

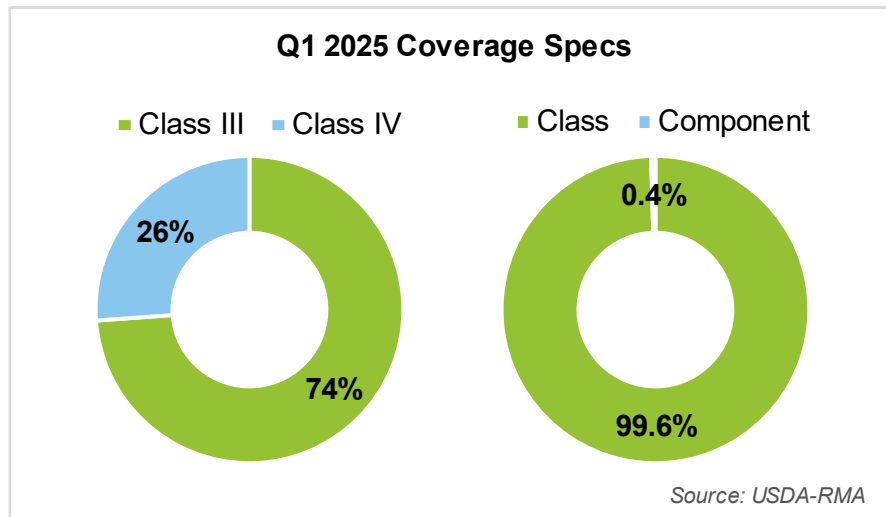
At the time of publishing, Q1 2025 indemnities have not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

Overview & Key Points

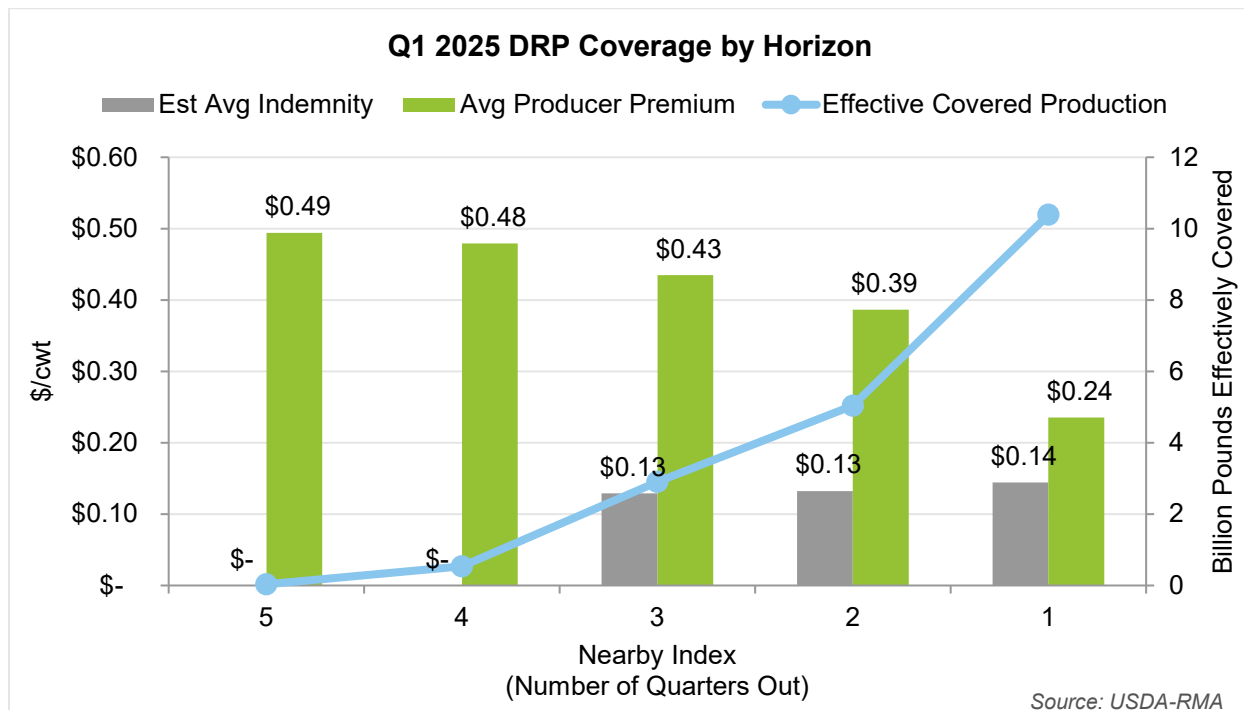
- Estimated indemnities for Q1 2025 averaged \$0.13/cwt. After factoring in producer premiums, which averaged \$0.31/cwt, the estimated net return to producers was -\$0.18/cwt.
- Nearly 18.9 billion pounds of milk were covered under DRP during Q1 2025, representing 33% of the U.S. milk supply.
- If ignoring yield adjustment factors (YAF), indemnities for Q1 2025 would trigger Class IV endorsements only. Out of the 191 days Class IV coverage was available, the expected Class IV price at the 95% coverage level exceeded the final settlement on 105 days, representing 55% of the time.

