

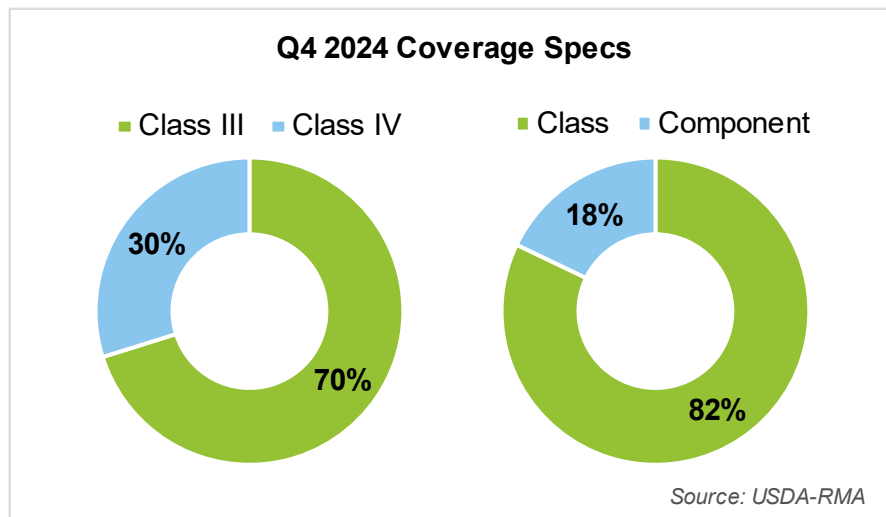
At the time of publishing, Q4 2024 indemnities have not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

