



# **TOTAL FARM MARKETING**

BY STEWART-PETERSON



## **The Ultimate Guide to Dairy Revenue Protection Insurance (Dairy-RP)**

# What is Dairy Revenue Protection Insurance?

Dairy Revenue Protection Insurance (D-RP or Dairy-RP) was designed to protect against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production that you elect. The covered milk production is indexed to the state or region in which your farm is located.

# How does Dairy Revenue Protection Work?

D-RP offers two pricing options. The component option uses the prices for butterfat, protein, and other solids as a basis for determining coverage and indemnities. The class option is a blend of Class III and IV prices. This insurance is federally subsidized. Your premiums will vary by state and coverage level chosen. You can cover 80 to 95 percent of expected quarterly revenue, in 5 percent increments. Dairy-RP is available only through an authorized agent. You can apply for insurance at any time. Coverage begins on the effective date, as found in the quarterly coverage endorsement.

# A Brief History of Dairy Revenue Protection Insurance

2016	2017	2017	2018
After being elected President of the American Farm Bureau Federation (AFBF) in January of 2016, Zippy Duvall gathered representatives from several state Farm Bureau® organizations to research what the members would need in the next Farm Bill.	Dr. John Newton presented the idea for a risk management tool to support dairy producers. AFBF and AFBIS spoke with many dairy groups across the nation, including a January 2017 survey collecting opinions and data from dairy producers nationwide.	By May 2017, a concept proposal for Dairy Revenue Protection was presented to the Federal Crop Insurance Corporation's (FCIC) board of directors. Dairy Revenue Protection then went to external expert review. Reviewers deemed it attractive and recommended proceeding with development.	In February 2018 the FCIC Board approved the product to be implemented and it was officially released to the public in August 2018.

### **When Did TFM begin offering Dairy Revenue Protection Insurance?**

In October 2018 Total Farm Marketing seized the opportunity to offer dairy revenue protection insurance to clients and producers in the U.S. With licensed agents that have worked in the dairy industry for decades, TFM's unique risk expertise would provide clients with a level of service other insurance providers are not capable of delivering. In dedication to this new customer tool, TFM started SP Risk Services LLC. Through SP Risk Services LLC, TFM has been consistently advising clients with recommendations for utilizing the dairy revenue protection program since its inception.

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### **How does Dairy Revenue Protection fit into an overall farm marketing strategy?**

DR-P is just one risk mitigation tool that a dairy producer can use to protect themselves from downside risk in the dairy markets. Therefore, leading into a more stable weighted average price throughout a quarter or year. The main benefit of Dairy-RP is giving a producer the opportunity to protect a specific level of revenue while leaving themselves upside participation if milk prices strengthen. Additionally, the government subsidizes a portion of the premium that the producer must pay to purchase the insurance. The level of subsidy varies depending on what coverage level the producer elects.

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### **What other risk management tools does TFM offer dairy producers?**

At TFM, our advisors with TFM Brokerage Solutions and TFM360 Consulting use the dairy revenue protection program alongside other traditional marketing tools like futures, options, and processor contracts to comprehensively mitigate a farmer's marketing risk. One of the most challenging aspects of marketing is choosing the appropriate tool at the appropriate time. TFM has expertise in how to best align marketing tools with marketing goals, helping producers overcome the common constraints of making marketing decisions.

TFM Brokerage Solutions and TFM360 Consulting are services of Stewart-Peterson Group Inc., registered with the Commodity Futures Trading Commission as an introducing broker and a member of National Futures Association.

### Key factors that influence dairy farmers to consider Dairy-RP

#### COST-EFFECTIVENESS

Because the government subsidizes a portion of the premium that the producer must pay to purchase the insurance, the protection of Dairy-RP is more affordable for the producer.

#### NO UP-FRONT COST

One does not have to pay for an insurance endorsement until after the quarter the producer has purchased insurance on ends. This makes it easier for a producer to plan out their marketing expenses in advance.

#### A DESIRE FOR PEACE OF MIND

With price volatility and market uncertainty, producers worried about a future decline in prices can find solace in Dairy-RP. Producers want to protect themselves from a market decline but do not want to use a tool that limits their ability to participate in higher milk prices.

#### RISK MANAGEMENT FLEXIBILITY

Dairy- RP provides flexibility as a price risk management tool. You have the option to cover the desired level of revenue that best fits your operations' risk tolerance. In addition, you can decide which endorsement type is most effective.

### Who does Dairy Revenue Protection Benefit?

Dairy revenue protection insurance benefits farmers and producers who:

- Operate any size dairy; All dairy producers can qualify to sign up for Dairy-RP
- Need protection from adverse market fluctuations
- Are at risk of low market prices
- Do not have the resources to utilize and understand other hedging tools

### What does Dairy-RP provide insurance for?

Dairy-RP provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times actual share and protection factor, caused by natural occurrences in market prices and yields in the pooled production region.

### What doesn't Dairy-RP insurance cover?

Dairy-RP does not insure against:

- Death of dairy cattle;
- Other loss or destruction of your dairy cattle; or
- Any other loss or damage of any kind whatsoever.

## Who is SP Risk Services?

TFM's SP Risk Services is an insurance agency and an equal opportunity provider focused on providing insurance advice to dairy farmers, helping them efficiently protect their revenue.

