

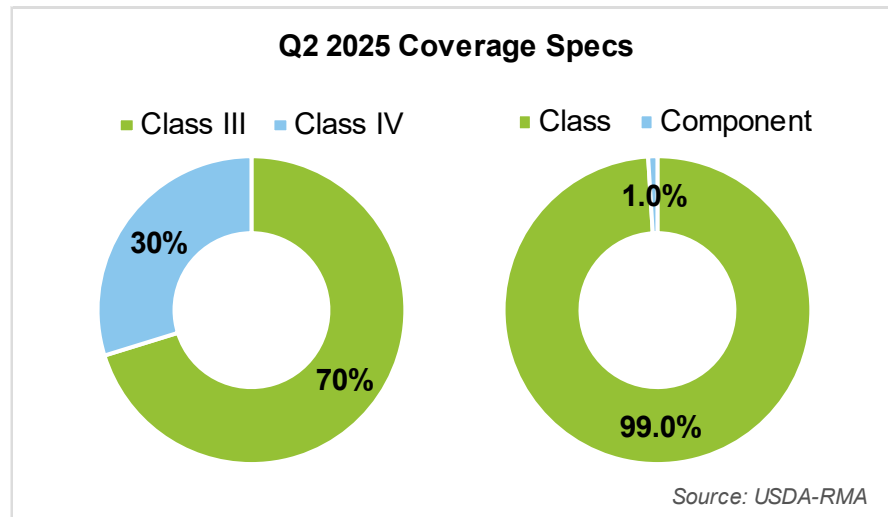
At the time of publishing, Q2 2025 indemnities have not yet been released by USDA-RMA. As such, the most recent quarter's indemnity payments in this report are estimated using announced class and component prices and milk yields.

Overview & Key Points

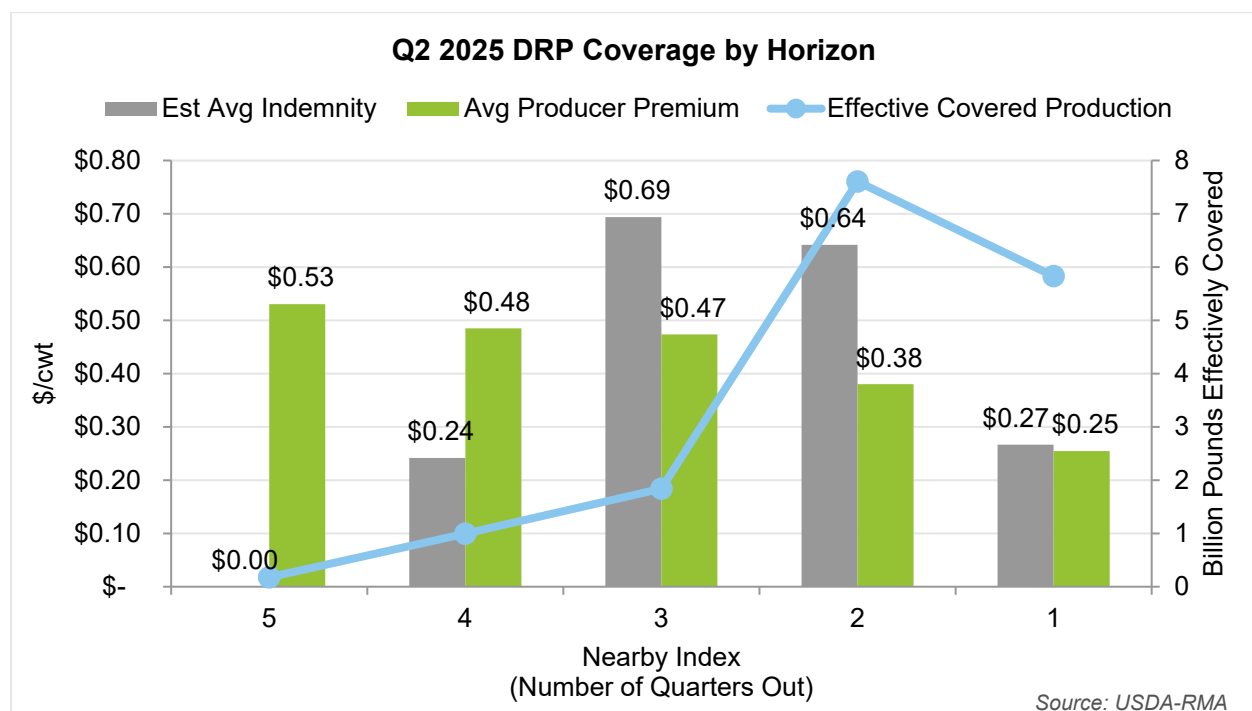
- Estimated indemnities for Q2 2025 averaged \$0.48/cwt. After factoring in producer premiums, which averaged \$0.35/cwt, the estimated net return to producers was +\$0.13/cwt.
- Over 16.4 billion pounds of milk were covered under DRP during Q2 2025, representing 28% of the U.S. milk supply. While indemnity payments increased from the previous quarter, total covered milk volumes fell by almost 13% (-2.4 billion pounds).
- If ignoring yield adjustment factors (YAF), indemnities for Q2 2025 would have triggered for both Class III and Class IV class pricing endorsements. Out of the 265 days that coverage was available, Class III coverage at the 95% coverage level exceeded the final settlement on 42 days (15.8% of the time), while Class IV coverage exceeded the final settlement on 186 days (70.2% of the time).

