



# Dairy

REVENUE PROTECTION

DAIRY REVENUE PROTECTION POLICY



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## APPLICATION PROCESS

# Dairy Revenue Protection Application

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- means the form required to be completed by the insured
- containing all the information required in section 2 of the Dairy Revenue Policy and
- accepted by the AIP before insurance coverage will commence
- Only one application is required per state and
- all the milk produced within a state is covered under this policy
- A separate application is required to insure milk produced in another state



# Dairy Revenue Protection Application

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- Initial application can be submitted any time during the crop year
- Must be completed and accepted no later than the Sales Closing Date of the first Quarterly Coverage Endorsement
- Continuous Policy Crop Year July 1 – June 30
- No cost to complete an application



# Dairy RP Application

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- Recommend completing initial application before quarterly coverage endorsement
  - Confirms eligibility to participate in the crop insurance program
  - Confirms conservation compliance
  - Confirms if applicable, beginning farmer or rancher



# Dairy RP Application

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- Applicant's milk marketing records are not required with application
- Recommend the agent reviews the milk marketing records to verify
  - Entity
  - Tax ID
  - Share
  - Other application data, and
  - Acceptable records



# Acceptable Records

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- Acceptable records are milk marketing records that provide the following information from the producer payroll report
- This report is a supporting statement which shall show:
  - The name, address, Grade A identifier assigned by a duly constituted regulatory agency, and payroll number or similar identifier of the producer;
  - The daily and total pounds, and the month and dates such milk was received from that producer; and if the component pricing option is elected;
  - The total pounds of butterfat and protein contained in the producer's milk



# Dairy RP Application Instructions

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- The crop related items required are
  - Effective crop year
  - State
  - County
  - Crop – Milk
  - Plan of Insurance – Dairy Revenue Protection





# County

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- Any county, parish, or other political subdivision of a state shown on your accepted application where the milk storage tank of your dairy operation is physically located
- If your dairy operation spans multiple counties within the state, then the application county will be the county elected by the insured as indicated on the application
- Only one application required to insure all dairy operations owned by the same entity within the state



# Other Insurance

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- The insured must not obtain any other livestock insurance issued under the authority of the Act on the insured milk
- Only one livestock (endorsement) is allowed to insure the same milk for the quarterly insurance period
- If the insured applies for an endorsement for more than one livestock policy covering the same milk during the quarterly insurance period, the policy with the earliest date of endorsement will be accepted and the other endorsement will be void



# Dairy Revenue Protection and MPP

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- **Q: Can I participate in Farm Service Agency's Margin Protection Program and Dairy-RP?**

A: Yes, you may participate in both programs at the same time.



# Quarterly Coverage Endorsement

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# Sales Period Dates by Practice

|                   | Quarterly Insurance Period 801 - 808 |           |           | Sales Available |           | Sales Not Available |           |           |
|-------------------|--------------------------------------|-----------|-----------|-----------------|-----------|---------------------|-----------|-----------|
| Calendar Year     | 2018                                 | 2019      | 2019      | 2019            | 2019      | 2020                | 2020      | 2020      |
| Sales Dates       | Oct -Dec                             | Jan - Mar | Apr - Jun | Jul - Sep       | Oct - Dec | Jan - Mar           | Apr - Jun | Jul - Sep |
| July 1 – Sep 15   | 801                                  | 802       | 803       | 804             | 805       | 806                 | 807       | 808       |
| Sep 16 – Dec 15   | 801                                  | 802       | 803       | 804             | 805       | 806                 | 807       | 808       |
| Dec 16 – Mar 15   | 801                                  | 802       | 803       | 804             | 805       | 806                 | 807       | 808       |
| Mar 16 – June 15  | 801                                  | 802       | 803       | 804             | 805       | 806                 | 807       | 808       |
| June 16 – June 30 | 801                                  | 802       | 803       | 804             | 805       | 806                 | 807       | 808       |

