $10 per head increments.

**End of Insurance Period, Date of** - The date upon which your insurance provided by this policy ceases.

**Expected Cattle Price** - Expected cattle prices for months in an insurance period are determined using three-day average settlement prices on CME live cattle futures contracts and a basis adjustment that varies by month and state. Given the differences in contract structure for CME live cattle futures contracts, only the February, April, June, August, October, and December CME live cattle futures are used in LGM price calculations. For months with unexpired live cattle futures contracts, the expected cattle price is the simple average of the daily settlement prices for the CME live cattle futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per hundredweight plus the applicable state’s cattle basis for that month. For example, for a sales closing date of February 28, the expected cattle price for August in California equals the simple average of the daily settlement prices on the CME August live cattle futures contract over the last three trading days in February plus the August California cattle basis. For months without a live cattle futures contract, the futures prices used to calculate the expected cattle price are the weighted average of the futures prices used to calculate the expected cattle prices for the two surrounding months that have futures contracts plus the applicable state’s basis for the month. The weights are based on the time difference between the cattle month and the contract months. For example, for the March 31 sales closing date, the expected cattle price for November in Washington equals one-half times the simple average of the daily settlement prices on the CME October live cattle futures contract over the last three trading days in March plus one-half times the simple average of the daily settlement prices on the CME December live cattle futures contract for the last three trading days in March plus the November Washington cattle basis. See the LGM
for Cattle Commodity Exchange endorsement for additional detail on exchange prices.

**Expected Corn Price** - Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CBOT corn futures contracts and a basis adjustment that varies by month and state. For months with unexpired corn futures contracts, the expected corn price is the simple average of the daily settlement prices for the CBOT corn futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per bushel plus the applicable state’s corn basis for that month. For example, for a sales closing date of February 28, the expected corn price for July in Iowa equals the simple average of the daily settlement prices on the CBOT July corn futures contract over the last three trading days in February plus the July Iowa corn basis. For months with expired corn futures contracts, the expected corn price is the simple average of daily settlement prices for the CBOT corn futures contract for that month expressed in dollars per bushel in the last three trading days prior to contract expiration plus the applicable state’s corn basis for that month. For example, for a sales closing date of March 31, the expected corn price for March in Nebraska is the simple average of the daily settlement prices on the CBOT March corn futures contract over the last three trading days prior to contract expiration plus the March Nebraska corn basis. For months without a corn futures contract, the futures prices used to calculate the expected corn price are the weighted average of the futures prices used to calculate the expected corn prices for the two surrounding months which have futures contract plus the applicable state’s basis for the month. The weights are based on the time difference between the month and the contract months. For example, for the March 31st sales closing date, the expected corn price for April in Kansas equals one-half times the simple average of the daily settlement prices on the CBOT March corn futures contract over the last three trading days prior to contract expiration plus one-half times the simple average of the daily settlement prices on the CBOT May corn futures contract for the last three trading days in March plus the April Kansas corn basis. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Cost of Feed** - For yearling finishing operations, the expected cost of feed for each month equals 57.5 bushels times the expected corn price for that month. For calf finishing operations, the expected cost of feed for each month equals 54.5 bushels times the expected corn price for that month.

**Expected Feeder Cattle Price** - Expected feeder cattle prices for months in an insurance period are determined using three-day average settlement prices on CME feeder cattle futures contracts and a basis adjustment that varies by month, state, and type of operation. For months with unexpired feeder cattle futures contracts, the expected feeder cattle price is the simple average of the daily settlement prices for the CME feeder cattle futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per hundredweight plus the applicable state’s and operation’s feeder cattle basis for that month. For example, for a sales closing date of February 28, the expected feeder cattle price for May in Texas for a yearling finishing operation equals the simple average of the daily settlement prices on the CME May feeder cattle futures contract over the last three trading days in February plus the May Texas feeder cattle basis for a yearling. For months with expired feeder cattle futures contracts, the expected feeder cattle price is the simple average of daily settlement prices for the CME feeder cattle futures contract for that month expressed in dollars per hundredweight in the last three trading days prior to contract expiration plus the applicable state’s and operation’s feeder cattle basis for that month. For example, for a sales closing date of April 30, the expected feeder cattle price for March in Missouri for a calf finishing operation is the simple average of the daily settlement prices on the CME March feeder cattle futures contract over the last three trading days prior to contract expiration plus the March Missouri feeder cattle basis for a calf. For months without a feeder cattle futures contract, the futures prices used to calculate the expected feeder cattle price are the weighted average of the futures prices used to calculate the expected feeder cattle prices for the two surrounding months that have futures contract plus the applicable state’s and operation’s feeder cattle basis for the month. The weights are based on the time difference between the feeder cattle month and the contract months. For example, for the April 30 sales closing date, the expected feeder cattle price for July in South Dakota for a calf finishing operation equals two-thirds times the simple average of the daily settlement prices on the CME August feeder cattle futures contract over the last three trading days in April plus one-third times the simple average of the daily settlement prices on the CME May feeder cattle futures contract over the last three trading days in April plus the July South Dakota feeder cattle basis for a calf. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Gross Margin per Head** - For yearling finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 12.5 hundredweight, or as stated in the Special Provisions, minus the expected cost of feed two months prior to that month, less the expected feeder cattle price five months prior to that month times the assumed weight of feeder cattle of 7.5 hundredweight. For calf finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 11.5 hundredweight, or as stated in the Special Provisions, minus the expected cost of feed four months prior to that month, less the expected feeder cattle price eight months prior to that month times the assumed weight of feeder cattle of 5.5 hundredweight. For example, the expected gross margin per head for April for a yearling finishing
operation is the expected cattle price for April times 12.5 hundredweight, less the expected cost of feed for February, less the expected feeder cattle price times 7.5 hundredweight. For a calf finishing operation, expected gross margin per head for April is the expected cattle price for April times 11.5 hundredweight, less the expected cost of feed for December of the previous year, less the expected feeder cattle price for August of the previous year times 5.5 hundredweight.

**Expected Gross Margin per Month** - The expected gross margin per month multiplied by the target marketings for each month of an insurance period.

**Expected Total Gross Margin** - The target marketings times the expected gross margin per head for each month of an insurance period and totaled.

**FCIC** - The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

**Feeder Cattle Basis** - State- and month-specific estimates of differences between local feeder cattle prices and CME feeder cattle futures prices. Yearling finishing operations have a different feeder cattle basis than do calf finishing operations. See the LGM for Cattle Commodity Exchange endorsement for the values of the feeder cattle basis for both types of operations.

**Gross Margin Guarantee** - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible times the total of target marketings.

**Insurance Period** - The 11-month period designated in the summary of insurance to which this policy is applicable. Cattle are not insurable in the first month of any insurance period. See the LGM for Cattle Commodity Exchange endorsement for additional detail on insurance periods.

**Insured** - The person 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 of cattle insured under this policy. The marketing report must be accompanied by copies of packer sales receipts that provide records of the actual marketings shown on the marketing report.

**Notice of Probable Loss** - Our notice to you of a probable loss on your insured cattle.

**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.

**RMA** - Risk Management Agency, an agency within USDA.

**Sales Closing Date** - The last day of the sales period by which your completed application and premium 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 day of the month after validation of prices and rates and ends on the following day at 9:00 AM central time.

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

**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 cattle owned are in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the cattle feeding operation of the insured or applicant.

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

**Target Marketings** - Your determination as to the number of cattle you elect to insure in each month during the insurance period. You can only report the number of cattle in which you have a share.

**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.

**Yearling Finishing Operation** - A type of farm operation that purchases yearling steers and heifers and feeds them until slaughter.

2. **Life of Policy, Cancellation and Termination**

   (a) You can only purchase this plan of insurance during a sales period, if:

   (1) The expected gross margins are available on the RMA website.

   (2) Underwriting capacity for this plan of insurance is available.

   (b) LGM for Cattle will not be offered for a sales period if the required data for establishing the expected gross margins for each month of the insurance period are not available because futures did not trade, or were not able to continue trading at the end of the day (such as the price moved the maximum allowed by the exchange and trading was suspended), for any day that the information is needed.
Your application must contain all the information required by us to complete the summary of insurance.

(1) Applications that do not contain all social security numbers and employer identification numbers of the applicant and all social security numbers of individuals with a substantial beneficial interest in the applicant, as applicable, share, deductible, target marketings, and any other material information required to insure the gross margin for the animals are not acceptable.

(2) If an entity has an interest of more than 10 percent in the insured or applicant, the social security numbers of all individuals with a substantial beneficial interest in the entity must also be provided.

(c) Your agent does not have authority to bind coverage under this policy. Coverage for the cattle 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 days when FCIC’s UCM web site is operational.

(d) Coverage can be purchased from the time starting after the validation of prices and ending on the following day at 9:00 AM Central Time or as otherwise specified in the Special Provisions.

(1) Coverage is not available for purchase if expected gross margins are not available on the RMA website or 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 or the Manager of RMA, or his designee, to result in market conditions significantly different than those used to rate the LGM for Cattle program.

(2) In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Cattle sales will resume, after a halting or suspension in sales, during the next scheduled sales period provided the market prices needed to establish expected gross margins can be obtained and the Secretary or designee determines there are no program integrity issues that preclude resumption of sales.

(e) 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 Cattle Commodity Exchange Endorsement for additional information on sales closing dates.

(f) 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 to be insured.

(g) Your application must contain all the information required by us to complete the summary of insurance.

(1) Applications that do not contain all social security numbers and employer identification numbers of the applicant and all social security numbers of individuals with a substantial beneficial interest in the applicant, as applicable, share, deductible, target marketings, and any other material information required to insure the gross margin for the animals are not acceptable.

(2) If an entity has an interest of more than 10 percent in the insured or applicant, the social security numbers of all individuals with a substantial beneficial interest in the entity must also be provided.

(h) This is a continuous policy, but will automatically terminate at the end of the pilot program.

(i) After acceptance of the application, you may not cancel this policy for the initial insurance period.

(1) Thereafter, the policy will continue in force for each succeeding insurance period unless canceled or terminated.

(2) Either you or we may cancel this policy after the initial insurance period by providing written notice to the other on or before the cancellation date.

(j) If any amount due, including a check returned for insufficient funds or overpayment, plus any accrued interest, is not paid, or an acceptable arrangement for payment is not made, on or before the termination date specified in these Basic Provisions or the date contained in any notice to you, the amount will be considered delinquent and your insurance coverage will terminate.

(1) Termination may affect your eligibility for benefits under other USDA programs.

(2) You will also be determined to be ineligible to participate in any crop insurance program authorized under the Act in accordance with 7 CFR part 400, subpart U.

(3) For unpaid premium resulting from a check returned for insufficient funds, the policy will terminate as of the sales closing date;

(4) For other amounts due, the policy will terminate effective on the termination date immediately after the debt becomes delinquent;

(5) Payment of premium with a check returned for insufficient funds may result in your ineligibility for participation in any program administered under the authority of the Act.

(6) Ineligibility for unpaid premium resulting from a check returned for insufficient funds or failure to timely pay other amounts due will be effective on:
(i) The date that a policy was terminated for the livestock for which you failed to pay premium and any related interest owed;
(ii) The payment date contained in any notification of indebtedness for any overpaid indemnity, if you fail to pay the amount owed by such due date; or
(iii) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a payment agreement if you fail to pay the amount owed by any payment date in such payment agreement.