| Total Effective Pounds Covered: | Total Producer Premium: | Estimated Total Indemnities Paid: | Estimated Total Net to Producers: |
|------------------------------------|---------------------------|-----------------------------------|-------------------------------------|
| 18.9 billion lbs | \$59.3 million | \$25.4 million | -\$33.9 million |
| Share of U.S. Milk Supply Covered: | Average Producer Premium: | Estimated Average Indemnity Paid: | Estimated Average Net to Producers: |
| 33% | \$0.31/cwt | \$0.13/cwt | -\$0.18/cwt |

Source: USDA-RMA



Coverage Performance by Horizon

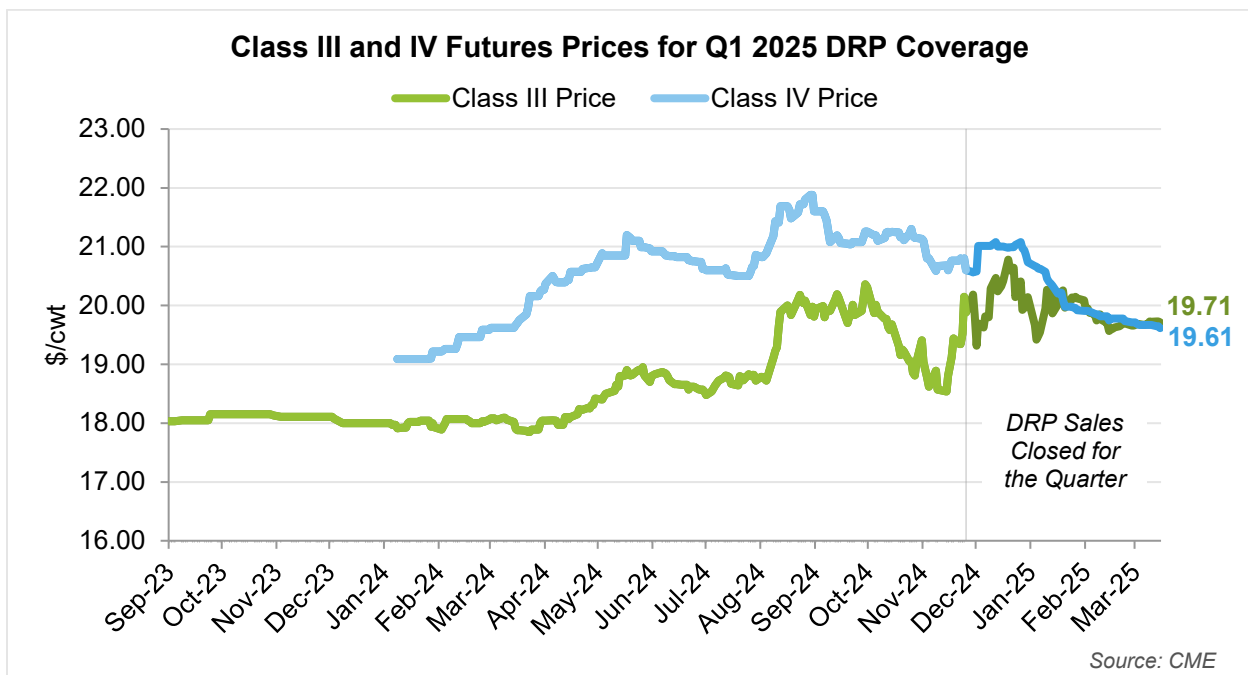


Note: Class IV coverage wasn't offered for Q1 2025 until January 26, 2024 (just over a month into nearby index 4).

