

U.S. Milk Production

(million pounds)

Month	2012	2013	2014	2014/13 Percent Change
January	17,038	17,109	17,280	1.0%
February	16,332	15,759	15,935	1.1%
March	17,735	17,677		
April	17,246	17,249		
May	17,618	17,813		
June	16,698	16,935		
July	16,601	16,788		
August	16,421	16,789		
September	15,705	15,831		
October	16,273	16,475		
November	16,013	16,003		
December	16,857	16,790		

Year-to-date	33,370	32,868	33,215	1.1%
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23-Selected States	February			Percent Change
	2012	2013	2014	
Production (million pounds)	15,175	14,715	14,917	1.4%
Cow Numbers (thousands)	8,513	8,498	8,511	0.2%
Milk per Cow (pounds)	1,783	1,732	1,753	1.2%

Other 27 States	February			Percent Change
	2012	2013	2014	
Production (million pounds)	1,157	1,044	1,018	-2.5%

Monthly Milk Production

23-Selected U.S. States

State	February			Year-to-Date (February)		
	2013	2014	Percent Change	2013	2014	Percent Change
California	3,231	3,402	5.3%	6,693	7,017	4.8%
Wisconsin	2,165	2,121	-2.0%	4,540	4,439	-2.2%
New York	1,034	1,036	0.2%	2,166	2,171	0.2%
Idaho	1,004	1,030	2.6%	2,110	2,165	2.6%
Pennsylvania	833	831	-0.2%	1,737	1,734	-0.2%
Texas	757	781	3.2%	1,575	1,626	3.2%
Michigan	711	716	0.7%	1,490	1,505	1.0%
Minnesota	728	711	-2.3%	1,525	1,488	-2.4%
New Mexico	639	630	-1.4%	1,327	1,312	-1.1%
Washington	482	497	3.1%	1,006	1,040	3.4%
Ohio	431	415	-3.7%	898	876	-2.4%
Arizona	369	377	2.2%	763	774	1.4%
Iowa	364	354	-2.7%	764	744	-2.6%
Indiana	298	303	1.7%	622	632	1.6%
Colorado	252	267	6.0%	527	558	5.9%
Kansas	225	233	3.6%	470	489	4.0%
Florida	204	210	2.9%	415	433	4.3%
Vermont	202	204	1.0%	423	427	0.9%
Oregon	191	197	3.1%	397	412	3.8%
Utah	151	157	4.0%	319	330	3.4%
South Dakota	153	156	2.0%	324	329	1.5%
Illinois	154	149	-3.2%	322	309	-4.0%
Virginia	137	140	2.2%	287	293	2.1%
Total	14,715	14,917	1.4%	30,700	31,103	1.3%