5<sup>th</sup> Quarter is not available June 16 – 30, this limits the coverage period to 2 reinsurance years



# Quarterly Insurance Period/End of Quarterly Insurance Period, Date of

| Practice             | Interval           | Coverage Begins | Coverage Ends      |
|----------------------|--------------------|-----------------|--------------------|
| 801 Quarter 4 - 2018 | October – December | October 1, 2018 | December 31, 2018  |
| 802 Quarter 1 - 2019 | January – March    | January 1, 2019 | March 31, 2019     |
| 803 Quarter 2 - 2019 | April – June       | April 1, 2019   | June 30, 2019      |
| 804 Quarter 3 - 2019 | July – September   | July 1, 2019    | September 30, 2019 |
| 805 Quarter 4 - 2019 | October – December | October 1, 2019 | December 31, 2019  |
| 806 Quarter 1 - 2020 | January – March    | January 1, 2020 | March 31, 2020     |
| 807 Quarter 2 - 2020 | April – June       | April 1, 2020   | June 30, 2020      |
| 808 Quarter 3 - 2020 | July – September   | July 1, 2020    | September 30, 2020 |

# Billing Dates

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- The premium is billed on the 25<sup>th</sup> of the month following the end of the insured quarter



# Class Pricing Option

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COVERAGE EXAMPLE



# Class Pricing Option example

|           | Expected Class III Price per cwt<br>Expected Class IV Price per cwt | Class III Declared Weighting Factor<br>Class IV Default Weighting Factor | Calculated Price<br>per cwt |
|-----------|---|--|-----------------------------|
| Class III | \$17.25   | 0.50   | \$8.6250                    |
| Class IV  | \$16.25   | 0.50   | \$8.1250                    |
|           |   |  |                             |
|           |   | Price/cwt<br>(Totaled for illustration purposes)                         | \$16.7500                   |



# Coverage Example – Class Pricing Option

|  |           |  |
|--|-----------|--|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000 | <b>50%/50% mix of Class III &amp; Class IV</b><br><b>Declared Class Price Weighting Factor = 50%</b><br><b>Published Expected Class III Price = \$17.25</b><br><b>Class IV published price = \$16.25</b> |
| Expected Class Pricing Milk Revenue                  | \$335,000 |  |
| Coverage Level                                       | 95%       |  |
| Expected Revenue Guarantee                           | \$318,250 |  |
| Protection Factor                                    | 1.25      |  |
| Declared Share                                       | 1.000     |  |
| Liability  | \$397,813 |  |
| Total Premium  | \$7,081   |  |
| Premium Subsidy                                      | \$3,116   |  |
| Producer Premium                                     | \$3,965   |  |
| Expected Milk Production per Cow                     | 6,042     |  |

# Coverage Example – Class Pricing Option

|  |                  |   |
|--|------------------|---|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000        |   |
| <b>Expected Class Pricing Milk Revenue</b>           | <b>\$335,000</b> | <b><math>((\\$17.25 * 50\%) + (\\$16.25 * 50\%)) * 2,000,000/100</math></b> |
| Coverage Level                                       | 95%              |   |
| Expected Revenue Guarantee                           | \$318,250        |   |
| Protection Factor                                    | 1.25             |   |
| Declared Share                                       | 1.000            |   |
|  |                  |   |
| Liability  | \$397,813        |   |
| Total Premium  | \$7,081          |   |
| Premium Subsidy                                      | \$3,116          |   |
| Producer Premium                                     | \$3,965          |   |

# Coverage Example – Class Pricing Option

|  |   |
|--|---|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000                               |
| Expected Class Pricing Milk Revenue                  | \$335,000                               |
| Coverage Level                                       | 95%                                     |
| <b>Expected Revenue Guarantee</b>                    | <b>\$318,250</b> <b>\$335,000 * 95%</b> |
| Protection Factor                                    | 1.25                                    |
| Declared Share                                       | 1.000                                   |
|  |   |
| Liability  | \$397,813                               |
| Total Premium  | \$7,081                                 |
| Premium Subsidy                                      | \$3,116                                 |
| Producer Premium                                     | \$3,965                                 |

