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## **DAIRY PRODUCERS ENCOURAGED TO EXPLORE PROFIT PROTECTION OPTION**

*Recent Changes Simplify Livestock Gross Margin for Dairy Insurance*

**HARRISBURG** – Rising feed costs, low milk prices and market instability have made it necessary for dairy producers to explore an insurance option designed to protect their milk income-over-feed costs, said Agriculture Secretary Dennis Wolff today.

Livestock Gross Margin (LGM) for Dairy is a month-to-month risk management tool through the U.S. Department of Agriculture’s Risk Management Agency.

“LGM for Dairy is one of several tools available to dairy producers to help minimize business risks,” said Wolff. “Already, several dairy producers in the state have benefited from LGM for Dairy, receiving up to five times their premium back, helping them remain viable even as they face high feed costs and low milk prices. I encourage all producers to explore this very flexible risk management option and monitor premiums to see if a policy is right for their operation.”

LGM for Dairy covers the difference between the expected and actual gross margins during a producer-selected number of months, for a targeted amount of milk. The gross margin is the total income minus the cost of feed.

A loss payment results when the expected gross margin exceeds the actual gross margin.

Futures prices from the Chicago Mercantile Exchange are used to determine the expected and actual gross margins, resulting in uniform commodity pricing for the insurance program.

Policies are available to insure some or all milk from one to 10 months. Producers pay varied premiums, from zero to \$1.50 per hundredweight, depending on their desired level of coverage.

Recent changes to the insurance program have simplified the enrollment process. Rather than having to provide records for feed and milk, producers will only have to provide quantity of milk records. The changes have also lengthened the time in which producers can sign up for coverage.

Producers may sign up for LGM for Dairy on a month-to-month basis or for 10 months at a time. Enrollment begins on the last business Friday of each month and ends at 9 p.m. the following evening.

As a result of previous work in Pennsylvania and with the U.S. Department of Agriculture's Federal Crop Insurance Corp., the Pennsylvania Department of Agriculture advocated for the development of LGM for Dairy, recognizing dairy producers' need for a viable income management option.

For more information about LGM for Dairy, contact your local crop insurance agent or Alan Zepp, dairy risk management specialist, at 717-705-9511.

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