[CONTACT US >](#)

## What makes a dairy producer's Dairy-RP experience at TFM different?

### REAL-TIME GUIDANCE

Real-time guidance from veteran risk managers advising on the best possible time to purchase Dairy-RP.

### EXPERIENCE THAT MATTERS

TFM has been helping dairy producers manage their risk since the early 2000's.

### EASY ACCESS TO EXPERTS

Dairy producers can speak with our team of licensed agents who can offer support and assistance.

### MULTIPLE PLAN OPTIONS

TFM has multiple tiers of service where producers could implement Dairy-RP. One being a holistic service utilizing multiple tools.

### ONGOING INSIGHT

Weekly subscription to TFM's Dairy-RP Playbook including market commentary and recommendations on when and how to use D-RP. Or a producer can fill out a Dairy-RP application with SP Risk Services to fill out endorsements with a SP Risk Services Agent.



# Getting started with Dairy-RP Insurance at TFM

## Step 1

Producer must complete a D-RP application

## Step 2

TFM will help identify which tier of service fits the producer's needs

## Step 3

After the application is approved through the government (typically within 24 hours), the producer can begin signing endorsements to protect revenue

## Step 4

Producer works directly with TFM to learn when to use D-RP

[READY TO GET STARTED? CONTACT US >](#)

## What is TFM's Dairy-RP Playbook?

TFM offers an annual subscription of weekly reports that helps keep dairy producers informed with insights on dairy markets and Dairy-RP insurance. With timely recommendations for which day to purchase the insurance, get guidance for making the best possible decisions about when to buy and how much Dairy-RP insurance coverage to purchase.

[LEARN MORE ABOUT DAIRY-RP PLAYBOOK >](#)

## Dairy-RP Frequently Asked Questions

### What is Dairy Revenue Protection?

Dairy Revenue Protection (Dairy-RP) provides protection against an unexpected decline in revenue (yield and/or price) on the milk produced from dairy cows. In sum, the policy covers the difference between your final revenue guarantee and actual milk revenue during each quarter of the year.

### How do I buy Dairy-RP?

You must buy Dairy-RP insurance through an authorized crop insurance agency like SP Risk Services LLC. You can fill out an application at any time to open a policy. However, insurance does not attach until you buy a quarterly coverage endorsement. You may buy multiple quarterly coverage endorsements under one policy. Your insurance coverage takes effect the first day of the quarter for which you purchased it.

### When can I purchase Dairy-RP?

The Dairy-RP is available for purchase every business day when the coverage prices and rates are validated and published on the USDA Risk Management Agency website.

### What is the premium due on Dairy-RP?

The premium is payable after the end of the Quarterly Insurance Period.

### What pricing options are available?

There are two: the Class Pricing Option and the Component Pricing Option.

### As a beginning or veteran farmer/rancher, am I eligible for an additional subsidy under Dairy-RP?

Yes. The subsidy for qualifying beginning farmers or ranchers provides an additional 10 percent of premium subsidy. For more information talk with a SP Risk Services Agent.

### When is the cancellation date for the policy?

The cancellation date is June 30. Crop year is 12 month period starting July 1 and ending the following June 30; designated by the calendar year in which it ends.

### When is the contract change date for the policy?

The contract change date is April 30. Contact SP Risk Services for any policy changes and dates on the upcoming crop year.



## Dairy-RP Frequently Asked Questions (cont'd)

### Is only Grade A milk insurable?

Yes, the policy will only insure Grade A milk. The prices used for Dairy Revenue Protection are Grade A prices. Acceptable milk marketing records shall include the Grade A identifier by a duly constituted regulatory agency.

### How is the actual milk revenue calculated for class pricing option?

The actual value is determined by multiplying the actual Class III and Class IV prices x the declared pricing elections x covered milk production x yield adjustment factor ÷ 100.

### How is actual milk revenue calculated for component pricing option?

The actual value is determined by multiplying the actual butterfat, protein, and other solids prices x the final component tests x covered milk production x yield adjustment factor ÷ 100.

### Does this policy cover any other types of loss such as death of the dairy cattle?

No, 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.

### What are the premium subsidy and coverage levels available to me?

Dairy-RP premium subsidy is as follows:

Coverage Level

80% 85% 90% 95%

Premium Subsidy

55% 49% 44% 44%

### I have two dairies in two separate states – can I complete just one application?

One application per state is required, so two states requires two separate applications.

### How do I complete a Dairy-RP application?

Contact TFM SP Risk Services today at 800.334.9779 or contact us to request an application.

Still have questions about Dairy-RP? Contact TFM at 800.334.9779



ANALYSIS. ADVICE. ACTION.

## The Ultimate Guide to Dairy Revenue Protection Insurance (D-RP)

### Not sure if Dairy-RP is right for you?

Connect with us online or by phone and tell us more about your personal grain marketing and price risk challenges and goals. Our core mission is to create holistic strategies in a personal plan that yields positive results for you.

#### **Interested in finding out more?**

Call us at 800-334-9779.

### About Total Farm Marketing

Total Farm Marketing By Stewart-Peterson Group is a commodity consulting and marketing services firm offering opportunity and risk management services for clients nationwide. Since 1985, we have helped clients develop a strategic, consistent and disciplined approach to farm marketing, preparing them for whatever the market may do.

#### **Are you interested in educational resources for farm marketing?**

Please visit [www.TotalFarmMarketing.com](http://www.TotalFarmMarketing.com) for special reports and more. Or, call us at 800.334.9779.

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