# Coverage Example – Class Pricing Option

|  |   |
|--|---|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000   |
| Expected Class Pricing Milk Revenue                  | \$335,000   |
| Coverage Level                                       | 95%   |
| Expected Revenue Guarantee                           | \$318,250   |
| Protection Factor                                    | 1.25  |
| Declared Share                                       | 1.000   |
|  |   |
| <b>Liability</b>                                     | <b>\$397,813</b> <b><math>\\$318,250 * 100% * 1.25</math></b> |
| Total Premium  | \$7,081   |
| Premium Subsidy                                      | \$3,116   |
| Producer Premium                                     | \$3,965   |

# Coverage Example – Class Pricing Option

|  |                |                           |
|--|----------------|---------------------------|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000      |                           |
| Expected Class Pricing Milk Revenue                  | \$335,000      |                           |
| Coverage Level                                       | 95%            |                           |
| Expected Revenue Guarantee                           | \$318,250      |                           |
| Protection Factor                                    | 1.25           |                           |
| Declared Share                                       | 1.000          |                           |
|  |                |                           |
| Liability  | \$397,813      |                           |
| <b>Total Premium</b>                                 | <b>\$7,081</b> | <b>\$397,813 * 0.0178</b> |
| Premium Subsidy                                      | \$3,116        |                           |
| Producer Premium                                     | \$3,965        |                           |

# Coverage Example – Class Pricing Option

|  |                |                          |
|--|----------------|--------------------------|
| Declared Covered Milk Production (Entered in Pounds) | 2,000,000      |                          |
| Expected Class Pricing Milk Revenue                  | \$335,000      |                          |
| Coverage Level                                       | 95%            |                          |
| Expected Revenue Guarantee                           | \$318,250      |                          |
| Protection Factor                                    | 1.25           |                          |
| Declared Share                                       | 1.000          |                          |
|  |                |                          |
| Liability  | \$397,813      |                          |
| Total Premium  | \$7,081        |                          |
| <b>Premium Subsidy</b>                               | <b>\$3,116</b> | <b>\$7,081 * 44%</b>     |
| <b>Producer Premium</b>                              | <b>\$3,965</b> | <b>\$7,081 - \$3,116</b> |



# Component Pricing Option

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COVERAGE EXAMPLE



# Component Pricing Option Example

| Expected Value per pound |        | Declared Test Pounds  | Calculated Value per cwt |
|--------------------------|--------|---|--------------------------|
| Butterfat                | \$2.70 | 3.85  | \$10.3950                |
| Protein                  | \$1.90 | 3.15  | \$5.9850                 |
| Other Solids             | \$0.15 | 5.70  | \$0.8550                 |
|                          |        |   |                          |
|                          |        | Total Component Value per cwt<br>(Totalled for illustration purposes) | \$17.2350                |





# Coverage Example – Component Pricing Option

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|   |           |
|---|-----------|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000 |
| Expected Component Pricing Milk Revenue                 | \$172,350 |
| Coverage Level  | 95%       |
| Expected Revenue Guarantee                              | \$163,733 |
| Protection Factor                                       | 1.00      |
| Declared Share  | 1.000     |
| Liability   | \$163,733 |
| Total Premium   | \$4,192   |
| Premium Subsidy   | 44%       |
| Producer Premium  | \$2348    |
| Expected Milk Production Per Cow                        | 5000      |

