

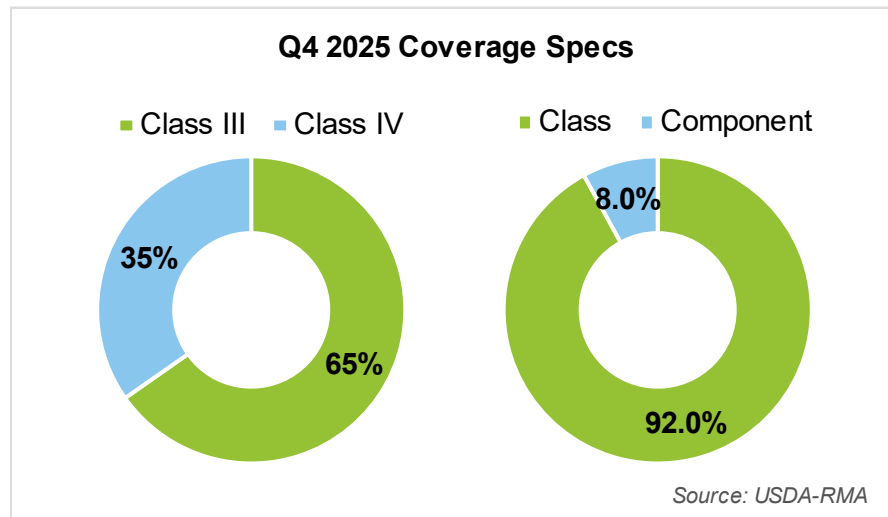
*At the time of publishing, Q4 2025 indemnities had not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.*

### **Overview & Key Points**

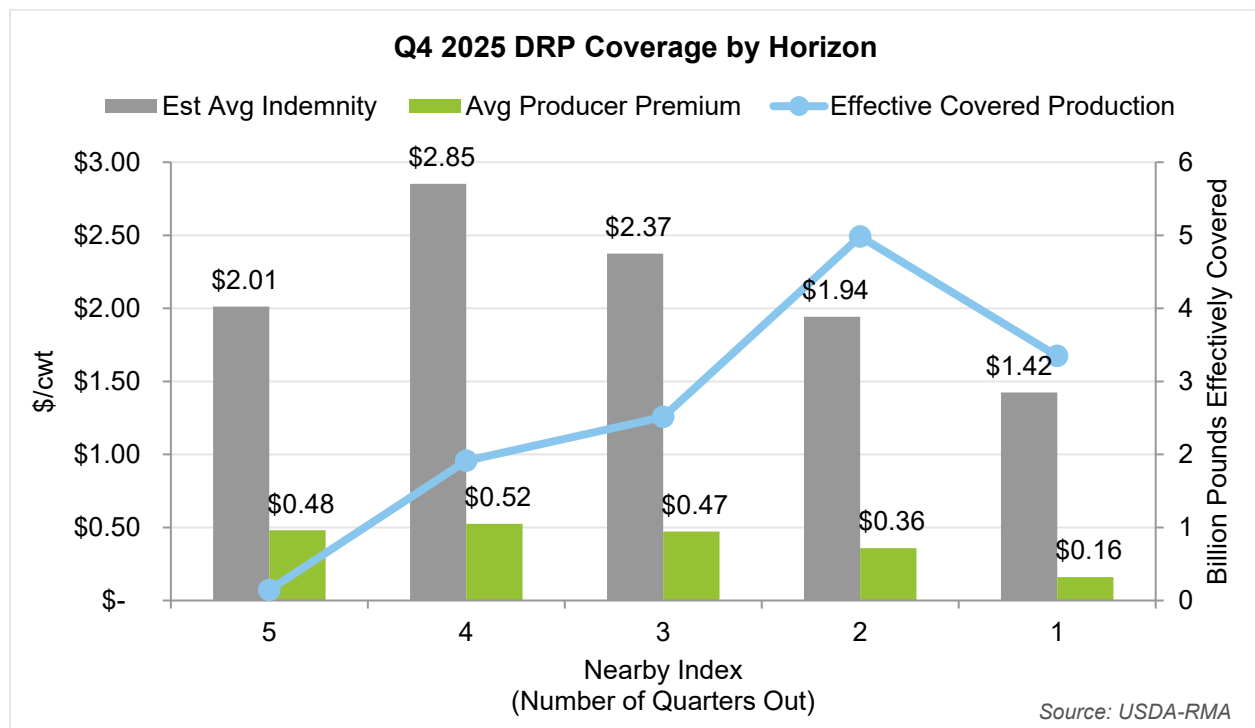
- Estimated indemnities for Q4 2025 averaged \$2.03/cwt, marking the highest average payout in the program's history. After factoring in producer premium costs, which averaged \$0.36/cwt, the estimated net return to producers was +\$1.67/cwt.
- Just over 12.9 billion pounds of milk were covered under DRP during Q4 2025, representing 22.3% of the US milk supply. While indemnity payments increased sharply from the previous quarter, up \$1.38/cwt on average, total covered milk volumes fell by 9.7% (-1.4 billion pounds). Q4 2025 marked the lowest share of the US milk supply covered by DRP since Q1 2020.
- Ignoring yield adjustment factors (YAFs), both Class III and Class IV class pricing endorsements would have triggered indemnities in Q4 2025, as dairy prices fell significantly over the period. Class III prices settled below the 95% coverage level on 250 out of 258 days (97% of the time), while Class IV prices settled below the 95% coverage level on every available day.

