



HUDSON
INSURANCE GROUP®

DAIRY REVENUE PROTECTION

OVERVIEW

Dairy Revenue Protection (DRP) is an insurance plan approved by the Federal Crop Insurance Corporation to allow dairy farmers to purchase risk management protection against declines in quarterly revenue from milk sales as a result of a decline in milk prices, a decline in milk production, or both. Revenue will be determined by a producer selecting to base their coverage on a mix of Class III and Class IV milk prices or milk component prices (butterfat, protein, and other milk solids). Coverage will be based on quarterly revenue.

Determining Coverage

- The policy is sold on a daily basis and would insure a quarter of milk production. Policies are offered by USDA-approved insurance providers and can be purchased voluntarily for an individual quarter or a series of quarters (up to five quarters out).
- For each SCD, the dairy farmer selects how milk is priced by choosing either the milk class price option and/or milk component price option, the coverage level (80 - 95% of the expected revenue) and the quarterly time frame.
- The revenue guarantee is based on future milk prices and declared covered milk production. The price of the policy varies daily based on the farmer-selected parameters on the expected risk in the market.

PREMIUM SUBSIDY

90% and 95% Coverage = 44%

85% Coverage = 49%

80% Coverage = 55%

AVAILABILITY

DRP is available in all 50 states.

COVERAGE LEVELS

80% - 95% (in 5% increments)

PROTECTION FACTORS

1.00 - 1.50 (in .05 increments)

Recent Updates

- Added a Class Price Weighting Factor Restricted Value, which in the event that the Class 3 or Class 4 milk price is not published, the Class Price Weighting Factor Restricted Value will allow producers to still purchase the Class Pricing Option by defaulting to the milk price of the published class.
- Provided more precise state level production and milk yields for Georgia by no longer grouping it with nearby states.
- Relaxed records requirements by allowing monthly (instead of daily) total pounds of milk and milk components (butterfat and protein) to be acceptable records.
- Maximum declared butterfat range changed from 5.00 to 5.50 to 3.25 - 5.50 pounds
- Maximum declared protein range changed from 4.00 to 4.50 to 2.75 - 4.50 pounds
- Added a Weighting Factor Option and Nonfat Solids Price to the Component Pricing Option
- 9:00 AM Central Sunday close of sales period for Friday offerings.
- Modified the policy to allow Grade B milk to be insured (along with Grade A).

Claims

After RMA releases the monthly milk and component prices for the quarter and USDA's milk production report identifies the actual milk production per cow for each state, the state-indexed actual revenue will be compared against the revenue guarantee. If the actual revenue is below the guarantee, the farmer is paid an indemnity based on the difference.

Actual milk marketings for the three months in the Quarterly Insurance Period must be provided and supported by milk settlement sheets from the processor. If component coverage was selected, the insured must also provide the three-month simple average of the butterfat and protein test values on the milk settlement sheets, and those values must be at least 90% of the declared values.

- If the actual milk marketings are less than 85% of the total declared milk covered for the quarterly period, the revenue guarantee is recalculated using a Final Covered Milk value (Actual Milk Production / 85%), which results in a lowered revenue guarantee to compare to the calculated Actual Revenue.
- If the actual butterfat or actual protein values are less than 90% of the declared butterfat or protein test values for the quarterly period, the revenue guarantee is recalculated using a final butterfat or final protein test value (actual component test value / 90%), which results in a lowered revenue guarantee to compare to the calculated actual revenue. Once the final indemnity is determined, the payment will be processed.

Other Insurance

A producer may participate in both FSA's Dairy Margin Coverage (DMC) program and DRP and insure the same production in both programs. A producer may participate in both LGM Dairy and DRP, but cannot cover production in the same months.

Quoting Coverage

Run DRP estimates without having to setup a policy first via the myHudson agent platform or by visiting:

<http://eharvest.hudsoncrop.com/policyext/PolicyEstimateQuickDRP>.

REMINDER: Sales close at 9:00 AM CST the next business day following the sales effective date or 9:00 AM CST Sunday for Friday offerings.

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