# Coverage Example – Component Pricing Option

|   |                  |
|---|------------------|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000        |
| <b>Expected Component Pricing Milk Revenue</b>          | <b>\$172,350</b> |
| Coverage Level  | 95%              |
| Expected Revenue Guarantee                              | \$163,733        |
| Protection Factor                                       | 1.00             |
| Declared Share  | 1.000            |
|   |                  |
| Liability   | \$163,733        |
| Total Premium   | \$4,192          |
| Premium Subsidy   | 44%              |
| Producer Premium  | \$2348           |

$$((\$2.70 \times 3.85) + (\$1.90 \times 3.15) + (\$0.15 \times 5.70)) \times 1,000,000 \div 100$$

|                           |        |
|---------------------------|--------|
| Declared Butterfat Test   | 3.85   |
| Declared Protein Test     | 3.15   |
| Other Solids Test (fixed) | 5.70   |
| Expected Butterfat price  | \$2.70 |
| Expected Protein Price    | \$1.90 |
| Expected Solids Price     | \$0.15 |

# Coverage Example – Component Pricing Option

|   |                  |                            |
|---|------------------|----------------------------|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000        |                            |
| Expected Component Pricing Milk Revenue                 | \$172,350        |                            |
| Coverage Level  | 95%              |                            |
| <b>Expected Revenue Guarantee</b>                       | <b>\$163,733</b> | <b>\$172,350*95%</b>       |
| Protection Factor                                       | 1.00             |                            |
| Declared Share  | 1.000            |                            |
|   |                  |                            |
| <b>Liability</b>  | <b>\$163,733</b> | <b>\$163,733*100%*1.00</b> |
| Total Premium   | \$4,192          |                            |
| Premium Subsidy   | 44%              |                            |
| Producer Premium  | \$2348           |                            |

# Coverage Example – Component Pricing Option

|   |                |                         |
|---|----------------|-------------------------|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000      |                         |
| Expected Component Pricing Milk Revenue                 | \$172,350      |                         |
| Coverage Level  | 95%            |                         |
| Expected Revenue Guarantee                              | \$163,733      |                         |
| Protection Factor                                       | 1.00           |                         |
| Declared Share  | 1.000          |                         |
| Liability   | \$163,733      |                         |
| <b>Total Premium (rate – 0.0256)</b>                    | <b>\$4,192</b> | <b>\$163,733*0.0256</b> |
| Premium Subsidy   | 44%            |                         |
| Producer Premium  | \$2348         |                         |

# Coverage Example – Component Pricing Option

|   |   |
|---|---|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000   |
| Expected Component Pricing Milk Revenue                 | \$172,500   |
| Coverage Level  | 95%   |
| Expected Revenue Guarantee                              | \$163,875   |
| Protection Factor                                       | 1.00  |
| Declared Share  | 1.000   |
|   |   |
| Liability   | \$163,875   |
| Total Premium (rate – 0.0256)                           | \$4,192   |
| <b>Premium Subsidy</b>                                  | <b>44% - \$1,844</b> <span style="border: 1px solid red; padding: 2px;">\$4,192* .44</span> |
| Producer Premium  | \$2348  |

# Coverage Example – Component Pricing Option

|   |               |                          |
|---|---------------|--------------------------|
| Declared Covered Milk Production<br>(Entered in Pounds) | 1,000,000     |                          |
| Expected Component Pricing Milk Revenue                 | \$172,500     |                          |
| Coverage Level  | 95%           |                          |
| Expected Revenue Guarantee                              | \$163,875     |                          |
| Protection Factor                                       | 1.00          |                          |
| Declared Share  | 1.000         |                          |
|   |               |                          |
| Liability   | \$163,875     |                          |
| Total Premium (rate – 0.0256)                           | \$4,192       |                          |
| Premium Subsidy   | 44% - \$1,844 |                          |
| <b>Producer Premium</b>                                 | <b>\$2348</b> | <b>\$4,192 - \$1,844</b> |



# Class Pricing Option

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ACTUAL MILK REVENUE

INDEMNITY EXAMPLE



# Determine Milk Marketings

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- Calculate the Milk Marketings using the milk marketing records provided by the insured
- Milk marketings - the total amount of milk sold by the insured dairy operation during the quarterly insurance period and for which the dairy operation has proof of sale