Monthly Milk Production per Cow

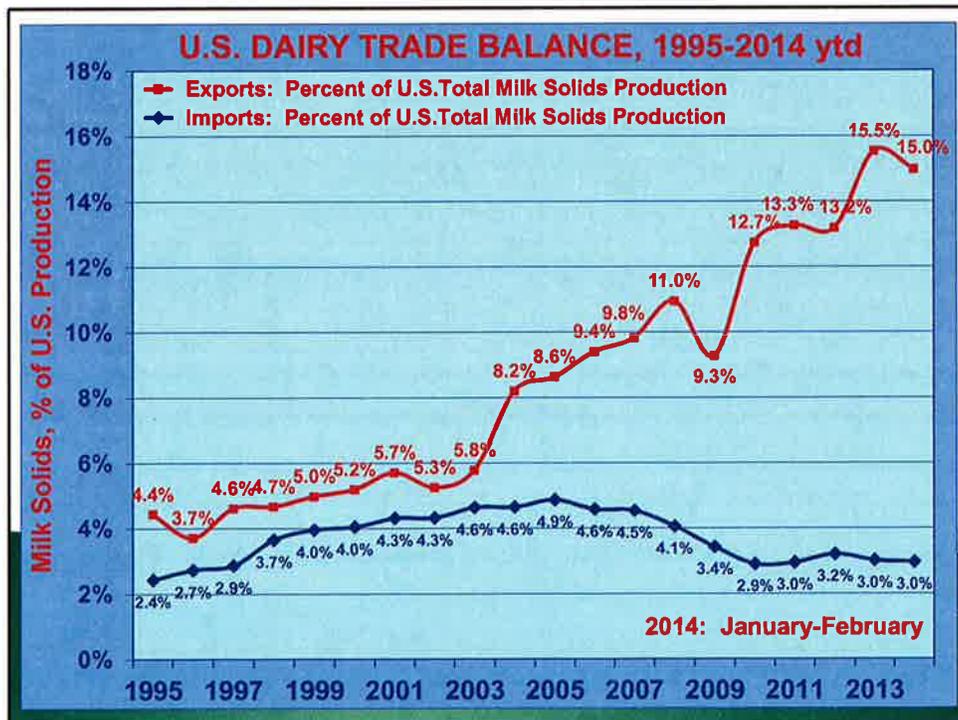
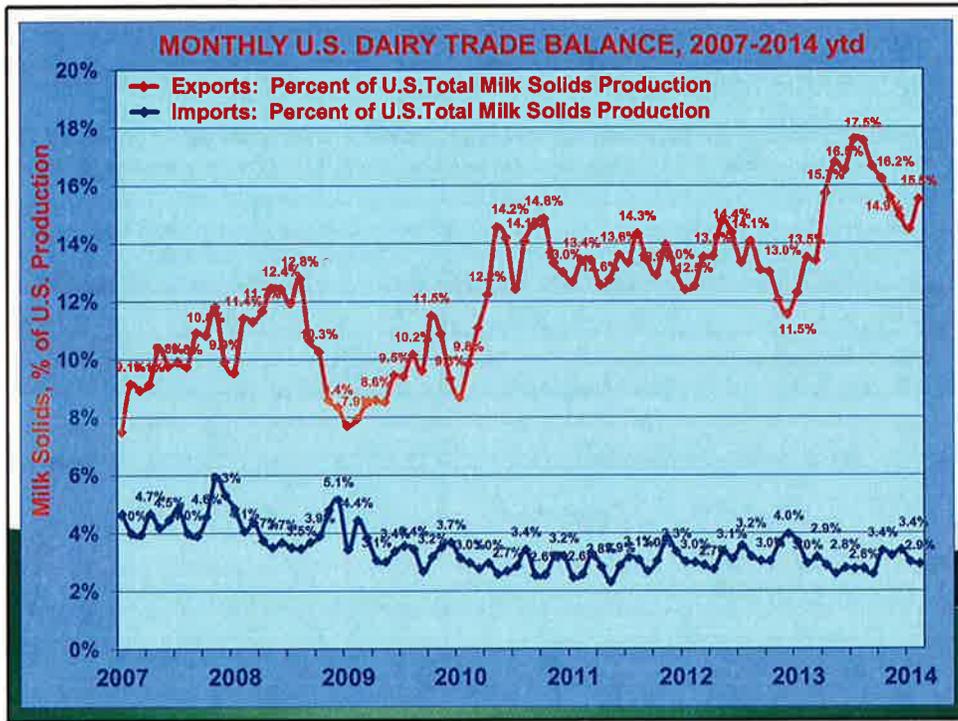
23-Selected U.S. States