Total Effective Pounds Covered:	Total Producer Premium:	Estimated Total Indemnities Paid:	Estimated Total Net to Producers:
16.4 billion lbs	\$58.2 million	\$79.5 million	\$21.3 million
Share of U.S. Milk Supply Covered:	Average Producer Premium:	Estimated Average Indemnity Paid:	Estimated Average Net to Producers:
28%	\$0.35/cwt	\$0.48/cwt	\$0.13/cwt

Source: USDA-RMA



Coverage Performance by Horizon

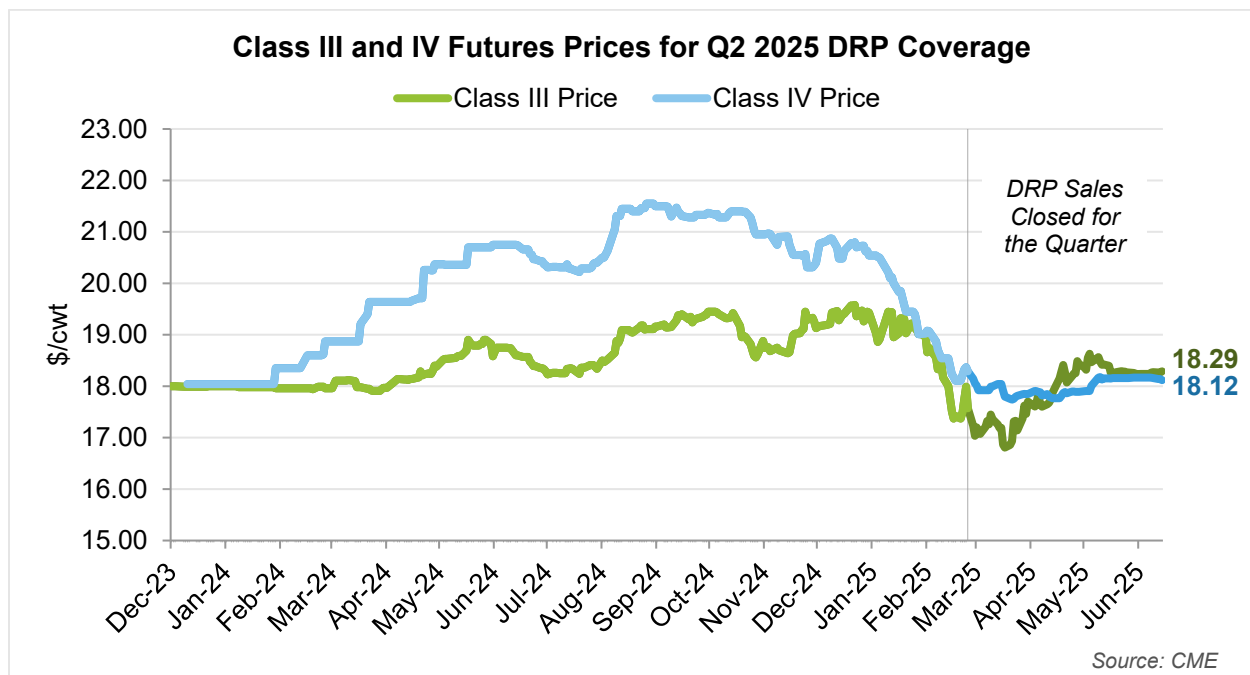