Total Effective Pounds Covered:	Total Producer Premium:	Estimated Total Indemnities Paid:	Estimated Total Net to Producers:
12.9 billion lbs	\$45.8 million	\$261.6 million	\$215.7 million
Share of U.S. Milk Supply Covered:	Average Producer Premium:	Estimated Average Indemnity Paid:	Estimated Average Net to Producers:
22.3%	\$0.36/cwt	\$2.03/cwt	+\$1.67/cwt

Source: USDA-RMA



## Coverage Performance by Horizon

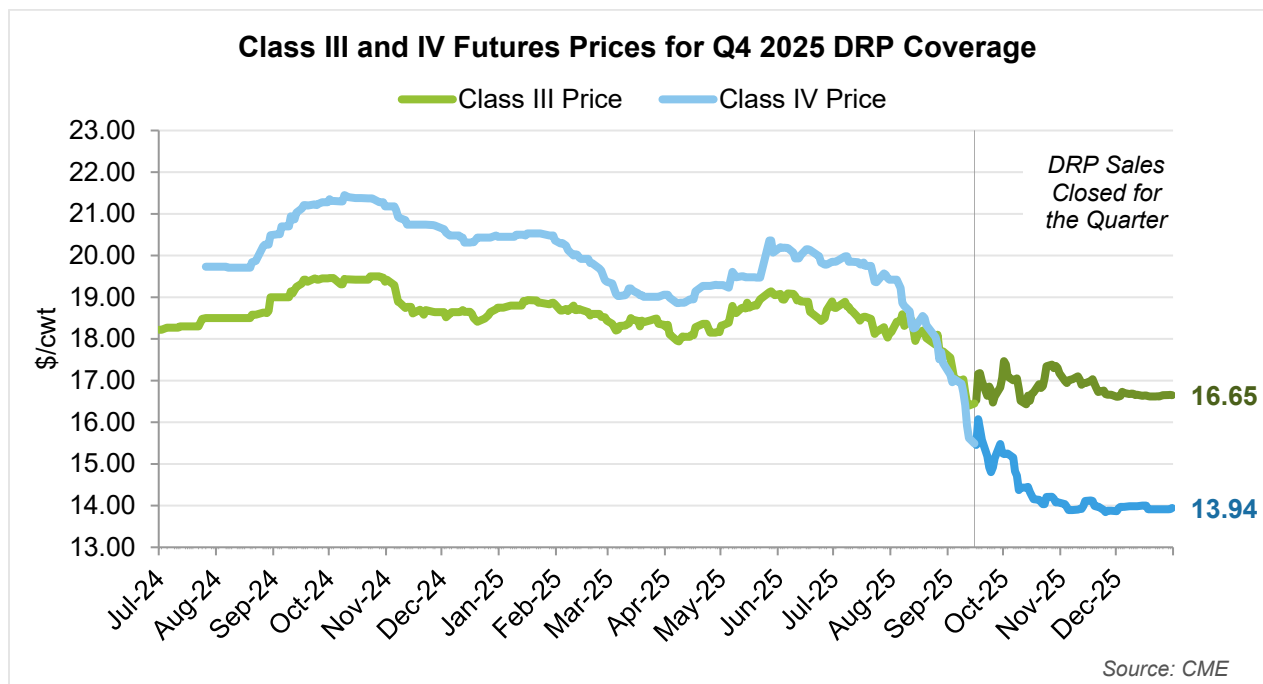


Note: Class IV coverage was not offered for Q4 2025 until July 26, 2024 (less than a month into nearby index 5).

