

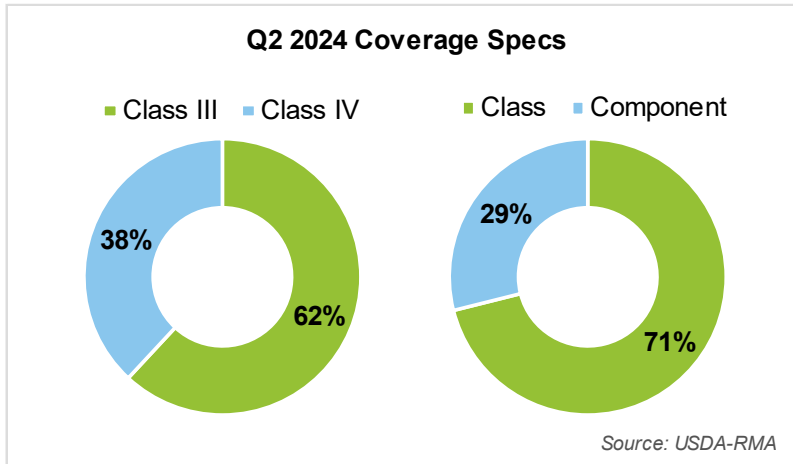
At the time of publishing, Q2 2024 indemnities have not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

### Overview & Key Points

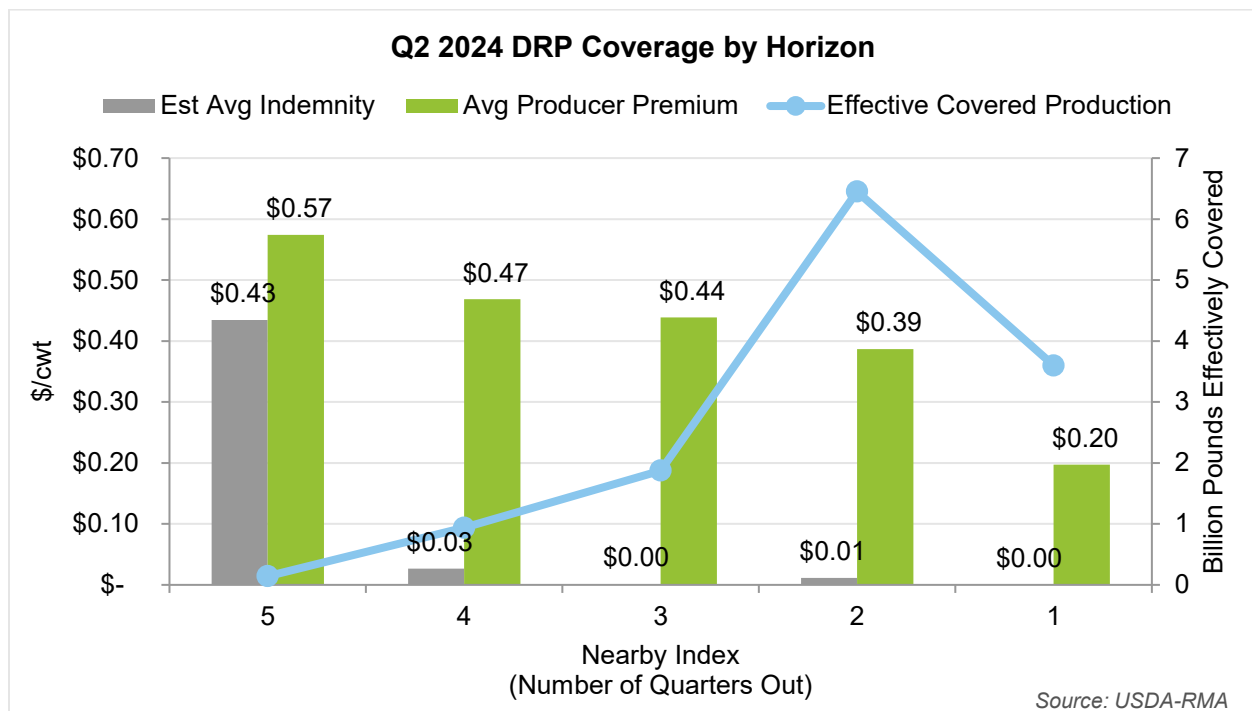
- Estimated indemnities for the second quarter of 2024 averaged just over \$0.01/cwt, down \$0.98 from the previous quarter. With producer premiums averaging \$0.35/cwt, the estimated average net to producers was a loss of \$0.34/cwt. Indemnities were significantly lower than last quarter, as milk prices improved. Particularly, Class III rose \$4.37/cwt from April to June 2024.
- Roughly 13 billion pounds of milk were covered under DRP during Q2 2024, representing 23% of the U.S. milk supply.
- Nearly all indemnities were from endorsements covering Class III milk. While milk prices have continued to improve in recent months, April's Class III price of \$15.50/cwt lowered Class III's quarterly average price for Q2 2024 to \$17.97/cwt, triggering some indemnities. Overall, 5.9% of milk production effectively covered for the quarter was indemnified, with 99.8% of that coming from Class III options.
- At the 95% coverage level using the class pricing option, Q2 2024 indemnities would have been triggered on 21 available DRP days (7.8%) with Class III selected (ignoring Yield Adjustment Factors). Conversely, Class IV prices at the 95% coverage level and class pricing option finished higher than the available coverage offers, with no days triggering payments when ignoring Yield Adjustment Factors.