# Final Revenue Guarantee Class Pricing Option

|   |           |   |
|---|-----------|---|
| Milk Marketings (Entered in Pounds)         | 1,900,000 |   |
| Covered Milk Production (Entered in Pounds) | 2,000,000 | $((\$17.25 * 50\%) + (\$16.25 * 50\%)) * 2,000,000/100$ |
| Final Class Pricing Milk Revenue            | \$335,000 |   |
| Coverage Level                              | 95%       |   |
| Final Revenue Guarantee                     | \$318,250 |   |
| Protection Factor                           | 1.25      |   |
| Actual Share                                | 1.000     |   |
| Actual Milk Production per Cow              | 6,000     |   |
| Expected Milk Production per Cow            | 6,042     |   |



# Actual Class III and Class IV Milk Price

|           | Actual Class III Milk Price per cwt<br>Actual Class IV Milk Price per cwt | Class III Declared Weighting Factor<br>Class IV Default Weighting Factor | Calculated Price<br>per cwt |
|-----------|---|--|-----------------------------|
| Class III | \$14.00   | 0.50   | \$7.0000                    |
| Class IV  | \$13.00   | 0.50   | \$6.5000                    |
|           |   | Price/cwt<br>(Totaled for illustration purposes)                         | \$13.5000                   |



# Yield Adjustment Factor

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|                                  |       |
|----------------------------------|-------|
| Actual Milk Production per Cow   | 6,000 |
| Expected Milk Production per Cow | 6,042 |

**Actual Milk Production per Cow divided by the Expected Milk Production per Cow**

**6000/6042**

|                                |            |
|--------------------------------|------------|
| <b>Yield Adjustment Factor</b> | <b>.99</b> |
|                                |            |
|                                |            |



# Actual Class Pricing Milk Revenue

|  |   |
|--|---|
| Actual Class III quarterly price   | \$14.00 cwt   |
| Actual Class IV quarterly price  | \$13.00 cwt   |
|  |   |
|  |   |
| <b>((actual class III milk price * declared class price weighting factor) + actual class IV milk price * declared class price weighting factor)) * covered milk production * yield adjustment factor/100</b> |   |
| Yield Adjustment Factor  | .99   |
| Actual Milk Revenue  | \$267,300   |
|  | <b>(((\$13.00 * 50%) + (\$14.00 * 50%)) * 2,000,000 lbs * .99/100</b> |



# Indemnity Calculation Example

## Class Pricing Option

|                         |           |
|-------------------------|-----------|
| Final Revenue Guarantee | \$318,250 |
| Actual Milk Revenue     | \$267,300 |
| Total                   | \$50,950  |

**greater of zero OR Actual Milk Revenue –  
Final Revenue Guarantee \* Actual Share  
\* Protection Factor**

|                   |          |
|-------------------|----------|
| Actual Share      | 1.000    |
| Protection Factor | 1.25     |
| Indemnity         | \$63,688 |

**MAX (0, \$318,250 - \$267,300)  
\* 100% \* 1.25**





# Component Pricing Option

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ACTUAL MILK REVENUE

INDEMNITY EXAMPLE

# Determine Milk Marketings

---

- Calculate the Milk Marketings using the milk marketing records provided by the insured
- Milk marketings - the total amount of milk sold by the insured dairy operation during the quarterly insurance period and for which the dairy operation has proof of sale





# Determine Actual Butterfat Test & Actual Protein Test

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- Calculate the Actual Butterfat Test and Actual Protein Test using the milk marketing records provided by the insured



