

**SUMMARY OF CHANGES FOR THE
DAIRY REVENUE PROTECTION INSURANCE POLICY (26-DRP)
(Released April 2025)**

The following is a brief description of the changes to the Dairy Revenue Protection Insurance Policy that are effective for the 2026 and succeeding crop years.

- Section 1 –
 - In the definition of “premium billing date,” postponed billing by 1 calendar month;
 - Added a definition of reportable animal disease;
 - Added a definition of subsidy capture;
- Section 2 –
 - In (b), clarified that neither an application for new DRP policy nor new QCEs on an existing policy will be approved after the date the insured becomes ineligible for crop insurance;
 - In (i), harmonized ineligibility and termination provisions across livestock insurance programs. All examples have been moved to the Insurance Standards Handbook;
 - In (l), extended the termination date from December 31 to January 31 in order to align with changes to premium billing dates;
- Section 3 –
 - In (c)(ii):
 - Increased minimum declarable butterfat test to 4.00 pounds;
 - Increased maximum declarable butterfat test to 6.00 pounds; and
 - Increased minimum declarable protein test to 3.20 pounds;
 - In (d), modified requirements related to milk marketing records in case of a natural disaster or a reportable animal disease;
 - Added (l) to prohibit offsetting coverage for the purpose of subsidy capture;
- Section 13 –
 - In (d)(1), provided flexibility for an indemnity payment to be issued to a single party if all assignees and you agree in writing;
 - In (d)(2) and (e), clarified when an assignee submits the forms and claims for indemnity when you have failed to do so, the assignee then assumes your dispute resolution rights and obligations for the policy;
- Section 18 – Added (e) to authorize USDA access to brokerage records for the purpose of investigating violations of prohibition of subsidy capture;
- Section 22 –
 - Added (a) to address cases of clear and obvious errors in offers of insurance;
 - Added (b) to impose strict time limits and documentary evidence standards for correcting errors in insured’s elections on QCE;
- Section 23 –
 - Updated component pricing option example to reflect higher minimum declarable butterfat and protein tests;
- Section 24 – Added section to describe practices that will be deemed to be done for the purpose of subsidy capture, without the need to prove insured’s intent; and
- Throughout the policy – Made non-substantive editorial revisions.



DAIRY REVENUE PROTECTION INSURANCE POLICY

This insurance policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the provisions of the Federal Crop Insurance Act (Act) (7 U.S.C. 1501-1524). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act. The provisions of the policy may not be waived or varied in any way by us, our insurance agent or any other contractor or employee of ours, or any employee of USDA. We will use FCIC procedures (handbooks, manuals, memoranda and bulletins), published on RMA's website at www.rma.usda.gov or a successor website, in the administration of this policy. In the event that we cannot pay your loss because we are insolvent or are otherwise unable to perform our duties under our reinsurance agreement with FCIC, your claim will be settled in accordance with the provisions of this policy and FCIC will be responsible for any amounts owed. No state guarantee fund will be liable for your loss.

Throughout this policy, "you" and "your" refer to the named insured shown on the accepted application and "we," "us," and "our" refer to the insurance company providing insurance. Unless the context indicates otherwise, use of the plural form of a word includes the singular and use of the singular form of the word includes the plural.

AGREEMENT TO INSURE: In return for the payment of the premium, and subject to all of the provisions of this policy, we agree with you to provide the insurance as stated in this policy. If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; (2) the actuarial documents; (3) the Dairy Revenue Protection-Commodity Exchange Endorsement (DRP-CEE); and (4) these Basic Provisions, with (1) controlling (2), etc.

BASIC PROVISIONS TERMS AND CONDITIONS

1. Definitions

Act - The Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

Actual butterfat price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual butterfat test - The amount of butterfat determined in accordance with section 7(e).

Actual class III milk price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual class IV milk price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual class pricing milk revenue - The value determined by summing the actual class III milk price, P^{III} , multiplied by the declared class price weighting factor, W , and the actual class IV milk price, P^{IV} , multiplied by 1 minus the declared class price weighting factor, $1-W$; then multiplying that sum by the covered milk production, Q , times the yield adjustment factor, Y , divided by 100. That is, $(P^{III} \times W + P^{IV} \times (1 - W)) \times Q \times Y \div 100$.

Actual component pricing milk revenue - The value determined by summing the actual butterfat price, P^B , multiplied by the final butterfat test, Q^B , the actual protein price, P^P , multiplied by the final protein test, Q^P , the actual other solids price, P^{OS} , multiplied by the other solids test, Q^{OS} , multiplied by the declared component price weighting factor, W , plus the actual butterfat price, P^B , multiplied by the final butterfat test, Q^B , plus the actual nonfat solids price, P^N , multiplied by the final protein test, Q^P , plus 5.8, multiplied by 1 minus the declared component price weighting factor, $1-W$; then multiplying that sum by the covered milk production, Q ; times the yield adjustment factor, Y , divided by 100. That is, $[(P^B \times Q^B + P^P \times Q^P + P^{OS} \times Q^{OS}) \times W + (P^B \times Q^B + P^N \times (Q^P + 5.8)) \times (1 - W)] \times Q \times Y \div 100$.

Actual milk production per cow - The pounds determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual milk revenue - The milk revenue calculated for the quarterly insurance period used for determining indemnities under this policy.

(1) If you elect the class pricing option for the pricing method election, then actual milk revenue equals the actual class pricing milk revenue.

(2) If you elect the component pricing option for the pricing method election, then actual milk revenue equals the actual component pricing milk revenue.

Actual nonfat solids price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual other solids price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual protein price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Actual protein test - The amount of protein determined in accordance with section 7(e).

Actual share - The percentage interest in the insured milk at the time of sale unless the actual share is greater than the declared share, then your actual share will equal to your declared share.

Actuarial documents - The information for the crop year which is available for public inspection in your agent's office and published on RMA's website which shows available crop insurance policies, coverage levels, information needed to determine amounts of insurance, prices, premium adjustment percentages, practices, particular types of the insurable crop, and other related information regarding crop insurance in the state.

AMS - Agricultural Marketing Service, an agency within USDA or a successor agency.

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Application - The form required to be completed by you, containing all the information required in section 2, and accepted by us before insurance coverage will commence. Only 1 application is required per state and all the milk produced within a state is covered under this policy. A separate application is required to insure milk produced in another state.

Assignment of indemnity - A transfer of policy rights, made on our form, and effective when approved in writing, whereby you assign your right to an indemnity payment only to creditors or other persons to whom you have a financial debt or other pecuniary obligation.

Beginning farmer or rancher - An individual who has not actively operated and managed a farm or ranch in any state, with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than 5 crop years, as determined in accordance with FCIC procedures. Any crop year's insurable interest may, at your election, be excluded if earned while under the age of 18, while in full-time military service of the United States, or while in post-secondary education, in accordance with FCIC procedures. A person other than an individual may be eligible for beginning farmer or rancher benefits if there is at least 1 individual substantial beneficial interest holder and all individual substantial beneficial interest holders qualify as a beginning farmer or rancher.

Business day - Monday through Friday unless the CME Dairy markets are closed for a scheduled holiday. In the case the CME Dairy markets are closed for a scheduled holiday the next business day will be based on the next day the CME Dairy markets reopens for trades.

Cancellation date - The calendar date specified in the actuarial documents on which coverage will automatically renew unless canceled in writing by either you or us or terminated in accordance with the policy terms.

Class price weighting factor restricted value - A limitation determined in accordance with Section 3(c)(1)(i)(A).

Class pricing option - A pricing method election made by you. If you elect this pricing option, your coverage and indemnities will be determined using the class III and class IV milk prices.

CME - The Chicago Mercantile Exchange Group.

Component pricing option - A pricing method election made by you. If you elect this option, your coverage and indemnities will be determined using component milk prices for butterfat, protein, other solids and nonfat solids.

Component price weighting factor restricted value - A limitation determined in accordance with Section 3(c)(1)(ii)(D).

Contract change date - The calendar date contained in the actuarial documents, by which changes to the policy, if any, will be made available in accordance with section 20 of these Basic Provisions.

County - Any county, parish, or other political subdivision of a state shown on your accepted application where the milk storage tank of your dairy operation is physically located. If your dairy operation spans multiple counties within the state, then the application county will be the county elected by the insured as indicated on the application.

Coverage - The insurance provided by this policy against insured loss of revenue as shown on the summary of coverage.

Coverage level - The coverage level percentage chosen by you, used to determine the revenue guarantee.

Covered milk production - The amount of milk production determined in accordance with section 7(d).

Crop year - The twelve-month period, beginning July 1 and ending the following June 30, which is designated by the calendar year in which it ends.

Dairy operation - A business commercially producing and marketing milk, produced from cows, as a single unit located in the United States. The dairy operation to be insured must be contained within 1 pooled production region.

Days - Calendar days.

Declared butterfat test - The pounds of milkfat contained in 100 pounds of your milk, as declared by you in accordance with section 3(c)(1)(ii)(A).