Note: Class IV coverage was not offered for Q2 2025 until December 28, 2023 (a few days into nearby index 5).

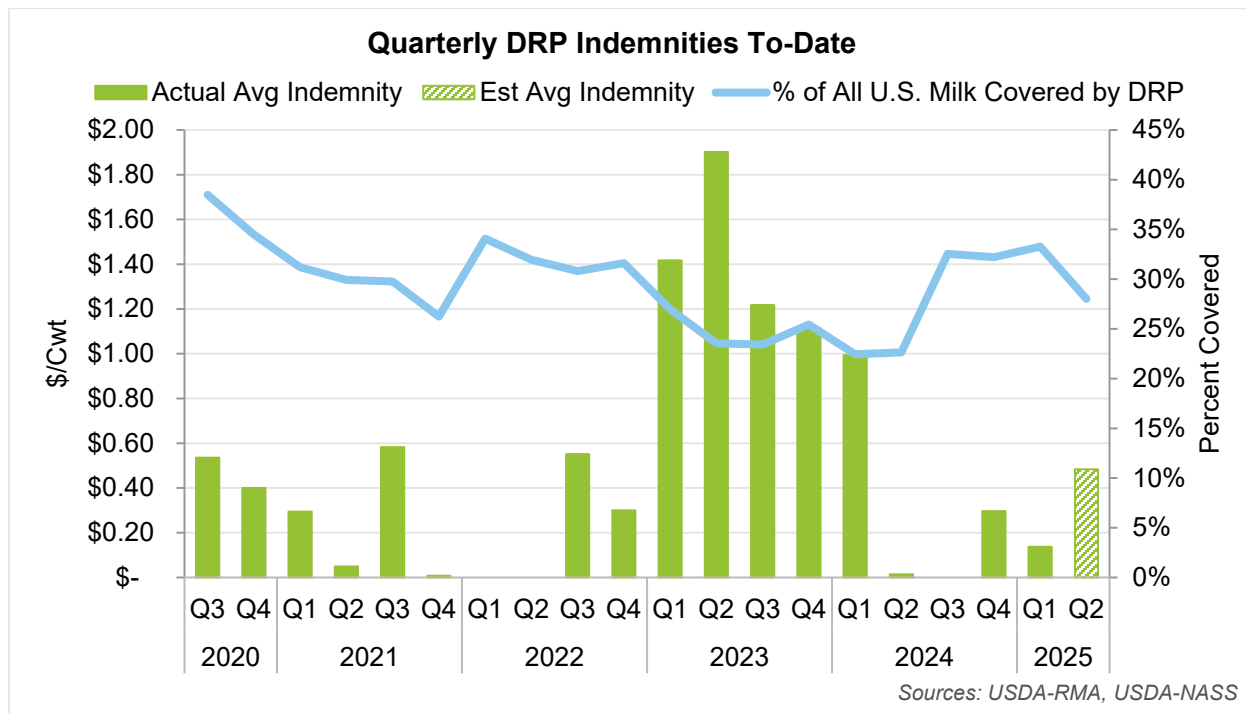
Nearby Index	Effective Covered Production		Class III Price (\$/cwt)			Class IV Price (\$/cwt)		
Number of Quarters Out	Billion Lbs	Share (%)	Min	Max	Avg	Min	Max	Avg
5	0.176	1%	17.94	18.00	17.97	18.04	18.87	18.43
4	0.996	6%	17.91	18.90	18.38	18.87	20.70	20.06
3	1.839	11%	18.23	19.18	18.74	20.22	21.55	20.94
2	7.604	46%	18.56	19.45	19.13	20.31	21.55	21.10
1	5.830	35%	17.37	19.58	19.03	18.11	20.87	19.93

