

PRODUCER'S GUIDE TO DAIRY REVENUE PROTECTION

Why Dairies Look to DRP to
Secure Milk Income



Introduction

Dairy producers must routinely plan for their operation's profitability while facing volatile milk and feed prices that are anything but routine.

Unexpected declines in milk prices are a reality and are often difficult to predict - let alone sufficiently plan for.

Fortunately, Dairy Revenue Protection (DRP), an insurance product available under the Federal Crop Insurance umbrella, allows dairy producers to purchase protection against declines in milk prices. Since its introduction, approximately 25% of the nation's milk has enrolled in the program.

Simply put, DRP offers dairy producers downside income protection with open upside while prices increase.

Dairy producers enrolling in DRP appreciate the flexibility to tailor coverage in ways that mirror their actual income – selecting coverage on classified milk prices or a combination of milk components.

Additional advantages include a producer's ability to choose different coverage trigger levels. Coverage is established on a quarter-by-quarter basis; a producer may cover 80% to 95% of the expected quarterly revenue in five percent increments up to five quarters in the future.

Furthermore, a premium subsidy is available based on your selected coverage level.

Coverage Level %	80	85	90	95
Premium Subsidy %	55	49	44	44

Now that you know how DRP works, let's look at why dairy producers sign up for DRP and the benefits they gain from enrolling in the program.





Get Downside Price Protection Without Leaving Money on the Table

As a dairy producer, you know your operation's financial needs better than anyone. You realize the price you need to lock in for your herds' milk production to be profitable. Unfortunately, too often, those profit margins are extremely volatile.

That's why protecting the price you receive for your milk – especially in a volatile marketplace – brings a degree of financial certainty to your farm business, creating peace of mind. Removing price risk allows you to stay focused on daily operations while setting you up for success and potential future growth for your business.

Also, producers appreciate that DRP insurance is a highly affordable and cash-friendly method to set a price floor on their milk.

Taking advantage of working with an experienced insurance broker with dairy know-how also eliminates a significant worry. Not only are you protecting your profit margins but also potential future worst-case situations.

PROTECT AGAINST CATASTROPHE

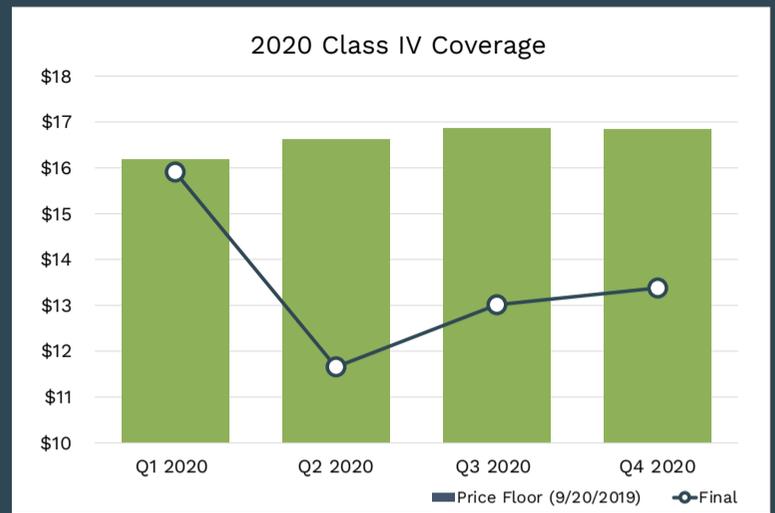
Two years ago, the pandemic highlighted the true effectiveness of DRP as markets spiraled lower when restaurants suddenly shuttered and people stayed close to home. DRP coverage kept many dairies in business as it offered protection from the multi-decade low milk prices traded during that period.

Hopefully, the industry will never experience another market scenario, quite as dramatic as in 2020. But in case it does, DRP insurance protects against catastrophe by helping producers avoid big drops in price that hurt cash flow and financial viability.

See the next page to read about one real-life example of a 1,000-cow dairy that purchased DRP coverage in September 2019 – before the pandemic.



A LOOK AT 2020



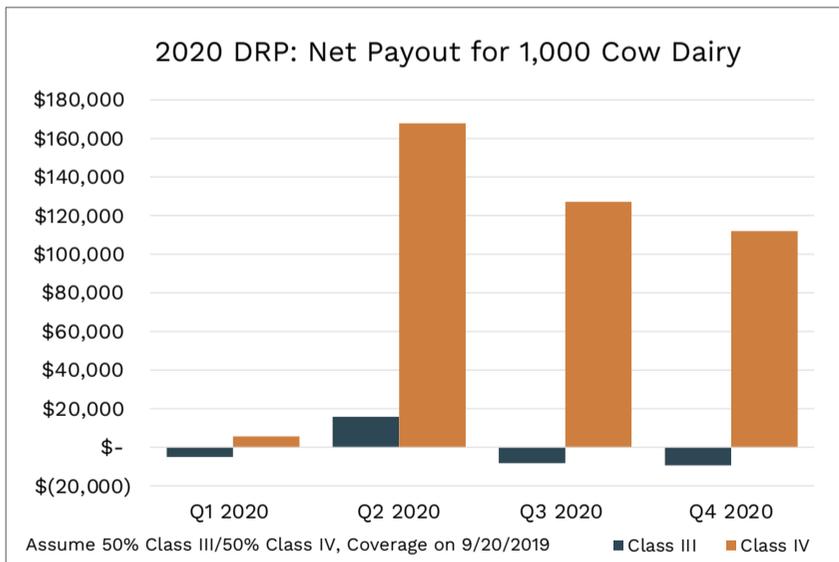
 **1,000 Cow Dairy**

 **28 Million Pounds Annually**

\$56,000 Spend (\$0.20/cwt)
To buy insurance for the year on full volume

50% Class III **50% Class IV**

HOW IT TURNED OUT



\$405,000 Net payout

As you can see, this dairy received a significant indemnity – avoiding a potentially threatening financial situation during tumultuous market conditions.



NAVIGATING RISK MANAGEMENT WITH EVERAG

DRP has proven to be a valuable program for dairy producers to secure their profit margins.

DRP is just one tool. It's even more effective when combined with other tools and strategies that:

- Address feed price risk
- Provide flexibility
- Restructure coverage costs

For these reasons, it is key to have a dedicated and experienced team with robust knowledge of price protection and risk management tools to guide you.

EverAg Risk Management specializes in dairy, livestock, and grain brokerage. EverAg insurance services specialized in DRP, LGM, LRP, PRF as well as advisory services to buyers and sellers of grain products. Plus, using our leading Vault software platform, our clients are able to track positions and market impact on their operation's profitability in real time.

Our clients are always on the move managing their dairy and farm operations. Be confident knowing your favorite risk management financial service provider is at your fingertips.

EverAg is along for the ride, day and night. You can access our top-of-the-line Vault technology via mobile application and online.

Whether it is running calculations, viewing position reports, or checking out market prices, we are right there with you.

HOW TO GET STARTED

To determine how DRP coverage could work for your operation; you only need to make five simple decisions:

- 1 Which quarter you'd like to cover?
- 2 How much milk you'd like to cover?
- 3 What floor level you're comfortable with?
- 4 Which components or class coverage do you prefer?
- 5 What protection factor (a multiplier that can amplify coverage) fits your business?

Our agents work with multiple clients in the dairy industry, and can help you answer these questions.

[Learn More](#)

Contact Us

Our team of over 20 agents is ready to help!
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