Declared class price weighting factor - A percentage value, chosen by you in accordance with Section 3(c)(1)(i), to be used for determining the actual and expected class pricing milk revenue. The declared class price weighting factor is your percentage of the Class III price used to determine your liability and is subtracted from 100% to arrive at the percentage of the Class IV price used to determine your liability. This value may be restricted in accordance with Section 3(c)(1)(i)(A).

Declared component price weighting factor - A percentage value, chosen by you in accordance with Section 3(c)(1)(ii)(C) and (D), to be used for determining the actual and expected component pricing milk revenue. The declared component price weighting factor is your percentage of protein and other solids price used to determine your liability. The difference between 100% and component price weighting factor is your percentage of the nonfat solids price used to determine your liability. This value may be restricted in accordance with Section 3(c)(1)(ii)(D).

Declared covered milk production - The pounds of milk production chosen by you to insure for that quarter under each QCE.

Declared protein test - The pounds of milk protein contained in 100 pounds of your milk, as declared by you in accordance with section 3(c)(1)(ii)(B).

Declared share - The percentage interest in the insured milk as an owner at the time insurance attaches and indicated on the QCE.

Delinquent debt - Has the same meaning as the term defined in 7 CFR part 400, subpart U.

DRP-CEE - The Dairy Revenue Protection Commodity Exchange Endorsement applicable for the crop year.

Effective date - The date coverage begins, as shown in the QCE. The effective date will always be the date the prices were published on RMA's website corresponding to your purchase date.

End of quarterly insurance period, date of - The date the insurance coverage provided by the QCE ceases.

Expected butterfat price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

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Expected class III milk price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected class IV milk price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected class pricing milk revenue - The value determined by summing the expected class III milk price, $E(P^{III})$, multiplied by the declared class price weighting factor, W , the expected class IV milk price, $E(P^{IV})$, multiplied by 1 minus the declared class price weighting factor, $1-W$; then multiplying that sum by the declared covered milk production, Q ; divided by 100. That is, $((E(P^{III}) \times W) + E(P^{IV}) \times (1 - W)) \times Q \div 100$.

Expected component pricing milk revenue - The value determined by summing the expected butterfat price, $E(P^B)$, multiplied by the declared butterfat test, Q^B , the expected protein price, $E(P^P)$, multiplied by the declared protein test, Q^P , and the expected other solids price, $E(P^{OS})$, multiplied by the other solids test, Q^{OS} , multiplied by the declared component price weighting factor, W , plus the expected butterfat price, $E(P^B)$, multiplied by the declared butterfat test, Q^B , plus the expected nonfat solids price, $E(P^N)$, multiplied by the declared protein test, Q^P , plus 5.8, multiplied by 1 minus the declared component price weighting factor, $1-W$; then multiplying that sum by the declared covered milk production, Q ; divided by 100. That is, $[(E(P^B) \times Q^B + E(P^P) \times Q^P + E(P^{OS}) \times Q^{OS}) \times W + (E(P^B) \times Q^B + E(P^N) \times (Q^P + 5.8)) \times (1 - W)] \times Q \div 100$.

Expected milk production per cow - The pounds determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected nonfat solids price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected other solids price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected protein price - The price determined in accordance with the DRP-CEE as shown in the actuarial documents.

Expected revenue guarantee - The milk revenue calculated for the quarterly insurance period used for determining coverage under this policy, calculated as:

- (1) If you elect the class pricing option, then expected revenue guarantee equals the expected class pricing milk revenue times your coverage level.
- (2) If you elect the component pricing option, then expected revenue guarantee equals the expected component pricing milk revenue times your coverage level.

FCIC - The Federal Crop Insurance Corporation, a wholly owned government corporation and agency within USDA.

Final butterfat test - The amount of butterfat determined in accordance with section 7(e).

Final class pricing milk revenue - The value determined by summing the expected class III milk price, $E(P^{III})$, multiplied by the declared class price weighting factor, W , the expected class IV milk price, $E(P^{IV})$, multiplied by 1 minus the declared class price weighting factor, $1-W$; then multiplying that sum by the covered milk production, Q ; divided by 100. That is, $(E(P^{III}) \times W + E(P^{IV}) \times (1 - W)) \times Q \div 100$.

Final component pricing milk revenue - The value determined by summing the expected butterfat price, $E(P^B)$, multiplied by the final butterfat test, Q^B , the expected protein price, $E(P^P)$, multiplied by the final protein test, Q^P , and the expected other solids price, $E(P^{OS})$, multiplied by the other solids test, Q^{OS} , multiplied by the declared component price weighting factor, W , plus the expected butterfat price, P^B , multiplied by the final butterfat test, Q^B , plus the expected nonfat solids price, P^N , multiplied by the final protein test, Q^P , plus 5.8, multiplied by 1 minus the declared component price weighting factor, $1-W$; then multiplying that sum by the covered milk production, Q ; divided by 100. That is, $[(P^B \times Q^B + P^P \times Q^P + P^{OS} \times Q^{OS}) \times W + (P^B \times Q^B + P^N \times (Q^P + 5.8)) \times (1 - W)] \times Q \div 100$.

Final protein test - The amount of protein determined in accordance with section 7(e).

Final revenue guarantee - The milk revenue calculated for the quarterly insurance period used for determining indemnities under this policy, calculated as:

- (1) If you elect the class pricing option, then the final revenue guarantee equals the final class pricing milk revenue times your coverage level.
- (2) If you elect the component pricing option, then the final revenue guarantee equals the final component pricing milk revenue times your coverage level.

Insured - The named person as shown on the application accepted by us. This term does not extend to any other person having a share or interest in the animals, such as a partnership, landlord, or any other person unless also specifically indicated on the application as the insured.

Liability - The maximum amount payable under this policy for any given QCE. The liability equals the expected revenue guarantee \times declared share \times protection factor.

Limit movement - The maximum price change based on the CME current daily price limit for milk or dairy commodity futures.

Limited resource farmer or rancher - Has the same meaning as the term defined by USDA at https://lrftool.sc.egov.usda.gov/LRP_Definition.aspx or successor website.

Milk - Grade A or Grade B milk produced from any species of domesticated mammal of the family Bovidae commonly grown for production of dairy products, also referred to as dairy cows.

Milk marketings - The total amount of milk sold by the insured dairy operation during the quarterly insurance period and for which the dairy operation has proof of sale.

Milk marketing records - The supporting documents that provide the information required in section 3(d).

Milk production worksheet - A report submitted by you on our form showing for each month your milk marketings and, if applicable, the butterfat test and protein test during the months insured under this policy for the applicable QCEs in accordance with section 3(d).

NASS - National Agricultural Statistics Service, an agency within USDA.

Notice of probable loss - Our notice to you of a probable loss on your insured milk.

Offset - The act of deducting one amount from another amount.

Other solids test - The pounds of other milk solids contained in 100 pounds of your milk, fixed at 5.8 pounds.

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Person - An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency of the United States Government.

Policy - The agreement between you and us to insure an agricultural commodity consisting of the accepted application, these Basic Provisions, the Special Provisions, the DRP-CEE, the QCE, the actuarial documents for the insured commodity and the applicable regulations published in 7 CFR chapter IV.

Pooled production region(s) - The states within a region, as specified in the DRP-CEE.

Premium - The amount you owe us for coverage based on the liability during the quarter in accordance with section 5.

Premium billing date - The earliest date upon which you will be billed for the quarterly insurance period selected on your QCE. The premium billing date for each QCE is the 1st day of the 3rd month following the end of the quarterly insurance period and is contained in the actuarial documents.

Protection factor - A numeric value chosen by you for each type and practice in accordance with section 3(c)(6).

Quarter - A 3-month time period designated in the actuarial documents.

Quarterly coverage endorsement (QCE) - An endorsement to the policy necessary to provide coverage that includes information about the quarterly insurance period and coverage options.

Quarterly insurance period - The 3-month period, corresponding to up to 5 of the 8 quarters for which coverage is available under the QCE, designated in the summary of coverage to which this policy is applicable. For example: from July 1 to September 15 the practices 801 - 805 are available, from September 16 - December 16 the practices 802 - 806 are available and June 16 - June 30 the practices 805 - 808 are available. See the actuarial documents for additional detail on insurable quarterly insurance periods.

Reportable animal disease - Animal disease included on the National List of Reportable Animal Diseases as published by USDA Animal and Plant Health Inspection Service, and available at <https://www.aphis.usda.gov/livestock-poultry-disease/surveillance/reportable-diseases>, a successor website, or as determined by RMA.

RMA - Risk Management Agency, an agency within USDA.

RMA's website - A website hosted by RMA and located at <https://www.rma.usda.gov/> or a successor website.

Sales closing date - The sales closing date is each day, in the specified sales timeframe, during which coverage is available for purchase.

Sales period - The period of time that begins when a daily set of coverage prices and rates are posted on RMA's website and ends at 9:00 AM Central Time the earlier of Sunday or the following business day in which you can purchase quarterly endorsements.

Sales period begin date - A date contained in the actuarial documents citing the first date coverage for a

specific quarterly insurance period becomes available to be offered for the crop year.

Sales period end date - A date contained in the actuarial documents citing the last date coverage for a specified quarterly insurance period will be available to be offered for the crop year.