State	February			Year-to-Date (February)		
	2013	2014	Percent Change	2013	2014	Percent Change
Arizona	1,940	1,965	1.3%	4,015	4,035	0.5%
New Mexico	1,985	1,950	-1.8%	4,135	4,060	-1.8%
California	1,815	1,910	5.2%	3,760	3,940	4.8%
Colorado	1,865	1,910	2.4%	3,905	3,990	2.2%
Michigan	1,880	1,880	0.0%	3,940	3,950	0.3%
Washington	1,825	1,855	1.6%	3,810	3,880	1.8%
Idaho	1,740	1,820	4.6%	3,650	3,825	4.8%
Texas	1,740	1,775	2.0%	3,620	3,695	2.1%
Iowa	1,750	1,725	-1.4%	3,690	3,625	-1.8%
Florida	1,670	1,710	2.4%	3,400	3,520	3.5%
Indiana	1,710	1,705	-0.3%	3,560	3,555	-0.1%
Kansas	1,705	1,700	-0.3%	3,560	3,570	0.3%
New York	1,695	1,685	-0.6%	3,550	3,530	-0.6%
Wisconsin	1,705	1,670	-2.1%	3,575	3,495	-2.2%
Utah	1,660	1,650	-0.6%	3,525	3,470	-1.6%
South Dakota	1,665	1,640	-1.5%	3,525	3,460	-1.8%
Oregon	1,555	1,590	2.3%	3,230	3,325	2.9%
Pennsylvania	1,560	1,565	0.3%	3,250	3,265	0.5%
Ohio	1,590	1,560	-1.9%	3,315	3,285	-0.9%
Illinois	1,590	1,550	-2.5%	3,320	3,220	-3.0%
Minnesota	1,565	1,545	-1.3%	3,280	3,235	-1.4%
Vermont	1,505	1,545	2.7%	3,155	3,235	2.5%
Virginia	1,460	1,500	2.7%	3,060	3,150	2.9%
Total	1,732	1,753	1.2%	81,830	82,315	0.6%

Monthly Milk Cows

23-Selected U.S. States

State	February			Average (February)		
	2013	2014	Percent Change	2013	2014	Percent Change
California	1,780	1,781	0.1%	1,780	1,781	0.1%
Wisconsin	1,270	1,270	0.0%	1,270	1,270	0.0%
New York	610	615	0.8%	610	615	0.8%
Idaho	577	566	-1.9%	578	566	-2.1%
Pennsylvania	534	531	-0.6%	535	531	-0.7%
Minnesota	465	460	-1.1%	465	460	-1.1%
Texas	435	440	1.1%	435	440	1.1%
Michigan	378	381	0.8%	378	381	0.8%
New Mexico	322	323	0.3%	321	323	0.6%
Washington	264	268	1.5%	264	268	1.5%
Ohio	271	266	-1.8%	271	267	-1.7%
Iowa	208	205	-1.4%	207	205	-1.0%
Arizona	190	192	1.1%	190	192	1.1%
Indiana	174	178	2.3%	175	178	2.0%
Colorado	135	140	3.7%	135	140	3.7%
Kansas	132	137	3.8%	132	137	3.8%
Vermont	134	132	-1.5%	134	132	-1.5%
Oregon	123	124	0.8%	123	124	0.8%
Florida	122	123	0.8%	122	123	0.8%
Illinois	97	96	-1.0%	97	96	-1.0%
South Dakota	92	95	3.3%	92	95	3.3%
Utah	91	95	4.4%	91	95	5.0%
Virginia	94	93	-1.1%	94	93	-1.1%
Total	8,498	8,511	0.2%	8,498	8,512	0.2%



 Agricultural Marketing Service Dairy Programs Northeast Marketing Area - Federal Order 1 <i>Erik F. Rasmussen, Market Administrator</i>			
 			
Class Utilization 2013 vs. 2012			
Producer Milk	2013 Pounds (x 100,000)	2012 Pounds (x100,000)	Change 2012 vs. 2013
Class I	9,508.1	9,801.7	-3.0%
Class II	6,578.7	6,410.5	2.6%
Class III	6,449.6	5,848.5	10.3%
Class IV	<u>2,883.7</u>	<u>2,634.5</u>	<u>9.5%</u>
Total	25,420.1	24,695.2	2.9%

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 Agricultural Marketing Service Dairy Programs Northeast Marketing Area - Federal Order 1 <i>Erik F. Rasmussen, Market Administrator</i>			
 			
Class Utilization Mar. 2014 vs. Mar. 2013			
Producer Milk	Mar. 2014 Pounds (x 100,000)	Mar. 2013 Pounds (x100,000)	Change 2013 vs. 2014
Class I	781.4	809.5	-3.47%
Class II	533.7	586.2	-8.96%
Class III	588.6	562.2	4.70%
Class IV	<u>291.2</u>	<u>285.1</u>	<u>2.14%</u>
Total	2,194.90	2,243.00	-2.14%