(7) All other policies that are issued by us under the authority of the Act, including all crop insurance policies, will also terminate as of the next termination date contained in the applicable policy;

(8) A policy already in effect at the time you become ineligible will not be affected until the termination date for that policy, and if you are ineligible, you may not obtain any insurance under the Act for any crop or livestock until payment is made in full, you execute an agreement to repay the debt and make payments in accordance with the agreement, or you file a petition to have your debts discharged in bankruptcy (Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any indemnities paid subsequent to that date must be repaid.);

(9) If you execute an agreement to pay the debt and fail to make any scheduled payment:
   (i) All your policies, including all crop insurance policies, will be terminated effective on the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment and no indemnity will be due for that year;
   (ii) You will no longer be eligible to obtain insurance under the Act by execution of an agreement to pay the debt; and
   (iii) You will be ineligible for insurance under the Act until the debt is paid in full or you file a petition to discharge the debt in bankruptcy. Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any payments and indemnities paid subsequent to that date must be repaid;

(10) Once the policy is terminated, it cannot be reinstated for the current crop year unless the termination was in error because you did not owe any amounts or you paid the amounts owed on or before the termination date;

(11) After you again become eligible for insurance under the Act, if you want to obtain coverage, you must reapply on or before the sales closing date for the crop or livestock (You cannot reapply for insurance in the crop year in which you became ineligible.);

(12) Any amount due us for any livestock or crop insured by us under the authority of the Act will be deducted from any indemnity due you for this or any other crop or livestock insured with us. If we deduct the amount due us from an indemnity, the date of payment for the purpose of this section will be the date you sign the properly executed claim for indemnity.

(k) If you die, disappear, or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved, the policy will terminate as of the date of death, judicial declaration, or dissolution. If such event occurs after coverage begins for any insurance period, the policy will continue in force through the insurance period and terminate at the end of the insurance period and any indemnity will be paid to the person or persons determined to be beneficially entitled to the indemnity. The premium will be deducted from the indemnity or collected from the estate. Death of a partner in a partnership will dissolve the partnership unless the partnership agreement provides otherwise. If two or more persons having a joint interest are insured jointly, death of one of the persons will dissolve the joint entity.

(l) Any insured may sign any document relative to this policy on behalf of any other insured covered by this policy, provided that the person has a properly executed power of attorney or other legally sufficient document authorizing such insured to act for other insureds.

(m) We may cancel your policy if no premium is earned for three consecutive years.

(n) The cancellation date is June 30 for all insurance periods.

(o) The termination date for debt for the insurance period is the first day of the next month immediately following the sales closing date.

3. Insurance Coverages

(a) Your gross margin guarantee, deductible amount, and maximum premium for the insurance period are as shown on your summary of insurance.

(b) You must select a deductible amount by sales closing date.

(c) You may only select one deductible amount 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 cattle insured exceed 5,000 head in any insurance period, or 10,000 head in any insurance year.

(h) Sales of LGM for Cattle may be suspended for the next sales period if extraordinary events occur that interfere with the effective functioning of the corn, feeder cattle, or live cattle commodity markets as determined by FCIC. Evidence of such events may include, but is not limited to, consecutive limit down moves in the live cattle futures markets or consecutive limit up moves in the feeder cattle and/or corn futures markets.

4. Causes of Loss Covered
This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee caused by unavoidable cause of loss, as required by the Act. This policy does not insure against the death or other loss or destruction of your cattle, or against any other loss or damage of any kind whatsoever.

5. Annual Premium
The premium is earned and payable at the time coverage begins. The application will not be accepted if the premium is not paid in full at the time of application. In subsequent insurance periods, if the premium is not paid in full by the applicable sales closing date, your target marketings will be reduced to zero for each month of the insurance period and you will have no coverage for cattle under this policy. The premium amount is shown on your summary of insurance.

6. Insurance Period
(a) Coverage begins on your cattle one full calendar month and one day following the sales closing date, provided premium for the coverage has been paid in full. For example for the contract with a sales closing date of January 31, 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 cattle, 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 live cattle futures price established at the beginning of the insurance period multiplied by the assumed weight of the cattle.

(c) 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 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 24.5 percent of the total premium.

9. Amounts Due Us
(a) Interest will start to accrue on the sales closing 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 and/or other Federal funds in accordance with relevant statutes, including the Act. Any amount which is collected by us which does not become due and payable as a result of any offset or other action shall be returnable to you, subject to any limitations otherwise provided by law.
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 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 for each insurance period in which the concealment, fraud, or misrepresentation occurred; and
       (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 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 24.5 percent of the total premium due under the policy to offset costs incurred by us in the service of this policy.

13. Transfer of Coverage and Right to Indemnity
    If you transfer any number of your cattle during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance. We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred. The transfer of coverage rights must be on our form and will not be effective until approved by us in writing. Both you and the transferee are jointly and severally liable for the payment of the premium. The transferee has all rights and responsibilities under this policy consistent with the transferee’s interest. 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
    You may assign to another party your right to an indemnity for the insurance period. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit all loss notices and forms as required by the policy. If you have suffered a loss from an insurable cause and fail to file a marketing report within 15 days after you receive a notice of probable loss, the assignee may submit the marketing report not later than 15 days after the 15-day period 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. Subrogation (Recovery of Loss from a Third Party)
    Since you may be able to recover all or a part of your loss from someone other than us, you must do all you can to preserve this right. If you recover any funds from someone else, you must repay to us the amount you receive from us, not to exceed the amount of indemnity we paid to you. If we pay you for your loss, your right to recovery will, at our option, belong to us. If we recover more than we paid you plus our expenses, the excess will be paid to you.

16. 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.

17. 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 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.
18. 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.

19. Other Insurance
You must not obtain any other livestock insurance issued under the authority of the Act on the insured cattle. If we determine that more than one policy on the cattle 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.

20. Access to Insured Cattle and Records, and Record Retention
(a) We, and any employee of USDA, reserve the right to examine the insured cattle, and all records relating to the feeding, finishing, and sale of the cattle 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, shipment, sale, or other disposition of all the insured cattle. 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 cattle 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 cattle 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 which we request from third parties.

21. 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.
(d) No award determined by arbitration or appeal can exceed the amount of liability established or which should have been established under the policy.

22. Contract Changes
(a) We may change the terms of your coverage under this policy from year to year.
(b) Any changes in policy provisions, basis amounts, 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.

23. 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.
Commodity Exchange Endorsement for Livestock Gross Margin for Cattle

This endorsement contains the exchange prices and basis values that are used to set expected and actual prices for LGM for Cattle. To find the relevant commodity exchange prices for LGM for Cattle, choose a closing date (in Column 1). The closing date determines the insurance period (in Column 2). Within each insurance period, the insurance months are shown in Column 3, and the relevant cattle and feed months are shown in Columns 4-9 (Columns 4-6 for yearling finishing operations, Columns 7-9 for calf finishing operations). Commodity exchange contract months are shown in **bold**. All cattle prices are expressed in dollars per hundredweight; all corn prices are expressed in dollars per bushel.

For example, given the closing date of January 31, the insurance period runs from February to December. This insurance period contains the insurance months of February, March, April, May, June, July, August, September, October, November, and 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 cattle the first month of any insurance period. Coverage begins on your cattle one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided the premium for the coverage has been paid in full.

For the contract with a sales closing date of January 31, coverage will begin on March 1. For the March insurance month, the expected cattle price is the March cattle price. Because March does not have a Live cattle futures contract, the expected March cattle price is one-half times the simple average of the CME February cattle futures prices on the last three business days of January plus one-half times the simple average of the CME April cattle futures prices on the last three business days of January plus the March cattle basis. The expected feeder cattle price for yearling finishing operations for the March insurance month is the October feeder cattle price. Because October feeder cattle futures have expired, the expected feeder cattle price for the March insurance month is the simple average of daily settlement prices for the CME feeder cattle futures contract for October on the last three trading days prior to the day the contract expires plus the October feeder cattle basis. The expected corn price for yearling finishing operations for the March insurance month is the January corn price. Because January does not have a CBOT corn futures contract, the expected January corn price is two-thirds times the simple average of the CBOT December corn futures prices on the last three business days of December prior to contract expiration plus one-third times the simple average of the CBOT March corn futures prices on the last three business days of January plus the January corn basis.

For the July insurance month (continuing the January 31 closing date example), the expected cattle price is the July cattle price. Because July does not have a Live cattle futures contract, the expected July cattle price is one-half times the simple average of the CME June cattle futures prices on the last three business days of January plus one-half times the simple average of the CME August cattle futures prices on the last three business days of January plus the July cattle basis. The expected feeder cattle price for yearling finishing operations for the July insurance month is the February feeder cattle price. Because February does not have a CME feeder cattle futures contract, the expected February feeder cattle price is one-half times the simple average of the daily settlement prices for the CME feeder cattle futures contract for January on the last three trading days prior to the day the contract expires plus one-half times the simple average of the CME March feeder cattle prices on the last three business days of January plus the February feeder cattle basis. The expected corn price for yearling finishing operations for the July insurance month is the May corn price. Because May has a CBOT corn futures contract the expected corn price for May is the simple average of daily settlement prices for the CBOT corn futures contract for May on the last three trading days of January plus the May corn basis.

The sales period that begins on the last business day of the month after review of prices and rates and ends on the following day at 9:00 AM central time. If the expected gross margins are not available on the RMA website, LGM for Cattle will not be offered for sale for that insurance period.
Table 1. Cycles within the insurance periods for LGM for Cattle Insurance

<table>
<thead>
<tr>
<th>Sales Closing Date</th>
<th>Insurance Period</th>
<th>Insurance Month</th>
<th>Yearling Finishing</th>
<th>Calf Finishing</th>
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Note: The table shows the months for each cycle within the insurance periods for LGM for Cattle Insurance.
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<th>Insurance Period</th>
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<th>Calf Finishing</th>
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<td>Feeder Cattle Price</td>
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1. Q: What is the Livestock Gross Margin for Cattle Insurance Policy?
   
   A: The Livestock Gross Margin for Cattle (LGM for Cattle) Insurance Policy provides protection against the loss of gross margin (market value of livestock minus feeder cattle and feed costs) on cattle. The indemnity at the end of the 11-month insurance period is the difference, if positive, between the gross margin guarantee and the actual gross margin. The LGM for Cattle Insurance Policy uses adjusted futures prices to determine the expected gross margin and the actual gross margin. Adjustments to futures prices are state- and month-specific basis levels. The price the producer receives at the local market is not used in these calculations.

2. Q: Who is eligible for the LGM for Cattle Insurance Policy?
   
   A: Any producer who owns cattle in the states of Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming is eligible for LGM for Cattle insurance coverage.

3. Q: What cattle are eligible for coverage under the LGM for Cattle Insurance Policy?
   
   A: Only cattle sold for commercial or private slaughter primarily intended for human consumption and fed in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming are eligible for coverage under the LGM for Cattle Insurance Policy.

4. Q: What are some of the key features of the LGM for Cattle Insurance Policy?
   
   A: LGM for Cattle has two advantages features.