Share - The lesser of your percentage interest in the insured milk as an owner at the time insurance attaches or at the time of sale. Persons who lease or hold some other interest in the milk other than as an owner are not considered to have a share in the milk.

Special Provisions - The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

State - The state shown on your accepted application.

Substantial beneficial interest - An interest held by any person of at least 10 percent in you (for example, there are 2 partnerships that each have a 50 percent interest in you and each partnership is made up of 2 individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in you, and both the partnerships and the individuals would have a substantial beneficial interest in you. The spouses of the individuals would not be considered to have a substantial beneficial interest unless the spouse was 1 of the individuals that made up the partnership. However, if each partnership is made up of 6 individuals with equal interests, then each would only have an 8.33 percent interest in you and although the partnership would still have a substantial beneficial interest in you, the individuals would not for the purposes of reporting in section 2). The spouse of any individual applicant or individual insured will be presumed to have a substantial beneficial interest in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable State dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a substantial beneficial interest in the applicant or insured unless the child has a separate legal interest in such person.

Subsidy capture - The practice of exploiting the differences between premium owed by you for a QCE and the cost of a privately traded livestock contract such as a put option, for the purpose of your financial gain.

Summary of coverage - Our statement to you, based upon your QCE, specifying the quarterly insurance period, coverage options, liability and the premium.

Termination date - The calendar date contained in the actuarial documents upon which your insurance ceases to be in effect because of nonpayment of any amount due us under the policy, including premium.

USDA - United States Department of Agriculture.

Veteran farmer or rancher -

- (1) An individual who has served active duty in the United States Armed Forces, including the Air Force, Army, Coast Guard, Marine Corps, Navy, or Space Force and their reserve components; was discharged or released under conditions other than dishonorable; and:
 - (i) Has not operated a farm or ranch;
 - (ii) Has operated a farm or ranch for not more than 5 years; or

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(iii) First obtained status as a veteran during the most recent 5-year period.

(2) A person, other than an individual, may be eligible for veteran farmer or rancher benefits if all substantial beneficial interest holders qualify as a veteran farmer or rancher in accordance with paragraph (1) of this definition; except in cases in which there is only a married couple, then a veteran and non-veteran spouse are considered a veteran farmer or rancher.

Void - When the policy or QCE is considered not to have existed for a crop year.

Yield adjustment factor - The factor determined by dividing actual milk production per cow by expected milk production per cow.

2. Life of Policy, Cancellation, and Termination

(a) The application must be completed by you and received by us not later than the sales closing date. If cancellation or termination of insurance coverage occurs for any reason, including but not limited to indebtedness, suspension, debarment, disqualification, cancellation by you or us or violation of the controlled substance provisions of the Food Security Act of 1985, a new application must be filed for the crop.

(b) If you are ineligible under the policy or under any Federal statute or regulation:

- (1) The application for a new policy will not be approved by us;
- (2) No new QCEs will be approved on an existing policy after the date of ineligibility; and
- (3) An existing policy will terminate in accordance with 7 CFR part 400, subpart U, unless otherwise provided for in these Basic Provisions.

(c) Coverage will not be provided if your dairy operation is not contained within a pooled production region, or if you do not have a share in the milk to be insured.

(d) This is a continuous policy and will remain in effect for each crop year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or terminated by operation of the terms of the policy or by us. In accordance with section 20, FCIC may change the coverage provided from year to year.

(e) With respect to your application for insurance:

- (1) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you may provide an employer identification number (EIN) but you must also provide your SSN); or
- (2) You must include your EIN if you are a person other than an individual;
- (3) In addition to the requirements of section 2(e)(1) or (2), you must include the following for all persons who have a substantial beneficial interest in you:
 - (i) The SSN for individuals; or
 - (ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with the EIN if such individuals have a substantial beneficial interest in you;
- (4) You must include:
 - (i) Your election of plan of insurance; state; county; the crop "milk"; and any other

material information required on the application to insure your milk; and

(ii) All information required in section 2(e)(4)(i) or your application will not be accepted and no coverage will be provided;

(5) Your application will not be accepted and no insurance will be provided for the year of application if the application does not contain your SSN or EIN. If your application contains an incorrect SSN or EIN for you, your application will be considered not to have been accepted, no insurance will be provided for the year of application and for any subsequent crop years, as applicable, and such policies will be void if:

(i) Such number is not corrected by you; or

(ii) You correct the SSN or EIN but:

(A) You cannot prove that any error was inadvertent (simply stating the error was inadvertent is not sufficient to prove the error was inadvertent); or

(B) It is determined that the incorrect number would have allowed you to obtain disproportionate benefits under the crop insurance program, you are determined to be ineligible for insurance or you could avoid an obligation or requirement under any State or Federal law;

(6) With respect to persons with a substantial beneficial interest in you:

(i) The coverage for all expected revenue included on your application will be reduced proportionately by the percentage interest in you of persons with a substantial beneficial interest in you (presumed to be 50 percent for spouses of individuals) if the SSNs or EINs of such persons are included on your application, the SSNs or EINs are correct, and the persons with a substantial beneficial interest in you are ineligible for insurance;

(ii) Your policies for all commodities included on your application, and for all applicable crop years, will be void if the SSN or EIN of any person with a substantial beneficial interest in you is incorrect or is not included on your application and;

(A) Such number is not corrected or provided by you, as applicable;

(B) You cannot prove that any error or omission was inadvertent (Simply stating the error or omission was inadvertent is not sufficient to prove the error or omission was inadvertent); or

(C) Even after the correct SSN or EIN is provided by you, it is determined that the incorrect or omitted SSN or EIN would have allowed you to obtain disproportionate benefits under the crop insurance program, the person with a substantial beneficial interest in you is determined to be ineligible for insurance, or you or the person with a substantial beneficial interest in you could avoid an

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- obligation or requirement under any State or Federal law; or
- (iii) Except as provided in sections 2(e)(6)(ii)(B) and (C), your policies will not be voided if you subsequently provide the correct SSN or EIN for persons with a substantial beneficial interest in you and the persons are eligible for insurance;
- (7) When any of your policies are void under sections 2(e)(5) or (6):
- (i) You must repay any indemnity that may have been paid for all applicable commodities and any crop years determined by us;
 - (ii) Even though the policies are void, you will still be required to pay an amount equal to 20 percent of the premium that you would otherwise be required to pay; and
 - (iii) If you previously paid premium or administrative fees, any amount in excess of the amount required in section 2(e)(7)(ii) will be returned to you;
- (8) Notwithstanding any of the provisions in this section, if you certify to an incorrect SSN or EIN, or receive an indemnity and the SSN or EIN was not correct, you may be subject to civil, criminal or administrative sanctions;
- (9) If any of the information regarding persons with a substantial beneficial interest in you changes after the cancellation date for the previous crop year, you must revise your application by the cancellation date for the current crop year to reflect the correct information. However, if such information changed less than 30 days before the cancellation date for the current crop year, you must revise your application by the cancellation date for the next crop year. If you fail to provide the required revisions, the provisions in section 2(e)(6) will apply; and
- (10) If you are, or a person with a substantial beneficial interest in you is, not eligible to obtain an SSN or EIN, whichever is required, you must request an assigned number for the purposes of this policy from us:
- (i) A number will be provided only if you can demonstrate you are, or a person with a substantial beneficial interest in you is, eligible to receive Federal benefits;
 - (ii) If a number cannot be provided for you in accordance with section 2(e)(10)(i), your application will not be accepted; or
 - (iii) If a number cannot be provided for any person with a substantial beneficial interest in you in accordance with section 2(e)(10)(i), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
- (f) After acceptance of the application, you may not cancel this policy for the initial crop year. Thereafter, the policy will continue in force for each succeeding crop year unless canceled or terminated as provided below.
- (g) You may cancel this policy after the initial crop year by providing written notice to us on or before June 30. We may cancel this policy with express written consent from FCIC unless provided for in these Basic Provisions. Cancellation during a crop year is not allowed.
- (h) Any amount owed to us for any policy authorized under the Act will be offset from any indemnity or prevented planting payment due you for this or any other crop insured with us under the authority of the Act.
- (1) Even if your claim has not yet been paid, you must still pay the premium and administrative fees on or before the termination date for you to remain eligible for insurance.
 - (2) If we offset any amount due us from an indemnity or prevented planting payment owed to you, the date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity in accordance with section 7 (Determining Indemnities).
 - (3) For this agricultural commodity policy and any other agricultural commodity policy insured with us and it is:
 - (i) Prior to the premium billing date or for any endorsement that has not ended, you may request your premium and administrative fees to be offset from any indemnity or prevented planting payment due you; or
 - (ii) On or after the premium billing date, or for any endorsement that has ended your premium and administrative fees will be offset from any indemnity or prevented planting payment due to you.
- (i) A delinquent debt for any policy will make you ineligible to obtain a Dairy Revenue Protection policy for any subsequent crop year and result in termination of this policy in accordance with section 2(i)(2). Delinquent debt on this policy will make you ineligible to obtain crop insurance authorized under the Act for any subsequent crop year.
- (1) With respect to ineligibility:
- (i) Ineligibility for crop insurance will be effective on:
 - (A) The date that this policy was terminated in accordance with section 2(i)(2) for the crop for which you failed to pay premium, or any related interest owed, as applicable;
 - (B) The payment due date contained in any notification of indebtedness for any overpaid indemnity if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date; or
 - (C) The cancellation date for the crop year prior to the crop year in which a scheduled payment is due under a written payment agreement if you fail to pay the amount owed by any payment date in any agreement to pay the debt;
 - (ii) If you are ineligible and a policy has been terminated in accordance with section 2(i)(2),

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such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity payment that may be owed for the policy before it has been terminated will remain owed to you, but may be offset in accordance with section 2(h), unless your policy was terminated in accordance with sections 2(i)(2)(i)(A), (B), or (D).

