United States Department of Agriculture

FACT SHEET
April 2018

Farm Service Agency
MPP-DAIRY

Margin Protection Program for Dairy

Overview

The Margin Protection Program for Dairy (MPP-Dairy) is a voluntary risk management program for dairy producers authorized by the 2014 Farm Bill through Dec. 31, 2018. Significant changes to MPP-Dairy for the 2018 coverage year are further authorized by the Bipartisan Budget Act of 2018. The MPP-Dairy offers protection to dairy producers when the difference between the all milk price and the average feed cost (the margin) falls below a certain dollar amount selected by the producer.

A web tool is available that will allow dairy producers to use data unique to their specific operation, combined with other variables, to test a variety of financial scenarios before eventually enrolling in the new MPP-Dairy. The web tool is located at **www.fsa.usda.gov/mpptool**.

Eligible Dairy Operations

To be eligible for MPP-Dairy, a dairy operation must:

- Produce and commercially market milk from cows located in the United States;
- Provide proof of milk production at the time of registration; and
- Not be enrolled in the Risk Management Agency's Livestock Gross Margin for Dairy Program (LGM-Dairy).

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 www.fsa.usda.gov/compliance. Adjusted gross income provisions do not apply to MPP-Dairy.

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

Dairy operations, as constituted for the Milk Income Loss Contract (MILC) Program, are eligible for MPP-Dairy.

Registration

Eligible dairy operations must register for coverage at the Farm Service Agency (FSA) office where their farm records are maintained by:

- Establishing a production history by completing and submitting form CCC-781, "Margin Protection Program for Dairy Producers (MPP-Dairy) Production History Establishment";
- Completing and submitting form CCC-782, "Margin Protection Program for Dairy Producers (MPP-Dairy) Contract and Annual Coverage Election";
- Paying the $100 administrative fee; and
- Paying the premium, if any.

An administrative fee of $100 is required to be paid for each covered year through the duration of the program, except that this will not apply for dairy operations that opt out for the 2018 coverage year nor apply to producers that qualify for exemption as a limited resource, beginning, veteran, or socially disadvantaged (SDBLRV) farmer.

2018 Registration and Re-Enrollment Period

The registration and re-enrollment period for coverage year 2018 will begin April 9, 2018, and continues through June 1, 2018. The re-enrollment period allows dairy producers, including those that previously signed up and those that did not, an opportunity to make new elections for 2018. Coverage begins January 1, 2018.

If a dairy operation previously elected coverage for 2018, a new coverage election for 2018 must be made during the re-enrollment period. If a new election for 2018 is not made, the dairy operation will not have coverage for 2018.

To qualify for the administrative fee exemption as a limited resource, beginning, or socially disadvantaged farmer or rancher, form CCC-860 must be completed and submitted at the time of 2018 registration for coverage to the dairy operation's local County FSA Office, if not already on file. Veteran status candidates only, seeking the administrative fee exemption must provide a copy of form DD-214 to the County Office at the time of registration for 2018 coverage. A refund of an administrative fee previously paid for 2018 coverage may be requested from the County Office if the producer now qualifies for the SDBLRV exemption.

A new dairy operation that has been established after a registration period closes is required to submit a contract within the first 90 calendar days in which the dairy operation first commercially markets milk for the calendar year or wait until the next registration period for the next calendar year of coverage. Coverage for dairy operations registering within the first 90 days of marketing milk will become effective beginning the next full month after registration.

During the 2018 re-enrollment period, dairy producers with 2018 target marketings under LGM-Dairy that want to participate in MPP-Dairy must sign up during the MPP-Dairy 2018 re-enrollment period, no later than June 1, 2018. However, MPP-Dairy coverage will not begin until the month after the producers target marketings under LGM-Dairy have concluded to ensure the contractual requirements of the LGM-Dairy insurance contract have been met.

Production History Establishment

Participating dairy operations establish their production history upon initial registration and all producers in the participating dairy operation must provide adequate proof of the dairy operation's quantity of milk marketed commercially. All information provided is subject to verification and spot-checked by FSA.

