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## Dairy Margin Coverage Program

The 2018 Farm Bill authorized the new Dairy Margin Coverage (DMC) program, which is a voluntary risk management program for dairy producers. DMC replaces the Margin Protection Program for Dairy (MPP-Dairy).

DMC continues to offer protection to dairy producers when the difference between the all milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer.



### Program at a Glance

The program provides:

- catastrophic coverage, at no cost to the producer, other than an annual \$100 administrative fee that is waived in some cases; and
- various levels of buy-up coverage.



### Benefits

DMC helps producers manage the ups and downs. So far, DMC payments have been triggered in January, February, and March 2019.

FSA and the University of Wisconsin partnered on the development of a DMC decision support tool (<https://www.fsa.usda.gov/programs-and-services/farm-bill/farm-safety-net/dairy-programs/dmc-decision-tool/index>) that helps producers determine the level of coverage under a variety of conditions that will provide them with the strongest financial safety net. It allows farmers to simplify their coverage level selection by combining operation data and other key variables to calculate coverage needs based on price projections. Visit the tool (<https://www.fsa.usda.gov/programs-and-services/farm-bill/farm-safety-net/dairy-programs/dmc-decision-tool/index>).

## **Who Is Eligible?**

To be eligible for DMC, a dairy operation must:

- Produce and commercially market milk from cows located in the United States; and
- Provide proof of milk production at the time of registration.

Dairy operations may consist of one or more dairy producers who are in the business of commercially producing and marketing milk as a single unit.

Dairy producers who are members of the dairy operation must share in the risk of producing milk and make contributions to the dairy operation that are at least commensurate with their share of the proceeds of the operation.

Dairy operations must be in compliance with highly erodible land and wetland conservation provisions. For more information, visit [fsa.usda.gov/compliance](http://fsa.usda.gov/compliance) (<http://fsa.usda.gov/compliance>). Adjusted gross income provisions do not apply to DMC.

Producers may have more than one dairy operation, but they must be separate and distinct in order to have a separate contract.

## **How It Works**

To participate in DMC, dairy producers:

- select a coverage level ranging from \$4.00 to \$9.50 per cwt, in \$0.50 increments
- select a coverage percentage of the dairy operation's production history ranging from 5 percent to 95 percent, in 5 percent increments.

Producers have the choice to lock in coverage levels until 2023 and receive a 25 percent discount on their DMC premiums.

Dairy operations who paid MPP-Dairy premiums during any calendar year from 2014 through 2017 may be eligible to receive a repayment for part of the premiums paid into the program. Through September 20, 2019, an operation either can elect to receive 50 percent of the repayment amount as a cash refund or take 75 percent of the amount as a credit that can be used toward premiums for DMC.

## **How to Apply**

FSA will open signup for DMC on June 17, providing coverage retroactive to January 1, 2019, with applicable payments following soon after enrollment. FSA will make more information available as signup nears.

**Prices**

Read the details on how the prices below are used in the DMC calculation.

Month	Pay Periods	Corn (\$/bu)	Alfalfa Hay (\$/ton)	Soybean Meal (\$/ton)	All Milk< (\$/cwt)	Final Feed Costs for MPP-D (\$/cwt)	Milk Margin Above Feed Costs (\$/cwt)	Milk Margin /pay Period*
<b>2019</b>								
December								
November								
October								
September								
August								
July								
June								
May								
April		3.52	199.00	304.26	17.70	8.74	8.96	
March		3.61	184.00	306.38	17.50	8.65	8.85	
February		3.60	180.00	306.83	16.80	8.58	8.22	
January		3.56	181.00	314.92	16.60	8.61	7.99	

\*At a milk margin minus feed costs of \$9.50 or less, payments are possible depending on the level of coverage chosen by the dairy producer.

**Sources:**

Corn, Alfalfa hay and All-milk full month prices (not preliminary) can be found in the National Agricultural Statistics Service Agricultural Prices monthly publication (<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1002>).

Soybean Meal prices can be found in the Agricultural Marketing Service daily Central Illinois Soybean Processor report ([http://www.ams.usda.gov/mnreports/gx\\_gr117.txt](http://www.ams.usda.gov/mnreports/gx_gr117.txt)) . (Go to the 48 percent Soybean Meal R monthly price at the bottom of the report).

 **More Information**

The 2018 Farm Bill enabled dairy producers who had covered under MPP-Dairy, the predecessor of DMC, to be eligible for reimbursements. An operation either can receive 50 percent of the reimbursement amount as a cash refund or take 75 percent of the amount as a credit toward premiums for DMC. Producers must make repayment elections by September 20, 2019.

Read more information (<https://www.fsa.usda.gov/news-room/news-releases/2019/usda-announces-repayment-options-for-producers-with-coverage-in-previous-margin-protection-program-for-dairy>).

**Dairy Margin Coverage – a new risk management option.**

Watch Dr. Mark Stephenson as he describes what the Dairy Margin Coverage (DMC) decision tool is and how it works and functions:

[https://dairymarkets.org/DMC/DMC\\_Video.mp4](https://dairymarkets.org/DMC/DMC_Video.mp4) ([https://dairymarkets.org/DMC/DMC\\_Video.mp4](https://dairymarkets.org/DMC/DMC_Video.mp4)) .

This DMC decision tool can be used to help you look at and think about what your opportunities are.

**Note on Sequestration:** *Payments under DMC may be reduced by a certain percentage (6.2 percent in 2019) due to a sequester order required by Congress and issued pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985. Should a payment reduction be necessary, FSA will reduce the payment by the required amount.*



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