   Producers can sign up for LGM for Cattle twelve times per year and insure all of the cattle they expect to market over a rolling 11-month insurance period. The producer does not have to decide on the mix of options to purchase, the strike price of the options, or the date of entry.

   The LGM for Cattle policy can be tailored to any size farm. Options cover fixed amounts of commodities and those amounts may be too large to be used in the risk management portfolio of some farms.

5. Q: How is LGM for Cattle different from traditional options?
   
   A: LGM for Cattle is different from traditional options in that LGM for Cattle is a bundled option that covers both the cost of feeder cattle and the cost of feed. This bundle of options effectively insures the producer's gross margin (cattle price minus feeder cattle and feed costs) over the insurance period.
6. Q: Can LGM for Cattle be exercised?

A: No. LGM for Cattle cannot be exercised. LGM works as a bundle of options that pay the difference, if positive, between the value at purchase of the options and the value at the end of a certain time period. So, LGM for Cattle would pay the difference, if positive, between the gross margin guarantee and the actual gross margin, as defined in the policy provisions.

7. Q: Does LGM for Cattle use the price the producer actually receives at the market?

A: No. The prices for LGM for Cattle are based on simple averages of futures contract daily settlement prices plus a fixed basis and are not based on the actual prices the producer receives at the market.

8. Q: Does LGM for Cattle make early indemnity payments?

A: Yes. If an indemnity is due under LGM for Cattle coverage, the company will send the producer a notice of probable loss after the last month of the producer's marketing plan. The last month of the producer's marketing plan is the last month in which the producer indicated target marketings on the application.

9. Q: How is the underwriting capacity for LGM for Cattle distributed?

A: LGM for Cattle has limited underwriting capacity that will be distributed through the Federal Crop Insurance Corporation's underwriting capacity manager. The underwriting capacity will be distributed on a first come, first served basis. LGM for Cattle will not be offered for sale after capacity is full or at any time the underwriting capacity manager is not functional.

10. Q: When is LGM for Cattle sold and how long do the sales periods last?

A: LGM for Cattle is sold on the last business day of each month. The sales period begins as soon as the Risk Management Agency (RMA) reviews the data submitted by the developer after the close of markets on the last day of the price discovery period. The sales period ends at 9:00 AM the following day. If expected gross margins are not available on the RMA website, LGM for Cattle will not be offered for sale for that insurance period.

11. Q: What types of losses are covered by LGM for Cattle?

A: LGM for Cattle covers the difference between the gross margin guarantee and the actual gross margin. LGM for Cattle does not insure against death loss or any other loss or damage to the producer's cattle.
12. Q: Where can I purchase LGM for Cattle coverage?

A: LGM for Cattle is available for sale at your authorized crop insurance agent's office. Crop insurance agents must be certified by an insurance company to sell LGM for Cattle and that agent’s identification number must be on file with the Federal Crop Insurance Corporation.

13. Q: What makes up the Insurance Period?

A: There are twelve insurance periods in each calendar year. Each insurance period runs for 11 months. For the first month of any insurance period, no cattle can be insured. Coverage begins on your cattle one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example, the insurance period for the January 31 sales closing date contains the months of February (cattle not insurable), March, April, May, June, July, August, September, October, November, and December.

14. Q: What are the Producer’s Target Marketings?

A: A determination made by the insured as to the maximum number of slaughter-ready cattle that the producer will market (sell) during the insurance period. The target marketings must be less than or equal to that producer’s applicable approved target marketings as certified by the producer.

15. Q: What are the Producer’s Approved Target Marketings?

A: The Producer’s Approved Target Marketings are the maximum number of cattle that may be stated as Target Marketings on the application. Approved Target Marketings are certified by the producer and are subject to inspection by the insurance company. A producer’s Approved Target Marketings will be the lesser of the capacity of the producer’s cattle operation for the 11-month insurance period as determined by the insurance provider and the underwriting capacity limit as stated in the special provisions.

16. Q: What is the Expected Corn Price?

A: Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CBOT corn futures contracts and a basis adjustment that varies by month and state. For corn months with unexpired futures contracts, the expected corn price is the simple average of the CBOT corn futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per bushel plus the state-specific corn basis for that month. For example, for a sales closing date of February 28, the expected corn price for July in Iowa equals the simple average of the daily settlement prices on the CBOT July corn futures contract over the last three trading days in February plus the July Iowa corn basis. For corn months with expired futures contracts, the expected corn price is the simple average of daily settlement prices for the CBOT corn futures contract for that month expressed in dollars per bushel in the last three trading days prior to contract expiration plus the state-specific corn basis for that month. For example, for a sales closing date
16. A: (cont.)
of March 31, the expected corn price for March in Nebraska is the simple average of the daily settlement prices on the CBOT March corn futures contract over the last three trading days prior to contract expiration plus the March Nebraska corn basis. For corn months without a futures contract, the futures prices used to calculate the expected corn price are the weighted average of the futures prices used in calculating the expected corn prices for the two surrounding months that have futures contract plus the state-specific basis for the month. The weights are based on the time difference between the corn month and the contract months. For example, for the March 31st sales closing date, the expected corn price for April in Nebraska equals one-half times the simple average of the daily settlement prices on the CBOT March corn futures contract over the last three trading days prior to contract expiration plus one-half times the simple average of the daily settlement prices on the CBOT May corn futures contract for the last three trading days in March plus the April Nebraska corn basis. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices. Prices will be released by RMA after the markets close on the last day of the price discovery period.

17. Q: What is the Expected Feeder Cattle Price?

A: Expected feeder cattle prices for months in an insurance period are determined using three-day average settlement prices on CME feeder cattle futures contracts and a basis adjustment that varies by month, state, and type of operation. For feeder cattle months with unexpired futures contracts, the expected feeder cattle price is the simple average of the CME feeder cattle futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per hundredweight plus the state-specific and operation-specific feeder cattle basis for that month. For example, for a sales closing date of February 28, the expected feeder cattle price for May in Texas for a yearling finishing operation equals the simple average of the daily settlement prices on the CME May feeder cattle futures contract over the last three trading days in February plus the May Texas feeder cattle basis for a yearling. For feeder cattle months with expired futures contracts, the expected feeder cattle price is the simple average of daily settlement prices for the CME feeder cattle futures contract for that month expressed in dollars per hundredweight in the last three trading days prior to contract expiration plus the state-specific and operation-specific feeder cattle basis for that month. For example, for a sales closing date of April 30, the expected feeder cattle price for March in Missouri for a calf finishing operation is the simple average of the daily settlement prices on the CME March feeder cattle futures contract over the last three trading days prior to contract expiration plus the March Missouri feeder cattle basis for a calf. For feeder cattle months without a futures contract, the futures prices used to calculate the expected feeder cattle price are the weighted average of the futures prices used in calculating the expected feeder cattle prices for the two surrounding months that have futures contract plus the state-specific and operation-specific feeder cattle basis for the month. The weights are based on the time difference between the feeder cattle month and the contract months. For example, for the April 30 sales closing date, the expected feeder cattle price for July in South Dakota for a calf finishing operation equals two-thirds times the simple average of the daily settlement prices on the CME August feeder cattle
17. A: (cont.)

futures contract over the last three trading days in April plus one-third times the simple average of the daily settlement prices on the CME May feeder cattle futures contract over the last three trading days in April plus the July South Dakota feeder cattle basis for a calf operation. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices. Prices will be released by RMA after the markets close on the last day of the price discovery period.

18. Q: What is the Expected Cost of Feed?

A: For yearling finishing operations, the expected cost of feed for each month equals 57.5 bushels times the expected corn price for that month. For calf finishing operations, the expected cost of feed for each month equals 54.5 bushels times the expected corn price for that month.

19. Q: What is the Expected Cattle Price?

A: Expected cattle prices for months in an insurance period are determined using three-day average settlement prices on CME live cattle futures contracts and a basis adjustment that varies by month and state. Given the differences in contract structure for CME live cattle futures contracts, only the February, April, June, August, October, and December CME live cattle futures are used in LGM for Cattle price calculations. For cattle months with unexpired futures contracts, the expected cattle price is the simple average of the CME live cattle futures contract for that month over the last three trading days in the month of the sales closing date expressed in dollars per hundredweight plus the state-specific cattle basis for that month. For example, for a sales closing date of February 28, the expected cattle price for August in Missouri equals the simple average of the daily settlement prices on the CME August live cattle futures contract over the last three trading days in February plus the August Missouri cattle basis. For cattle months without a futures contract, the futures prices used to calculate the expected cattle price are the weighted average of the futures prices used in calculating the expected cattle prices for the two surrounding months that have futures contracts plus the state-specific basis for the month. The weights are based on the time difference between the cattle month and the contract months. For example, for the March 31 sales closing date, the expected cattle price for November in Missouri equals one-half times the simple average of the daily settlement prices on the CME October live cattle futures contract over the last three trading days in March plus one-half times the simple average of the daily settlement prices on the CME December live cattle futures contract for the last three trading days in March plus the November Missouri cattle basis. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices. Prices will be released by RMA after the markets close on the last day of the price discovery period.
20. Q: What is the Expected Gross Margin per Head of Cattle?

A: The expected gross margin per head of cattle in a month for a particular state for a yearling finishing operation is the expected cattle price for the state and for the month the cattle are marketed times the assumed weight of the cattle at marketing (12.5 cwt.), minus the expected feeder cattle price for the state five months prior to the month the cattle are marketed times the assumed weight of the feeder animal (7.5 cwt), minus the expected cost of feed two months prior to the month the cattle are marketed.

Expected gross margin per head of cattle for a yearling finishing operation =

\[(12.50 \times \text{LiveCattle}_t) - (7.50 \times \text{FeederCattle}_{t-5}) - (57.5 \times \text{Cornt}_{t-2})\].

The expected gross margin per head of cattle in a month for a particular state for a calf finishing operation is the expected cattle price for the state and for the month the cattle are marketed times the assumed weight of the cattle at marketing (11.5 cwt.), minus the expected feeder cattle price for the state eight months prior to the month the cattle are marketed times the assumed weight of the feeder animal (5.5 cwt), minus the expected cost of feed four months prior to the month the cattle are marketed.

Expected gross margin per head of cattle for a calf finishing operation =

\[(11.50 \times \text{LiveCattle}_t) - (5.50 \times \text{FeederCattle}_{t-8}) - (54.5 \times \text{Cornt}_{t-4})\].

21. Q: How is the Expected Total Gross Margin calculated for each Insurance Period?

A: The expected total gross margin is the sum of the target marketings times the expected gross margin per head of cattle for each month of an insurance period. If the producer from the above example has 10 head of cattle to sell in June and an expected gross margin per head of $125, the expected total gross margin would be $1,250 (10 x $125 = $1,250).

22. Q: How is the Gross Margin Guarantee calculated for each Insurance Period?

A: The gross margin guarantee for each coverage period is calculated by subtracting the per head deductible times total number of cattle to be marketed from the expected total gross margin for the applicable insurance period. If our example producer has a $50 per head deductible, the gross margin guarantee equals $750 [1,250 – (10 x $50)].
23. Q: What is the Actual Corn Price?