For existing dairy operations, the production history is established using the highest annual milk production marketed during the full calendar years of 2011, 2012 or 2013.

Dairy operations without 12 full months of milk marketings as of Feb. 7, 2014, may be considered new dairy operations.

New dairy operations may establish their production history using one of the following methods:

- Available full month's marketed milk production for the calendar year the operation first began to market milk, calculated to a yearly amount using a national index based on seasons; or
- Estimated actual marketed milk production based on the actual herd size of the dairy operation relative to the national rolling herd average.

In subsequent years, the production history of a participating dairy operation will be adjusted to reflect any increase in the national average milk marketing production; no change in production history is otherwise allowed, except for an intergenerational transfer. Additionally, there will be no change in production history through the expansion or reduction in herd size of the participating dairy operation.

Intergenerational Transfers

A dairy operation may add to their Commodity Credit Corporation (CCC)-approved production history once during the term of the contract (through Dec. 31, 2018) to accommodate intergenerational transfers, where a son, daughter, grandchild or spouse of a child or grandchild joins the participating dairy operation. The quantity of increased production history will be determined based on the number of cows purchased by the new family member multiplied by the national rolling herd average data for the current year in effect at the time of the intergenerational transfer. The increased production quantity will be limited to four million pounds and will receive coverage at the same elected coverage threshold and coverage percentage in effect for the participating dairy operation at the time the production history takes effect. To be eligible, the new family member joining the dairy operation must certify to equity and labor contributions.

Note: An intergenerational transfer will not be allowed if the participating dairy operation's current annual production and the increase in herd size by the new member(s) are less than the operation's established production history.

The dairy operation will have the option to make their intergenerational transfer effective with the next month following FSA notification on form CCC-781 Continuation Sheet or the next coverage year (Jan. 1, 2018). If the dairy operation elects to make coverage on the additional quantity effective in the same coverage year, any additional premium for the production will be due at the same time as the premium on the existing production, except if the notification is made after Sept. 1, payment for the additional premium will be due immediately.

Notification of an intergenerational transfer must be made to FSA within 60 calendar days of the cow purchase(s).

Coverage Election

Catastrophic (CAT) coverage of $4 margin coverage level at 90 percent of the established production history requires no premium payment, but the dairy operation must pay the $100 administrative fee, unless exempt for SDLRBV.

For increased protection, dairy operations may annually select a percentage of coverage from 25 to 90 percent of the established production history in 5 percent increments and a coverage level threshold from $4.50 to $8 in 50 cent increments.

Coverage election must be made prior to the end of the annual election period. After the initial year of registration, failure to make an election results in the coverage level defaulting to the CAT level of 90 percent at $4 margin. Dairy operations may only select one coverage level percentage and coverage level threshold for the applicable calendar year. All producers in the participating dairy operation with a share and risk in the milk marketing must agree to the coverage elected on the contract.

For the 2018 coverage year only, MPP-Dairy participants may opt out of the program by not making a coverage election during the applicable annual coverage election for the 2018 coverage year.

Premiums

A participating dairy operation will pay a premium based on the level of coverage elected. Premiums will be calculated by multiplying the coverage percentage selected (from 25 percent to 90 percent) multiplied by the production history of the dairy operation to obtain the covered milk marketings. The covered milk marketings in hundredweight (cwt.) are multiplied by the premium per cwt. applicable to the coverage level selected. Premiums will be calculated from Tier 1 for covered production history up to five million pounds and from Tier 2 for covered production history exceeding five million pounds.

For calendar year 2018, 100 percent of the calculated premium is due by Sept. 1 of the calendar year of coverage for dairy operations that elect coverage above the $4 level.

An operation must pay either:

(1) The premium in full at the time of annual coverage election; or

(2) 100 percent of the premium by Sept. 1 of the applicable calendar year of coverage.

Example: The premium is due Sept. 1, 2018, for the 2018 coverage year.

Premium payments may be submitted to the administrative FSA county office at any time prior to Sept. 1 or the deadline determined by FSA.

