



Farm Service Agency

Dairy Margin Coverage Program

FACT SHEET
October 2022

Overview

The 2018 Farm Bill authorizes the new **Dairy Margin Coverage (DMC) program**, which replaces the Margin Protection Program for Dairy (MPP-Dairy). Much like the MPP-Dairy program, the DMC program is a voluntary program that provides dairy operations with risk management coverage that will pay producers when the difference (the margin) between the national price of milk and the average cost of feed falls below a certain level selected by the program participants.

Who is Eligible?

All dairy operations in the United States are eligible for the DMC program. An operation can be run either by a single producer or multiple producers who commercially produce and market cows' milk. Each producer on the operation must share in the risk of producing milk and make contributions (including land, labor, management, equipment, or capital) to the operation of the dairy that are at least equal to the individual or entity's share of the proceeds of the operation.



An eligible dairy operation must:

- have a production history determined by the USDA Farm Service Agency (FSA).
- be registered to participate during a signup announced by FSA.
- pay a \$100 administrative fee annually for each year of participation, except if the dairy operation qualifies for a waiver for limited resource, beginning, socially disadvantaged, or veteran farmers and ranchers.
- select a coverage level ranging from \$4.00 to \$9.50 per hundredweight 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.

If a dairy is operated by more than one producer, it will be registered as a single operation. If producers operate two or more dairies, each operation will be registered separately.

Eligible program participants in DMC are also eligible to participate in the Livestock Gross Margin for Dairy Producers Program and the Dairy Revenue Protection Program administered by the Risk Management Agency.

How it works:

Production History

For most operations, production history is based on the highest milk production in 2011, 2012, and 2013. Newer dairy operations have other options for determining production history.

The production history determined for a dairy operation participating in the DMC program may only be adjusted once to reflect any increase in the national average milk production.

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Administrative and Premium Fees and Premium Fee Discount

The DMC program offers:

- catastrophic coverage at no cost, other than an annual \$100 administrative fee.
- greater coverage, at various levels, for a premium in addition to a \$100 administrative fee.

The schedule of premiums is provided in the following table.

Coverage Level	Tier 1 Premium per cwt for covered production history of 5 mil lbs. or less	Tier 2 Premium per cwt, all years for covered production history over 5 mil lbs.
\$4.00	None	None
\$4.50	\$0.0025	\$0.0025
\$5.00	\$0.005	\$0.005
\$5.50	\$0.030	\$0.100
\$6.00	\$0.050	\$0.310
\$6.50	\$0.070	\$0.650
\$7.00	\$0.080	\$1.107
\$7.50	\$0.090	\$1.413
\$8.00	\$0.100	\$1.813
\$8.50	\$0.105	N/A
\$9.00	\$0.110	N/A
\$9.50	\$0.150	N/A

A dairy operation that selects dairy margin coverage above the catastrophic level coverage is required to pay, in addition to the annual administrative fee, if applicable, an annual premium based on the coverage level and percentage of production history. A second election on production above 5 million pounds in Tier II (between \$4 and \$8) may be chosen if \$8.50 or above is elected in Tier I.

New dairy operations that first register for the DMC program for a calendar year after the start of a calendar year can lock-in coverage for the premium discount by paying a pro-rated premium. That premium will be based on the portion of the calendar year for which the dairy purchases the coverage.

A dairy operation that makes a one-time election of coverage level and coverage percentage that are applicable to each of calendar years 2019 through 2023 will receive a 25 percent discount on premium rates.

Supplemental Dairy Margin Coverage (SDMC)

SDMC is an option for eligible DMC dairy operations that have increased milk production since 1st establishing a production history under DMC and may establish a supplemental production history that will become part of any future DMC program contract.

For participation in SDMC, participating DMC dairy operations with 5 million pounds or less of production history that have increased milk production levels since first establishing production history during the initial enrollment in either MPP-Dairy or DMC, are eligible for SDMC. The supplemental production history is determined by subtracting the current production history from the 2019 milk marketing's with the result multiplied by 75 percent. DMC covered production is a combination of established production history and if applicable supplemental production history and is limited to 5 million pounds of coverage due to supplemental.

For More Information

For more information about FSA programs, visit fsa.usda.gov or contact your local FSA office. To find your local FSA office, visit farmers.gov.

This fact sheet is for informational purposes only; other eligibility requirements or restrictions may apply.

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