A: For months in which a CBOT corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CBOT corn futures contract for that month expressed in dollars per bushel plus the state-specific corn basis for that month. Note that the state-specific corn basis used to calculate actual corn prices is the same state-specific basis used to calculate expected corn basis for the month. For months when there is no expiring CBOT corn futures contract, the actual corn price is the weighted average of the futures prices on the nearest two contract months plus the state-specific corn basis for the month. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April in Missouri is one-half times the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March plus one-half times the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in May plus the Missouri April corn basis.

24. Q: What is the Actual Feeder Cattle Price?

A: For months in which a CME feeder cattle futures contract expires, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date, expressed in dollars per hundredweight, plus the state-specific feeder cattle basis for that month. For other months, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months, plus the state-specific feeder cattle basis for that month. For example, the actual feeder cattle price in February for Texas is the simple average of the daily settlement prices in the last three days prior to the contract expiration date of the feeder cattle futures contracts in January and March, plus the February feeder cattle basis for Texas.

25. Q: What is the Actual Cost of Feed?

A: For yearling finishing operations, the actual cost of feed for each month equals 57.5 bushels times the actual corn price for that month, or as stated in the Special Provisions. For calf finishing operations, the actual feed cost for each month equals 54.5 bushels times the actual corn price for that month, or as stated in the Special Provisions.
26. Q: What is the Actual Cattle Price?

A: For the months of February, April, June, August, October, and December, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME live cattle futures contracts plus the state-specific cattle basis for that month. For the months of January, March, May, July, September, and November, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contracts that expire in the immediately surrounding months plus the state-specific cattle basis for that month.

27. Q: What is the Actual Gross Margin per Head of Cattle?

A: The actual gross margin per head of cattle in a month for a particular state for a yearling finishing operation is the actual cattle price for the state and for the month the cattle are marketed times the assumed weight of the cattle at marketing (12.5 cwt.), minus the actual feeder cattle price for the state five months prior to the month the cattle are marketed times the assumed weight of the feeder animal (7.5 cwt), minus the actual cost of feed two months prior to the month the cattle are marketed.

Actual gross margin per head of cattle for a yearling finishing operation =

\[(12.50 \times \text{LiveCattle}_{t}) - (7.50 \times \text{FeederCattle}_{t-5}) - (57.5 \times \text{Corn}_{t-2})\].

The actual gross margin per head of cattle in a month for a particular state for a calf finishing operation is the actual cattle price for the state and for the month the cattle are marketed times the assumed weight of the cattle at marketing (11.5 cwt.), minus the actual feeder cattle price for the state eight months prior to the month the cattle are marketed times the assumed weight of the feeder animal (5.5 cwt), minus the actual cost of feed four months prior to the month the cattle are marketed.

Actual gross margin per head of cattle for a calf finishing operation =

\[(11.50 \times \text{LiveCattle}_{t}) - (5.50 \times \text{FeederCattle}_{t-8}) - (54.5 \times \text{Corn}_{t-4})\].

28. Q: How is the Actual Total Gross Margin calculated?

A: The actual total gross margin is the sum of the target marketings times the actual gross margin per head of cattle for each month of an insurance period. If the producer in the example sold 10 head of cattle in June and had an actual gross margin per head of cattle of $50, the actual total gross margin would be $500 (10 x $50 = $500).

29. Q: How are Indemnities determined?

A: Indemnities to be paid will equal the difference between the gross margin guarantee and the actual total gross margin for the insurance period. The producer in our example would receive an indemnity of $250 ($750 - $500 = $250).
30. Q: Is a Marketings Report required and when should the company receive it?

A: Yes, in the event of a loss the producer must submit a Marketings Report and sales receipts showing evidence of actual marketings. The producer must submit the Marketings Report within 15 days of receipt of Notice of Probable Loss.

31. Q: Is this a Continuous Policy?

A: This is a continuous policy with twelve overlapping insurance periods per year. Target marketings must be submitted for each insurance period. If a Target Marketings Report is not submitted by the sales closing date for the applicable insurance period, target marketings for that insurance period will be zero.

32. Q: When must the Application for insurance be turned into the company?

A: The sales closing dates for the policy are the last business day of the month for each of the twelve calendar months. The Application must be completed and filed not later than the sales closing date of the initial insurance period for which coverage is requested. Coverage for the cattle described in the Application will not be provided unless the insurance company receives and accepts a completed Application and a Target Marketings Report, the producer pays the premium paid in full, and the company sends the producer a written Summary of Insurance.

33. Q: When does Coverage begin?

A: Coverage begins one month after the sales closing date. Coverage begins on your cattle one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example for the January 31 sales closing date, coverage begins on March 1.

34. Q: When are the Contract Change Dates for the policy?

A: The contract change date is April 30. Any changes to the LGM for Cattle Policy will be made prior to this contract change date.

35. Q: When are the Cancellation Dates for the Policy?

A: The cancellation date is June 30 for all insurance periods.

36. Q: When is the End of Insurance for the Policy?

A: The end of insurance for the policy is 11 months after the sales closing date. For example, for the January 31 sales closing date, coverage ends on December 31.
37. Q: What deductibles are available for the policy?
   A: The producer may select deductibles from $0 to $150 per head of cattle, in $10 per head increments.

38. Q: How is the producer’s premium calculated?
   A: The producer’s premium is calculated by a premium calculator program that determines the premium per head of cattle based on target marketings, expected gross margins for each period, and deductibles.

39. Q: When is the premium for the policy due?
   A: The premium for the initial insurance period is due with the application for LGM for Cattle Insurance coverage. The premium for all subsequent insurance periods is due with the Target Marketings Report, which is due no later than the sales closing date.

40. Q: What portion of a producer’s cattle will be insured under the LGM for Cattle policy?
   A: A producer can insure any amount of cattle that the producer owns up to a limit of 5,000 head for any 11-month insurance period and a limit of 10,000 head per crop year. Ownership of insured cattle must be certified by the producer and may be subject to inspection and verification by the insurance company.

41. Q: What information is required for acceptance of an Application for the LGM for Cattle Insurance Policy?
   A: The Application for the LGM for Cattle Insurance Policy must contain all the information required by us to insure the gross margin for the animals. Applications that do not contain all social security numbers and employer identification numbers, as applicable (except as stated in the policy), coverage level percent, Target Marketings Report, and any other material information required to insure the gross margin for the animals, will not be acceptable.

42. Q: If a producer has a combination of yearling finishing and calf finishing operations on the same policy, are the guarantees and the loss payments separate?
   A: Yes. Guarantees and loss payments are calculated separately for each of these two types of cattle. However, the producer is still limited to covering 5,000 head per insurance period and 10,000 annually.
43. Q: Can LGM sales be suspended?

A: Yes. Sales of LGM for Cattle may be suspended for the next sales period if unforeseen and extraordinary events occur that interfere with the effective functioning of the corn, feeder cattle or live cattle commodity markets. 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 RMA staff, to result in market conditions significantly different than those used to rate the LGM for Cattle program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Cattle sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.

44. Q: What if the expected gross margins are not posted on the RMA website on the last business day of the month?

A: LGM for Cattle will not be available for sale for that insurance period.
This is a policy for Livestock Risk Protection insurance between you and the policy issuing company, and, when approved by us in writing, each shall be subject to all of the terms and conditions of this policy. Each Livestock Risk Protection policy shall be reinsured by the Federal Crop Insurance Corporation (FCIC) under the authority of sections 508(h) and 523(b) of the Federal Crop Insurance Act (Act) (7 U.S.C. § 1508(h) and 1523(b)).

All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act. The provisions of the policy may not be waived or varied in any way by the crop insurance agent or any other agent or employee of the company. Neither FCIC nor the Risk Management Agency has the authority to revise, amend or otherwise alter this policy. They can only approve or disapprove for reinsurance those terms submitted by the developer of this policy. 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 approved 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 a word includes the plural.

AGREEMENT TO INSURE: In return for the payment of premium, and subject to all of provisions of this policy, we agree with you to provide the insurance as stated in this policy. If a conflict exists among the policy provisions, the order of priority is as follows: (1) The Special Provisions; (2) The Livestock Risk Protection Endorsement; and (3) these Basic Provisions, with the provisions of (1) controlling (2), and the provisions of (2) controlling (3).

BASIC PROVISIONS
TERMS AND CONDITIONS

1. Definitions.
   Actual Ending Value - The actual ending value is the weighted average price as defined in each Specific Coverage Endorsement.
   Actuarial Documents - The information for the crop year, available for public inspection in your agent’s office or on the RMA website, which shows the dates, coverage prices, rates, coverage levels, practices, insurable class, and other related information regarding Livestock Risk Protection coverage in the county or state.
   Agricultural Marketing Service (AMS) - An agency of the United States Department of Agriculture (USDA). The AMS web site is www.ams.usda.gov.
   Application - The form required to be completed by you and approved by us in writing before insurance coverage will begin. The Application form will identify the insured and the classes of livestock or livestock product (swine, for example) to be insured.
   Assignment of Indemnity - A transfer of policy rights, requested on our form, and effective when approved by us. It is the arrangement whereby you assign your right to an indemnity payment to another party of your choice.
   CME - Chicago Mercantile Exchange
   Class - The same species of livestock or livestock product that shares common traits or characteristics and can be insured under a Specific Coverage Endorsement.
   Consent - Approval in writing by us allowing you to take a specific action.
   Contract Change Date - The calendar date by which we make policy changes that will be effective for the following crop year available for inspection in the agent’s office or on RMA’s website. (See section 2.)
   Coverage - The insurance provided by this policy insures against a decline in price as specified in the Specific Coverage Endorsement.
   Coverage Level - The percent of the expected ending value that is the coverage provided by the policy.
   Coverage Price - The level of protection provided by the policy on a dollar per cwt basis as published each day on RMA’s website.
   Crop Year - The twelve month period, beginning on July 1 and ending on the following June 30 and designated by the calendar year in which the period ends. The crop year in which the effective date falls will determine the crop year for a Specific Coverage Endorsement.
   Cwt - Hundredweight.
   Days - Calendar days unless otherwise noted.
   Daily Price Limit - For a given CME futures contract, the maximum daily price change allowed by the CME (for example, the current daily price limit for swine, fed cattle and feeder cattle is $3.00 but such amounts may change), either up or down, from the previous settlement price. The Daily Price Limit is defined as
the standard amount that prices may vary from day to day, and does not include expanded limits that may occur after multiple and successive limit up or down days.

**Delinquent Account** - Any debt owed to us, which arises under any program administered under the authority of the Act, which has not been paid by the due date for payment contained in the policy or in any agreement or notification of indebtedness. Such debt may include any accrued interest, penalty, and administrative charges. A delinquent debt does not include debts discharged in bankruptcy and other debts that are legally barred from collection.

**Deductible** - The amount determined by subtracting the coverage level from 100 percent. For example, if you elected an 85 percent coverage level, your deductible would be 15 percent (100% - 85% = 15%).

**Effective Date** - The date associated with the beginning of insurance for a Specific Coverage Endorsement. This is the date that coverage begins. The effective date will always be the date the rates were published on the RMA website. If the Specific Coverage Endorsement was purchased and we approved it on the day following the date the rates were published on the RMA website, the effective date is still the date that the rates were published on the RMA website.

**End Date** - The date selected by you, and stated in the Specific Coverage Endorsement, that coverage under a Specific Coverage Endorsement ends.

**Ending Period** - The period specified by the Specific Coverage Endorsement, ending on the end date, over which the actual ending value is determined.

