



August 24, 2012

United States  
Department of  
Agriculture

**INFORMATIONAL MEMORANDUM: PM-12-038**

Farm and Foreign  
Agricultural Service

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

Risk  
Management  
Agency

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

Beacon Facility  
Mail Stop 0812  
P.O. Box 419205  
Kansas City,  
MO 64141

SUBJECT: Change in Allocation of Fiscal Year 2012 Underwriting Capacity for Livestock  
Gross Margin for Dairy Cattle

**BACKGROUND:**

Section 523(b)(10) of the Federal Crop Insurance Act limits the amount that can be expended on livestock plans of insurance to \$20 million. The Risk Management Agency (RMA) is authorized to allocate this underwriting capacity to the various livestock insurance plans. Livestock expenses considered for underwriting capacity purposes include administrative and operating subsidy, and premium subsidy.

RMA plans to make available limited remaining underwriting capacity for Livestock Gross Margin for Dairy Cattle (LGM-Dairy) to allow sales for the August 31, 2012, sales period. LGM-Dairy used approximately \$13.1 million in total underwriting capacity in the October and November sales periods. At the conclusion of the November sales period, RMA determined that LGM-Dairy sales should cease in order to facilitate sales of the other seven plans of insurance that insure livestock.

RMA has been monitoring underwriting capacity of FY 2012 funds used by all livestock plans of insurance and determined additional underwriting capacity can be allocated for LGM-Dairy, while still allowing for sales of the other livestock plans of insurance.

**ACTION:**

LGM-Dairy will be available for sale for the August 31, 2012, sales period. The Underwriting Capacity Manager will be updated with an additional allocation of approximately \$2.5 million by Tuesday, August 28, 2012. Approved Insurance Providers should notify their agents who sell LGM-Dairy of this additional sales opportunity for dairy producers to purchase LGM-Dairy.



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

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