(2) With respect to termination:

(i) Termination will be effective on:

(A) For a Dairy Revenue Protection policy with unpaid premiums, such policy will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the prior crop year's cancellation date and no insurance will be considered to have attached for the current crop year and no indemnity will be owed;

(B) For a Dairy Revenue Protection policy with other amounts due, the cancellation date immediately following the date you have a delinquent debt;

(C) For delinquent debt on any other policy that is issued under the authority of the Act, this policy will terminate on the cancellation date that coincides with the ineligibility date for the policy with the delinquent debt or, if there is no coincidental cancellation date, the cancellation date immediately following the date you become ineligible; or

(D) For Dairy Revenue Protection policy with a written payment agreement and failure to make any scheduled payment, the cancellation date for the crop year prior to the crop year in which you failed to make the scheduled payment;

(ii) For all policies terminated under sections 2(i)(2)(i)(A), (B), or (D), any indemnities paid subsequent to the termination date must be repaid.

(iii) Once the policy is terminated, it cannot be reinstated for the current crop year unless:

(A) The termination was in error;

(B) The Administrator of the Risk Management Agency, at his or her sole discretion, determines that the following are met:

(1) In accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, you provide documentation that your failure to pay your debt is due to an unforeseen or unavoidable event or an extraordinary weather event that created an impossible situation for you to make timely payment;

(2) You remit full payment of the delinquent debt owed to us or FCIC with your request submitted in

accordance with section 2(i)(2)(iii)(B)(3); and

(3) You submit a written request for reinstatement of your policy to us no later than 60 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable.

(i) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and

(ii) There is no evidence of fraud or misrepresentation; or

(C) We determine that, in accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, the following are met:

(1) You can demonstrate:

(i) You made timely payment for the amount of premium owed but you inadvertently omitted some small amount, such as the most recent month's interest or a small administrative fee;

(ii) The amount of the payment was clearly transposed from the amount that was otherwise due (for example, you owed \$892 but you paid \$829); or

(iii) You timely made the full payment of the amount owed but the delivery of that payment was delayed, and was postmarked no more than 7 calendar days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in a notice to you of an amount due, as applicable.

(2) You remit full payment of the delinquent debt owed to us; and

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- (3) You submit a written request for reinstatement of your policy to us in accordance with 7 CFR part 400, subpart U, and applicable procedures no later than 30 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable; and
- (4) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
- (5) There is no evidence of fraud or misrepresentation.
- (iv) A determination made under:
 - (A) Section 2(i)(2)(iii)(B) may only be appealed to the National Appeals Division in accordance with 7 CFR part 11; and
 - (B) Section 2(i)(2)(iii)(C) may only be appealed in accordance with section 19.
- (3) To regain eligibility, you must:
 - (i) Repay the delinquent debt in full;
 - (ii) Execute a written payment agreement, in accordance with 7 CFR part 400, subpart U, and make payments in accordance with the agreement; or
 - (iii) Have your debts discharged in bankruptcy.
- (4) After you become eligible for crop or livestock insurance, if you want to obtain coverage for your crops or livestock, you must submit a new application on or before the sales closing date for the crop (since applications for crop insurance cannot be accepted after the sales closing date, if you make any payment after the sales closing date, you cannot apply for insurance until the next available sales closing date).
- (5) If you are determined to be ineligible under section 2(i), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (j) In cases where there has been a death, disappearance, judicially declared incompetence, or dissolution of any insured person:
 - (1) If any married individual insured dies, disappears, or is judicially declared incompetent, the named insured on the policy will automatically convert to the name of the spouse if:
 - (i) The spouse was included on the policy as having a substantial beneficial interest in the named insured; and
 - (ii) The spouse has a share of the crop.
 - (2) The provisions in section 2(j)(3) will be applicable if:
 - (i) Any partner, member, shareholder, etc., of an insured entity dies, disappears, or is judicially declared incompetent, and such event automatically dissolves the entity; or
 - (ii) An individual, whose estate is left to a beneficiary other than a spouse or left to the spouse and the criteria in section 2(j)(1) are not met, dies, disappears, or is judicially declared incompetent.
 - (3) If section 2(j)(2) applies and the death, disappearance, or judicially declared incompetence occurred:
 - (i) More than 30 days before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
 - (ii) 30 days or less before the cancellation date, or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
 - (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
 - (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
 - (4) If any insured entity is dissolved for reasons other than death, disappearance, or judicially declared incompetence:
 - (i) Before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
 - (ii) On or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
 - (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
 - (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
 - (5) If section 2(j)(2) or (4) applies, a remaining

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member of the insured person or the beneficiary is required to report to us the death, disappearance, judicial incompetence, or other event that causes dissolution not later than the next cancellation date, except if section 2(j)(3)(ii) applies, notice must be provided by the cancellation date for the next crop year. If notice is not provided timely, the provisions of section 2(j)(2) or (4) will apply retroactive to the date such notice should have been provided and any payments made after the date the policy should have been canceled must be returned.

- (k) We may cancel your policy if no premium is earned for 3 consecutive years.
- (l) The cancellation date for the policy is June 30 and the termination date for the policy is January 31 of the 2nd calendar year following the cancellation date as stated in the actuarial documents. For example, a 2026 policy with a cancellation date of June 30, 2026, would have a termination date of January 31, 2028.
- (m) Any person may sign any document relative to crop insurance coverage on behalf of any other person covered by such a policy, provided that the person has a properly executed power of attorney or such other legally sufficient document authorizing such person to sign. You are still responsible for the accuracy of all information provided on your behalf and may be subject to any applicable consequences, if any information has been misreported.

3. Insurance Coverage

- (a) Insurance coverage consists of your liability and premium for the quarterly insurance period, as shown on your summary of coverage.
- (b) A QCE must be submitted on our form within the sales period for each quarterly insurance period in which you desire coverage. There can be multiple QCEs for the same quarterly insurance period but they cannot cover the same milk.
- (c) The QCE must include the following information, as applicable:
 - (1) You must choose either the class pricing option or the component pricing option.
 - (i) If you choose the class pricing option:
 - (A) You must include the declared class price weighting factor between 0 percent and 100 percent, in 5 percentage point increments.
 - (B) In the event the class III price is not published but the class IV price is published, the declared class price weighting factor must equal 0 percent. Likewise, if the class III price is published but the class IV price is not published, the declared class price weighting factor must equal 100 percent.
 - (ii) If you choose the component pricing option, you must include the following information:
 - (A) The declared butterfat test elected by you can be no less than 4.00 pounds and no more than 6.0 pounds, in 0.05-pound increments;
 - (B) The declared protein test elected by you can be no less than 3.20 pounds and no

more than 4.5 pounds, in 0.05-pound increments;

- (C) Declared component price weighting factor between 0 percent and 100 percent, in 5 percentage point increments; and
 - (D) In the event a protein price or other solids price is not published but a nonfat solids price is published, the declared component price weighting factor must equal 0 percent. Likewise, if the nonfat solids price is not published but the protein price and other solids price are published, the declared component price weighting factor must equal 100 percent.
- (2) Your selected quarterly insurance period;
 - (3) Your declared covered milk production;
 - (4) Your coverage level (you must choose a coverage level between 80 and 95 percent, in increments of 5 percentage points, and you may choose a different coverage level for each type and practice indicated on the QCE);
 - (5) Your declared share at time coverage begins (you must provide the name(s) of other persons sharing in the insured milk if applicable); and
 - (6) Your selected protection factor (you must choose a protection factor between 1.00 and 1.5 in 0.05 increments and you may choose a different protection factor for each type and practice indicated on the QCE).
- (d) Your milk production worksheet is due in the event of loss in accordance with section 7(b).
 - (1) The milk production worksheet must be accompanied by milk marketing records corresponding to the quarter insured from the insured dairy operation's milk cooperative or milk handler that provides records of the actual milk deliveries and, if applicable, the component levels in the milk sold.
 - (2) In the event of a natural disaster or a reportable animal disease that prevents you from marketing milk, provided you give us written notice within 72 hours of the disaster or reportable animal disease:
 - (i) If the event occurred after the start of the insured quarterly insurance period or the milk marketing is reduced but not completely ceased, you may use milk marketing records as of the date of the disaster or reportable animal disease to estimate the milk marketings for the affected insurance period.
 - (ii) If the event occurred before the start of the insurance period, and milk marketing ceased completely and has not restarted before the end of the quarterly insurance period, then any QCEs for the affected quarterly insurance period will be voided and no premium will be owed.
 - (3) The milk marketing records must show:
 - (i) The name, address, and payroll number or similar identifier of the producer;
 - (ii) The monthly or daily aggregated to monthly total pounds, received from that producer;