**Expected Ending Value** - The expected value of the livestock at the end of the coverage period, as published on the RMA website.

**FCIC** - The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

**Insured** - The named person(s) shown on the application approved by us. This term does not extend to any other person having a share or interest in the livestock or livestock products.

**Insured Share** - Your percentage of insurable interest as an owner in the covered livestock or livestock product at the time coverage attaches.

**Insured Value** - The insured value is the total dollar amount of coverage calculated by multiplying the number of livestock or livestock product insured under the Specific Coverage Endorsement by the target weight (as shown in the Specific Coverage Endorsement), by the coverage price (in dollars per cwt.), and by the insured share.

**Lean Weight** - Lean weight is a measure of animal carcass weight, presented in cwt. To convert live weight to lean weight, multiply the live weight by the factor specified in the Specific Coverage Endorsement. For example, for hogs, a 2.50 cwt. per head live weight multiplied by .74 is equal to 1.85 cwt. lean weight.

**Limited Resource Farmer or Rancher** - A limited resource farmer or rancher is defined as an individual who has:

1. Direct or indirect gross farm sales not more than $100,000 in each of the previous two years (to be increased starting in fiscal year 2004 to adjust for inflation using Prices Paid by Farmer Index as compiled by National Agricultural Statistical Service (NASS)), and
2. A total household income at or below the national poverty level for a family of four, or less than 50 percent of county median household income in each of the previous two years (to be determined annually using Commerce Department Data).

**Live Weight** - Live weight is a measure of the live animal's weight, stated in cwt.

**Livestock** - A species of domestic animals sharing the same traits or characteristics which are insurable under a Specific Coverage Endorsement.

**Livestock Product** - A product derived from the type of livestock which is insurable under a Specific Coverage Endorsement.

**Person** - An individual or an association, corporation, estate, partnership, trust, or other legal entity, and, where 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 you and us consisting of the application approved by us in writing, these Basic Provisions, the Specific Coverage Endorsement, the Special Provisions, other applicable endorsements, and the actuarial documents for the insured livestock or livestock product.

**Producer Premium** - Total premium minus the premium subsidy paid by FCIC.

**Risk Management Agency (RMA)** - An agency within USDA, who operates the crop insurance programs, including all livestock insurance programs on behalf of FCIC and whose Internet website is www.rma.usda.gov.

**Sales Period** - The period of time that begins when the coverage price and rates are posted and ends at 9:00 am Central Time the following calendar day. Sales will not available for purchase on any period that would have an effective date of a Federal or a market holiday.

**Special Provisions** - The part of the policy that contains specific provisions of insurance for each insured class and may vary by geographic area.

**Specific Coverage Endorsement** - An endorsement to the policy necessary to provide coverage that includes information about the class to be insured.

**Substantial Beneficial Interest** - An interest held by any person of at least 10 percent in the applicant or insured. A spouse who resides in the household or households of the applicant or insured will be considered to have a substantial beneficial interest in the applicant or insured unless the spouse can prove that the class covered by the Specific Coverage Endorsement is in a totally separate farming operation.
in accordance with FCIC procedures and the spouse derives no benefit from the farming operation of the insured or applicant.

**Target Weight** - The anticipated weight at the ending period as specified in the Specific Coverage Endorsement.

**USDA** - United States Department of Agriculture.

**UCM** - FCIC’s Underwriting Capacity Manager. This is a Web based computer system through which FCIC manages underwriting capacity for livestock.

2. **Contract Changes.**
   (a) We may change the terms of your coverage under this policy from crop year to crop year.
   (b) Any changes in policy provisions and program dates will be published on RMA’s website not later than the April 30th contract change date. You may request copies from your Livestock Risk Protection agent.
   (c) You will be notified, in writing, of changes to the Basic Provisions, Specific Coverage Endorsements, and the Special Provisions not later than 30 days prior to the cancellation date. Acceptance of changes will be conclusively presumed in the absence of written notice from you to change or cancel your insurance coverage.

3. **Coverage, Life of Policy, Cancellation, and Termination.**
   (a) This policy provides coverage to protect you against price decreases during the insurance period.
   (b) Unless otherwise limited by section 4, application for coverage under the Livestock Risk Protection policy may be submitted during the daily Sales Period. Your application must be approved in writing by us before you can purchase coverage under a Specific Coverage Endorsement.
   (c) This Livestock Risk Protection policy is a continuous policy. If you submit and we approve an application for coverage under the Livestock Risk Protection policy on our form, such policy will remain in effect until June 30 and will automatically renew on July 1 thereafter unless cancelled or terminated pursuant to the terms of this policy, terminated by the operation of the policy or there is not sufficient underwriting capacity as determined by RMA. The Specific Coverage Endorsements are not continuous and are only effective for the period stated therein.
   (d) Either you or we may cancel the Livestock Risk protection policy in writing at any time prior to the July 1 renewal date as long as there are no Specific Coverage Endorsements in effect.
   (e) No insurance coverage is in effect with this application until a Specific Coverage Endorsement is written.
   (f) To obtain coverage on the specified class, you must submit a Specific Coverage Endorsement during the sales period only that identifies the location of the livestock to be covered, the effective date of coverage, the number of covered livestock, the target weight at end date, the coverage price, and percent of your insured share. Any Specific Coverage Endorsement submitted outside of the sales period will not be accepted.
   (g) Your application for coverage under the Livestock Risk Protection policy and Specific Coverage Endorsement must contain all the information required by us in order to be approved to insure your livestock or livestock product.
   (1) The application and Specific Coverage Endorsement must be accompanied by the Substantial Beneficial Interest reporting form, listing the social security numbers or employer identification numbers, and share from all persons with a substantial beneficial interest in the applicant or insured. Applications or Specific Coverage Endorsements that do not contain all social security numbers or employer identification numbers of the applicant and all social security numbers or employer identification numbers of individuals with a substantial beneficial interest in the applicant, as applicable, the insured share for all persons, and any other material information required by the application or Specific Coverage Endorsement are not acceptable.
   (2) If an entity has an interest of 10 percent or more in the insured or applicant, the social security numbers and percentage share of all individuals with a substantial beneficial interest in the entity must also be provided.
   (3) If we discover that a person with a substantial beneficial interest has failed to provide a social security number or the person with a substantial beneficial interest is ineligible, the application or Specific Coverage Endorsement will not be approved and no indemnity will be due for the insurance period for the livestock or livestock product insured for which the social security numbers were not provided or the person was ineligible. Because no indemnity is due as a result of a breach of this policy, all premiums will still be owed.
   (h) Your agent does not have authority to bind coverage under this policy. Once approved by us in writing, coverage for the class described in the Specific Coverage Endorsement begins on the effective date. During each crop year that a policy is in effect, you may obtain coverage for as many head of livestock, under as many different Specific Coverage Endorsements, as you are eligible for, subject to the following restrictions:
   (1) Coverage applies only to the class in which you have an insured share;
   (2) You may not cover the same livestock or livestock products under more than one
Specific Coverage Endorsement at any one time;

(3) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock at the same time; and

(4) The amount of any class that may be covered may be limited by the applicable Specific Coverage Endorsement.

(i) Coverage provided under each Specific Coverage Endorsement will:

1. Expire on the end date if you dispose of any part of your insured share in the insured livestock or livestock product during the last 30 days of coverage.

2. Be terminated on the date of disposal for any portion of your insured share in the insured livestock or livestock product disposed of prior to the last 30 days of coverage, unless that portion of your share is properly transferred, on our form, to an eligible transferee under section 17.

(i) Termination will be effectuated by reducing the number of livestock insured under the applicable Specific Coverage Endorsement.

(ii) No indemnity will be paid for any portion of the endorsement that is terminated.

(iii) Because no indemnity is due as a result of a breach of this policy, no premium for any terminated portion will be refunded.

3. Expire on the end date if at any time during the coverage period your livestock are seized, quarantined or destroyed by order of any governmental authority, or your livestock are not deliverable due to death or disease, and you provide us written notice of such circumstance within 72 hours after your knowledge of the livestock's death.

(i) For any livestock that die and we do not receive proper notification, that portion of the endorsement will be terminated.

(ii) Termination will be effectuated by reducing the number of livestock insured under the applicable Specific Coverage Endorsement. No indemnity will be paid for any portion of the endorsement that is terminated.

(iii) Because no indemnity is due as a result of a breach of this policy, no premium for any terminated portion will be refunded.

(j) If any amount due, including a check returned for insufficient funds or overpayment, plus any accrued interest, is not paid, or an acceptable arrangement for payment is not made, on or before the termination date specified in these Basic Provisions or the date contained in any notice to you, the amount will be considered delinquent and your insurance coverage will terminate. Termination may affect your eligibility for benefits under other USDA programs. You will also be determined to be ineligible to participate in any crop insurance program authorized under the Act in accordance with 7 CFR part 400, subpart U.

1. For unpaid premium resulting from a check returned for insufficient funds, the policy will terminate as of the effective date of the Specific Coverage Endorsement;

2. For other amounts due, the policy will terminate effective on the termination date immediately after the debt becomes delinquent;

3. Ineligibility for unpaid premium resulting from a check returned for insufficient funds or failure to timely pay other amounts due will be effective on:

   (i) The date that a policy was terminated for the livestock or livestock product for which you failed to pay premium and any related interest owed;

   (ii) The payment date contained in any notification of indebtedness for any overpaid indemnity, if you fail to pay the amount owed by such due date; or

   (iii) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a payment agreement if you fail to pay the amount owed by any payment date in such payment agreement;

4. All other policies that are issued by us under the authority of the Act, including all crop insurance policies, will also terminate as of the next termination date contained in the applicable policy;

5. A crop insurance or livestock policy already in effect at the time you become ineligible will not be affected until the termination date for that policy (If you are ineligible, you may not obtain any insurance under the Act until payment is made, you execute an agreement to repay the debt and make payments in accordance with the agreement, or you file a petition to have your debts discharged in bankruptcy. Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any indemnities paid subsequent to that date must be repaid).

6. If you execute an agreement to pay the debt and fail to make any scheduled payment, all of your policies, including all crop insurance policies, will be terminated effective on the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment and no indemnity will be due for that year (You will no longer be eligible to obtain insurance under the Act by execution of an agreement to pay the debt. You will be ineligible for insurance under the
We may cancel your policy if no premium is earned for 3 consecutive years.

(5 of 10)
(h) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock at the same time.

(1) If you do and if the duplication was intentional, you may be subject to the sanctions authorized under this policy, the Act, 7 CFR part 400, subpart R, or any other applicable statute.

(2) If we determine that such duplication was not intentional, the first coverage issued will continue in force and all duplicate coverages will be voided.

(i) The maximum number of livestock or livestock product that can be insured during a crop year is stated in the Specific Coverage Endorsement.

5. Premium.

(a) Coverage attaches on the effective date shown on the Specific Coverage Endorsement and your premium is due and payable to us on the date of purchase.

(b) Payment of premium with a check that has been returned for insufficient funds may result in your ineligibility for participation in any program administered under the authority of the Act.

(c) Premium will be based on the information you supply in a Specific Coverage Endorsement.

6. Insured Class.

The insured class is that class specified on your approved application and Specific Coverage Endorsements.

