



### 1. Pennsylvania Crop Insurance Webinars

The objective of the Pennsylvania Crop Insurance Webinar series is to help Pennsylvania farmers and ranchers manage risk and understand a variety of crop insurance products as well as livestock plans to make informed insurance decisions.

### 2. Pennsylvania Dairy Revenue Protection (DRP) – Scheduled for May 14, 2019

Webinar objectives:

- Provide participants with information on Dairy Revenue Protection to help manage their risk.
- Review the Federal Crop Insurance structure as it relates to a livestock policy.
- Engage the services of a Livestock insurance agent.

### 3. Dairy Revenue Protection Product Overview

American Farm Bureau Federation along with American Farm Bureau Insurance Services developed Dairy Revenue Protection. This product provides protection against declines in quarterly revenue from milk sales. Quarterly coverage can be sold up to five quarters with the exception of the last sales period with the availability of only four quarters. Class price and component pricing are the options

available to farmers to choose from based on their farming operation. Farmers also choose how much milk production to cover during the quarter along with the choice of 80-95 percent coverage levels in 5% increments.

Once the monthly milk and component prices are announced for the quarter and USDA’s milk production report identifies the actual milk production per cow for each state, the state-indexed actual revenue will be compared against the revenue guarantee. If the actual revenue is below the guarantee, the farmer is paid a policy indemnity based on the difference.

Basically, the farmer has five decisions:

- The value of milk protected
- The amount of milk production to cover
- The level of coverage (80-95% percent of the revenue guarantee)
- Which quarterly contracts you wish to purchase
- Protection factor

### 4. DRP Sales

A farmer may purchase coverage each day prices are made available; this is referred to as a sales closing date. A Quarterly endorsement may only be purchased when coverage prices and rates are validated and ends at 9:00 AM CST the following business day. If expected milk and dairy commodity prices are not available on the Risk

Management Agency website by 4:00 PM CST., the product will not be offered for sale.

Quarterly endorsements may be bought for the next quarter or up to five quarters; with the exception of the last sales period. Actuarial documents contain a date citing the first date coverage for a specific quarterly insurance period becomes available and farmers may begin purchasing endorsements at that time. Endorsement purchase periods are limited. For example, the sales period to purchase endorsements for the July – September 2019 quarter will begin on May 16 and will end June 15.

## 5. Application Submission

Applications can be submitted at any time during the crop year but must be received by the agent no later than the sales closing date for which coverage is requested under a quarterly coverage endorsement. Completing the application will ensure eligibility to purchase a quarterly coverage endorsement and will also confirm conservation provisions compliance and beginning farmer, rancher or veteran, if applicable.

Your agent may want to review records to verify:

- Entity
- Tax ID
- Record retention – In the event of a possible future loss. Records are not required with the application.

## 6. Quarterly Coverage Endorsement

In order to obtain DRP coverage, the quarterly coverage endorsement must be submitted within the chosen sales period for EACH quarterly insurance period you elect coverage. Multiple endorsements for the same quarterly insurance period may be submitted but cannot cover the same pounds of milk.

The quarterly insurance period refers to the quarter or three-month period selected for coverage. A farmer may purchase up to five quarters into the future on any sales closing date. There are eight unique quarterly insurance periods available during the crop year. Throughout the year, there are always five quarterly insurance periods available for quoting premium and obtaining coverage with the exception of June 16-30, when only four quarterly insurance periods are available. For example, the eight quarters available during the 2020 crop year begin with October – December 2019 and end with July - September 2021. The available quarterly insurance periods can be

viewed on the actuarial information browser available on the Risk Management website.

It is possible to have multiple quarterly coverage endorsements providing coverage for the same quarterly insurance period with different crop years.

To establish liability and calculate premium the farmer must declare the number of pounds of covered milk production on the endorsement. Different amounts of declared covered milk production may be chosen for each different pricing option.

A protection factor must be chosen for each type between 1.00 and 1.50, in 0.05 increments. The factor is used to calculate the policy protection and impacts both the premium and indemnity proportionally. Again, a different protection factor for each type may be chosen.

