BENEFITS OF DAIRY REVENUE PROTECTION

Flexible insurance program allows producers to tailor their coverage to protect against declines in quarterly gross milk revenue caused by price fluctuations, or reduced milk production

Mike Phillips, VP – Customer Risk Management

The dairy business is one of the largest agricultural industries in the United States, and in recent years, one of the hardest hit. Despite this, most producers have historically not had adequate insurance tools to help mitigate the double impacts of low prices and reduced milk production. However help is here. The new USDA-RMA program, Dairy Revenue Protection (DRP), offers access to cost-effective coverage that specifically targets revenue risks for dairy producers.

WHAT IS DAIRY REVENUE PROTECTION?

- Insure all milk production or just a portion.
- Choose from two distinct pricing mechanisms to determine insurance price – a combination of Class III and Class IV milk prices, or a milk component pricing method.
- Multiple coverage levels are available to control costs and Protection Factors are used to adjust the milk price for organic dairies or others who want to maximize milk price coverage.
- Insure up to five quarters of milk revenue on a single endorsement.

To obtain DRP coverage, producers need to contact a licensed agent in their state.

WHAT MAKES DRP DIFFERENT – AND BETTER?

Past dairy programs such as LGM-Dairy and Margin Protection Program, only offered protection when the relationship between milk prices and feed prices created a positive margin. DRP is not linked to feed prices and insures gross milk revenue, providing an opportunity for dairy owners and managers to lock in a revenue floor. Additionally, unlike Whole Farm Revenue Protection or LGM-Dairy which both limit the insurable production and revenues, DRP provides options to insure ALL production in a quarter, making this a reliable risk management tool for any size operation.

Finally, unlike LGM-Dairy, which can only be purchased once a month, DRP is available anytime RMA makes pricing available, typically every day.

WHAT ABOUT HEDGING?

When compared to hedging products, DRP is well priced because it is subsidized by USDA-RMA. Like other insurance products, it has a known milk price and premium, fixed at the time of purchase. No additional time is required to research the market and seek out a hedge price that fits your operation. There are no margin calls or commodity accounts to maintain and producers receive the benefit of upward price movements in the marketplace. Additionally, producers determine the pricing mechanism and can do so up front based upon how their milk and milk components are sold.

ARE YOU ELIGIBLE?

Any dairy producer in the United States that produces and sells milk from cows is eligible for this coverage. Producers must be able to confirm they are in compliance with federal Wet Land and Highly Erodible Land Conservation regulations in order to receive the USDA-RMA subsidy.

DRP allows producers to establish a revenue floor, permitting them to lock in a milk price at or above breakeven cost when the market is up. When the market is below break-even cost, producers can mitigate the risk of prices falling further while retaining the opportunity to take advantage of upward price movement.

LEARN MORE ABOUT DAIRY REVENUE PROTECTION

Contact your nearest American AgCredit insurance agent to find out if DRP will work for your operation.