

A photograph of a dairy farm. In the foreground, two black and white cows are looking towards the camera, with one having a yellow ear tag labeled '0068'. They are standing in a milking parlor with metal stalls. In the background, a large pile of yellow hay is visible, and more cows are seen in the distance. The word 'Dairy' is written in a large, white, cursive font with a black outline, positioned over the top part of the image.

Dairy

REVENUE PROTECTION

DAIRY REVENUE PROTECTION POLICY



APPLICATION PROCESS

Dairy Revenue Protection Application

- 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

- 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

- 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

- 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

- 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

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



County

- 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

- 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

- **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

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

5th 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

- The premium is billed on the 25th of the month following the end of the insured quarter



Class Pricing Option

COVERAGE EXAMPLE

Class Pricing Option example

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



Coverage Example – Class Pricing Option

Declared Covered Milk Production (Entered in Pounds)	2,000,000	50%/50% mix of Class III & Class IV Declared Class Price Weighting Factor = 50% Published Expected Class III Price = \$17.25 Class IV published price = \$16.25
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	
Expected Class Pricing Milk Revenue	\$335,000	$((\\$17.25 * 50\%) + (\\$16.25 * 50\%)) * 2,000,000/100$
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%	
Expected Revenue Guarantee	\$318,250	\$335,000 * 95%
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	
Liability	\$397,813	$\\$318,250 * 100\% * 1.25$
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	
Total Premium	\$7,081	\$397,813 * 0.0178
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	
Premium Subsidy	\$3,116	\$7,081 * 44%
Producer Premium	\$3,965	\$7,081 - \$3,116



Component Pricing Option

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 (Totalled for illustration purposes)	\$17.2350





Coverage Example – Component Pricing Option

Declared Covered Milk Production (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 (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

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

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

Coverage Example – Component Pricing Option

Declared Covered Milk Production (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 (rate – 0.0256)	\$4,192	\$163,733*0.0256
Premium Subsidy	44%	
Producer Premium	\$2348	

Coverage Example – Component Pricing Option

Declared Covered Milk Production (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 \$4,192* .44
Producer Premium	\$2348

Coverage Example – Component Pricing Option

Declared Covered Milk Production (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	
Producer Premium	\$2348	\$4,192 - \$1,844



Class Pricing Option

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



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





Yield Adjustment Factor

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

Yield Adjustment Factor	.99



Actual Class Pricing Milk Revenue

Actual Class III quarterly price	\$14.00 cwt	
Actual Class IV quarterly price	\$13.00 cwt	
((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		
Yield Adjustment Factor	.99	
Actual Milk Revenue	\$267,300	(((\$13.00 * 50%) + (\$14.00 * 50%)) * 2,000,000 lbs * .99/100



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

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

- 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

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

Yield Adjustment Factor	1.02



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

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)

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

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 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

Causes of Loss Covered

- 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

- 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

- 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

- 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

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

- 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

E	"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."	Substantive
F	"Month"	Substantive
G	"Pounds of Milk Sold"	Substantive
H	"Total"	Substantive
I	"Average Butterfat Test"	Substantive for Type 832
J	"Average Protein Test"	Substantive for Type 832
H	"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."	Substantive



Acceptable Records

- 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



A photograph of a dairy farm. In the foreground, two black and white cows are looking towards the camera, with one having a yellow ear tag numbered '0068'. They are standing in a milking parlor with metal stalls. In the background, a large pile of yellow hay is visible, and further back, more cows are in the milking parlor. The scene is brightly lit, suggesting daytime.

Dairy

REVENUE PROTECTION

Questions?