7. Share Insured.

(a) Only an insured share as an owner of the livestock or livestock product will be eligible for insurance under this policy.

(1) You may be requested to provide documents verifying ownership of your share of the livestock or livestock product insured under the Specific Coverage Endorsement.

(2) Insured shares as a landlord, tenant, operator, or any other interest other than as an owner are not eligible for insurance under this policy.

(3) Insurance will apply only to the insured share owned by the person completing the application. Insurance will not extend to any other person having a share in the livestock or livestock product unless the application clearly states that the insurance is requested for an entity such as a partnership or a joint venture.

(4) If you transfer any part of your insured share during the insurance period to an eligible person, coverage will transfer in accordance with section 17.

(b) We may consider any share reported by or for your spouse, child or any member of your household to be included in your share if there is no evidence that they had a separate interest in the livestock or livestock product. This does not abrogate the requirement in section 3 that all spouses provide their social security numbers as a substantial beneficial interest holder in the applicant or insured.

8. Insurance Period.

(a) Coverage begins on the covered livestock or livestock product on the effective date for each Specific Coverage Endorsement.

(b) Coverage ends on the covered livestock or livestock product on the end date stated on each Specific Coverage Endorsement.

9. Indemnity Payments for Losses.

(a) The calculation for indemnity payments is found in the Specific Coverage Endorsement.

(b) In order to receive an indemnity you must submit a claim to us on our form within sixty (60) days following the end date.

(c) The indemnity payment shall be made within sixty (60) days following receipt by us of the properly executed claim form.

(d) 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.

10. Agricultural Commodities as Payment.

We will not accept any livestock or other agricultural commodity as compensation for payments due.

11. Mediation, Arbitration, Appeal, Reconsideration, and Administrative and Judicial Review.

(a) If you and we fail to agree on any determination made by us the disagreement may be resolved through mediation in accordance with section 11(g). If resolution cannot be reached through mediation, or you and we do not agree to mediation, the disagreement must be resolved through arbitration in accordance with the rules of the American Arbitration Association (AAA), except as provided in sections 11(c) and (f), and unless rules are established by FCIC for this purpose. Any mediator or arbitrator with a familial, financial or other business relationship to you or us, or our agent or loss adjuster, is disqualified from hearing the dispute.

(1) All disputes involving determinations made by us are subject to mediation or arbitration. However, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, either you or we must obtain an interpretation from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC.

(i) Any interpretation by FCIC will be binding in any mediation or arbitration.

(ii) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
(iii) An interpretation by FCIC of a policy provision is considered a rule of general applicability and is not appealable. If you disagree with an interpretation of a policy provision by FCIC, you must obtain a Director’s review from the National Appeals Division in accordance with 7 CFR 11.6 before obtaining judicial review in accordance with subsection (e);
(iv) An interpretation by FCIC of a procedure may be appealed to the National Appeals Division in accordance with 7 CFR part 11.

(2) Unless the dispute is resolved through mediation, the arbitrator must provide to you and us a written statement describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award and breakdown by claim for any award. The statement must also include any amounts awarded for interest. Failure of the arbitrator to provide such written statement will result in the nullification of all determinations of the arbitrator. All agreements reached through settlement, including those resulting from mediation, must be in writing and contain at a minimum a statement of the issues in dispute and the amount of the settlement.

(b) Regardless of whether mediation is elected:
(1) The initiation of arbitration proceedings must occur within one year of the date we denied your claim or rendered the determination with which you disagree, whichever is later;
(2) If you fail to initiate arbitration in accordance with section 11(b)(1) and complete the process, you will not be able to resolve the dispute through judicial review;
(3) If arbitration has been initiated in accordance with section 11(b)(1) and completed, and judicial review is sought, suit must be filed not later than one year after the date the arbitration decision was rendered; and
(4) In any suit, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, an interpretation must be obtained from FCIC in accordance with 7 CFR part 400, subpart P, are binding. Conflicts between this policy and any state or local laws will be resolved in accordance with section 21. If there are conflicts between any rules of the AAA and the provisions of your policy, the provisions of your policy will control.

(g) To resolve any dispute through mediation, you and we must both:
(1) Agree to mediate the dispute;
(2) Agree on a mediator; and
(3) Be present or have a designated representative who has authority to settle the case present, at the mediation.

(h) Except as provided in section 11(i), no award or settlement in mediation, arbitration, appeal, administrative review or reconsideration process or judicial review can exceed the amount of liability established or which should have been established under the policy, except for interest awarded in accordance with section 14.

(i) In a judicial review only, you may recover attorneys fees or other expenses, or any punitive, compensatory or any other damages from us only if you obtain a determination from FCIC that we, our agent or loss adjuster failed to comply with the terms of this policy or procedures issued by FCIC and such failure resulted in you receiving a payment in an amount that is less than the amount to which you were entitled. Requests for such a determination should be addressed to the following: USDA/RMA/Deputy Administrator of Compliance/Stop 0806, 1400 Independence Avenue, S.W., Washington D.C. 20250-0806.

(j) If FCIC elects to participate in the adjustment of your claim, or modifies, revises or corrects your claim, prior to payment, you may not bring an arbitration, mediation or litigation action against us. You must request administrative review or appeal in accordance with section 11(e).

(k) Any determination made by FCIC that is a matter of general applicability is not subject to administrative review under 7 CFR part 400,
By applying \( f \) or insurance under the authority of the representative and any employee designated by a USDA agency, any employee designated by a USDA agency, or any person acting for us, to obtain records relating to the insured livestock or livestock product from any person who may have custody of those records including, but not limited to, banks and other lenders, feedlots, cooperatives, marketing associations, suppliers, and accountants. You must assist us in obtaining all records, which we request from third parties.


(a) We, any person designated by us, and any employee designated by a USDA agency, reserve the right to perform random, on-site inspections to verify insured share or disposition of the insured livestock. Inspections will be conducted in accordance with generally accepted herd health practices.

(b) For three years after the end date of any Specific Coverage Endorsement, you must retain, and provide upon our request, or the request of any person designated by us or any employee designated by a USDA agency, complete records of the ownership of your share and disposition of all the livestock or livestock product that were insured for the applicable period. 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 a denial of an indemnity under the Specific Coverage Endorsement. Because no indemnity is due as a result of a breach of this policy, all premiums will still be owed.

(c) Documents deemed sufficient to support verification of ownership include, but are not limited to: Bills of sale from prior owners; financing and credit documents secured by the insured livestock or livestock product; written statements from third parties such as feed suppliers or veterinarians who have visited the farm or ranch, who visually identified the livestock listed on the Specific Coverage Endorsement and can attest to your ownership of the identified livestock; or bills of sale for the covered livestock or livestock product.

(d) Records of any mediation, arbitration, or litigation involving the insured livestock must be made available to us, any person designated by us, or any employee designated by a USDA agency.

(e) Our representative and any employee designated by a USDA agency, will, at any time during the record retention period, have access to:

1. Any records relating to this insurance at any location where such records may be found or maintained; and
2. The farm, ranch, feedlot or any other facility related to the production of livestock or livestock product by you.

(f) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, any employee designated by a USDA agency, or any person acting for us, to obtain records relating to the insured livestock or livestock product from any person who may have custody of those records including, but not limited to, banks and other lenders, feedlots, cooperatives, marketing associations, suppliers, and accountants. You must assist us in obtaining all records, which we request from third parties.


Although your failure to comply with a number of federal statutes, including the Act, may cause cancellation or voidance of your policy, 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 a violation of the controlled substance provision (title XVII of the Food Security Act of 1985 (Pub. L. 99-198)) and the regulations promulgated under the Act by USDA. Your insurance policy will be canceled if you are determined, by the appropriate Agency, to be in violation of these provisions. You must repay us 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 24.5 percent of the total premium.

14. Amounts Due Us.

(a) Interest will accrue at the rate of 1.25 percent simple interest per calendar month or any portion thereof, on any amount due us. Interest will start to accrue on the date that notice is issued to you for the collection of the amount due. Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice. The amount will be considered delinquent if not paid by the date specified in the notice issued by us.

(b) For checks submitted to pay premium that are returned for insufficient funds, interest will start to accrue on the effective date.

(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 of 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.

15. 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 claim on our form. Interest will be paid only if the reason for our failure to timely pay is NOT due to your failure to
provide a properly completed claim form to us. 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.

16. 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 intentionally concealed or misrepresented any material fact relating to this policy:
      (1) This policy, including all Specific Coverage Endorsements, will be voided for each crop year in which the concealment, fraud, or misrepresentation occurred; and
      (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 7 C.F.R. part 400, subpart R.
   (b) Even though the policy is void, you may still be required to pay 24.5 percent of the premium due under the policy to offset costs incurred by us in the service of this policy. If previously paid, the balance of the premium will be refunded.
   (c) Voidance of this policy will result in you having to reimburse us for all indemnities paid for the insurance period in which the voidance was effective.
   (d) Voidance will be effective on the effective date or dates for the crop year in which the act occurred and will not affect the policy for subsequent crop years unless a violation of this section also occurred in such crop years.

17. Transfer of Coverage and Right to Indemnity.
   (a) If you transfer any part of your insured share during the period of insurance, you may transfer your coverage rights if the transferee is eligible for livestock insurance. We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred. The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.
   (b) The transferee shall have all rights and responsibilities under this policy consistent with the transferee’s interest. 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, or if you fail to inform us of a transfer by the end date or within 30 days of the transfer whichever is later, then the transferred portion of the coverage will be terminated and no premium for that portion will be refunded.

18. Assignment of Indemnity.
   As long as you have a share in the insured livestock or livestock product, you may assign to another party your right to an indemnity. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit the claim form as required by the policy. 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.

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

   (a) All notices required to be given by you must be in writing and received by your insurance agent within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by facsimile, electronic mail, or delivered in person. 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 shown on the policy. 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.

   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, this policy, and the applicable regulations do not apply to this policy.

   (a) If you are eligible to receive an indemnity under this plan of insurance 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) The Farm Service Agency will determine and pay the additional amount due you for any applicable USDA program after first considering the amount of any insurance indemnity.

23. Subrogation.
   If you do purchase another policy not issued under the authority of the Act on covered livestock and receive an indemnity under such policy for the same peril for (9 of 10)
which you received an indemnity under this policy, we will add all indemnities payable under the other policies to the indemnity payable under this policy. If the sum exceeds the higher of the value of the livestock at the inception of any of the policies, we will reduce our indemnity payment by the excess, but premium will not be reduced.
This Specific Coverage Endorsement to the Livestock Risk Protection policy offers protection against a decline in live lamb prices during the term of the endorsement. You will receive an indemnity if live lamb prices drop below a predetermined level and all terms and conditions of the policy have been met. Lamb prices under this policy refer to a price series published by the Agricultural Marketing Service (AMS). The length of each endorsement available for lamb is 13, 26 or 39 weeks.

Terms and Conditions

1. DEFINITIONS.

   Actual Ending Value–Live Lambs - The price of live lambs as calculated by the Agricultural Marketing Service (AMS) in a report titled the “NATIONAL WEEKLY SLAUGHTER SHEEP REVIEW.” The price series used is reported in the section labeled “Formula Prices established for previously slaughtered lambs (live basis)”, and the price series used is the “WEIGHTED AVERAGE NET PRICE” under the “DOMESTIC” heading. The AMS report is available on the Internet at www.ams.usda.gov/mnreports/lm_lm352.txt. The Special Provisions should be checked for changes in the report name, number, or location. The report is released once a week. The report used to calculate the actual ending value will be the report published on or just prior to the end date for the endorsement and containing the Friday on or just prior to the end date. If there is no reported information for whatever reason, then the calculation will be based on the latest report made prior to the end date.