Source: USDA-RMA

Nearby Index	Sales Effective Date Range
5	12/16/23 - 03/15/24
4	03/16/24 - 06/15/24
3	06/16/24 - 09/15/24
2	09/16/24 - 12/15/24
1	12/16/24 - 03/15/25



Participation and Performance

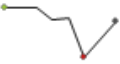

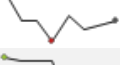





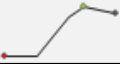



Impact of Yield Adjustments

The Yield Adjustment Factor (YAF) is calculated as the state or pooled production region's actual yield released in USDA's *Milk Production* report divided by the expected yield at the time of coverage. The YAF can have a positive or negative impact on indemnity payments:

- YAF > 1: When the actual yield is greater than the expected yield, the potential indemnity is reduced.
- YAF < 1: When the actual yield is less than the expected yield, the potential indemnity is enhanced.

Q2 2025 Expected and Actual Yields (Pounds)

State	Expected Yield Releases						Actual Yield	Yield Trend
	1	2	3	4	5	6		
California	6,218	6,214	6,214	6,139	6,141	5,884	6,125	
Wisconsin	6,524	6,520	6,520	6,542	6,507	6,533	6,515	
Texas	6,661	6,617	6,617	6,585	6,624	6,604	6,615	
Idaho	6,528	6,523	6,523	6,523	6,461	6,475	6,487	
New York	6,661	6,657	6,657	6,580	6,569	6,585	6,541	
Michigan	7,135	7,130	7,130	7,092	7,103	7,126	7,016	
Minnesota	6,079	6,078	6,078	6,001	5,910	5,965	6,020	
Pennsylvania	5,627	5,632	5,632	5,513	5,396	5,427	5,385	
Iowa	6,213	6,242	6,242	6,280	6,272	6,296	6,305	
New Mexico	6,266	6,267	6,267	6,289	6,314	6,327	6,318	

Source: USDA-RMA

Q2 2025 Yield Adjustment Factors by Release Period

State	Expected Yield Releases						Yield Trend
	1	2	3	4	5	6	
California	0.9850	0.9857	0.9857	0.9977	0.9974	1.0410	
Wisconsin	0.9986	0.9992	0.9992	0.9959	1.0012	0.9972	
Texas	0.9931	0.9997	0.9997	1.0046	0.9986	1.0017	
Idaho	0.9937	0.9945	0.9945	0.9945	1.0040	1.0019	
New York	0.9820	0.9826	0.9826	0.9941	0.9957	0.9933	
Michigan	0.9833	0.9840	0.9840	0.9893	0.9878	0.9846	
Minnesota	0.9903	0.9905	0.9905	1.0032	1.0186	1.0092	
Pennsylvania	0.9570	0.9561	0.9561	0.9768	0.9980	0.9923	
Iowa	1.0148	1.0101	1.0101	1.0040	1.0053	1.0014	
New Mexico	1.0083	1.0081	1.0081	1.0046	1.0006	0.9986	

Source: USDA-RMA

Net to producers is equal to the indemnity paid minus the producer premium. Effective covered milk production is equal to the declared production times the protection factor. Class III versus IV coverage is calculated as the effective covered milk production times the class price weighting factor or the component price weighting factor.

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