



Dairy Revenue Protection

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 either a class or a component pricing option that uses a combination of Class III and Class IV or milk component prices (butterfat, protein and other milk solids). Coverage will be based on quarterly revenue.

Availability

- DRP is available in all counties in all 50 states.
- 2018 Farm Bill provisions allow for dairy operations to participate in both DRP and Farm Service Agency's Dairy Margin Coverage (DMC) programs.
- DRP allows the insured to have other livestock policies covering milk for the same crop year; however, it cannot cover the same milk in the same months.

Recent Updates

- DRP will not be sold on days where the monthly USDA Milk Production, Dairy Products and Cold Storage reports are released.
- Sales allowed to be suspended during the sales period for situations that arise during the sales period in which market conditions adversely change after the fact.

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%

COVERAGE LEVELS

80% - 95% (in 5% increments)

PROTECTION FACTORS

1.00 - 1.50 (in .05 increments)

COMPONENT WEIGHTS

Butterfat: 3.25 - 5.50 pounds
(in .05 increments)

Protein: 2.75 - 4.50 pounds
(in .05 increments)

SALES PERIOD

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.

If expected milk and dairy commodity prices are not available on the RMA website by 4:30 PM, then Dairy-RP will not be offered for sale for the insurance period.

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.

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>.

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