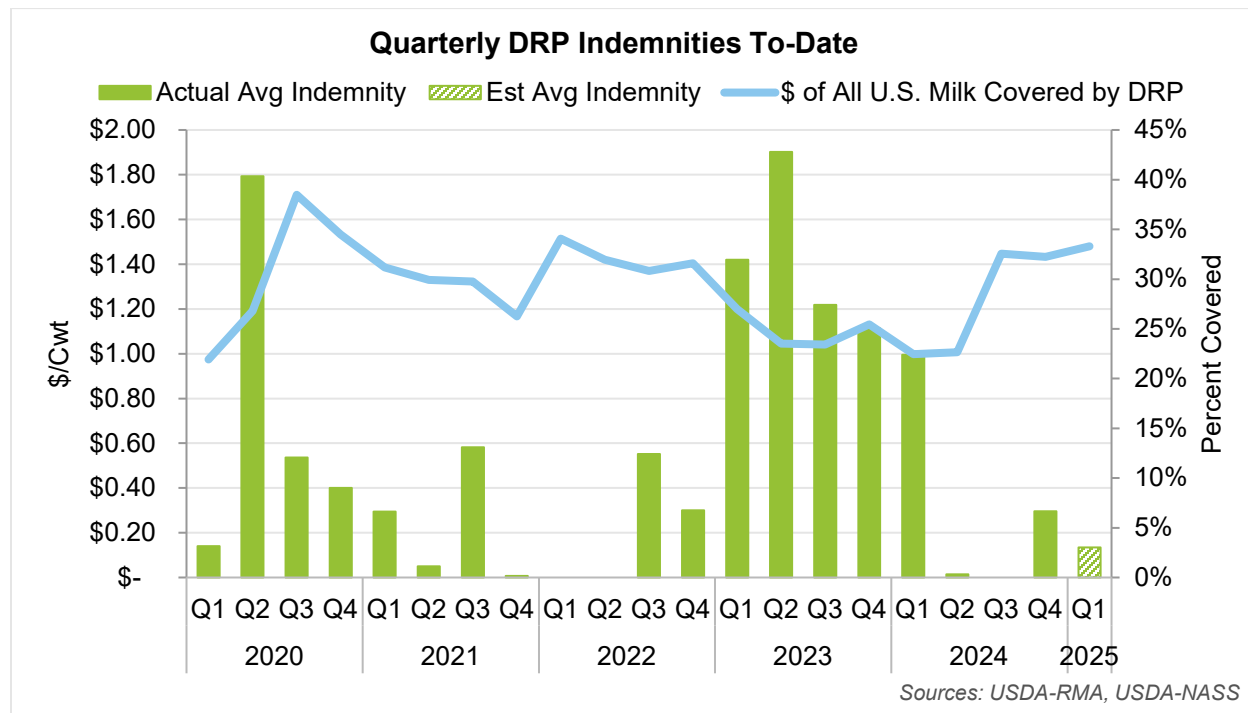
| Nearby Index | Effective Covered Production | | Class III Price (\$/cwt) | | | Class IV Price (\$/cwt) | | |
|------------------------|------------------------------|-----------|--------------------------|-------|-------|-------------------------|-------|-------|
| Number of Quarters Out | Billion Lbs | Share (%) | Min | Max | Avg | Min | Max | Avg |
| 5 | 0.034 | 0% | 18.05 | 18.15 | 18.12 | Not Offered | | |
| 4 | 0.536 | 3% | 17.89 | 18.11 | 18.01 | 19.09 | 19.59 | 19.31 |
| 3 | 2.902 | 15% | 17.85 | 18.95 | 18.30 | 19.59 | 21.20 | 20.48 |
| 2 | 5.036 | 27% | 18.48 | 20.18 | 19.26 | 20.50 | 21.80 | 21.15 |
| 1 | 10.384 | 55% | 18.54 | 20.36 | 19.71 | 20.59 | 21.88 | 21.03 |