Coverage Level (Margin) per cwt.	Tier 1 Premium for 2018	Tier 2 Premium for 2018
	Covered production history less than five million lbs.	Covered production history greater than five million lbs.
$4.00	None	None
$4.50	None	$0.020
$5.00	None	$0.040
$5.50	$0.009	$0.100
$6.00	$0.016	$0.155
$6.50	$0.040	$0.290
$7.00	$0.063	$0.830
$7.50	$0.087	$1.060
$8.00	$0.142	$1.360

If the dairy operation selected buy-up coverage during the previous 2018 enrollment period, new 2018 coverage elections made during 2018 re-enrollment will change the previously calculated amount of the premium. If the dairy operation has already paid the 2018 premium, a refund may be requested or that amount may be applied to the dairy operation's newly calculated premium for 2018.

Premium balances due by Sept. 1 will not be deducted from any MPP-Dairy payments made to the participating dairy operation during the applicable calendar year of coverage.

New dairy operations formed after the annual registration period will have their premiums prorated for that year based on the portion of the calendar year for which they purchase coverage.

Dairy operations may have their milk marketing company remit the premium payment to their administrative FSA county office on their behalf if an agreement is worked out with their milk marketing company.

Margin Calculations

The "production margin" is the difference between the national all milk price and the national average feed cost.

The all milk price is the average price of milk marketed in the United States as reported by the National Agricultural Statistics Service (NASS).

The average feed cost is calculated by using the sum of:

- 1.0728 times the price of corn per bushel, plus
- .00735 times the price of soybean meal per ton, plus
- .0137 times the price of alfalfa hay per ton.

The corn and alfalfa hay prices are those reported in the monthly NASS Agricultural Prices Report. The price of soybean meal is the Central Illinois soybean meal price delivered by rail as reported in the Agricultural Marketing Service (AMS) Market News-Monthly.

The production margin will be calculated monthly.

Payments

A participating dairy operation will receive a margin protection payment whenever the average actual dairy production margin for a month is less than the coverage level threshold selected by the participating dairy operation, except if the dairy operation opts out of 2018 coverage.

The margin protection payment calculation is the:

- Coverage level threshold selected by the participating dairy operation, minus
- Actual dairy production margin for the month, multiplied by
- Coverage percentage selected by the participating dairy operation, multiplied by
- Established production history in cwt. of the participating dairy operation, divided by 12.

Example: A dairy operation has an established production history of three million pounds (30,000 cwt.). The participating dairy operation selected the 50 percent coverage level at the $7 threshold. The actual production margin is $5 for that month. The actual production margin is less than the threshold selected. Therefore, a payment will be earned as calculated below:

$7 threshold minus $5 margin = $2 difference
$2 times 50 percent times 2,500 cwt. (30,000 cwt. / 12) = $2,500.

Payments under MPP-Dairy may be reduced by a certain percentage 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.

Contract Modifications

Dairy operations must immediately notify FSA of any modifications that may affect their participation in MPP-Dairy. Contract modifications include, but are not limited to, the death of a producer on the contract; producer joining the operation; member exiting the operation; relocation of the dairy operation; transfer of shares by sale or other transfer action; or dairy operation reconstitutions resulting in a change in the organizational structure of the participating dairy. Changes are subject to review by FSA to determine if the changes were made solely to circumvent the purpose of the program.

In general, if premiums are paid in full, modifications will take effect the next month . Otherwise, modifications will not be recognized until the following open election period when all associated premiums from any previous calendar year of coverage have been paid in full.

How to Apply

To apply for MPP-Dairy, dairy operations must submit form CCC-781, "Margin Protection Program for Dairy Producers (MPP-Dairy) Production History Establishment," and form CCC 782, "Margin Protection Program for Dairy Producers (MPP-Dairy) Contract and Annual Coverage Election," to their local FSA county office. These forms are available at FSA county offices and online at **http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home**.

For More Information

This fact sheet is provided for informational purposes only; other restrictions or eligibility requirements may apply. For details, visit **www.fsa.usda.gov/dairy** and consult with your local FSA county office. The MPP-Dairy web tool is available online at **www.fsa.usda.gov/mpptool**. To find your local FSA county office, visit **http://offices.usda.gov**.