Overview & Key Points

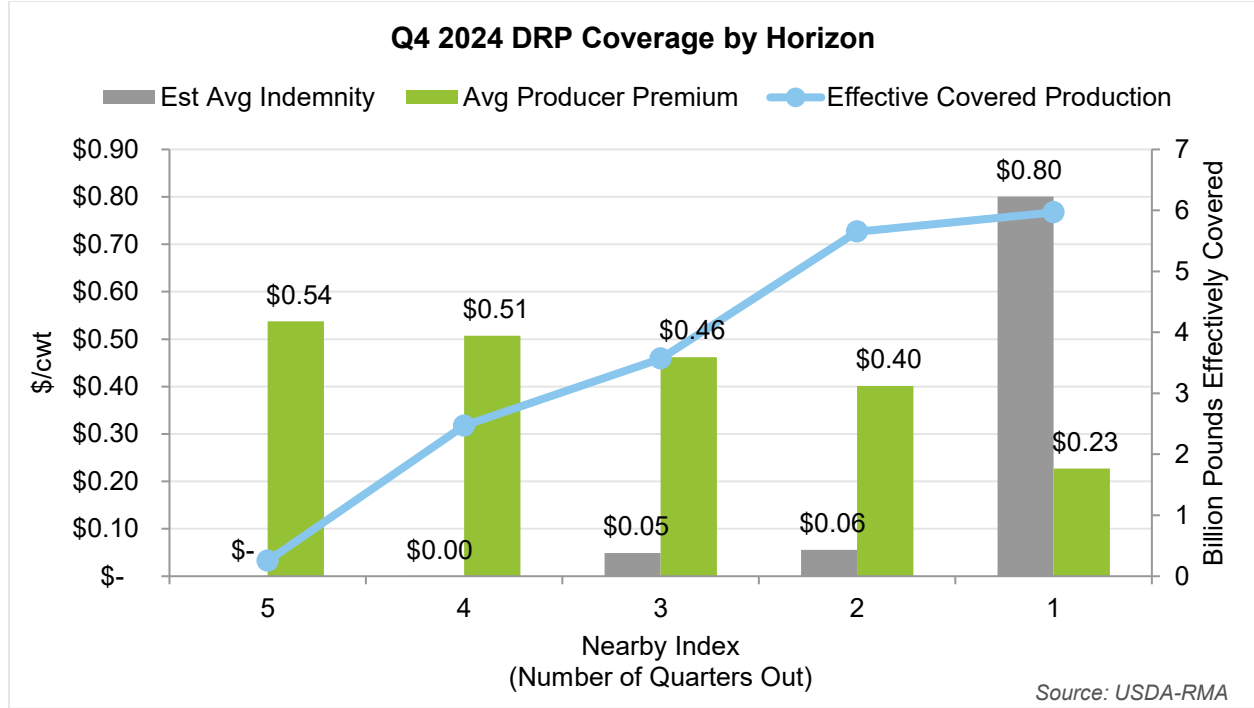
- Estimated indemnities for Q4 2024 averaged \$0.29/cwt, with the majority triggered by coverage secured near the final days of the enrollment period. After factoring in producer premiums, which averaged \$0.37/cwt, the estimated net return to producers was -\$0.08/cwt.
- Just over 17.9 billion pounds of milk were covered under DRP during Q4 2024, representing 32% of the U.S. milk supply.
- Class III and IV prices declined following the final days of coverage availability, leading to significant indemnity payments for endorsements secured just before the quarter's close. At the 95% coverage level with the class pricing option, Class III coverage generated indemnities exceeding \$1.20/cwt during the final week of availability (September 9-13) when ignoring yield adjustment factors (YAF).
- Q4 2024 indemnities were triggered for both Class III and Class IV endorsements. Without considering yield adjustments, coverage at the 95% level and class pricing option would have triggered indemnities on 13 available days for Class III and 18 available days for Class IV.
- The YAF had a significant impact on the outcome of DRP coverage in California, as bird flu dragged Q4 milk per cow down 6% year-over-year in the state. As a reminder, YAF represents the ratio of the actual yield as reported in USDA's *Milk Production* report for the state or pooled production region versus the expected yield on the date that coverage was booked. YAF is multiplied by 'Actual Milk Revenue' to determine the settlement of DRP coverage, and 'Actual Milk Revenue' is based on the settlement of Class and Component Prices as they relate to the coverage that was selected. Coverage secured after July 24, 2024, for California was assigned a YAF of 0.9313, effectively reducing 'Actual Revenue' by nearly 7%. Considering that Class III and IV prices dropped after the final days of coverage availability, DRP endorsements secured in the final days of coverage resulted in some large indemnities for California producers. If you have additional questions on YAF and its impact on DRP, please reach out.

Total Effective Pounds Covered:	Total Producer Premium:	Estimated Total Indemnities Paid:	Estimated Total Net to Producers:
17.9 billion lbs	\$66.6 million	\$52.7 million	-\$13.9 million
Share of U.S. Milk Supply Covered:	Average Producer Premium:	Estimated Average Indemnity Paid:	Estimated Average Net to Producers:
32%	\$0.37/cwt	\$0.29/cwt	-\$0.08/cwt