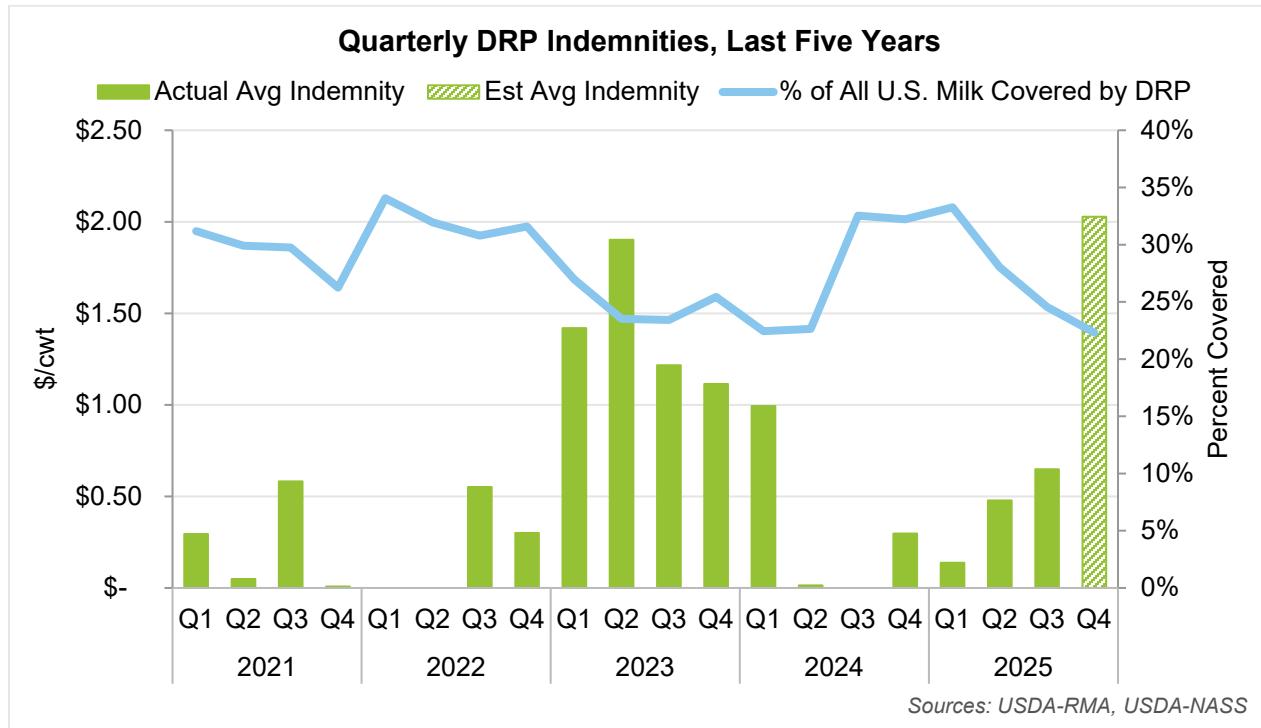
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)		
Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max	Avg
5	0.144	1%	18.30	19.25	18.83	19.71	21.03	20.41
4	1.913	15%	18.52	19.50	19.06	20.31	21.45	20.97
3	2.513	19%	18.20	18.93	18.64	19.03	20.53	19.94
2	4.983	39%	17.94	19.14	18.66	18.86	20.36	19.54
1	3.348	26%	16.40	18.90	17.77	15.49	20.15	18.13

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	07/01/24 - 09/15/24
4	09/16/24 - 12/15/24
3	12/16/24 - 03/15/25
2	03/16/25 - 06/15/25
1	06/16/25 - 09/15/25



## 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.

## Q4 2025 Expected and Actual Yields (Pounds)

State	Expected Yield Releases						Actual Yield	Yield Trend
	1	2	3	4	5	6		
California	5,974	5,967	5,872	5,550	5,637	5,702	5,966	
Wisconsin	6,410	6,409	6,362	6,395	6,347	6,378	6,354	
Idaho	6,254	6,250	6,220	6,243	6,251	6,245	6,285	
Texas	6,658	6,604	6,590	6,556	6,516	6,556	6,531	
New York	6,438	6,435	6,377	6,395	6,408	6,358	6,399	
Michigan	6,949	6,936	6,917	6,942	6,868	6,859	6,889	
Minnesota	5,995	5,965	5,748	5,854	5,853	5,882	5,870	
Pennsylvania	5,322	5,367	5,152	5,188	5,227	5,151	5,182	
Iowa	6,224	6,245	6,160	6,190	6,131	6,186	6,176	
Washington	5,961	5,953	5,908	5,914	5,903	5,905	5,941	

Source: USDA-RMA

## Q4 2025 Yield Adjustment Factors by Release Period

State	Expected Yield Releases						Yield Trend
	1	2	3	4	5	6	
California	0.9987	0.9998	1.0160	1.0750	1.0584	1.0463	
Wisconsin	0.9913	0.9914	0.9987	0.9936	1.0011	0.9962	
Idaho	1.0050	1.0056	1.0105	1.0067	1.0054	1.0064	
Texas	0.9809	0.9889	0.9910	0.9962	1.0023	0.9962	
New York	0.9939	0.9944	1.0034	1.0006	0.9986	1.0064	
Michigan	0.9914	0.9932	0.9960	0.9924	1.0031	1.0044	
Minnesota	0.9791	0.9841	1.0212	1.0027	1.0029	0.9980	
Pennsylvania	0.9737	0.9655	1.0058	0.9988	0.9914	1.0060	
Iowa	0.9923	0.9890	1.0026	0.9977	1.0073	0.9984	
Washington	0.9966	0.9980	1.0056	1.0046	1.0064	1.0061	

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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