   Effective Date - In lieu of the definition listed in section 1 of the Basic Policy, the effective date is the date associated with the beginning of insurance for a Specific Coverage Endorsement. This is the date that coverage begins. The effective date will always be the date the rates and coverage prices were first available for sale on the RMA website. If the Specific Coverage Endorsement was purchased and we approved it on a day following the date the rates and coverage prices were published on the RMA website, the effective date is still the date that the rates and coverage prices were first available for sale on the RMA website.

   Ending Period - The weekly period over which the actual ending value is determined.

   Expected Ending Value - The market price expected at the end of the insurance period, and found in the actuarial documents. The Expected Ending Value is a live weight value, and is used in calculations on a dollars per hundredweight basis to determine coverage prices.

   Insured Lambs - The lambs covered under the policy are feeder or slaughter lambs.

   Sales Period - In lieu of the definition of Sales Period in section 1 of the LRP Basic Policy, the sales period is the period during which a Specific Coverage Endorsement may be purchased that begins at the date and time coverage prices and rates are first available for sales on the RMA website, as specified in the Special Provisions. Coverage is not available for purchase if the period used for determining the coverage prices or rates is a Federal holiday.

   Target Weight - The anticipated live weight of lamb (per head) at the ending period on a cwt basis. Target weight should be the average expected weight for all covered livestock.

2. COVERAGE LIMITATIONS.

   (a) Coverage is available for insured lambs as defined in section 1 only.

   (b) The maximum number of lambs that may be insured under any one Specific Coverage Endorsement shall be 7,000 head, and during any crop year shall be 28,000 head.

   (c) Sales of all Specific Coverage Endorsements for Lamb will be suspended:

      (1) For futures sales periods if a comparison of price generated by the lamb price prediction model to the actual current market prices shows that the model fails to adequately explain current market prices (LRP sales may resume once modeled lamb prices are determined to be consistent with current market prices);

      (2) In lieu of section 4(c)(4) of the Basic Policy, during the sales period and for future sales periods if there has been a news report, announcement, or other event that occurs before or after rates and coverage prices are published, that is believed by the Secretary of Agriculture, Administrator of the Risk Management Agency, or other designated staff of the Risk Management Agency, to result in market conditions significantly different than those used to rate or to establish coverage prices for LRP Lamb (Sales will resume when coverage prices and rates again become available on the website); or

      (3) At any time if the amount of sales exceeds the amount specified in the Special Provisions.

   (d) Coverage for certain insurance periods will not be available if any of the required data for establishing coverage prices or rates are not available, or if the rates or coverage prices were not timely provided to RMA.
In lieu of the section 4(c)(3) of the Basic Policy, we will not approve your application if the required data for establishing rates or coverage prices are not available or the rates or coverage prices were not timely provided to RMA.

Coverage Limitations in section 4(c)(4) of the Basic Policy do not apply.

Coverage limitations described in section 4(f) of the LRP Basic Policy do not apply.

At the time insurance attaches, the insured lambs must be physically located in a state where LRP-Lamb insurance is offered for sale. The insured lambs may subsequently be moved to any other state.

Coverage time periods are 13, 26, and 39-week periods.

3. PREMIUMS.

(a) Your total premium is determined by:
   (1) Multiplying the number of head of insured lambs by the target weight (in live cwt);
   (2) Multiplying the result of section 3(a)(1) by the coverage price;
   (3) Multiplying the result of section 3(a)(2) by the insured share to determine the insured value;
   (4) Multiplying the result of section 3(a)(3) by the rate contained in the Rate Table published weekly in the actuarial documents to determine the total premium;
   (5) Multiplying the result of section 3(a)(4) by the applicable producer subsidy percentage to calculate the appropriate amount of subsidy;
   (6) Subtracting the result from section 3(a)(5) from the result from section 3(a)(4) to determine producer premium.

(b) Premium calculation example:
An operation has 50 head of insured lambs and expects to market the lamb at a target weight of 1.30 cwt each. The insured share is 100 percent. The expected ending value is $90.00 per live cwt and the producer selects a coverage price of $85.50 per cwt, the actual ending value is equal to $80 per cwt. For this coverage price the rate is 1.997%. The premium subsidy is 13 percent. The premium is calculated by:
   (1) 50 head times the 1.30 cwt target weight equals 65 cwt.
   (2) 65 cwt times the coverage price of $85.50 equals $5,558.
   (3) $5,558 times the insured share of 1.00 equals an insured value of $5,558.
   (4) $5,558 times the rate of 0.01997 equals $111 total premium.
   (5) $111 times the producer premium subsidy percentage of 0.13 equals $14.
   (6) Subtracting $14 from $111 equals the producer premium of $97.

4. INDEMNITY.

(a) To receive an indemnity a claims form must be submitted within sixty (60) days following the end date.

(b) An indemnity is calculated and payable if the actual ending value is less than the coverage price (otherwise the indemnity is zero). The indemnity calculation is determined by:
   (1) Multiplying the number of head of insured lambs by the target weight (in live cwt);
   (2) Subtracting the actual ending value from the coverage price (this will always be a positive number if an indemnity is due);
   (3) Multiplying 4(a)(1) by 4(a)(2);
   (4) Multiplying 4(a)(3) by the insured share.

Indemnity calculation example:
For the above operation with 50 head of lambs, a target weight of 1.30 cwt, an insured share of 100 percent, and a coverage price of $85.50 per cwt, the actual ending value is equal to $80 per cwt. Since $80 is less than the coverage price of $85.50, an indemnity is due. Indemnity is calculated by:
   (1) 50 head times the 1.30 cwt target weight equals 65 cwt.
   (2) Subtracting the actual ending value of $80 from the coverage price of $85.50 equals $5.50/cwt.
   (3) Multiplying 65 cwt by $5.50/cwt equals $358.
   (4) Multiplying $358 by the insured share of 1.00 equals an indemnity payment of $358.
Lamb – Livestock Risk Protection (LRP)

Premium Calculation Instructions

The premium calculation for LRP is based on weekly actuarial documents. Coverage is available electronically at the RMA web site as specified in the Special Provisions. Coverage is not available for purchase if the period used for determining the coverage prices or rates is a Federal holiday, or if the website or premium calculator are not operational, or if sales are halted by FCIC under section 4 of the Basic Provisions or section 2 of the Specific Coverage Endorsement for Lamb. Coverage purchased during this time will have an effective date based on the date that rates and coverage prices are first available for sale on the RMA website.

The two main components of LRP premiums are the coverage price and the premium rate. Information based on a producer’s operation, such as the number of weeks to insure the livestock is also necessary.

A. INSURANCE PERIOD / COVERAGE PRICE / RATE / TARGET WEIGHT / SHARE

1. Determine the date that is desired as an end date for insurance and count the number of weeks until that date.
2. Choose an insurance period (either 13, 26 or 39 weeks): (Note: The policy requires the animals to be owned within the last 30 days of insurance to receive any applicable indemnity payment.)
3. Based on the chosen insurance period determine the Ending Date of the policy. The end date is the day that the policy ends, and is calculated by counting the weeks of the policy length from the “Effective” date, the publication date of the actuarial information. The Ending Date is always the same day of the week as the Effective Date.
4. Choose a Coverage Price from the options shown based on the chosen policy length. There is a premium rate associated with this coverage price and policy length.
5. Determine the Target Weight per head. Target weight should be the average expected weight for the insured lambs. Target weight is on a live weight basis, and should fall within the range of 0.5 and 1.5 cwt.
6. Determine the number of head of lambs to be insured.
7. Determine your ownership share in the livestock to be insured.

B. INSURED VALUE AND PREMIUM COMPUTATION

1. The Insured Value = Number of Head multiplied by the Target Weight (live weight, in cwt) multiplied by the Coverage Price multiplied by Insured Share. The Insured Value is rounded to the nearest whole dollar.

<table>
<thead>
<tr>
<th>Number of Head (Whole number)</th>
<th>x</th>
<th>Target Weight At End Date (Cwt. per head)</th>
<th>x</th>
<th>Coverage Price (as shown on Actuarial Document)</th>
<th>x</th>
<th>Insured Share (x.xxx)</th>
<th>=</th>
<th>Insured Value (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
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<td></td>
</tr>
</tbody>
</table>

2. The Total Premium = Insured Value multiplied by the Rate. Total Premium is rounded to the nearest whole dollar.
### Insured Value (Dollar) x Rate (xxxxx) = Rounded Total Premium (Dollar)

<table>
<thead>
<tr>
<th>Insured Value (Dollar)</th>
<th>x</th>
<th>Rate (xxxxx)</th>
<th>=</th>
<th>Rounded Total Premium (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>x</td>
<td></td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>

3. The Subsidy = Total Premium multiplied by the Subsidy Rate. The subsidy percent is 13 percent. Subsidy is rounded to the nearest whole dollar.

<table>
<thead>
<tr>
<th>Rounded Total Premium</th>
<th>x</th>
<th>Subsidy (Percent)</th>
<th>=</th>
<th>Rounded Subsidy (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td></td>
<td>.130</td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>

4. The Producer Premium = Total Premium minus the Subsidy. Producer Premium will always be a whole number.

<table>
<thead>
<tr>
<th>Rounded Total Premium</th>
<th>-</th>
<th>Rounded Subsidy</th>
<th>=</th>
<th>Producer Premium (Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td></td>
<td></td>
<td>=</td>
<td></td>
</tr>
</tbody>
</table>
UNDERWRITING RULES FOR LIVESTOCK RISK PROTECTION (LRP) LAMB ENDORSEMENT

1. Basic Principles
   A. Protection Offered: LRP-Lamb insurance protects lamb producers against a decline in prices below the established coverage price.

   B. Insurance Period: LRP-Lamb insurance is offered for 13, 26 or 39-week periods.

   C. Application and Substantial Beneficial Interest: An application is required to purchase LRP coverage. The application establishes eligibility. A Substantial Beneficial Interest reporting form showing those with a substantial beneficial interest shall be attached to the application. No insurance coverage attaches to the application until the producer submits a Specific Coverage Endorsement. A producer may have Specific Coverage Endorsements for multiple classes of livestock or livestock products under one Application as long as the Substantial Beneficial Interests are the same. If the SBIs are different, additional applications are necessary for each different SBI arrangement.

   D. Specific Coverage Endorsement (SCE): The SCE is used to initiate LRP coverage for a specified group of lambs. A producer may have multiple Specific Coverage Endorsements.

   E. Weekly Actuarial Documents: Coverage prices, rates, and coverage levels are available on the weekly actuarial documents posted on the RMA website for the LRP program. Coverage prices change weekly and must be referred to at the time of sale for each endorsement.

   F. Premium:
      (1) Premium must be paid on the day LRP insurance is purchased for coverage to be provided.
      (2) Producers may obtain quotes using the RMA Premium Calculator.