Source: USDA-RMA



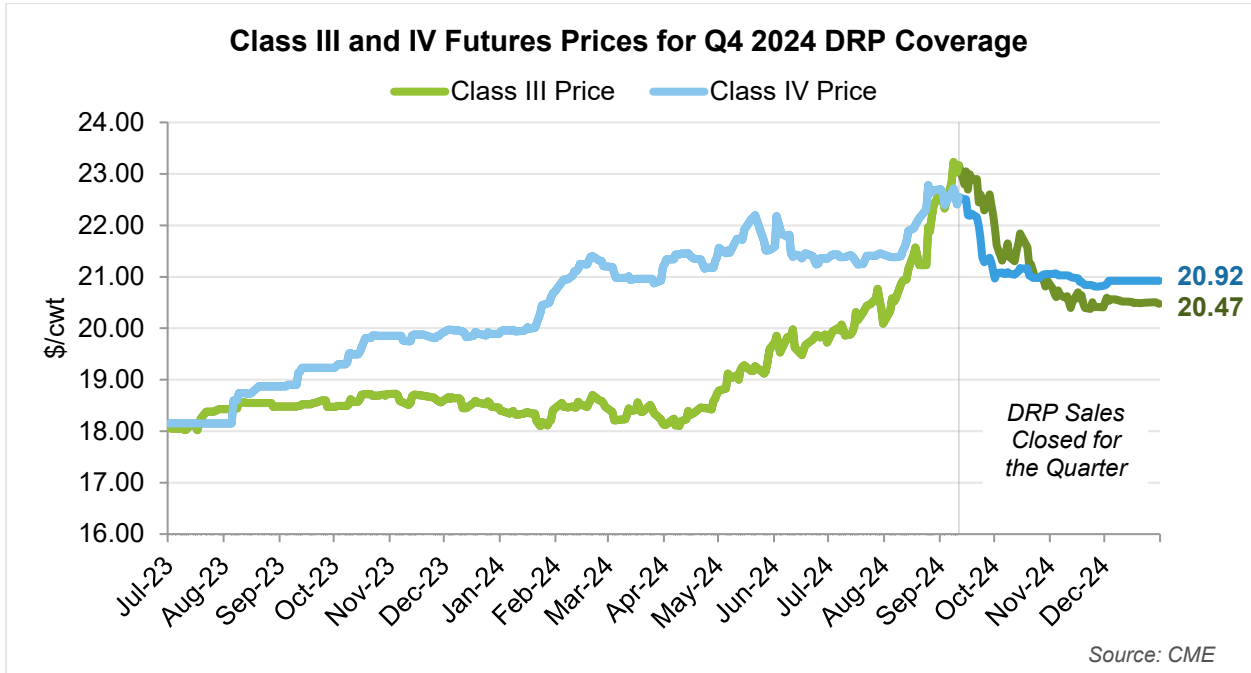
Coverage Performance by Horizon



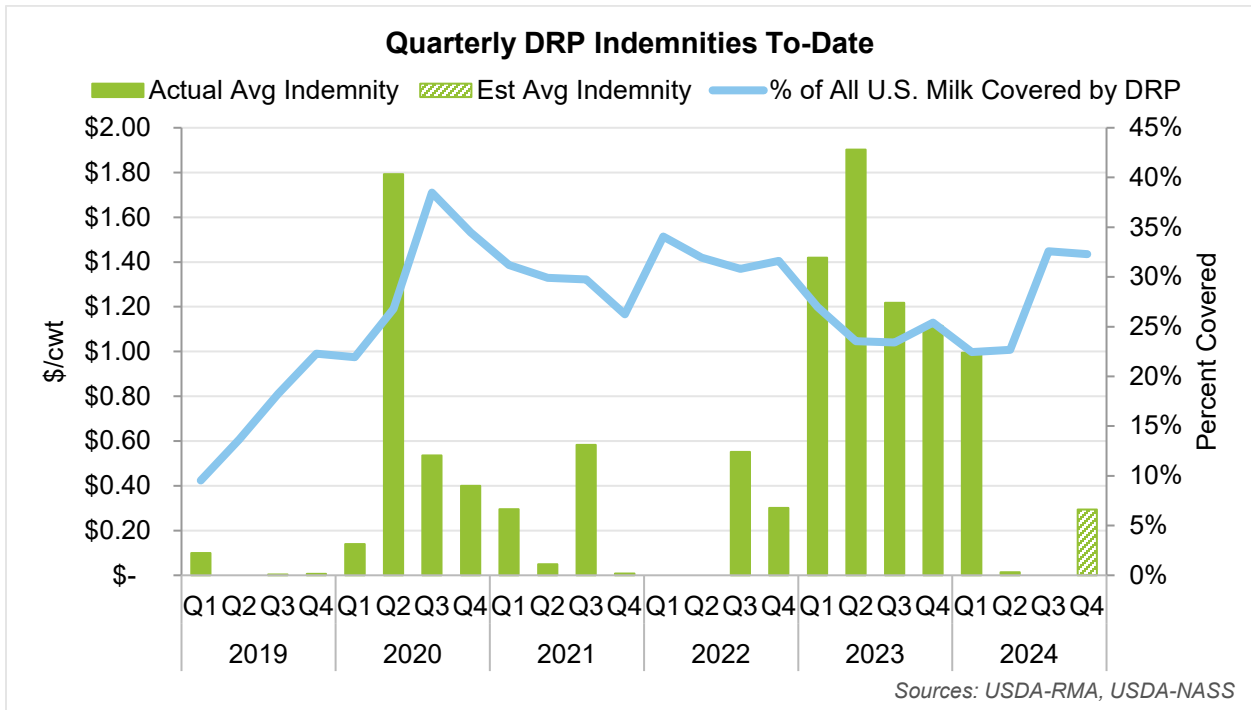
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)			
	Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max	Avg
5	5	0.251	1%	18.02	18.56	18.35	18.15	19.23	18.60
4	4	2.468	14%	18.45	18.73	18.63	19.23	19.97	19.77
3	3	3.567	20%	18.10	18.70	18.40	19.85	21.40	20.61
2	2	5.652	32%	18.10	19.98	18.89	20.87	22.20	21.48
1	1	5.968	33%	19.48	23.23	21.58	21.24	22.78	22.03