Additional information will be needed for the quarterly coverage endorsement:

- Declared share – the percentage interest in the insured milk as an owner at the time insurance attaches
- Name of other person(s) sharing in the milk – if less than 100 percent interest in the milk, must list each person with an ownership share
- Expected milk production per cow is the expected milk production in pounds per cow. This information is posted in the actuarial documents on the Risk Management Agency website for the quarterly insurance period and for the pooled production region in which the dairy operation is insured. Pooled production regions are shown in the Commodity Exchange Endorsement. The endorsement is part of the DRP policy and is also available through your livestock agent.

## 7. Pricing Options

The two pricing options are designed to allow farmers to customize their price elections to reflect their price risk.

Class Pricing Option – This option uses a combination of class III and class IV milk prices based on the farmer's declared class price weighting factor.

Component Pricing Option – This option uses a combination of butterfat, protein and other solids values. It is based on the farmer's declared butterfat and protein test.

You may purchase separate endorsement for the same quarterly insurance period with different elections,



including switching between the class pricing option and the component pricing option.

The Class Pricing option for the expected class III and class IV milk prices will be published in the Risk Management Agency's actuarials on each day that sales are offered. The insured chooses a weighted average mix of class III or class IV milk futures.

For the Component Pricing Option, the farmer reviews the expected values per pound for butterfat, protein and other solids published in the actuarial documents for the chosen quarterly insurance period(s). These elections allow the insured to establish coverage for prices to mirror their expected milk components. The farmer must declare both their butterfat and protein test pounds on the quarterly coverage endorsement.

## 8. Notice of Probable Loss

This policy provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times the actual share and protection factor. Your insurance provider will send the notice generally ten days after all DRP data for the quarterly insurance period is released. The indemnity payment will be made within thirty days following receipt of the claim form, milk marketing records and milk production worksheet.

To receive an indemnity, you must submit a claim on the insurance provider's form and include all required documents within sixty days after the notice is issued. In the event of a loss, the milk production worksheet must accompany the notice of probable loss and marketing records. It is the farmer's responsibility to provide records from the dairy operation's milk cooperative or milk handler that corresponds to the quarter insured and if the component pricing option was chosen, records must show component levels in the milk sold.

## 9. Sales Suspension

Sales may be suspended due to the following situations if:

- Unforeseen and extraordinary events occur that interfere with the effective functioning of the milk commodity markets or milk production reports
- On calendar days on which USDA releases the Milk Production report, the Cold Storage report or the Dairy Product report
- In the event of a limit movement of any milk futures expiring during the insured period

- Any other days that for any reason DRP offer prices are not published in the actuarial documents

## 10. Expected Prices

- Daily Chicago Mercantile Exchange futures prices for Class III Milk and Class IV Milk for the months within the Quarterly Insurance Period will be used to calculate the Expected Prices.
- The Expected Price will be the simple average of the corresponding futures prices for those months falling within a given quarter of a Quarterly Coverage Endorsement.

## 11. Covered Causes of Loss

This policy provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times your actual share and protection factor. The loss must be caused by natural occurrences in market prices and yields in the pooled production region.

The 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.

## 12. Additional Important Dates

Contract Change Date	April 30
Cancellation Date	June 30
Termination Date	December 31
End of insurance date	Final date of quarterly insurance period

## 13. Premium Quoting

It is important to talk with your livestock agent about class pricing and component options, current pricing information and costs associated with this product. Your operation and the options available to you will make a difference in the premium amount paid. The RMA Quoting tool is available at:

<https://ewebapp.rma.usda.gov/apps/costestimator/Estimates/QuickEstimate.aspx>

## 14. View the Recorded Webinar

A recording of this Pennsylvania Dairy Revenue Protection webinar will be viewable after the live presentation concludes. To view the recording visit:

<https://cropinsuranceinamerica.org/pennsylvaniacropinsurance-webinars/>

