

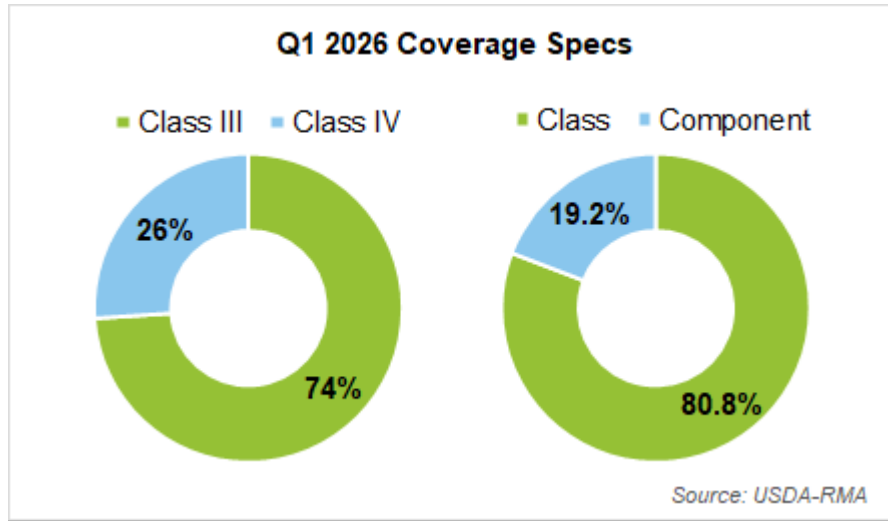
At the time of publishing, Q1 2026 indemnities had not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

Overview & Key Points

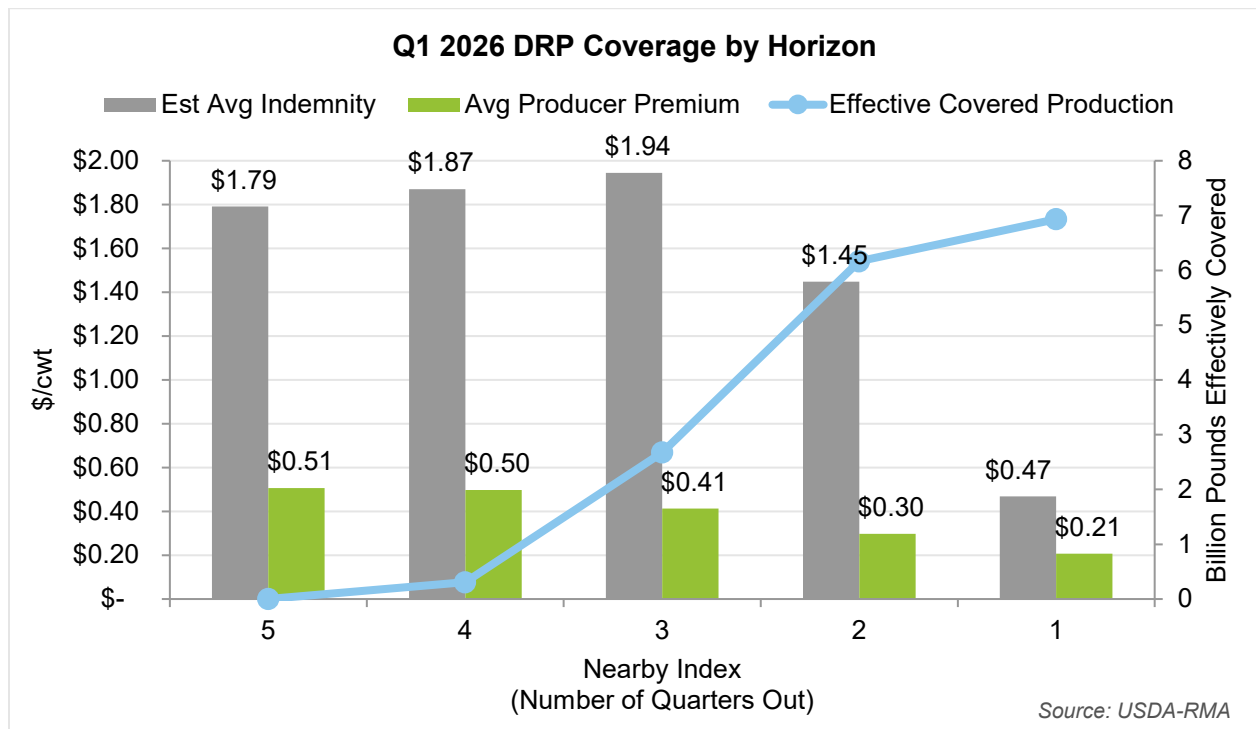
- Estimated indemnities for Q1 2026 averaged \$1.12/cwt, down \$0.91/cwt from last quarter's all-time high. After factoring in producer premium costs, which averaged \$0.28/cwt, the estimated net return to producers was +\$0.83/cwt.
- Roughly 16.1 billion pounds of milk were covered under DRP during Q1 2026, representing 27.5% of the US milk supply.
- Ignoring yield adjustment factors (YAFs), both Class III and Class IV class pricing endorsements would have triggered indemnities in Q1 2026, particularly for Class III. Class III prices settled below the 95% coverage level on 213 out of 228 days (93% of the time), while Class IV prices settled below the 95% coverage level on 128 out of 190 days (67% of the time).
- Research on the DRP program has shown that proactively securing coverage three to four quarters out often results in the highest net return, and this quarter was no different. Coverage secured three quarters out resulted in the highest average net return of \$1.53/cwt (indemnity less producer premium). Four quarters and five quarters out offered the next highest returns at \$1.37/cwt and \$1.28/cwt, respectively. Despite returning the most to producers, coverage booked between three and five quarters out only accounted for 19% of the DRP coverage secured for Q1 2026. While producers booking coverage one quarter out saved \$0.20/cwt on premium rates compared to those securing three quarters out, they lost out on almost \$1.50/cwt of indemnity. This highlights the importance of proactively securing coverage earlier, even when premiums are higher.