# Final Revenue Guarantee Component Pricing Option

|   |           |
|---|-----------|
| Milk Marketings (Entered in Pounds)         | 850,000   |
| Covered Milk Production (Entered in Pounds) | 1,000,000 |
| Final Component Pricing Milk Revenue        | \$172,350 |
| Coverage Level                              | 95%       |
| Final Revenue Guarantee                     | \$163,733 |
| Protection Factor                           | 1.00      |
| Actual Share                                | 1.000     |
| Actual Butterfat Test                       | 3.50      |
| Actual Protein Test                         | 3.00      |
| Actual Milk Production per Cow              | 5100      |
| Expected Milk Production per Cow            | 5000      |

$$((\$2.70 \times 3.85) + (\$1.90 \times 3.15) + (\$0.15 \times 5.70)) \times 1,000,000 \div 100$$

|                           |        |
|---------------------------|--------|
| Final Butterfat Test      | 3.85   |
| Final Protein Test        | 3.15   |
| Other Solids Test (fixed) | 5.70   |
| Expected Butterfat price  | \$2.70 |
| Expected Protein Price    | \$1.90 |
| Expected Solids Price     | \$0.15 |



# Yield Adjustment Factor

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|                                  |       |
|----------------------------------|-------|
| Actual Milk Production per Cow   | 5,100 |
| Expected Milk Production per Cow | 5,000 |

**Actual Milk Production per Cow divided by the Expected Milk Production per Cow**

**5100/5000**

|                                |             |
|--------------------------------|-------------|
| <b>Yield Adjustment Factor</b> | <b>1.02</b> |
|                                |             |
|                                |             |



# Actual Component Price

| Component                 |        | Final Test Values   | Calculated Value per cwt |
|---------------------------|--------|---|--------------------------|
| Actual Butterfat Price    | \$2.25 | 3.85  | \$8.6625                 |
| Actual Protein Price      | \$1.70 | 3.15  | \$5.3550                 |
| Actual Other Solids Price | \$0.12 | 5.70  | \$0.6840                 |
|                           |        |   |                          |
|                           |        | Total Component Value per cwt (Totaled for illustration purposes) | \$14.7015                |



# Actual Component Pricing Milk Revenue

|   |           |
|---|-----------|
| Yield Adjustment Factor                     | 1.02      |
| Covered Milk Production (Entered in Pounds) | 1,000,000 |
| Actual Milk Revenue                         | \$149,955 |
|   |           |
|   |           |
|   |           |
|   |           |
|   |           |
| Actual Milk Production per Cow              | 5100      |
| Expected Milk Production per Cow            | 5000      |
|   |           |

$$((\$2.25 \times 3.85) + (\$1.70 \times 3.15) + (\$0.12 \times 5.70)) \times 1,000,000 \times 1.02 \div 100$$

|                           |        |
|---------------------------|--------|
| Final Butterfat Test      | 3.85   |
| Final Protein Test        | 3.15   |
| Other Solids Test (fixed) | 5.70   |
| Actual Butterfat price    | \$2.70 |
| Actual Protein Price      | \$1.90 |
| Actual Solids Price       | \$0.15 |



# Indemnity Calculation Example

## Component Pricing Option

|                         |           |
|-------------------------|-----------|
| Final Revenue Guarantee | \$163,733 |
| Actual Milk Revenue     | \$149,955 |
| Total                   | \$13,778  |

**greater of zero OR Actual Milk Revenue –  
Final Revenue Guarantee \* Actual Share  
\* Protection Factor**

|                   |          |
|-------------------|----------|
| Actual Share      | 1.000    |
| Protection Factor | 1.00     |
| Indemnity         | \$13,778 |

**MAX (0, \$163,733 - \$149,955)  
\* 100% \* 1.00**





# Premium Estimates

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# Premium Estimates

Dairy RP Quote is only available for testing purposes.

