

## **Livestock Gross Margin – Dairy Enrollment 11/30-12/1**

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The Livestock Gross Margin for Dairy is based on milk income over feed costs, which the program calls a “gross margin.” The insurance program covers the difference between the expected gross margin (insurance guarantee) and the actual gross margin for the producer’s selected months, based on a targeted amount of milk. Futures prices from the Chicago Mercantile Exchange (CME) are used to determine the values of Class III milk, corn and soybean meal. Futures prices result in uniform commodity prices for all producers. There is a maximum producer enrollment limit of 240,000 cwts of milk per year.

Twelve monthly enrollment periods are available beginning the last business Friday of each month until 9:00 pm the next day. Deductibles are available from \$0 to \$2 per cwt, in \$0.10 intervals. Indemnities are paid within 60 days after the last month insured. The premium is billed at the end of the enrollment (insurance) period in which the producer is enrolled. The Federal premium subsidy is available for the monthly enrollment period if milk is enrolled in at least 2 of the months. The premium subsidy ranges from 18 percent for \$0 deductible up to 50 percent for \$2 deductible.

At the end of October 25, 2012, a total of 1,765 policies were sold in the US. The states with the highest number of policies sold were WI, MN, PA and MI with 662, 291, 172, and 139 policies sold, respectively. To the same date, four policies were sold in NH, insuring over \$2,000,000. The premium paid was \$54,537 of which \$27,103 was subsidy paid by the USDA.

For more details on the effect of the Federal subsidy on the cost of the insurance policy and other information, please visit the University of Wisconsin Dairy Marketing and Risk Management Program at [http://future.aae.wisc.edu/lgm\\_analyzer/](http://future.aae.wisc.edu/lgm_analyzer/) or contact a crop insurance agent for farm level details (list at: [www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html))