DAIRY MARGIN PROTECTION PROGRAM

Farm Service Agency

July 2016

Presented by FSA:

- July 11, 2016 in Elkton, MD - Dottie Mortimer, County Executive Director, Cecil and Harford Counties FSA, Phone 410-398-4411 (Cecil) or 410-838-3950 (Harford), Ext 2

- July 12, 2016 in Boonsboro, MD - Colleen Cashell, County Executive Director, Washington County FSA, Phone 301-797-0500, Ext 2.

- July 14, 2016 in Mountain Lake Park, MD - Eric McCartney, County Executive Director, Garrett County FSA, Phone 301-334-6954

National Dairy Margin-Based Payment

- The national dairy margin is the difference between the all-milk price and average feed cost.
- Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than $4 per cwt; for an annual $100.00 administrative fee.
- Producers may elect to pay a premium for a Buy-up level of coverage, based on the operation’s historical production, that provides payments when averaged bi-monthly margins are between $4 and $8 per cwt.

2017 Registration & Annual Coverage Election Period

- Begins July 1, 2016, and ends on September 30, 2016.
- $100 administrative fee is due by the end of signup. If Buy-up coverage is selected, the premium balance due by September 1, 2017.
- If currently participating, annual coverage election is required through calendar year 2018, with at least $4 margin protection coverage -$100.00 admin fee.
- All fees and premium balances for 2016 must be paid in full before 2017 coverage can be approved/start.

2017 Registration & Annual Coverage Election Period (cont.)

- Dairy Operations enrolling in Buy -up levels can elect to have their milk handler submit a remittance for the remaining outstanding premiums on their behalf to FSA.
- You have a choice in the percentage of your MPP production history to cover:
  - Any number between 5 and 90%, in increments of 5 (so 5%, 10%, 15%, etc., up to 90%).
- You have a choice in the level of margin to cover:
  - Any number between $4.00 and $8.00, in increments of $0.50 (so $4, $4.50, $5, $5.50, etc. up to $8.00.)
- Dairy operations cannot participate in both the FSA MPP-Dairy program and the RMA Livestock Gross Margin Program.

PREMIUM FEES FOR BUY-UP COVERAGE

Coverage Level	Tier 1 Premium per cwt for covered production history at 4 mil lbs or less	Tier 2 Premium per cwt, for covered production history over 4 mil lbs
$4.00	None	None
$4.50	$0.010	$0.020
$5.00	$0.025	$0.040
$5.50	$0.040	$0.100
$6.00	$0.055	$0.155
$6.50	$0.090	$0.290
$7.00	$0.217	$0.830
$7.50	$0.300	$1.060
$8.00	$0.475	$1.360

2017 SIGN-UP PRODUCTION UPDATES

1.0134

BUMP

22,393 lbs. per cow

ROLLING HERD AVERAGE

Margin Payment Calculations

- Program pays indemnities based on the difference (Margin) between:
  - Bi-monthly U.S. average All-Milk price sold to plants and dealers in the U.S
  - And the national average feed cost determined from the cost of feed used to produce a cwt. of milk; calculated by the sum of the products determined by multiplying:
    - 0.0728 by the national price of corn per bushel for a month as reported in the USDA Agricultural Prices Report
    - 0.00735 by the central Illinois price of soybean meal per ton for a month as reported in the USDA Market News-Monthly Soybean Meal Price Report
    - 0.0137 by the national price of alfalfa hay per ton for a month as reported in the USDA Agricultural Prices Report.
- MPP year is divided into 6 two-month payment evaluation periods:

  Jan/Feb, Mar/Apr, May/Jun, Jul/Aug, Sep/Oct, Nov/Dec.
- Margin is calculated late in the month following each 2-month period, by averaging the milk price and feed costs for the 2 months. If a payment is triggered, it is issued in the next month (Ex: Jan/Feb payment would be issued in April).

DUAL PAYMENT CALCULATION

Dairy operations that purchase Buy-up coverage at less than 90% of their established Production History (PH) will also receive CAT coverage on the balance of the production, up to 90%, if a margin triggers below CAT-level. Margin MUST drop below $4.00 for **dual payment calculation** to go into effect.

EXAMPLE:

Dairy operation has 1 million lb PH with 80% elected coverage at the $6 trigger level. Margin triggers at $3.00. Dual payment will be based on the following:

- 800,000 lbs (80% of PH) calculated at $3.00/cwt payment rate ($6-$3) – Buy UP level payment is $4,000 (8,000 cwt/6 payment periods x $3).
- 100,000 lbs (10% balance of PH) calculated at $1.00 payment rate ($4-$3) - CAT level payment is $167 (1,000 cwt/6 payment periods x $1).

