

# Dairy Update and Dairy Margin Coverage

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**PROGRAM OVERVIEWS AND IMPACTS TO VERMONT DAIRY FARMERS**



# What is Dairy Margin Coverage?

Authorized in the 2018 Farm Bill, replacing the Margin Protection Program

Voluntary program operated through the Farm Service Agency

## Program Specifics:

- Insurance program that provides payment when the difference between the all-milk price and average feed price falls below a certain dollar amount. The difference between the two prices is the *margin*
- The all-milk price is the “average price received, per hundredweight of milk, by dairy operations for all milk sold to plants and dealers in the United States”
- The average feed price is the price of a prepared complete dairy feed based on current US prices for corn, soybeans, and alfalfa

# How does DMC enrollment work?

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- Farmer signs up via Farm Service Agency and decides how to pay for premium – in full or via milk check deduction. Sign up process includes:
  - Selecting coverage level - \$9.50 rate is highest coverage level and what is recommended
  - Premium calculated by coverage level – at \$9.50 it is \$0.15 per hundredweight
  - Identifying covered milk volume
    - Average of production in years 2011-2013
    - Addition of supplemental coverage if production has increased
    - Newer operations have options to determine production history
  - Select coverage percentage (how much of production volume do they want enrolled) – from 5% - 95%
- There is no organic version of DMC, all prices are determined using conventional feed and milk

## DMC Outlook for 2023

- Based on projections, the first nine months will likely have DMC payments triggered
  - Why is this happening when in 2022 there were only two months with payments?
    - Feed prices remain high
    - Milk prices are declining to the \$19-21 range
  - Payments are triggered when the margin falls below the coverage level

## How are DMC payments calculated?

Dairy farmer Glenda operates a farm with 50 cows and 1,000,000 pounds of enrolled milk production. Glenda followed the advice of her FSA office and purchased coverage for 95% of milk at the \$9.50 level for 2023, paying \$1,425 for coverage.

- In February 2023, the margin was \$6.19
- The payment per hundredweight is  $\$9.50 - \$6.19 = \$3.31$
- DMC allocates production evenly across months:
  - $950,000/12 = 79,166.67$  pounds per month
- Pounds per month converted to hundredweight:
  - $79,166.67/100 = 791.67$
- Total hundredweights multiplied by payment amount:
  - $791.67 \times \$3.31 = \$2,623$
  
- DMC payment is \$2,623

# University of Wisconsin Dairy Markets – DMC Assessment Tool

Select Year:

2023 ▾

Annual Historic Production ⓘ

1,000,000

Coverage Percentage:

95% ▾

Tier 1 Coverage Level: \$9.50

Tier 2 Coverage Level: \$8.00

Coverage Level	Choice (\$/cwt)	Covered Prod History (lbs)	Total Premium (\$/cwt)
\$9.50	\$0.1500	950,000	\$1,425.00
\$8.00	\$1.8130	0	\$0.00
		950,000	\$1,425.00

MONTH	ACTUAL / FORECASTED MARGIN	TIER 1 COVERED PRODUCTION HISTORY (LBS)	TIER 2 COVERED PRODUCTION HISTORY (LBS)	TIER 1 FORECASTED PAYMENT PER CWT	TIER 2 FORECASTED PAYMENT PER CWT	TOTAL PAYMENT
Jan	\$7.94	79,166.667	0	\$1.56	\$0.06	\$1,237.00
Feb	\$6.19	79,166.667	0	\$3.31	\$1.81	\$2,623.00
Mar	\$6.32	79,166.667	0	\$3.18	\$1.68	\$2,516.00
Apr	\$6.33	79,166.667	0	\$3.17	\$1.67	\$2,511.00
May	\$5.47	79,166.667	0	\$4.03	\$2.53	\$3,193.00
Jun	\$5.77	79,166.667	0	\$3.73	\$2.23	\$2,951.00
Jul	\$6.43	79,166.667	0	\$3.07	\$1.57	\$2,432.00
Aug	\$7.32	79,166.667	0	\$2.18	\$0.68	\$1,728.00
Sep	\$8.46	79,166.667	0	\$1.04	\$0.00	\$826.00
Oct	\$9.27	79,166.667	0	\$0.23	\$0.00	\$180.00
Nov	\$9.73	79,166.667	0	\$0.00	\$0.00	\$0.00
Dec	\$9.95	79,166.667	0	\$0.00	\$0.00	\$0.00
2023	\$7.43	950,000	0	\$2.13	\$1.02	\$20,197.00

<https://dmc.dairymarkets.org/#/>

# Vermont DMC Program Update

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**AAFM receives sign up information from Farm Service Agency regarding premium payment**

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**AAFM sends the dairy farmer paperwork to be reimbursed for their premium payment**

