

DAIRY REVENUE PROTECTION (DRP)

PROTECTS DAIRY FARMERS FROM UNEXPECTED DECLINE IN MILK PRICES

Dairy Revenue Protection (DRP) is a federally subsidized risk management tool insuring against unexpected declines in quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and other dairy commodities and the amount of covered milk production elected by the producer. The covered milk production is indexed to the state or region (area-based revenue product).



PRODUCER DECISIONS

- Quarterly insurance period(s) to insure
- Value of milk to cover (Class & Component pricing options)
- Amount of milk to cover for the quarter
- Level of coverage (80% - 95%, in 5% increments)
- Protection factor (100% - 150%, in 5% increments)

COVERAGE LEVEL

PREMIUM SUBSIDY

80%

55%

85%

49%

90%

44%

95%

44%

FLEXIBLE COVERAGE

An application can be completed at any time but insurance does not attach until a quarterly coverage endorsement is purchased.

A producer may purchase coverage for up to five quarters and purchase multiple endorsements for the same quarter on unique milk production.

The sales period begins each day when the coverage prices and rates are published by RMA, generally by 4:30pm CT and ending at 9:00am CT the next business day.

PRICING OPTIONS

Class Pricing Option uses a combination of Class III and Class IV milk prices. Calculated based on the quarterly average of the CME Class III and Class IV milk futures prices weighted to the insured's elections.

Component Pricing Option uses a combination of the component milk prices for butterfat, protein, other solids and nonfat solids. Producer selects the butterfat and protein test percentages to better reflect the value of the milk being covered.

HOW IT WORKS

At the end of the insurance period, the actual milk revenue for the quarter is calculated using the USDA's AMS average monthly milk or component prices and the actual milk production from the USDA's NASS Milk Production Report for the quarter.

If the actual milk revenue falls below the revenue guarantee for the quarter, the insured may be paid an indemnity based on the difference.



Now is the time to protect your milk prices

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