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and

- (iii) If the component price option elected, the total pounds of butterfat and protein contained in the producer's milk.
- (e) No indemnity will be due you, but you will still be responsible for any premiums owed, if we find that your milk production worksheet:
 - (1) Is not supported by written verifiable records to support the information provided in section 3(d); or
 - (2) Fails to accurately report milk marketings or other material information.
- (f) Coverage can be purchased at any time during the sales period.
- (g) Sales of Dairy Revenue Protection will be suspended if unforeseen and extraordinary events occur that interfere with the effective functioning of the milk commodity markets or milk production reports, as determined by RMA.
- (h) In the event of a limit movement of any milk futures expiring during the insured period, sales of Dairy Revenue Protection will be suspended.
- (i) FCIC will suspend sales of Dairy Revenue Protection on the calendar days on which USDA releases the Milk Production report, the Cold Storage report, or the Dairy Products report, as well as any other days that for any reason Dairy Revenue Protection offer prices are not published in the actuarial documents.
- (j) In accordance with section 17, you may not have any other FCIC reinsured livestock price policy covering the same class of livestock to be marketed during any month of the quarterly insurance period.
- (k) Coverage may not be available in instances of a news report, announcement, or other event that occurs during or after trading hours that is determined by the Secretary of Agriculture, Manager of the Risk Management Agency, or other designated staff of the Risk Management Agency, to result in market conditions significantly different than those used to rate the Dairy Revenue Protection program. In these cases, coverage will no longer be offered for sale on the RMA's website. Dairy Revenue Protection sales will resume when coverage prices and rates again become available on the website.
- (l) If you insure any milk under this policy, you and any person with a substantial beneficial interest in you are prohibited from offsetting any of the coverage provided by this policy for the purpose of subsidy capture, such as through dairy contracts traded on a commodity exchange. Violation of this prohibition will result in the application of available administrative, civil, or criminal remedies.

4. Causes of Loss

This policy provides insurance only for the difference between the final revenue guarantee and actual milk revenue, times your actual share and protection factor, caused by natural occurrences in market prices and yields in your pooled production region. This policy does not insure against the death or other loss or destruction of your dairy cattle, or against any other loss or damage of any kind whatsoever.

5. Premium

- (a) The premium is earned and payable at the time

coverage begins. You will be billed for the premium not earlier than the premium billing date specified in the actuarial documents.

- (b) The premium is shown on your summary of coverage.
- (c) The premium will be based on the information you provide on your application and QCE.
- (d) The premium will be based on your declared share. Premium will not be reduced if your declared share is greater than your actual share.
- (e) If you qualify as a beginning farmer or rancher; or veteran farmer or rancher, your premium subsidy will be 10 percentage points greater than the premium subsidy that you would otherwise receive, unless otherwise specified in the Special Provisions;
- (f) You will be ineligible for any premium subsidy paid on your behalf by FCIC for any policy issued by us if:
 - (1) USDA determines you have committed a violation of the highly erodible land conservation or wetland conservation provisions of 7 CFR part 12 as amended by the Agricultural Act of 2014; or
 - (2) You have not filed form AD-1026 with FSA for the reinsurance year by the premium billing date.
 - (i) Notwithstanding section 5(f)(2), you may be eligible for premium subsidy without having a timely filed form AD-1026:
 - (A) For the initial reinsurance year if you certify by the premium billing date for your policy that you meet the qualifications as outlined in FCIC approved procedures for producers who are new to farming, new to crop insurance, a new entity, or have not previously been required to file form AD-1026; or
 - (B) If FSA approves relief for failure to timely file due to circumstances beyond your control or failure to timely provide adequate information to complete the form AD-1026 in accordance with the provisions contained in 7 CFR part 12.
 - (ii) To be eligible for premium subsidy paid on your behalf by FCIC, it is your responsibility to assure you meet all the requirements for:
 - (A) Compliance with the conservation provisions specified in section 5(e)(1) of this section; and
 - (B) Filing form AD-1026, to be properly identified as in compliance with the conservation provisions specified in section 5(e)(1) of this section.

- (g) Premium owed by you will be offset from an indemnity due you. The date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity.

6. Quarterly Insurance Period

- (a) Coverage begins on your declared covered milk production on the effective date of the insured quarter as shown on your summary of coverage.
- (b) Coverage ends on your declared covered milk production on the end of insurance date for the quarterly insurance period as shown in the actuarial documents.

7. Determining Indemnities

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- (a) In the case of a payable loss on insured milk, we will send you a notice of probable loss approximately ten days after all Dairy Revenue Protection data applicable for the quarterly insurance period are released.
 - (b) In order to receive an indemnity, you must submit a claim to us on our form and include all required documents, including the milk production worksheet, within 60 days following the date the notice of probable loss is issued.
 - (c) In the event of loss covered by this policy, we will settle your claim by subtracting the actual milk revenue from the final revenue guarantee, and then multiplying by the protection factor multiplied by your actual share. If the result is greater than zero, an indemnity will be paid to you in this amount.
 - (d) Your covered milk production is the amount of milk marketings you declare on your QCEs but if you do not actually produce the covered milk production declared:
 - (1) If your milk marketings for the quarterly insurance period are at or above 85 percent of the declared covered milk production summed over all QCEs for the quarterly insurance period, then your covered milk production equals your declared covered milk production, even if your milk marketings are lower than the declared covered milk production; or
 - (2) If your milk marketings during the quarterly insurance period are less than 85 percent of the declared covered milk production summed over all QCEs for the quarterly insurance period, then your total covered milk production for this quarterly insurance period will equal your milk marketings divided by 85 percent.
 - (i) For example, 2 separate QCEs are purchased at different points in time for a single quarterly insurance period, endorsement A has 1,500,000 pounds of declared covered milk production and endorsement B has 500,000 pounds of declared covered milk production for a total of 2,000,000 pounds. The milk marketings are 1,200,000 pounds of milk for the quarter. The total covered milk production for all QCEs will be 1,200,000 pounds divided by .85 which equals 1,411,765 pounds.
 - (ii) The covered milk production for each QCE will be determined by total covered milk production multiplied by declared covered milk production divided by total declared covered milk production.
 - (iii) For example, endorsement A, 1,411,765 pounds total covered milk production multiplied by (1,500,000 divided by 2,000,000) equals 1,058,824 pounds covered milk production for this endorsement.
 - (iv) Endorsement B, 1,411,765 pounds total covered milk production multiplied by (500,000 divided by 2,000,000) equals 352,941 pounds covered milk production for this endorsement.
 - (v) Premium will be due in accordance with section 5, which uses your declared covered milk production, and your premium will not be reduced as a result of any recalculations in the covered milk production calculations of section 7(d).
 - (e) If you elected the component pricing option, your coverage is based on your declared butterfat test and protein tests. However, to receive your full coverage your average actual butterfat test and average actual protein test component levels for milk sold during the quarterly insurance period as indicated on your milk production worksheet must not be less than 90 percent of the declared butterfat test or declared protein test. The final butterfat test and final protein test used to calculate the final component pricing milk revenue and the actual component pricing milk revenue for indemnity calculation purposes is determined as follows:
 - (1) If either actual component test is less than 90 percent, then, as applicable, the final butterfat test and/or final protein test will be the actual determined test value percent divided by .90. For example, if the declared butterfat test is 5.00 pounds, the policy holder's average butterfat test during the quarter must equal or exceed 4.50 pounds. If the actual butterfat test is 3.80 pounds, the final butterfat test will be 4.22 pounds.
 - (2) For either actual component test that is at least 90 percent of the declared, then, as applicable, the final butterfat test and/or final protein test will equal the declared butterfat test or declared protein test. For example, if the declared protein test is 4.00 pounds, and the policy holder's average actual protein test during the quarter is 3.80 pounds, the final protein test will be 4.00 pounds.
 - (3) Premium will be due in accordance with section 5 and the component calculations of section 7(e) will not result in a premium refund.
 - (f) If you qualify for an indemnity under the terms and conditions of this policy, the indemnity payment must be made within thirty (30) days following receipt by us of the properly executed claim form.
 - (g) In the event that NASS does not publish information needed to determine state milk per cow or other information needed in your pooled production region, then the values for the actual milk production per cow will be set equal to the expected milk production per cow.
 - (h) Indemnities will be calculated using the same USDA pricing methodologies, yield formulas and factors in effect at the time the coverage was established.
- 8. Conformity to Food Security Act**
- Although your violation of a number of federal statutes, including the Act, may cause cancellation or termination of the policy or may cause the policy to become void, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to violation of the controlled substance provisions (title XVII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations promulgated under the Act by USDA. We will recover any and all

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monies paid to you or received by you during your period of ineligibility, and your premium will be refunded, less a reasonable amount for expenses and handling not to exceed 20 percent of the total premium.

