

Revenue Insurance Now Available For Dairy Producers

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Reduction in dairy prices and yields make farmers vulnerable to decreases in income. Dairy Revenue Protection (Dairy-RP) is a program created by the American Farm Bureau Federation (Farm Bureau) to insure income for dairy producers when this reduction in income occurs. This program provides reimbursement for the difference between the farmers' guaranteed revenue and actual revenue for milk. The farmers are each paid a policy indemnity based on the difference between their yields and the state-indexed actual revenue. If the state-indexed actual revenue is above the coverage revenue the farmer pays only the policy premium.

The process for buying Dairy-RP requires the farmers to make a few decisions. Producers must choose:

- Pricing option (Class or Component)
- Amount of the milk production covered
- Level of coverage
- Quarterly contract



Eligibility

Dairy-RP is approved for sale in all counties in all 50 states.

Dairy farmers can participate in both Marginal Protection Program for Dairy (MPP-Dairy) and Dairy-RP.

Pricing

Dairy-RP addresses two different sources of dairy farm revenue risk. The pricing options are similar to how milk is priced in federal milk marketing orders. A producer can be insured for either or both options:

- The Class Pricing Option: a combination of Class III and Class IV milk prices as a basis for determining coverage and indemnities. Final revenue guarantee is determined by:
$$\frac{\text{Expected Class III and Class IV Price} \times \text{Declared Pricing Elections} \times \text{Covered Milk Production}}{100}$$
- The Component Pricing Option: the component milk prices for butterfat, protein, and other solids as a basis for determining coverage and indemnities. The producer may select the butterfat

and protein test percentage to establish the insured milk price. Final revenue guarantee is determined by:

$$\frac{\text{Expected Butterfat, Protein, other Solids Price} \times \text{Final Component Tests} \times \text{Covered Milk Production}}{100}$$

Coverage and Insurance

A producer may cover 70 percent to 95 percent of their expected quarterly revenue in five percent increments (i.e. 70%, 75%, 80%...). A premium subsidy is available and is based on the coverage level selected. These are outlined below:

Coverage Level	70%	75%	80%	85%	90%	95%
Premium Subsidy	59%	55%	55%	49%	44%	44%

The Quarterly Coverage Endorsements is necessary to provide coverage that includes information about the quarterly insurance period and declared coverage options. It corresponds to the eight quarterly insurance periods available for purchase during the crop year. Producers may purchase coverage up to five nearby quarters and have multiple endorsements for the same quarterly insurance period. Multiple endorsements can be in effect in the same quarter.

The quarterly insurance period contains the three-month periods corresponding to one of eight quarters for which coverage is available under the quarterly coverage endorsement. For example, the insurance period for the January 10 sales closing date contains the quarters of April through June, July through September, October through December, January through March, and April through June.

Insurance coverage starts when a quarterly coverage endorsement is bought.

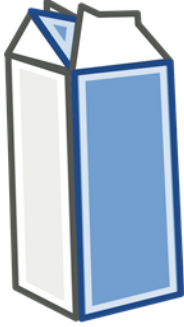
Buying Coverage

Coverage is established by adding quarterly coverage endorsements to the policy. Producers can purchase quarterly endorsements each day when the coverage prices and rates are validated and published between 4:00 PM Central time and 9:00 AM Central time on USDA’s Risk Management Agency (RMA) website.

If expected milk and dairy commodity prices are not available on the RMA website by 4:00 PM, then Dairy-RP will not be offered for sale for that insurance period. Dairy-RP will also not be sold on days where the monthly USDA Milk Production, Dairy Products, and Cold Storage reports are released. Quarterly expected revenue will not be determined by dairy commodity prices that have a maximum or minimum price limit in future markets.

Limitations

The University of Maryland Extension programs are open to any person and will not discriminate against anyone because of race, age, sex, color, sexual orientation, physical or mental disability, religion, ancestry, national origin, marital status, genetic information, political affiliation, and gender identity or expression.



Dairy-RP 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 the pooled production region. Dairy-RP does not insure against:

- Death of dairy cattle
- Other loss or destruction of a dairy cattle
- Any other loss or damage of any kind whatsoever

Where to Buy

All Federal reinsured crop insurance policies are available from authorized crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/tools/agent.html.

Dairy-RP insurance must be bought through an authorized crop insurance agent. An application can be filled out any time after October 9, 2018. However, insurance does not attach until a quarterly coverage endorsement is bought. Multiple quarterly coverage endorsements can be bought with one application. Insurance coverage starts the day a quarterly coverage endorsement is bought. If a producer wishes to change their coverage, the contract can be changed April 30th. If they wish to cancel the policy, it can be done so June 30th.

More Information

For more information, visit Dairy-RP's website, <https://www.dairyrp.com/>.

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