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**AAFM has expended all funds appropriated as of this week (May 2, 2023)**

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**Gap in funds available to funds requested:  
\$415,000**

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**For 2024 and 2025, estimate \$1.6 million per year to cover premium reimbursements**

# Vermont Dairy Data Update



## Cow Dairy Farms by County - 2023

County	Jan.	Feb	Mar	% change prior month
Addison	75	75	75	0.00%
Bennington	7	7	7	0.00%
Caledonia	46	45	44	-2.22%
Chittenden	27	25	24	-4.00%
Essex	9	9	9	0.00%
Franklin	102	102	102	0.00%
Grand Isle	8	8	8	0.00%
Lamoille	23	23	22	-4.35%
Orange	49	48	47	-2.08%
Orleans	82	82	82	0.00%
Rutland	35	35	34	-2.86%
Washington	18	18	18	0.00%
Windham	19	18	18	0.00%
Windsor	19	19	19	0.00%
<b>TOTAL</b>	<b>519</b>	<b>514</b>	<b>509</b>	<b>-1.00%</b>

**Goat dairy farms - 39**  
**Sheep dairy farms - 5**

**Total dairy farms - 552**

Farm numbers are impacted by generational transfers, changing business structures, consolidation, and closure

# Organic Dairy Considerations

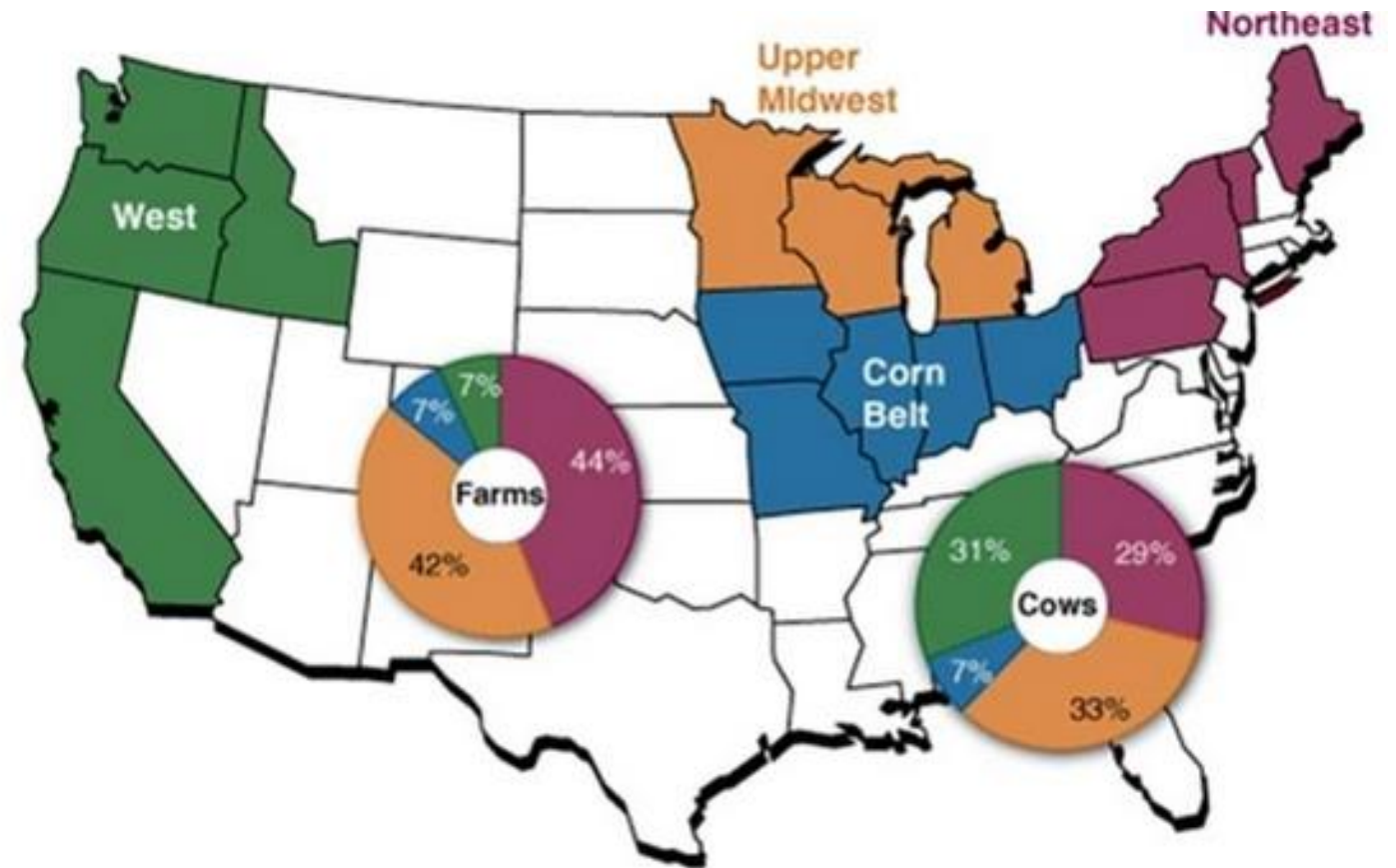
## Nationally in 2020

- **9.1% of farms are organic**
- **3.6% of cow numbers**
- **Producing 2.3% of total milk**
  