**NEW **
INTERGENERATIONAL TRANSFERS

- Allows for an additional quantity of production to be added to the established production history of a dairy operation when a lineal descendant joins a participating dairy operation. ELIGIBLE FAMILY MEMBERS - LINEAL - Son, Daughter, Adopted Child, Grandchild, or Spouse of any of the above.
- To be eligible, the dairy operation must certify the following for each new family member joining the operation:
  - *Will be the principal source of non-investment earned income.*
  - *Is a lineal descendant of a current member of the operation.*
  - *Has significant equity ownership in the dairy operation.*
    - At least 10% individually
    - At least 25% collectively for multiple family members
  - *Contributes a minimum of 35 labor hours per week or has a transition plan to meet this.*

INTERGENERATIONAL TRANSFERS

- Intergenerational Transfers are allowed retroactively during the 2017 Sign-up Period for 2014, 2015, and January 1, 2016, through June 30, 2016.
- Intergenerational Transfers are limited by the following:
  - One-time production history increase for the term of the program - Based on purchase of the new dairy cows being added by the new family member
  - Maximum increased quantity of 4 million pounds
  - Same coverage threshold and percentage elected by the operation for that year
  - Not allowed if operation's current actual annual production plus the increase is less than the dairy operation's MPP established production history

CALCULATING THE ADDITIONAL QUANTITY FOR INTERGENERATIONAL TRANSFERS

National Rolling Herd Avg × Quantity of Cows Purchased = Additional Production History Quantity

DAIRY FACILITY LEASE - HERD RELOCATIONS

- Production history associated with a leased/rented facility CANNOT be transferred to a new location, even if the following occur:
  - Renter/lessee established the production history and
  - Cows that established the history are moving to a new location.
- Producers in a leased/rented dairy operation facility that relocate to another facility can elect *either* of the following for the remainder of the coverage year:

Continue Coverage — All outstanding fees must be current by September 1

Terminate Coverage — A prorated refund based on the 2-month consecutive period following CCC-783 submission may be applicable

HERD RELOCATION -IF CONTINUE COVERAGE AT NEW LOCATION

Production History at New Location

- MPP Production History EXISTING at the new location becomes the MPP Production History for the dairy operation.

No Production History at New Location

- Must establish new Production History using methods for NEW dairy operations
- Cannot use Production History from previous rented/leased facility

Succession-In-Interest Production History Transfers

- Producers of a registered MPP-Dairy facility may transfer ownership of the dairy operation through sale or other transfer action that includes the established CCC-approved Production History to the new owner of the operation.
- A successor-in-interest becomes effective immediately for a dairy operation with CAT level coverage. Signatures from both the original owner and the successor or new owner are required on a new CCC-781. A new CCC-782 (Election form) must be completed by the successor or new owner.
- For a succession-in-interest to become effective immediately for a dairy operation with buy up level coverage, all premiums must be paid in full so that any payment triggered will go to the successor-in-interest.

Options for Lease Relocation, Deceased or Retiring Producer and Dissolving Operation with CAT Coverage

- A decedent’s estate, or a retiring producer that is dissolving the dairy operation, or a dairy operation that goes out of business or is relocating a leased dairy operation, that has CAT level coverage, has the following options when filing form CCC-783:
  - Continue coverage for remainder of calendar year.
  - Discontinue coverage for remainder of calendar year - $100 Administrative Fee is nonrefundable.
  - Succeed interest in dairy operation (location/cows) to new owner/buyer.

Options for Lease Relocation, Deceased or Retiring Producer and Dissolving Operation with Premium Coverage

- A decedent's estate, or a retiring producer that is dissolving the dairy operation, or a dairy operation that goes out of business or is relocating to leased dairy operation, that has purchased Buy-up level coverage, can elect either of the following options:
  - Continue MPP contract coverage for the remainder of the coverage year.
  - Terminate MPP contract coverage for the remainder of the coverage year and request either, based on the next consecutive 2-month period following submission of CCC-783 to the County Office*:*
    - a waiver of obligation to pay outstanding premium fees.

      Note: The dairy operation may be entitled to a partial refund or may be required to pay a portion of the obligation depending on date of submission of form CCC-783.
    - a prorated refund of fully paid premium fee.

ANY QUESTIONS?