9. Amounts Due Us

- (a) Interest will accrue at the rate of 1.25 percent simple interest per calendar month on any unpaid amount owed to us or on any unpaid administrative fees owed to FCIC.
 - (1) For the purpose of premium amounts owed to us or administrative fees owed to FCIC, interest will start to accrue on the first day of the month following the issuance of the notice by us, provided that a minimum of 30 days have passed from the premium billing date specified in the actuarial documents.
 - (2) We will collect any unpaid amounts owed to us and any interest owed thereon, and, prior to the termination date, we will collect any administrative fees and interest owed thereon to FCIC.
 - (3) After the termination date, FCIC will collect any unpaid administrative fees and any interest owed thereon for any catastrophic risk protection policy and we will collect any unpaid administrative fees and any interest owed thereon for additional coverage policies.
- (b) For the purpose of any other amounts due us, such as repayment of indemnities found not to have been earned, interest will start to accrue on the date that notice is issued to you for the collection of the unearned amount.
 - (1) Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice by us.
 - (2) The amount will be considered delinquent if not paid within 30 days of the date the notice is issued by us.
- (c) All amounts paid will be applied first to expenses of collection (see subsection (d) of this section), if any, second to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in collection, you agree to pay all of the expenses of collection.
- (e) The portion of the amounts owed by you for a policy authorized under the Act that are owed to FCIC may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37. Such amounts include all administrative fees, and the share of the overpaid indemnities and premiums retained by FCIC plus any interest owed thereon.

10. Payment and Interest Limitations

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction, from and including the 61st day after the date you sign, date, and submit to us the properly completed claim on our form. Interest will be paid only if the reason for our failure to timely pay is NOT due to your failure to provide information or other material necessary for the computation or payment of the

indemnity. The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

11. Concealment, Misrepresentation, or Fraud

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has intentionally concealed or misrepresented any material fact relating to this policy:
 - (1) This policy will be voided; and
 - (2) You may be subject to remedial sanctions in accordance with 7 CFR part 400, subpart R.
- (b) Even though the policy is void, you will still be required to pay 20 percent of the premium that you would otherwise be required to pay to offset costs incurred by us in the service of this policy. If previously paid, the balance of the premium will be returned.
- (c) Voidance of this policy will result in you having to reimburse all indemnities paid for the crop year in which the voidance was effective.
- (d) Voidance will be effective on the first day of the quarterly insurance period for the crop year in which the act occurred and will not affect the policy for subsequent crop years unless a violation of this section also occurred in such crop years.
- (e) If you willfully and intentionally provide false or inaccurate information to us or FCIC or you fail to comply with a requirement of FCIC, in accordance with 7 CFR part 400, subpart R, FCIC may impose on you:
 - (1) A civil fine for each violation in an amount not to exceed the greater of:
 - (i) The amount of the pecuniary gain obtained as a result of the false or inaccurate information provided or the noncompliance with a requirement of FCIC; or
 - (ii) \$10,000; and
 - (2) A disqualification for a period of up to 5 years from receiving any monetary or non-monetary benefit provided under each of the following:
 - (i) Any crop insurance policy offered under the Act;
 - (ii) The Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7333 et seq.);
 - (iii) The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.);
 - (iv) The Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);
 - (v) The Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.);
 - (vi) Title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.);
 - (vii) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.); and
 - (viii) Any federal law that provides assistance to a producer of an agricultural commodity affected by a crop loss or a decline in the prices of agricultural commodities.

12. Transfer of Coverage and Right to Indemnity

If you transfer any of the ownership interest in your milk

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during the crop year, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance.

- (a) We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred.
- (b) The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.
- (c) Both you and the transferee are jointly and severally liable for the payment of the premium.
- (d) The transferee has all rights and responsibilities under this policy consistent with the transferee's interest.
- (e) If the transferee is not eligible for insurance under this policy for any reason, and the transfer occurs before the final 30 days of the quarterly insurance period, then the transferred portion of the coverage will be terminated and you will still be responsible for any premiums owed.

13. Assignment of Indemnity

- (a) You may assign your right to an indemnity for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation. You may be required to provide proof of the debt or other pecuniary obligation before we will accept the assignment of indemnity.
- (b) All assignments must be on our form and must be provided to us. Each assignment form may contain more than 1 creditor or other person to whom you have a financial debt or other pecuniary obligation.
- (c) Unless you have provided us with a properly executed assignment of indemnity, we will not make any payment to a lienholder or other person to whom you have a financial debt or other pecuniary obligation even if you may have a lien or other assignment recorded elsewhere. Under no circumstances will we be liable:
 - (1) To any lienholder or other person to whom you have a financial debt or other pecuniary obligation where you have failed to include such lienholder or person on a properly executed assignment of indemnity provided to us; or
 - (2) To pay to all lienholders or other persons to whom you have a financial debt or other pecuniary obligation any amount greater than the total amount of indemnity owed under the policy.
- (d) If we have received the properly executed assignment of indemnity form:
 - (1) Only 1 payment will be issued jointly in the names of all assignees and you, unless all assignees and you agree in writing for the payment to be issued to a single payee; and
 - (2) Any assignee will have the right to submit all loss notices and forms as required by the policy if you fail to do so. If you have suffered a loss from an insurable cause and fail to submit a claim for indemnity within the period specified in section 7(b):
 - (i) An assignee may submit the claim for indemnity not later than 15 days after the period for filing a claim has expired.
 - (ii) No indemnity will be paid if we determine that we do not have the ability to accurately adjust

the loss for any claim for indemnity. You or any assignee may not dispute the determination.

- (e) If an assignee submits a notice of loss or claim for indemnity because of your failure to timely do so, the assignee assumes any rights and responsibilities you may have under section 19 to dispute determinations related to the notice of loss or claim for indemnity, except for determinations made in accordance with section 13(d)(2)(ii), which apply solely to an assignee.

14. Descriptive Headings

The descriptive headings of the various policy provisions are formulated for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

15. Notices

- (a) All notices required to be given by you must be in writing and received by the insurance agent identified in your application within the designated time unless otherwise provided by the notice requirement.
 - (1) Notices required to be given immediately may be by telephone or in person and confirmed in writing.
 - (2) Time of the notice will be determined by the time of our receipt of the written notice. If the date by which you are required to submit a report or notice falls on Saturday, Sunday, or a federal holiday, or if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.
- (b) All policy provisions, notices and communications that we send to you will be:
 - (1) Provided by electronic means, unless:
 - (i) We do not have the ability to transmit such information to you by electronic means; or
 - (ii) You elect to receive a paper copy of such information;
 - (2) Sent to the location specified in your records with your crop insurance agent; and
 - (3) Conclusively presumed to have been received by you.

16. Applicability of State and Local Statutes

If the provisions of this policy conflict with statutes of the state or locality in which this policy is issued, the policy provisions will prevail. State and local laws and regulations in conflict with federal statutes, this policy, and the applicable regulations do not apply to this policy.

17. Other Insurance

- (a) Nothing in this section prevents you from obtaining other insurance not authorized under the Act. However, you must not obtain insurance under any other livestock plan of insurance issued under the authority of the Act on milk to be marketed during any month of any quarterly insurance period for which you have coverage under this policy. You are also prohibited from obtaining another Dairy Revenue Protection Insurance Policy for the same state for the crop year.
- (b) If you violate conditions in section 17(a), and if you can demonstrate that the duplication was not intentional (for example, an application to transfer

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your policy or written notification to an insurance provider that states you want to purchase, or transfer, insurance and you want any other policies for the crop canceled would demonstrate you did not intend to have duplicate policies), and:

- (1) Both are Dairy Revenue Protection policies, the policy with the earliest application date will be in force and the other policy will be void, unless both policies are with:
 - (i) The same insurance provider and the insurance provider agrees to void the policy with the earliest application date; or
 - (ii) Different insurance providers and both insurance providers agree to void the policy with the earliest application date.
- (2) One policy is Dairy Revenue Protection and the other is a livestock policy insuring milk in a month in a quarterly insurance period for which you have coverage, the policy with the earliest endorsement date will be in force and the other endorsement will be void.

- (c) If you violate conditions in section 17(a), and you cannot demonstrate that the duplication was not intentional, you may be subject to the sanctions authorized under this policy, the Act, 7 CFR part 400, subpart R, or any other applicable statute.

18. Access to Insured Milk and Records, and Record Retention

- (a) We, and any employee of USDA, reserve the right to examine your dairy herd, and all records relating to sale of the milk as often as we reasonably require during the record retention period.
- (b) For 3 years after the end of the quarterly insurance period, you must retain, and provide upon our request, or the request of any USDA employee, complete records of the purchase, feeding (used to determine capacity only), shipment, sale, or other disposition of all the insured milk.
 - (1) You must also provide upon our request, or the request of any USDA employee, separate records showing the same information from any milk not insured.
 - (2) We may extend the record retention period beyond 3 years by notifying you of such extension in writing.
 - (3) Your failure to keep and maintain such records will result in no indemnity being due and since the denial of indemnity is based on a breach of the policy for the quarterly insurance period, you will still be required to pay all premiums owed.
- (c) Any person designated by us, and any employee of USDA, will, at any time during the record retention period, have access:
 - (1) To any records relating to this insurance at any location where such records may be found or maintained; and
 - (2) To the farm.
- (d) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, or any person acting for us, to obtain records relating to the insured milk from any person who may have custody of those records including, but not limited to, packers, banks,

shippers, sale barns, terminals, cooperatives, associations, and accountants. You must assist us in obtaining all records that we request from third parties.