Total Effective Pounds Covered:	Total Producer Premium:	Estimated Total Indemnities Paid:	Estimated Total Net to Producers:
16.1 billion lbs	\$45.3 million	\$179.5 million	\$134.3 million
Share of U.S. Milk Supply Covered:	Average Producer Premium:	Estimated Average Indemnity Paid:	Estimated Average Net to Producers:
27.5%	\$0.28/cwt	\$1.12/cwt	+\$0.83/cwt

Source: USDA-RMA



Coverage Performance by Horizon

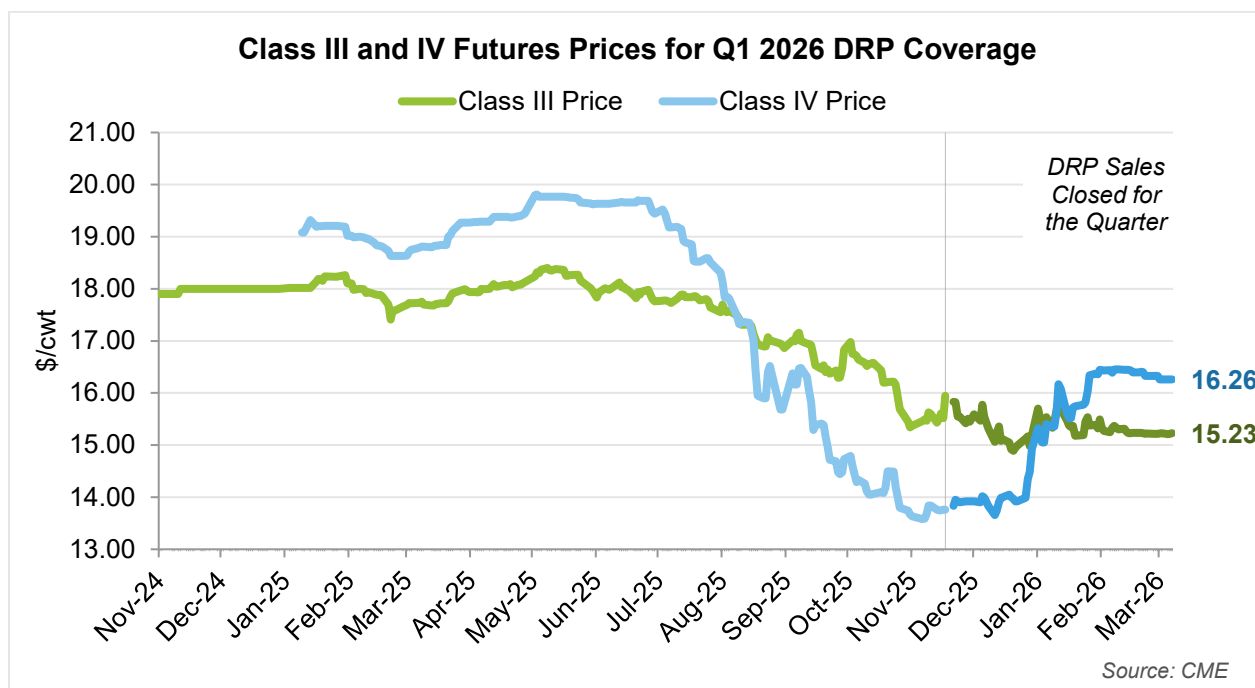


