



United States Department of Agriculture

Risk Management Agency
Insurance Services
Risk Management Education Division
TEL 202-720-4770 FAX 202-690-3605

May 1, 2002

Subject: Invitation to be a Participating Broker in USDA's Dairy Options Pilot Program

Dear Broker:

The USDA's Risk Management Agency (RMA) has implemented Round IV of the Dairy Options Pilot Program (DOPP) in 300 selected counties throughout the United States. We invite you to help us make this program a success by becoming a participating broker.

What is DOPP?

DOPP is a program sponsored by the USDA to show dairy producers how futures and options can be used in price risk management. Under DOPP, producers in selected counties purchase milk put options to protect against falling prices. To encourage producers to purchase options, the USDA shares in the trading costs. Specifically, USDA pays eighty (80) percent of the option premium and up to \$30 per each round turn for broker commissions.

What is the Broker's Role in DOPP?

In the training session attended by DOPP participants, we provide only a brief introduction to price risk management. The generous financial incentive we furnish dairy producers is intended to encourage them to try the simple price risk management strategy of buying put options. However, the success of DOPP will depend on you and the relationship you develop with participating producers. We are hoping that you will supplement our educational efforts by ensuring that the DOPP participants you work with first understand the basic put option buying strategy. You should help them open an account dedicated solely to DOPP trades and assist them in selecting eligible put option purchases within the deadlines set for the program. You should also transmit all DOPP activity to us electronically, so that we can monitor the program and ensure that producers receive their USDA cost share. Finally, we hope that you will take full advantage of DOPP by viewing it as a long term opportunity for you to educate your DOPP clients on the broad range of price risk management strategies and to assist them with their risk management needs.



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The Risk Management Agency Administers and Oversees
All Programs Authorized Under the Federal Crop Insurance Corporation

An Equal Opportunity Employer

As a Broker, How Can You Participate?

- **You must complete DOPP training.** This requirement ensures that you understand the DOPP and that you will be able to provide DOPP participants with the supplemental information they need to take action. You may complete training either through an Internet-based learning module or by attending at one of the on-site sessions in a participating county. We are not allowed to distribute the names of DOPP participants to brokers, so the training sessions provide the **only way** you have for meeting and establishing relationships with producers.
- **You must be able to communicate with us over the Internet.** Specifically, you must have the following: 1) an Internet service provider; 2) an Internet e-mail address; 3) a Windows 95[®] based PC or higher; 4) an Internet browser, which may include either Microsoft Internet Explorer[®] or Netscape[®]; 5) at least a 28.8 modem; and 6) at least 8 MB RAM (16 MB is recommended).
- **You must complete and sign a Broker Agreement.** You must also complete an “Automated Clearinghouse (ACH) Vendor/Miscellaneous Payment Enrollment Form.” The information on this form is necessary in expediting DOPP cost share payments. If you participated in a previous DOPP Round, you must sign a new agreement, but you need not resubmit the ACH form unless your bank or clearinghouse information has changed. We will contact you electronically after you are approved. You will be provided with information on accessing the RMA DOPP broker entry site along with a fully executed copy of the broker agreement. If you meet the eligibility criteria outlined in the agreement and choose to participate, sign and return the agreement with your ACH form to:

Mailing Address:
USDA-Risk Management Agency-DOPP
1400 Independence Ave. SW, Stop 0808
Portals Bldg., 5th Floor, Suite 508
Washington, D.C. 20250-0808

Express/Overnight Mail:
USDA-Risk Management Agency-DOPP
1250 Maryland Ave. SW
Portals Bldg., 5th Floor, Suite 508
Washington, D.C. 20024

We look forward to working with you to deliver this innovative educational program. If you have any questions regarding DOPP, please contact Lon Burke at (202) 720-5265, FAX (202) 690-3605 or you can email him at rma.options@wdc.usda.gov. You can also obtain DOPP information on our website at www.rma.usda.gov. Click on Producer Training. The website will list the date, time and location of all scheduled training meetings. We appreciate your prospective interest in participating in DOPP.

Sincerely,

Craig Witt

Craig Witt, Director
Risk Management Education