> Dairy RP Quote

⊖ Quote Details

State: North Carolina ▼

Estimated Three Month Average Prices

Sales Effective Date: 9/24/2018

|              | Jan - Mar | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Mar |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Class III    | \$16.0000 | \$16.1100 | \$16.4400 | \$16.3100 | \$16.0500 |
| Class IV     | \$15.2300 | \$15.7100 | \$16.2500 | \$16.4000 | \$17.5000 |
| Butterfat    | \$2.4939  | \$2.5524  | \$2.6098  | \$2.6162  | \$2.0626  |
| Protein      | \$1.9669  | \$2.0039  | \$2.0917  | \$2.0862  | \$2.6208  |
| Other Solids | \$0.2440  | \$0.2152  | \$0.1941  | \$0.1814  | \$0.2602  |





| Estimated Three Month Average Prices       |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Sales Effective Date: 9/24/2018            |           |           |           |           |           |
|  | Jan - Mar | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Mar |
| Class III                                  | \$16.0000 | \$16.1100 | \$16.4400 | \$16.3100 | \$16.0500 |
| Class IV                                   | \$15.2300 | \$15.7100 | \$16.2500 | \$16.4000 | \$17.5000 |
| Butterfat                                  | \$2.4939  | \$2.5524  | \$2.6098  | \$2.6162  | \$2.0626  |
| Protein                                    | \$1.9669  | \$2.0039  | \$2.0917  | \$2.0862  | \$2.6208  |
| Other Solids                               | \$0.2440  | \$0.2152  | \$0.1941  | \$0.1814  | \$0.2602  |
| Declared Class III Price Weighting Factor: | 50 %      |           |           |           |           |
| Declared Class IV Price Weighting Factor:  | 50 %      |           |           |           |           |
| Total Price per cwt:                       | \$16.3450 |           |           |           |           |
| Declared Covered Milk Production (pounds): | 1,000,000 |           |           |           |           |
| Expected Milk Revenue:                     | \$163,450 |           |           |           |           |
| Coverage Level:                            | 95        |           |           |           |           |
| Expected Revenue Guarantee:                | \$155,278 |           |           |           |           |
| Protection Factor:                         | 1.00      |           |           |           |           |
| Declared Share:                            | 1.0000    |           |           |           |           |
| Expected Milk Production per Cow:          | 4,539     |           |           |           |           |

# Premium Estimate (Class Pricing Option)

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| Estimated Premium Values    |               |                |
|-----------------------------|---------------|----------------|
|                             | Total Dollars | Dollars by cwt |
| Expected Milk Revenue:      | \$163,450     | \$16.3450      |
| Expected Revenue Guarantee: | \$155,278     | \$15.5278      |
| Liability:                  | \$155,278     | \$15.5278      |
| Total Premium:              | \$4,129       | \$0.4129       |
| Premium Subsidy:            | \$1,817       | \$0.1817       |
| * Producer Premium:         | \$2,312       | \$0.2312       |

# Premium Estimate (Class Pricing Option)



# Premium Estimate (Component Pricing Option)

Dairy RP Quote is only available for testing purposes.

> Dairy RP Quote

Quote Details

State: North Carolina

Estimated Three Month Average Prices  
Sales Effective Date: 9/24/2018

|              | Jan - Mar | Apr - Jun | Jul - Sep | Oct - Dec | Jan - Mar |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Class III    | \$16.0000 | \$16.1100 | \$16.4400 | \$16.3100 | \$16.0500 |
| Class IV     | \$15.2300 | \$15.7100 | \$16.2500 | \$16.4000 | \$17.5000 |
| Butterfat    | \$2.4939  | \$2.5524  | \$2.6098  | \$2.6162  | \$2.0626  |
| Protein      | \$1.9669  | \$2.0039  | \$2.0917  | \$2.0862  | \$2.6208  |
| Other Solids | \$0.2440  | \$0.2152  | \$0.1941  | \$0.1814  | \$0.2602  |

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Declared Butterfat Test: 3.80