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	07/01/23 - 09/15/23
4	09/16/23 - 12/15/23
3	12/16/23 - 03/15/24
2	03/16/24 - 06/15/24
1	06/16/24 - 09/15/24



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.

Q4 2024 Expected and Actual Yields (Pounds)

State	Expected Yield Releases							Actual Yield	Yield Trend
	1	2	3	4	5	6	7		
California	6,266	6,182	6,002	5,947	5,952	5,952	5,911	5,505	
Wisconsin	6,360	6,346	6,342	6,342	6,342	6,342	6,347	6,303	
Texas	6,571	6,554	6,497	6,540	6,549	6,549	6,529	6,530	
Idaho	6,306	6,299	6,300	6,253	6,228	6,228	6,214	6,229	
New York	6,389	6,390	6,395	6,355	6,332	6,332	6,327	6,330	
Michigan	6,948	6,941	6,948	6,904	6,905	6,905	6,874	6,875	
Minnesota	6,020	6,017	5,991	5,881	5,890	5,890	5,879	5,825	
Pennsylvania	5,356	5,342	5,339	5,269	5,244	5,244	5,168	5,185	
Washington	5,981	5,990	5,989	5,965	5,974	5,974	5,976	5,891	
Iowa	6,248	6,236	6,236	6,183	6,210	6,210	6,232	6,168	

Source: USDA-RMA

Q4 2024 Yield Adjustment Factors by Release Period

State	Expected Yield Releases							Yield Trend
	1	2	3	4	5	6	7	
California	0.8786	0.8905	0.9172	0.9257	0.9249	0.9249	0.9313	
Wisconsin	0.9910	0.9932	0.9939	0.9939	0.9939	0.9939	0.9931	
Texas	0.9938	0.9963	1.0051	0.9985	0.9971	0.9971	1.0002	
Idaho	0.9878	0.9889	0.9887	0.9962	1.0002	1.0002	1.0024	
New York	0.9908	0.9906	0.9898	0.9961	0.9997	0.9997	1.0005	
Michigan	0.9895	0.9905	0.9895	0.9958	0.9957	0.9957	1.0001	
Minnesota	0.9676	0.9681	0.9723	0.9905	0.9890	0.9890	0.9908	
Pennsylvania	0.9681	0.9706	0.9712	0.9841	0.9887	0.9887	1.0033	
Washington	0.9850	0.9835	0.9836	0.9876	0.9861	0.9861	0.9858	
Iowa	0.9872	0.9891	0.9891	0.9976	0.9932	0.9932	0.9897	

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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