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USDA Announces March Income over Feed Cost Margin Triggers Third 2019 Dairy Safety Net Payment

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Dairy Margin Coverage Program Sign-Up Begins June 17

WASHINGTON, May 7, 2019 – USDA's Farm Service Agency (FSA) announced this week that the March 2019 income over feed cost margin was $8.85 per hundredweight (cwt.), triggering the third payment for dairy producers who purchase the appropriate level of coverage under the new Dairy Margin Coverage (DMC) program.

DMC, which replaces the Margin Protection Program for Dairy (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.

"I encourage all dairy operations to sign up for DMC when we begin accepting applications in June," said FSA Administrator Richard Fordyce. "Under certain coverage levels, the amount to be paid to dairy farmers for the months of January, February and March already exceed the cost of the premium."

The signup period for DMC opens June 17, 2019. Dairy producers who elect a DMC coverage level between $9 and $9.50 would be eligible for a payment for January, February and March 2019.

For example, a dairy operation that chooses to enroll an established production history of 3 million pounds (30,000 cwt.) and elects the $9.50 coverage level on 95 percent of production would receive $1,543.75 for March

Sample calculation:

$9.50 - $8.85 margin = $0.65 difference

$0.65 x 95 percent of production x 2,500 cwt. (30,000 cwt./12) = $1,543.75

DMC premiums are paid annually. The calculated annual premium for coverage at $9.50 on 95 percent of a 3-million-pound production history for this example would be $4,275.

Sample calculation:

3,000,000 x 95 percent = 2,850,000/100 = 28,500 cwt. x 0.150 premium fee = $4,275

The dairy operation in the example calculation will pay $4,275 in total premium payments for all of 2019 and receive $8,170 in DMC payments for January, February and March combined. Additional payments will be made if calculated margins remain below the $9.50/cwt level.

All participants are also required to pay an annual $100 administrative fee in addition to any premium, and payments will be subject to a 6.2 percent reduction to account for federal sequestration.

Operations making a one-time election to participate in DMC through 2023 are eligible to receive a 25 percent discount on their premium for the existing margin coverage rates. For the example above, this would reduce the annual premium by $1,068.75.

About DMC

On December 20, 2018, President Trump signed into law the 2018 Farm Bill, which provides support, certainty and stability to our nation’s farmers, ranchers and land stewards by enhancing farm support programs, improving crop insurance, maintaining disaster programs and promoting and supporting voluntary conservation. FSA is committed to implementing these changes as quickly and effectively as possible, and today’s updates are part of meeting that goal.

Recently, FSA announced the availability of the DMC decision support tool as well as repayment options for producers who were enrolled in MPP-Dairy.

For DMC signup, eligibility and related dairy program information, visit the DMC webpage or contact your local USDA service center. To locate your local FSA office, visit farmers.gov/service-locator.

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