- (e) If USDA initiates a review of a potential violation of Section 3(l):

- (1) Upon our request you must provide all your brokerage records for any crop year in which you obtained coverage under this policy.
 - (i) Records of transactions made under private contracts not traded on regulated commodity exchanges may also be requested if such transactions are based on, or a function of potential or realized indemnities for QCEs.
 - (ii) You must provide the names of all your brokers and persons with whom you have private contracts described in section 18(e)(1), if any.
- (2) The following terms and conditions apply to all requests for records or assistance under subsection 18(e)(1) above:
 - (i) Request for brokerage records or records of private transactions under subsection 18(e)(1) must be limited to those dates on which a potential violation of section 3(l) might have occurred.
 - (ii) Request for brokerage records or records of private transactions under subsection 18(e)(1) may be extended to persons with a substantial beneficial interest in you, and to any entity in which such persons have a substantial beneficial interest.
 - (iii) If you refuse to comply with any requests for records and information under this subsection 18(e), you will be in breach of this policy and we will deny an indemnity for all QCEs in effect for the crop year. All premiums will still be owed.

19. Mediation, Arbitration, Appeal, Reconsideration, and Administrative and Judicial Review

- (a) If you do not agree with any determination made by us, the disagreement may be resolved through mediation in accordance with section 19(f). If the disagreement cannot be resolved through mediation, or you and we do not agree to mediation, you must timely seek resolution through arbitration in accordance with the rules of the American Arbitration Association (AAA), except as provided in sections 19(c) and (e), and unless rules are established by FCIC for this purpose. Any mediator or arbitrator with a familial, financial or other business relationship to you or us, or our agent or loss adjuster, is disqualified from hearing the dispute.
 - (1) All disputes involving determinations made by us are subject to mediation or arbitration. However, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, either you or we must obtain an interpretation from FCIC in accordance with 7 CFR part 400,

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- subpart X or such other procedures as established by FCIC.
- (i) Any interpretation by FCIC will be binding in any mediation or arbitration.
 - (ii) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
 - (iii) An interpretation by FCIC of a procedure may be appealed to the National Appeals Division in accordance with 7 CFR part 11.
- (2) Unless the dispute is resolved through mediation, the arbitrator must provide to you and us a written statement describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award and breakdown by claim for any award. The statement must also include any amounts awarded for interest.
- (i) Failure of the arbitrator to provide such written statement will result in the nullification of all determinations of the arbitrator.
 - (ii) All agreements reached through settlement, including those resulting from mediation, must be in writing and contain at a minimum a statement of the issues in dispute and the amount of the settlement.
- (b) Regardless of whether mediation is elected:
- (1) The initiation of arbitration proceedings must occur within 1 year of the date we denied your claim or rendered the determination with which you disagree, whichever is later;
 - (2) If you fail to initiate arbitration in accordance with section 19(b)(1) and complete the process, you will not be able to resolve the dispute through judicial review;
 - (3) If arbitration has been initiated in accordance with section 19(b)(1) and completed, and judicial review is sought, suit must be filed not later than 1 year after the date the arbitration decision was rendered; and
 - (4) In any suit, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, an interpretation must be obtained from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC. Such interpretation will be binding.
- (c) Any decision rendered in arbitration is binding on you and us unless judicial review is sought in accordance with section 19(b)(3). Notwithstanding any provision in the rules of the AAA, you and we have the right to judicial review of any decision rendered in arbitration.
- (d) If you disagree with any determination made by FCIC or any claim where FCIC is directly involved in the claims process or directs us in the resolution of the claim, you may obtain an administrative review in accordance with 7 CFR part 400, subpart J (administrative review) or appeal in accordance with 7 CFR part 11 (appeal).
- (1) If you elect to bring suit after completion of any appeal, such suit must be filed against FCIC not later than 1 year after the date of the decision rendered in such appeal.
 - (2) Such suit must be brought in the United States district court for the district in which the insured milk is located.
 - (3) Under no circumstances can you recover any attorney fees or other expenses, or any punitive, compensatory or any other damages from FCIC.
- (e) In any mediation, arbitration, appeal, administrative review, reconsideration or judicial process, the terms of this policy, the Act, and the regulations published at 7 CFR chapter IV, including the provisions of 7 CFR part 400, subpart P, are binding. Conflicts between this policy and any state or local laws will be resolved in accordance with section 16. If there are conflicts between any rules of the AAA and the provisions of your policy, the provisions of your policy will control.
- (f) To resolve any dispute through mediation, you and we must both:
- (1) Agree to mediate the dispute;
 - (2) Agree on a mediator; and
 - (3) Be present, or have a designated representative who has authority to settle the case present, at the mediation.
- (g) Except as provided in section 19(h), no award or settlement in mediation, arbitration, appeal, administrative review or reconsideration process or judicial review can exceed the amount of liability established or which should have been established under the policy, except for interest awarded in accordance with section 10.
- (h) In a judicial review only, you may recover attorney's fees or other expenses, or any punitive, compensatory or any other damages from us only if you obtain a determination from FCIC that we, our agent or loss adjuster failed to comply with the terms of this policy or procedures issued by FCIC and such failure resulted in you receiving a payment in an amount that is less than the amount to which you were entitled. Requests for such a determination should be addressed to the following: USDA/RMA/Deputy Administrator of Compliance/ Stop 0806, 1400 Independence Avenue, SW., Washington, D.C. 20250-0806.
- (i) If FCIC elects to participate in the adjustment of your claim, or modifies, revises or corrects your claim, prior to payment, you may not bring an arbitration, mediation or litigation action against us. You must request administrative review or appeal in accordance with section 19(d).
- (j) Any determination made by FCIC that is a matter of general applicability is not subject to administrative review under 7 CFR part 400, subpart J or appeal under 7 CFR part 11. If you want to seek judicial review of any FCIC determination that is a matter of general applicability, you must request a determination of non-appealability from the Director of the National Appeals Division in accordance with 7 CFR 11.6 before seeking judicial review.

20. Contract Changes

- (a) We may change the terms of your coverage under this policy from year to year.
- (b) Any changes in policy provisions, amounts of

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insurance, program dates or DRP-CEE, if applicable, can be viewed on RMA's website not later than the contract change date contained in these Provisions (except as allowed by this policy or as specified in section 3). We may only revise this information after the contract change date to correct clear errors.

- (c) After the contract change date, all changes specified in section 20(b) will also be available upon request from your crop insurance agent.
- (d) You will be notified, in writing, of any changes to the Basic Provisions and Special Provisions not later than 30 days prior to the cancellation date.
- (e) Acceptance of changes will be conclusively presumed in the absence of notice from you to change or cancel your insurance coverage.
- (f) The contract change date is April 30 preceding the cancellation date.

21. Multiple Government Benefits

If you are eligible to receive an indemnity under this policy and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the policy or by law.

22. Correction of Errors

- (a) If RMA is notified there has been a clear and obvious error made in any offers of insurance, such as but not limited to premiums announced that are significantly lower than those for any previous offer, and the error is discovered after acceptance of the QCE by the RMA system, we will provide you with a notice of the error. You must agree to maintain coverage under corrected terms within 5 business days of the received notice, or the affected coverage will be voided.
- (b) Any corrections to your elections on the SCE that impact the premium, liability, or record requirements must be submitted to RMA within 14 calendar days of the effective date. The request must include a timely signed QCE and supporting documentation. Supporting documentation must be dated prior to the end of the SCE sales period and must demonstrate that a clear and inadvertent error was made. The correction is subject to RMA approval.
- (c) In addition to any other corrections allowed in your policy subject to section 22(a), (b), and (d), we may correct:
 - (1) Within 60 days after the sales closing date, any incorrect information on your application or provided by the sales closing date, including identification numbers for you and any person with a substantial beneficial interest in you, to ensure that the eligibility information is correct and consistent with information reported by you to any USDA agency;
 - (2) Within 30 days of any subsequent correction of data by FSA, erroneous information corrected as a result of verification of information; and
 - (3) At any time, any incorrect information if the incorrect information was caused by electronic transmission errors by us or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs.

- (d) Corrections may be made but will not take effect for the current crop year if the correction would allow you to:
 - (1) Avoid ineligibility requirements for insurance or obtain a disproportionate benefit under the crop insurance program or any related program administered by the Secretary;
 - (2) Obtain, enhance, or increase an insurance guarantee or indemnity if a cause of loss exists or has occurred before any correction has been made, or avoid premium owed if no loss is likely to occur; or
 - (3) Avoid an obligation or requirement under any Federal or State law.

23. Examples

The following are examples of the calculation of the liability, premium, and indemnity for each of the 2 options under Dairy Revenue Protection. Your information will likely be different and you should consult the actuarial documents and the policy information. The following facts are for illustration purposes only and apply to each of the examples.