Note: Q1 2026 Class III coverage was not offered until November 26, 2024 (over two months into nearby index 5), while Class IV coverage was not offered until February 3, 2025 (roughly halfway into nearby index 4).

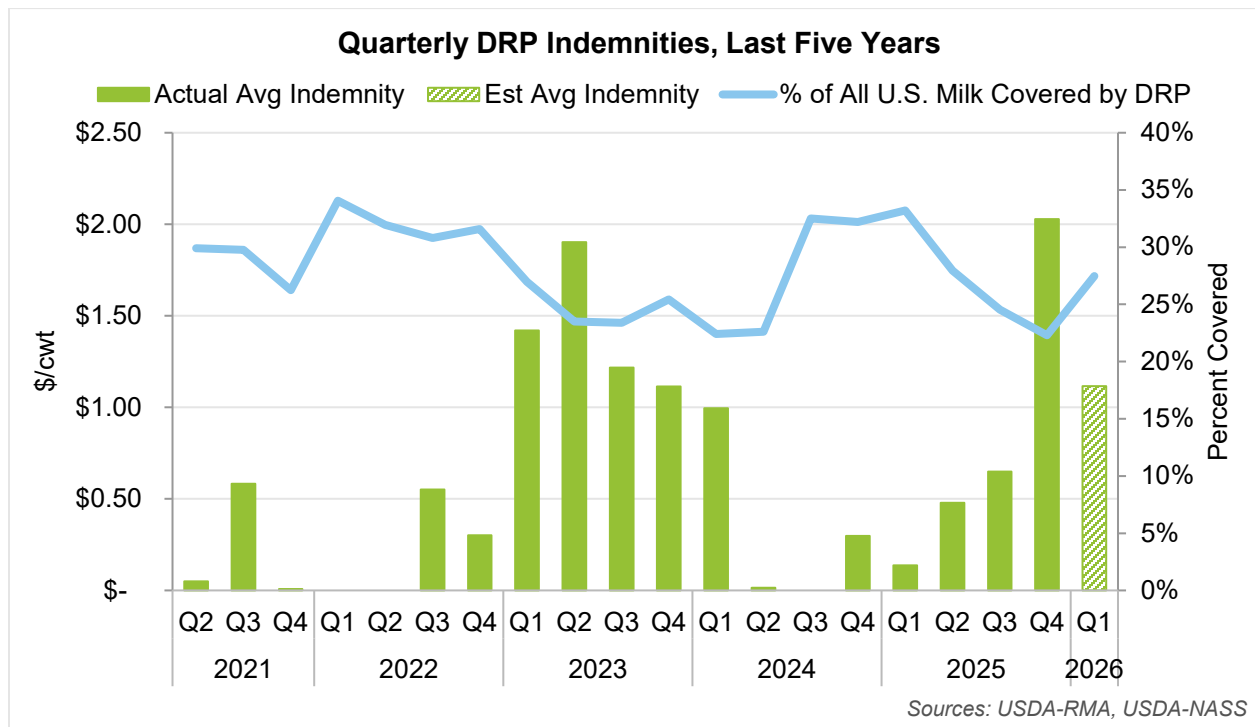
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)		
	Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max
5	0.001	0%	17.90	18.00	17.94	<i>Not Offered</i>		
4	0.306	2%	17.85	18.24	18.04	18.81	19.32	19.05
3	2.676	17%	17.41	18.40	18.02	18.63	19.81	19.32
2	6.164	38%	16.89	18.27	17.65	15.90	19.74	18.48
1	6.934	43%	15.34	17.16	16.37	13.58	16.52	14.66