Source: USDA-RMA

| Nearby Index | Sales Effective Date Range |
|--------------|----------------------------|
| 5 | 09/16/23 - 12/15/23 |
| 4 | 12/16/23 - 03/15/24 |
| 3 | 03/16/24 - 06/15/24 |
| 2 | 06/16/24 - 09/15/24 |
| 1 | 09/16/24 - 12/15/24 |



Participation and Performance






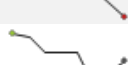

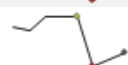



Impact of Yield Adjustments

The Yield Adjustment Factor (YAF) is calculated as the state or pooled production region's actual yield released in USDA's *Milk Production* report divided by the expected yield at the time of coverage. The YAF can have a positive or negative impact on indemnity payments:

- YAF > 1: When the actual yield is greater than the expected yield, the potential indemnity is reduced.
- YAF < 1: When the actual yield is less than the expected yield, the potential indemnity is enhanced.

Q1 2025 Expected and Actual Yields (Pounds)

| State | Expected Yield Releases | | | | | | Actual Yield | Yield Trend |
|--------------|-------------------------|-------|-------|-------|-------|-------|--------------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | | |
| California | 6,156 | 6,139 | 6,147 | 6,147 | 6,122 | 6,081 | 5,904 |  |
| Wisconsin | 6,373 | 6,366 | 6,375 | 6,375 | 6,376 | 6,327 | 6,285 |  |
| Texas | 6,688 | 6,680 | 6,658 | 6,658 | 6,677 | 6,610 | 6,505 |  |
| Idaho | 6,256 | 6,252 | 6,249 | 6,249 | 6,228 | 6,164 | 6,221 |  |
| New York | 6,434 | 6,427 | 6,342 | 6,342 | 6,336 | 6,322 | 6,360 |  |
| Michigan | 6,961 | 6,964 | 6,929 | 6,929 | 6,939 | 6,900 | 6,813 |  |
| Minnesota | 5,967 | 5,953 | 5,887 | 5,887 | 5,889 | 5,761 | 5,855 |  |
| Pennsylvania | 5,502 | 5,511 | 5,439 | 5,439 | 5,382 | 5,280 | 5,349 |  |
| New Mexico | 6,423 | 6,410 | 6,469 | 6,469 | 6,471 | 6,260 | 6,317 |  |
| Iowa | 6,192 | 6,213 | 6,203 | 6,203 | 6,232 | 6,175 | 6,110 |  |

Source: USDA-RMA

Q1 2025 Yield Adjustment Factors by Release Period

| State | Expected Yield Releases | | | | | | Yield Trend |
|--------------|-------------------------|--------|--------|--------|--------|--------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | |
| California | 0.9591 | 0.9617 | 0.9605 | 0.9605 | 0.9644 | 0.9709 |  |
| Wisconsin | 0.9862 | 0.9873 | 0.9859 | 0.9859 | 0.9857 | 0.9934 |  |
| Texas | 0.9726 | 0.9738 | 0.9770 | 0.9770 | 0.9742 | 0.9841 |  |
| Idaho | 0.9944 | 0.9950 | 0.9955 | 0.9955 | 0.9989 | 1.0092 |  |
| New York | 0.9885 | 0.9896 | 1.0028 | 1.0028 | 1.0038 | 1.0060 |  |
| Michigan | 0.9787 | 0.9783 | 0.9833 | 0.9833 | 0.9818 | 0.9874 |  |
| Minnesota | 0.9812 | 0.9835 | 0.9946 | 0.9946 | 0.9942 | 1.0163 |  |
| Pennsylvania | 0.9722 | 0.9706 | 0.9835 | 0.9835 | 0.9939 | 1.0131 |  |
| New Mexico | 0.9835 | 0.9855 | 0.9765 | 0.9765 | 0.9762 | 1.0091 |  |
| Iowa | 0.9868 | 0.9834 | 0.9850 | 0.9850 | 0.9804 | 0.9895 |  |

Source: USDA-RMA

Net to producers is equal to the indemnity paid minus the producer premium. Effective covered milk production is equal to the declared production times the protection factor. Class III versus IV coverage is calculated as the effective covered milk production times the class price weighting factor or the component price weighting factor.

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