Declared Protein Test: 3.20

Other Solids Test: 5.70

Total Price per cwt: \$17.7170

Declared Covered Milk Production (pounds): 1,000,000

Expected Milk Revenue: \$177,170

Coverage Level: 95

Expected Revenue Guarantee: \$168,312

Protection Factor: 1.00

Declared Share: 1.0000

Expected Milk Production per Cow: 4,539

# Premium Estimate (Component Pricing Option)

| Estimated Premium Values    |               |                |
|-----------------------------|---------------|----------------|
|                             | Total Dollars | Dollars by cwt |
| Expected Milk Revenue:      | \$177,170     | \$17.7170      |
| Expected Revenue Guarantee: | \$168,312     | \$16.8312      |
| Liability:                  | \$168,312     | \$16.8312      |
| Total Premium:              | \$4,897       | \$0.4897       |
| Premium Subsidy:            | \$2,155       | \$0.2155       |
| * Producer Premium:         | \$2,742       | \$0.2742       |

# Premium Estimate (Component Pricing Option)





# Claims

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# Causes of Loss Covered

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



# Notice of Probable Loss

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- The notice of probable loss is used to notify the insured of a probable loss
- In the case of a payable loss on insured milk
- The AIP will send the insured a notice of probable loss approximately ten days after all Dairy Revenue Protection data applicable for the quarterly insurance period are released



# Notice of Probable Loss

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- In order to receive an indemnity
- The insured must submit a claim to the AIP on AIP's form and include all required documents
- Including the milk production worksheet
- Within sixty days (60) days following the date the notice of probable loss is issued



# Notice of Probable Loss

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- The insured should return the notice of probable loss to the AIP along with;
- The milk production worksheet, and
- The milk marketing records



# Notice of Probable Loss

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| 3 Indemnity Calculation |                              |                 |
|-------------------------|------------------------------|-----------------|
| A                       | “Expected Revenue Guarantee” | Substantive     |
| B                       | “Actual Milk Revenue”        | Substantive     |
| C                       | “Total”                      | Non-Substantive |
| D                       | “Protection Factor”          | Substantive     |
| E                       | “Declared Share”             | Substantive     |
| F                       | “Probable Indemnity”         | Substantive     |



# Milk Production Worksheet

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- The milk production worksheet is due in the event of loss
- The milk production worksheet must be accompanied by milk marketing records corresponding to the quarter insured from the insured dairy operation's milk cooperative or milk handler that
- Provides records of the actual milk deliveries and, if applicable,
- The component levels in the milk sold



# Milk Production Worksheet

|          |   |                                 |
|----------|---|---------------------------------|
| <b>E</b> | <b>“Provide the total pounds of Milk sold for each month in the quarter and if the Type 832 Component Pricing Option was elected, provide the Total Average Butterfat Test and Average Protein Test.</b>  | <b>Substantive</b>              |
| <b>F</b> | <b>“Month”</b>  | <b>Substantive</b>              |
| <b>G</b> | <b>“Pounds of Milk Sold”</b>  | <b>Substantive</b>              |
| <b>H</b> | <b>“Total”</b>  | <b>Substantive</b>              |
| <b>I</b> | <b>“Average Butterfat Test”</b>   | <b>Substantive for Type 832</b> |
| <b>J</b> | <b>“Average Protein Test”</b>   | <b>Substantive for Type 832</b> |
| <b>H</b> | <b>“The milk marketing records for the applicable quarter must be submitted with the milk production worksheet which shall show: (1) The name, address, Grade A identifier assigned by a duly constituted regulatory agency, and payroll number or similar identifier of the producer; (2) The daily and total pounds, and the month and dates such milk was received from that producer; and if component pricing option elected, (3) The total pounds of butterfat and protein contained in the producer’s milk.”</b> | <b>Substantive</b>              |



# Acceptable Records

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- Acceptable records are milk marketing records that provide the following information from the producer payroll report
- This report is a supporting statement which shall show:
  - The name, address, Grade A identifier assigned by a duly constituted regulatory agency, and payroll number or similar identifier of the producer;
  - The daily and total pounds, and the month and dates such milk was received from that producer; and if the component pricing option is elected;
  - The total pounds of butterfat and protein contained in the producer's milk







# Dairy

REVENUE PROTECTION

Questions?