<b>Total Effective Pounds Covered:</b>	<b>Total Producer Premium:</b>	<b>Estimated Total Indemnities Paid:</b>	<b>Estimated Total Net to Producers:</b>
13 billion lbs	\$45.5 million	\$1.6 million	-\$43.8 million
<b>Share of U.S. Milk Supply Covered:</b>	<b>Average Producer Premium:</b>	<b>Estimated Average Indemnity Paid:</b>	<b>Estimated Average Net to Producers:</b>
23%	\$0.35/cwt	\$0.01/cwt	-\$0.34/cwt

Source: USDA-RMA



### Coverage Performance by Horizon

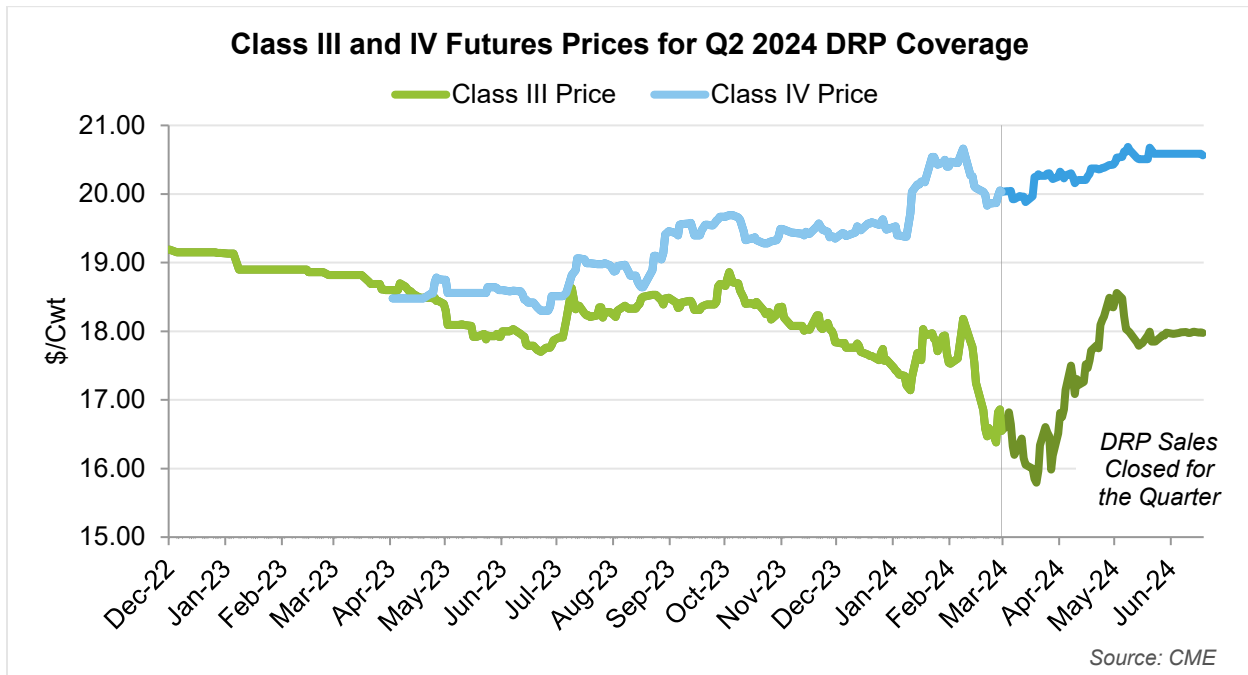


Note: Class IV coverage wasn't offered for Q2 2024 until April 17, 2023. Consequently, the coverage booked four and five quarters out mainly consisted of Class III.