   G. Crop Year: July 1 to June 30. Determined for individual specific coverage endorsements by the effective date.

   H. LRP Documents:
      (2) Application Form-This form is filled out to apply for eligibility to purchase LRP insurance. No insurance coverage attaches until a Specific Coverage Endorsement is filled out to go with an approved application.
      (3) Substantial Beneficial Interest-This form shows 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 form. The SBI form is used to establish eligibility and to account for insurance limits.
      (4) Premium Calculation Instructions-This worksheet can be used to calculate the LRP premium once the Coverage Price and Rate information is obtained from the website on the date of sale.
      (5) Specific Coverage Endorsement-The part of the policy that describes coverage of lambs.
      (6) Specific Coverage Endorsement Form-This form is filled out to attach coverage to the policy. An approval number must be obtained through the website to show that underwriting capacity is available. Only approved agents and companies
participating in the Livestock Price Reinsurance Agreement may obtain approval numbers.

(7) Assignment of Indemnity Form—This form is used for assigning any indemnity to a third party.

(8) Transfer of Right to Indemnity Form—This form is used if the lambs are sold prior to the end of the insurance period to transfer any indemnity to the new owner (providing the new owner meets eligibility requirements).

(9) Claim Form—If the actual ending value, as specified in the Specific Coverage Endorsement, is below the coverage price, this form must be completed and sent to the company within 60 days following the end date. An indemnity payment will be made within 60 days of receipt of the claim form.

(10) Special Provisions—May be obtained from the RMA website (www.rma.usda.gov) and are part of the policy materials.

I. **Area**: LRP-Lamb will be available in all counties in 27 states: Arizona, California, Colorado, Idaho, Indiana, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming. At the time insurance attaches, the insured lambs must be physically located in a state where LRP-Lamb insurance is offered for sale. The insured lambs may subsequently be moved to any other state.

J. **Continuous Policy**: If the policy is not cancelled in writing by June 30, the policy (but not any Specific Coverage Endorsements) will automatically renew. The policy may be cancelled at any time unless a Specific Coverage Endorsement is in effect.

2. **Limitations**
   A. **Program Funding Limits**: This pilot program was established in the Federal Crop Insurance Act with overall funding limitations. Coverage may not be available if underwriting capacity has been expended.

   B. **Annual Policy Limits**: The annual limitation of the number of head of lambs that may be covered during the crop year is 28,000 head. For the insured entity, the number of insured lambs will be totaled and may not be more than 28,000 head. The Substantial Beneficial Interest form will be used to determine the total head insured by any individual. For example: Smith Farms has 7,000 head insured under LRP. John Smith has a substantial beneficial interest in Smith Farms and has 90 percent interest (7,000 * .90 = 6,300 head). John Smith also has lambs under his own name and wants to insure 1,000 head. The total lambs insured by John Smith are: 6,300 + 1,000 = 7,300 head which is below the crop year limit of 28,000 head.

   C. **Endorsement Limits**: A limitation of 7,000 head of lambs may be insured under any one Specific Coverage Endorsement.

   D. **Daily Sales Limits**: This pilot program has a daily limit for the total amount of premium sold for the sales period. Coverage may not be available if the Underwriting Capacity Manager computer system determined that the sales limit has been, or would be, exceeded.

3. **Coverage**
   A. **Coverage Prices**: The prices that can be insured by the producer. They change weekly and must be obtained from the RMA website. Premium rates correspond to the coverage prices.

   B. **Coverage Levels**: Calculated based on the chosen coverage price. Coverage levels will range from 80% to 95%.
C. **Availability of Coverage:** Coverage information is found exclusively on the weekly Actuarial Documents, and is applicable only for the date of sale. Coverage can be purchased as specified in the Special Provisions. Coverage is not available for purchase if the period used for determining the coverage prices or rates is a Federal holiday, or if the website or premium calculator are not operational, or if sales are halted by FCIC under section 4 of the Basic Provisions or section 2 of the Specific Coverage Endorsement. Coverage will not be available if any of the required data for establishing coverage prices or rates is not available or for any other reason specified in the policy. The coverage offered or the cost of coverage will not be changed in response to any revisions to the information used in determining coverage prices or rates. Coverage purchased during this time will have an effective date based on the date that rates and coverage prices are first available for sales on the RMA website.

4. **Calculations**

A. **Premium calculation example:**
An operation has 50 head of lambs and expects to market the lamb at a target weight of 1.30 cwt each. The insured share is 100 percent. The expected ending value is $90.00 per live cwt and the producer selects a coverage price of $85.50 per live cwt. For this coverage price the rate is 1.997%. The premium subsidy is 13 percent. The premium is calculated by:

(1) 50 head times 1.30 equals 65 cwt.

(2) 65 cwt times the coverage price of $85.50 equals $5,558.

(3) $5,558 times the insured share of 1.00 equals an insured value of $5,558.

(4) $5,558 times the rate of 0.01997 equals $111 total premium.

(5) $111 times the producer premium subsidy percentage of 0.13 equals $14.

(6) Subtracting $14 from $111 equals the producer premium of $97.

B. **Indemnity calculation example:**
For the above operation with 50 head of lamb, a target weight of 1.30 cwt, an insured share of 100 percent, and a coverage price of $85.50 per cwt, the actual ending value is equal to $80 per cwt. Since $80 is less than the coverage price of $85.50, an indemnity is due. Indemnity is calculated by:

(1) 50 head times the 1.30 cwt target weight equals 65 cwt.

(2) Subtracting the actual ending value of $80 from the coverage price of $85.50 equals’ $5.50/cwt.

(3) Multiplying 65 cwt. by $5.50/cwt. equals $358.

(4) Multiplying $358 by the insured share of 1.00 equals an indemnity payment of $358.
Livestock Risk Protection—Lamb
Questions and Answers

1) Q: What is Livestock Risk Protection—Lamb (LRP-Lamb)?

   A: The LRP-Lamb Insurance Policy provides protection against unexpected lamb price declines. An economic model is used to predict the expected price of lambs each week. An indemnity is paid if the actual weekly average lamb price - using the “formula live” series posted by U.S. Department of Agriculture’s (USDA) Agriculture Marketing Service (AMS) - is less than the expected price. The price that the producer actually receives for his or her own lambs is not part of the calculations.

2) Q: Who is eligible to purchase LRP-Lamb?

   A: Any producer who owns lambs in the following 27 states: Arizona, California, Colorado, Iowa, Idaho, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin and Wyoming, is eligible for LRP-Lamb coverage.

3) Q: What are some of the key features of the LRP-Lamb Insurance Policy?

   A: LRP-Lamb provides producers and feeders of lambs with the opportunity to insure the lambs they own against an unexpected decline in price. The LRP Lamb Coverage Price and corresponding Actual Ending Value are both prices that are calculated based on an econometric model composed of slaughter lamb prices, actual slaughter under Federal inspection, live weight, pelt price, a moving average seasonal index and other variables. Producers and feeders may continue to market their own lambs through their own market channels and at the maximum price they can negotiate, however the actual price received by a producer is not used with respect to the insurance.

   LRP-Lamb will be offered for sale each week from Monday morning through 7:00 PM central time. Producers can choose between three endorsement periods (13, 26, or 39 weeks) to best suit their own production and feeding systems. LRP-Lamb insurance coverage prices and rate estimates may be available for review on the RMA website beginning on Friday evening. However, rates and coverage prices may be modified prior to sales beginning on Monday morning so the final rates and coverage prices may be different than the estimates that may have been provided over the weekend.

4) Q: Where can LRP-Lamb insurance be purchased?

   A: LRP-Lamb is available through a crop insurance agent authorized to sell livestock insurance.
5) Q: How much coverage of the LRP-Lamb expected price can be purchased?

A: Producers can purchase as little as 80-percent coverage and as much as 95-percent coverage of the price in 5-percent increments. Coverage prices will be listed for each coverage level for each of the endorsements (13, 26 or 39 weeks) during the sales period each week.

6) Q: Does it matter if lambs are sold directly off pasture or finished in a feedlot?

A: No, individual production systems are not a factor.

7) Q: Must lambs be owned at the time of purchase for LRP-Lamb insurance?

A: Yes. You must own the lambs for which you purchase price insurance, and the lambs must be located in one of the pilot states when insurance attaches.

8) Q: Does it matter if the market weights of lambs don’t match the weights of lambs quoted by AMS in its weekly average national formula live lamb price report?

A: No. The weights quoted by AMS are a function of the marketplace at any given time. A producer is not paid an indemnity based upon his actual lamb weights or his actual price.

9) Q: Do lambs have to be sold on the day the policy expires?

A: No. An endorsement period should be chosen that most closely matches the producers production or feeding program. Ownership of the lambs must be maintained up to the last 30 days of coverage for the Specific Coverage Endorsement, otherwise coverage will be terminated and no indemnity will be paid on that portion of the endorsement.

10) Q: Does it matter if lambs go directly to slaughter when they are sold or when the policy expires?

A: No. Producers and feeders regularly market lambs in a variety of ways; lambs may go directly to slaughter or be grazed or placed on feed for a time before proceeding to actual slaughter. Insured lambs can be marketed through any manner chosen so long as the lambs are in marketing channels where they are expected to eventually be slaughtered (includes lambs not yet weaned and lambs on feed).
LIVESTOCK RISK PROTECTION (LRP) HANDBOOK

2009 and Succeeding Crop Years
Handbook Number: 20010-1
Replace Page 4 of the *LIVESTOCK RISK PROTECTION (LRP) HANDBOOK: 2008 and Succeeding Crop Years*.

This change is to include Lambs as a class of livestock on the box for illustrative purposes titled “Class(es) of livestock or livestock product to be insured.”
A. Livestock Risk Protection Application:
The LRP Application uses most of the fields provided in Exhibit 5 of 2007 Document and Supplemental Standards Handbook (FCIC 24040) (DSSH) issued November 2006 under the title “Applicant Information” and “Crop Information” (except those pertaining to the level of coverage or amount of insurance such as “Price Election”, “Amount of Insurance”, “Coverage Level”, “Plan of Insurance”, “Added County Election” or “Designated County”), “Other Information and Signatures” and “Required Statements”. As appropriate, the word “Crop” is to be replaced with the word “Livestock.” The following fields are required for the LRP Application:

<table>
<thead>
<tr>
<th>FOR ILLUSTRATION PURPOSES ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. APPLICANT</strong></td>
</tr>
<tr>
<td>Applicant Name:</td>
</tr>
<tr>
<td>SSN:</td>
</tr>
<tr>
<td>Spouse's Name:</td>
</tr>
<tr>
<td>Spouse's SSN:</td>
</tr>
<tr>
<td>Applicant is at least 18 Years</td>
</tr>
<tr>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td>Street or Mailing Address:</td>
</tr>
<tr>
<td>City:</td>
</tr>
<tr>
<td>State:</td>
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<td>Zip Code:</td>
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</tr>
<tr>
<td>Crop Year:</td>
</tr>
<tr>
<td>Swine ☐</td>
</tr>
<tr>
<td>Fed Cattle ☐</td>
</tr>
<tr>
<td>Commodity Code</td>
</tr>
</tbody>
</table>

The following statements are required for the form:

1. **Conditions of Acceptance Statements**. See Glossary of Statements under “Application Statements” for the Conditions of Acceptance Statements in section III *Glossary of Statements* of this handbook.