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	09/16/24 - 12/15/24
4	12/16/24 - 03/15/25
3	03/16/25 - 06/15/25
2	06/16/25 - 09/15/25
1	09/16/25 - 12/15/25



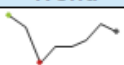








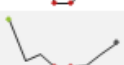
Participation and Performance



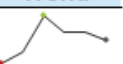



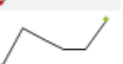





Impact of Yield Adjustments

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 2026 Expected and Actual Yields (Pounds)									
State	Expected Yield Releases							Actual Yield	Yield Trend
	1	2	3	4	5	6	7		
California	6,172	6,081	5,790	5,922	5,922	5,977	6,105	6,039	
Wisconsin	6,446	6,397	6,430	6,367	6,367	6,400	6,391	6,335	
Idaho	6,282	6,185	6,206	6,224	6,224	6,219	6,241	6,225	
Texas	6,780	6,656	6,627	6,553	6,553	6,593	6,592	6,562	
New York	6,453	6,384	6,405	6,420	6,420	6,369	6,449	6,329	
Michigan	6,926	6,982	7,008	6,921	6,921	6,910	6,911	6,859	
Minnesota	5,959	5,777	5,875	5,873	5,873	5,902	5,902	5,870	
Pennsylvania	5,546	5,284	5,320	5,364	5,364	5,292	5,347	5,336	
Iowa	6,247	6,187	6,218	6,118	6,118	6,169	6,165	6,188	
Washington	5,985	5,937	5,943	5,928	5,928	5,931	5,944	5,958	

Source: USDA-RMA

Q1 2026 Yield Adjustment Factors by Release Period								
State	Expected Yield Releases							Yield Trend
	1	2	3	4	5	6	7	
California	0.9785	0.9931	1.0430	1.0198	1.0198	1.0104	0.9892	
Wisconsin	0.9828	0.9903	0.9852	0.9950	0.9950	0.9898	0.9912	
Idaho	0.9909	1.0065	1.0031	1.0002	1.0002	1.0010	0.9974	
Texas	0.9678	0.9859	0.9902	1.0014	1.0014	0.9953	0.9954	
New York	0.9808	0.9914	0.9881	0.9858	0.9858	0.9937	0.9814	
Michigan	0.9903	0.9824	0.9787	0.9910	0.9910	0.9926	0.9925	
Minnesota	0.9851	1.0161	0.9991	0.9995	0.9995	0.9946	0.9946	
Pennsylvania	0.9621	1.0098	1.0030	0.9948	0.9948	1.0083	0.9979	
Iowa	0.9906	1.0002	0.9952	1.0114	1.0114	1.0031	1.0037	
Washington	0.9955	1.0035	1.0025	1.0051	1.0051	1.0046	1.0024	

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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