

Dairy Revenue Protection Overview

DRP is an area-based revenue product that is designed to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level. The quarterly insurance periods cover a three-month period and can be sold up to five quarters, with the exception of the last sales period. There are two pricing options available for each endorsement. The expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer. The covered milk production is indexed to the state or region where the dairy producer is located. DRP is approved for sale in all 50 states.



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Our commitment to you

We have a reputation for providing the best customer service. Our commitment to service has never wavered and with our parent company, QBE Insurance Group, we can provide the best financial stability as well.

For more information about the process described in this brochure, contact your NAU Country agent today!

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Dairy Revenue Protection (DRP)

Protect yourself against declines in quarterly revenue from milk sales.

Farmer Decisions

There are five decisions that must be made by the farmer:

- 1) The value of the milk protected
- 2) The amount of milk production to cover
- 3) The level of coverage (80-95%, in 5% increments)
- 4) The quarterly contracts they want to purchase
- 5) The Protection Factor (1.00-1.50, in .05 increments)

Application

- May be submitted any time during the year
- Must be received by the agent before the Sales Closing Date (SCD) of the coverage that is requested under a quarterly coverage endorsement
- DRP is continuous and will remain in effect until it is cancelled
- Only one application is needed per state. All the milk produced within a state is covered under this policy
 - A county must be elected. It should be the county where the milk storage tank of the dairy operation is physically located
 - If the dairy operation spans multiple counties, the farmer will pick one

Quarterly Coverage Endorsement

Farmers may purchase endorsements for up to five quarters.

- Must be submitted within the chosen sales period for EACH quarterly insurance period the farmer elects for coverage
- May submit multiple quarterly coverage endorsements for the same quarterly insurance period, but they cannot cover the same pounds of milk
- Each endorsement needs to include:
 - Declared covered milk production
 - Coverage level
 - Pricing option (Type)
 - Insured quarters (Practice)
 - Declared share percent
 - Expected milk production per cow (lbs./cow)
- Quarters can overlap into the next crop year
- Coverage begins on the first day of the quarter and ends on the last day of quarter.

Final Revenue Guarantee

The final revenue guarantee is based on expected yield multiplied by expected price (also protection factor and share), along with the coverage level selected.

Expected milk yields are based on state-level National Agricultural Statistics Service (NASS) estimates of milk production per cow in the state or pooled production region.

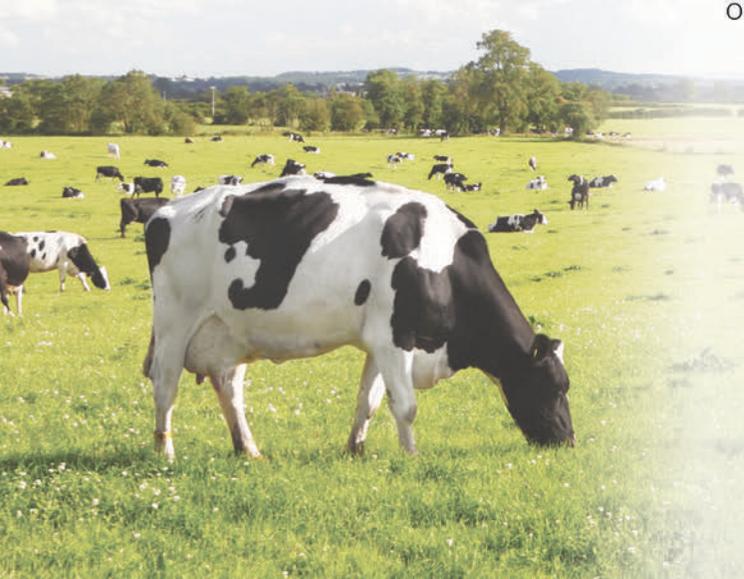
Pricing Options

Farmers have two pricing options.

- **Class Pricing Option** - Uses a combination of Class III and Class IV prices based on the farmer's declared class price weighting factor.
- **Component Pricing Option** - Uses a combination of butterfat, protein, other solid, and non-fat solid values. Prices are based on the farmer's declared butterfat and protein test. The other solids test is fixed at 5.7 lbs. to establish the milk price. Farmers should elect the butterfat and protein amounts that best match the values within their herd.

Indemnity

At the end of the insured quarter, if actual milk revenue is below the revenue guarantee, the insured will receive an indemnity payment for the difference between the actual milk revenue multiplied times the share and protection factor. Since Dairy Revenue Protection is area-based (average for a state or region), an individual dairy producer may have a decrease in their milk production, but may not receive an indemnity payment. Or, they may not have a decrease in their milk production, but still receive an indemnity payment.



We offer a surplus of DRP tools, including an easy-to-use quoting system equipped with a valuable product comparison and historical report, milk production logs, and daily price alerts. Check them out today!