- **Top five organic milk producing states**
  - **California – 150 farms produced 889 million pounds**
  - **Texas – 9 farms produced 821 million pounds**
  - **Wisconsin – 525 farms produced 440 million pounds**
  - **New York – 607 farms produced 386 million pounds**
  - **Idaho – 29 farms producing 364 million pounds**

## Vermont in 2020

- **24.9% of farms are organic**
  
- **Average herd size – 77**
- **Average total milk – 1.19 million pounds per farm**
  
- **Estimated total organic milk produced – 222.5 million pounds**

2005 data shows early emergence of larger organic farms in the West



Source: USDA, Economic Research Service calculations based on data from USDA's 2005 Agricultural Resource Management Survey.

# Dairy support programs at AAFM



**Working Lands Enterprise Initiative**



**Milk Commission**



**Dairy Promotion Council**



**Northeast Dairy Business Innovation Center**



**Water Quality grants**

**NORTHEAST**

**DAIRY BUSINESS  
INNOVATION CENTER**

- **USDA funded regional center, 1 of 4 in the nation**
- **\$38.7 million in funds received to date**
- **Funds used to support grants, technical assistance, and research to support dairy economy resiliency**
  
- **Since 2019, NE-DBIC has made 197 awards totaling \$11 million**
- **Vermont focused – 89 awards totaling \$5 million**

# Project Spotlight: Marketing & Branding Grants

- **Goal:** provide professional services to value-added business to support marketing and brand development through labeling, e-commerce, social media, imagery, and strategy
- **Funded projects:**
  - 2 rounds, 23 grants totaling ~\$845,000
  - 5 Vermont grantees:
    - Bridgman Hill Farm
    - J&R Family Farm dba Nothin' but Curd
    - lu•lu Artisan Ice Cream (Harmack LLC)
    - Ploughgate Creamery
    - Von Trapp Farmstead
- **Grant impacts:**
  - We exceeded our dreams and goals for this grant! In 2020 we did \$17.6k in online sales. In 2021 with the help of our team through this grant we did \$40k in online sales. We increased our customer visits by 69%.
  - We have seen significant sales increases since the rebrand, \$50,000 more than the prior year and demand up 40%





# Project Spotlight: Dairy Packaging Innovation Grant

- **Goal:** to reduce the use of virgin plastic in the dairy supply chain by supporting modernized packaging initiatives that prioritize sustainability, scalability, and marketability
- **Funded projects:**
  - AgriMark/Cabot (VT)
    - Plastic film for 8-ounce blocks
  - Big Picture Farm (VT)
    - Whole packaging line revamp
  - Cellars at Jasper Hill (VT)
    - Plastic film for shelf-ready packages and consumer education
  - Stonyfield (NH)
    - Yo-baby pouch
  - Vermont Creamery (VT)
    - Multi-layer plastic film for chevre logs
- **Details:**
  - \$1.1 million in funds granted
  - 2-year projects
  - Educational/information sharing required



Louisa Conrad and Lucas Farrell of Big Picture Farm,  
reacting to notification of their grant

# Project Spotlight: Dairy Farmer TA Cohorts

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- **Goal:** provide cohort-structured education to dairy farmers to increased grazing quality or quantity, home-grown forage enhancement, develop alternative herd management approaches, innovate staffing and business management, and/or build marketing and education focused on dairy production practices.
- **Funded projects:**
  - University of Vermont, Cheryl Cesario (VT only) – 2020, 2023
  - White River Natural Resource Conservation District (VT/NH) – 2021, 2023
  - Pennsylvania Sustainable Agriculture (PASA) and Cornell (PA/NY) – 2021
  - Organic Valley (PA/NY/VT/ME) – 2022
  - Cornell (NY only) – 2022
  - University of Vermont, Heather Darby (VT/NY) – 2022, 2023
  - Conservation Performance (VT/NH/MA/PA) – 2022
  - University of Maine (ME) – 2022
- 150+ farmers participating
- **Outcomes to date:**
  - The Cleveland Farm (UVM Cesario 2020 cohort) realized feed cost savings of \$34,000 during first year - Scott says, "I'm very pleased with how this went. I should have done this ten years ago."
  - Access to DBIC earmarked grants to help implement project and improvements developed in cohort period