Producer Declarations:

Declared covered milk production	1,000,000 pounds
State	Wisconsin
Declared share	100%
Expected milk production per cow	6,000 pounds per cow per quarter
Coverage level	95%
Protection factor	1.10
Subsidy rate	44%

Example 1: Class pricing option:

Producers Elections/Expected

Declared class price weighting factor	50%
Expected class III milk price	\$18 per hundredweight
Expected class IV milk price	\$17 per hundredweight

Actuals

Actual class III milk price	\$15 per hundredweight
Actual class IV milk price	\$16 per hundredweight
Actual milk production per cow	6,120 pounds per cow per quarter
Milk marketings	900,000 pounds

Premium calculation

Step 1. Determine the liability used to calculate the premium

The liability used to calculate the premium is based on the information provided on your application and QCE.

Formula: ((expected class III price × declared class price weighting factor) + (expected class IV price × (1- declared class price weighting factor))) × declared covered milk production ÷ 100 × coverage level × declared share × protection factor.

$\$182,875 = ((\$18 \times 0.5) + (\$17 \times (1-0.5))) \times 1,000,000 \div 100$

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$$\times 0.95 \times 1.0000 \times 1.10$$

Step 2. Determine the premium

The premium rate is based on the simulated losses under the class pricing option. For this example, the premium rate is \$0.024 per dollar of liability.

$$\text{Gross Premium } \$4,389 = \$182,875 \times \$0.024 \text{ Subsidy } \$1,931 = \$4,389 \times .44$$

$$\text{Producer premium } \$2,458 = \$4,389 - \$1,931$$

Indemnity calculation

Step 1. Determine covered milk production

Determine if total milk marketings are greater than 85% of the declared covered milk production summed over all QCEs for the applicable quarter. 1,000,000 times 0.85 equals 850,000. 900,000 is greater than 850,000. Covered milk production equals 1,000,000.

Step 2. Calculate the final class pricing milk revenue

Formula: ((expected class III price \times declared class price weighting factor) + (expected class IV price \times (1- declared class price weighting factor))) \times covered milk production \div 100.

$$\$175,000 = ((\$18 \times 0.5) + (\$17 \times (1-0.5))) \times 1,000,000 \div 100$$

Step 3. Calculate final revenue guarantee for the class pricing option

Formula: final class pricing milk revenue \times your coverage level.

$$\$166,250 = \$175,000 \times 0.95$$

Step 4. Calculate the yield adjustment factor Formula:

Actual milk production per cow \div expected milk production per cow.

$$1.0200 = 6,120 \div 6,000$$

Step 5. Calculate the class pricing actual milk revenue

Formula: ((actual class III price \times declared class price weighting factor) + (actual class IV price \times (1-declared class price weighting factor))) \times covered milk production \times yield adjustment factor \div 100.

$$\$158,100 = ((\$15 \times 0.5) + (\$16 \times (1-0.5))) \times 1,000,000 \times 1.0200 \div 100$$

Step 6. Calculate the indemnity on class pricing policy.

If the final revenue guarantee is less than the actual milk revenue, then no indemnity is due. If the final revenue guarantee is greater than the actual milk revenue an indemnity is due. In this example - (final revenue guarantee - actual milk revenue) \times actual share \times protection factor.
 $\$8,965 = (\$166,250 - \$158,100) \times 1.0000 \times 1.10$

Example 2: Component pricing option:

Producers Elections/Expected

Declared component price weighting factor	50%
Declared butterfat test	4.00
Expected butterfat price	\$2.70
Declared protein test	3.20
Expected protein price	\$1.90
Other solids test	5.80
Expected other solids price	\$0.15
Expected nonfat solids price	\$0.85

Actuals

Actual milk production per cow	6,120 pounds per cow per quarter
Milk Marketings	900,000 pounds
Actual butterfat test	3.85
Actual butterfat price	\$2.25
Actual protein test	3.15
Actual protein price	\$1.70
Other solids test	5.80
Actual other solids price	\$0.12
Actual nonfat solids price	\$0.75

Premium calculation

Step 1. Determine the liability used to calculate the premium

The liability used to calculate the premium is based on the information provided on your application and QCE.

Formula: [(declared butterfat test \times expected butterfat price + declared protein test \times expected protein price + 5.8 \times expected other solids price) \times declared component price weighting factor + (declared butterfat test \times expected butterfat price + (declared protein test + 5.8) \times expected nonfat solids price) \times (1-declared component price weighting factor)] \times declared covered milk production \div 100 \times your coverage level \times declared share \times protection factor.
 $\$189,145 = [(4.00 \times \$2.70 + 3.20 \times \$1.90 + 5.8 \times \$0.15) \times .5 + (4.00 \times \$2.70 + (3.20 + 5.8) \times \$0.85) \times (1-0.5)] \times 1,000,000 \div 100 \times 0.95 \times 1.0000 \times 1.10$

Step 2. Determine the premium

The premium rate is based on the simulated losses under the component pricing option. For this example, the premium rate is \$0.027 per dollar of liability.

$$\text{Gross Premium } \$5,107 = \$189,145 \times \$0.027$$

$$\text{Subsidy } \$2,247 = \$5,107 \times .44$$

$$\text{Producer premium } \$2,860 = \$5,107 - \$2,247$$

Indemnity calculation

Step 1. Determine covered milk production

Determine if total milk marketings is greater than 85% of the declared covered milk production summed over all QCEs for the applicable quarter. 1,000,000 times .85 equals 850,000. 900,000 greater than 850,000. Covered milk production equals 1,000,000.

Step 2. Determine if the actual butterfat test and the actual

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protein test are greater than 90% of the declared component values.

Declared butterfat test 4.00, and the lower limit for actual is $4.00 \times .90 = 3.60$. The actual is greater than 90% of the declared test value so the final butterfat test is 4.00. 90% of the declared protein test $3.20 \times .90 = 2.88$; the actual test value is greater than 90% of the declared so the final protein test is 3.20.

Step 3. Calculate the final component pricing milk revenue

Formula: [(final butterfat test \times expected butterfat price + final protein test \times expected protein price + $5.8 \times$ expected other solids price) \times declared component price weighting factor + (final butterfat test \times expected butterfat price + (final protein test + 5.8) \times expected nonfat solids price) \times (1-declared component price weighting factor)] \times declared covered milk production $\div 100$.

$$\begin{aligned} \$181,000 &= [(4.00 \times \$2.70 + 3.20 \times \$1.90 + 5.8 \times \$0.15) \times .5 \\ &+ (4.00 \times \$2.70 + (3.20 + 5.8) \times \$0.85) \times (1-0.5)] \times 1,000,000 \\ &\div 100 \end{aligned}$$

Step 4. Calculate final revenue guarantee for the component pricing option

Formula: final component pricing milk revenue \times your coverage level.

$$\$171,950 = \$181,000 \times 0.95$$

Step 5. Calculate the yield adjustment factor

Formula: Actual milk production per cow \div expected milk production per cow.

$$1.0200 = 6,120 \div 6,000$$

Step 6. Calculate the actual milk revenue for the component pricing option

Formula: [(final butterfat test \times actual butterfat price + final protein test \times actual protein price + $5.8 \times$ actual other solids price) \times declared component price weighting factor + (final butterfat test \times actual butterfat price + (final protein test + 5.8) \times actual nonfat solids price) \times (1-declared component price weighting factor)] \times declared covered milk production \times yield adjustment factor $\div 100$.

$$\begin{aligned} \$157,519 &= [(4.00 \times \$2.25 + 3.20 \times \$1.70 + 5.8 \times \$0.12) \times .5 \\ &+ (4.00 \times \$2.25 + (3.20 + 5.8) \times \$0.75) \times (1-0.5)] \times 1,000,000 \\ &\times 1.0200 \div 100 \end{aligned}$$

Step 7. Calculate the indemnity on component pricing policy

If the final revenue guarantee is less than the actual milk revenue, then no indemnity is due. If the final revenue guarantee is greater than the actual milk revenue an indemnity is due. In this example - (final revenue guarantee - actual milk revenue) \times actual share \times protection factor.

$$\$15,874 = (\$171,950 - \$157,519) \times 1.0000 \times 1.10$$

24. Subsidy Capture

- (a) Unless the producer can demonstrate a clear and inadvertent error, the following practices are presumed to be subsidy capture, and are in

violation of section 3(l):

- (1) If you buy a QCE and also open a new short put option on the relevant dairy futures contract, such that:
 - (i) The put option contract month is within the quarterly insurance period;
 - (ii) The put option is sold within 2 trading days before or 5 trading days after the QCE effective date; and
 - (iii) At the time you sold the put option, the option premium (per cwt) was greater than 80 percent of your QCE premium.
- (2) If you buy a QCE and also sell a call option on the relevant dairy futures contract, such that:
 - (i) The call option contract month is within the quarterly insurance period;
 - (ii) The call option is sold within 2 trading days before or 5 trading days after the QCE effective date;
 - (iii) At the time you sold the call option, the option premium (per cwt) was greater than 80 percent of your QCE premium; and
 - (iv) At the time you sold the call option subject to the time period in section 24(a)(2)(ii), you also opened a new long position in the underlying futures contract, such that these 2 positions jointly created a payoff schedule equivalent to selling a put option.
- (b) Any private contract not traded on regulated commodity exchanges under which uncertain future indemnities for QCEs are effectively exchanged for a certain dollar amount is presumed to be subsidy capture, and is in violation of section 3(l).