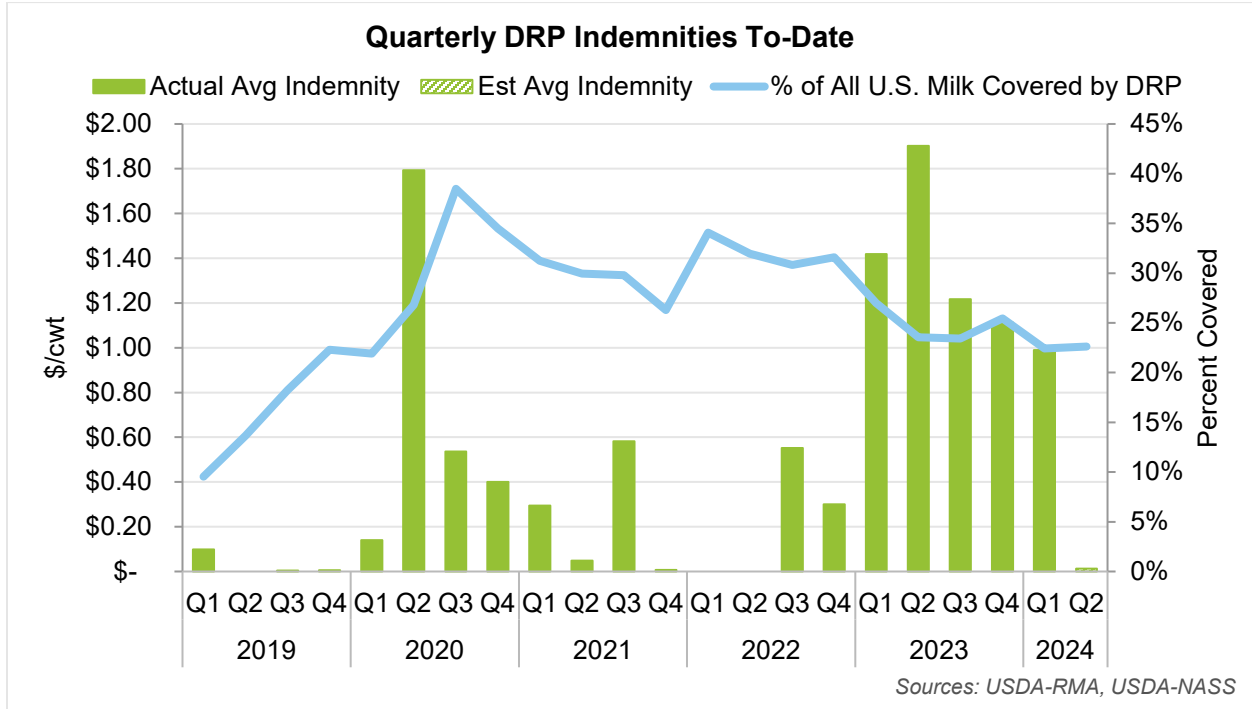
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)		
	Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max
5	0.142	1%	18.82	19.15	18.94	<i>Not Offered</i>		
4	0.936	7%	17.88	18.82	18.21	18.48	18.78	18.59
3	1.874	14%	17.70	18.63	18.17	18.30	19.46	18.76
2	6.451	50%	17.84	18.86	18.38	19.28	19.69	19.48
1	3.597	28%	16.38	18.18	17.51	19.38	20.66	20.04

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	12/16/22 - 03/15/23
4	03/16/23 - 06/15/23
3	06/16/23 - 09/15/23
2	09/16/23 - 12/15/23
1	12/16/23 - 03/15/24



## Participation and Performance



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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