

# Dairy Revenue Protection Program

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# DRP HIGHLIGHTS

Provides protection against declines in quarterly revenue from milk sales

Quarterly coverage – prices can be insured up to five quarters in the future, or as far out at the Risk Management Agency has established pricing.

Two pricing options

- Class price – class III and class IV milk prices
- Component – combination of milk components (butterfat, protein, milk solids)

Producers chooses how much milk production to cover during the quarter

80-95% percent coverage level, 5% increments

Indexed using state-level milk production

# CLASS PRICING EXAMPLE

STATE	NEW YORK	COUNTY	OTSEGO	COMMODITY	MILK	
EFFECTIVE DATE	01/10/2020	QTLY PRACTICE	8030 Apr - Jun/2020 - Qtr2	PRICE OPTION	8310 Class Price Option	
PROTECTION FACTOR	1	POUNDS	1,000,000	SHARE	1	
LEVEL	GUARANTEE PER CWT	PREMIUM PER CWT	TOTAL GUARANTEE	TOTAL COVERAGE	TOTAL PREMIUM	PRODUCER PREMIUM
80	14.0560	0.0096	140,560	140,560	213	96
85	14.9345	0.0109	149,345	149,345	213	109
90	15.8130	0.0131	158,130	158,130	234	131
95	16.6915	0.0770	166,915	166,915	1,375	770
		Expected Price	Weight	Calculated Price		
Class III		17.3500	0.50	8.6750		
Class IV		17.7900	0.50	8.8950		
				17.5700		

Expected production per cow: 6,300

STATE	NEW YORK	COUNTY	OTSEGO	COMMODITY	MILK	
EFFECTIVE DATE	01/10/2020	QTLY PRACTICE	8050 Oct - Dec/2020 - Qtr4	PRICE OPTION	8310 Class Price Option	
PROTECTION FACTOR	1	POUNDS	1,000,000	SHARE	1	
LEVEL	GUARANTEE PER CWT	PREMIUM PER CWT	TOTAL GUARANTEE	TOTAL COVERAGE	TOTAL PREMIUM	PRODUCER PREMIUM
80	14.3160	0.0096	143,160	143,160	213	96
85	15.21075	0.0113	152,108	152,108	222	113
90	16.1055	0.0541	161,055	161,055	966	541
95	17.00025	0.1648	170,003	170,003	2,942	1,648
		Expected Price	Weight	Calculated Price		
Class III		17.5300	0.50	8.7650		
Class IV		18.2600	0.50	9.1300		
				<u>17.8950</u>		

Expected production per cow: 6,257

# PROGRAM REQUIREMENTS

- Yield adjustment factor will move the actual milk revenue up/down based on actual milk yields in the state or pooled production region relative to the expected milk yields.

**Yield Adjustment Factors *below* 1.00 will INCREASE Indemnities.**

**Yield Adjustment Factors *above* 1.00 will DECREASE Indemnities.**

**5,100**  
Lbs/Qtr



**5,000**  
Lbs/Qtr

State or Pooled  
Production Region's  
Actual  
Milk Production per Cow

**= 1.02**

Yield Adjustment Factor

State or Pooled  
Production  
Region's Expected  
Milk Production per  
Cow



- Producer must deliver 85% of declared covered milk or else the loss is reduced  
Premium is not adjusted
- Producer must meet 90% of component levels for covered milk or else policy is recalculated based on actual components  
Premium is not adjusted

# WHAT'S COVERED?

## Covered cause of loss:

- This policy provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times actual share and protection factor.
- Caused by natural occurrences in market prices and yields in your pooled production region.

## Not a covered cause of loss:

- This policy does not insure against the death or other loss or destruction of your dairy cattle, or against any other loss or damage of any kind whatsoever.
- Loss of a milk market

# IN SUMMARY

DRP **creates a floor** on the milk price a producer will receive without sacrificing any upward movement in the milk markets.

**Know what your cost of production** is to allow for a target milk price to set when electing coverage on your policy.

With premium support it is a program that has made the cost to insure a set milk price **highly affordable**.

Work with your Crop Growers agent or FCE consultant to determine how these prices relate to your on farm milk check.

## Call To Action

- Develop a relationship with an agent that understands your business
- Establish an application for Dairy Revenue Protection
- No premium attaches until a Quarterly Coverage Endorsement is filled out
- Set a target price