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Milk Price Projections

As of April 14, 2014

Month	St. Albans Zone		Butterfat	Protein	Other Solids	St. Albans Zone
	PPD					
Jan-14	\$ 0.93	\$ 1.79	\$ 4.19	\$ 0.42	\$ 22.08	
Feb-14	\$ 0.22	\$ 2.01	\$ 4.60	\$ 0.45	\$ 23.57	
Mar-14	\$ 0.79	\$ 2.04	\$ 4.52	\$ 0.47	\$ 24.12	
Apr-14	\$ 0.81	\$ 2.14	\$ 4.51	\$ 0.47	\$ 24.50	
May-14	\$ 1.75	\$ 2.03	\$ 4.06	\$ 0.45	\$ 23.60	
Jun-14	\$ 1.60	\$ 1.91	\$ 3.83	\$ 0.43	\$ 22.22	
Jul-14	\$ 1.45	\$ 1.95	\$ 3.51	\$ 0.42	\$ 21.17	
Aug-14	\$ 1.65	\$ 1.97	\$ 3.32	\$ 0.43	\$ 20.92	
Sep-14	\$ 1.70	\$ 2.00	\$ 3.18	\$ 0.40	\$ 20.50	
Oct-14	\$ 2.03	\$ 2.01	\$ 3.10	\$ 0.40	\$ 20.61	
Nov-14	\$ 2.02	\$ 1.97	\$ 3.11	\$ 0.39	\$ 20.46	
<u>Dec-14</u>	<u>\$ 2.39</u>	<u>\$ 1.92</u>	<u>\$ 2.87</u>	<u>\$ 0.39</u>	<u>\$ 19.91</u>	
2014 Avg	\$ 1.45	\$ 1.98	\$ 3.73	\$ 0.43	\$ 21.97 ⁹	

Margin Protection Program

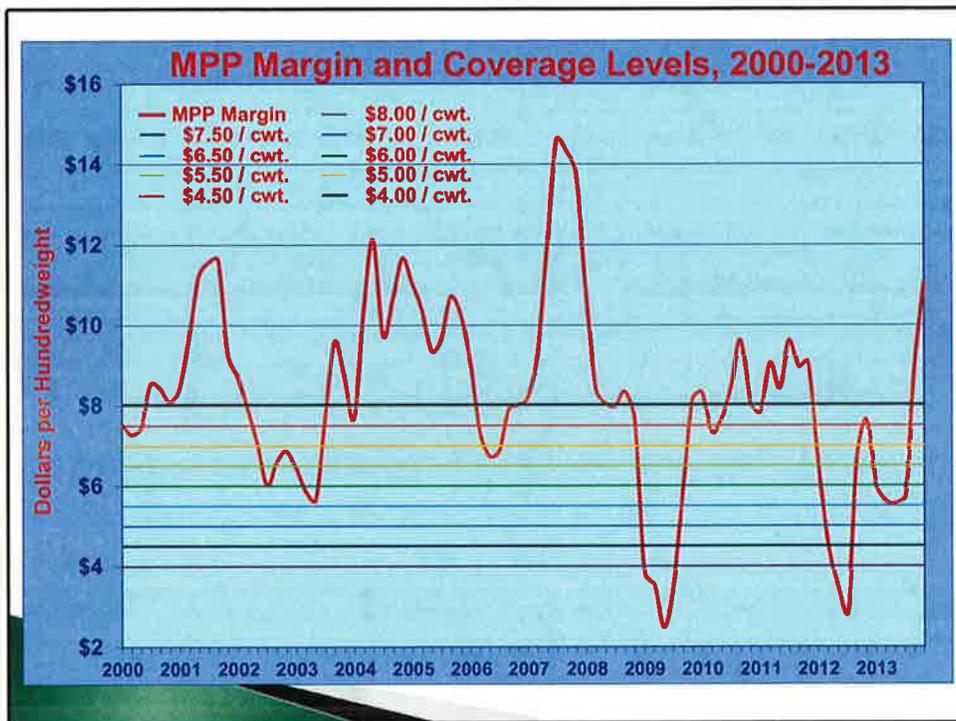
Premiums Under 4 million pounds			Premiums Over 4 million pounds		
Coverage Level	Premium/cwt		Coverage Level	Premium/cwt	
\$	4.00	None	\$	4.00	None
\$	4.50	\$ 0.010	\$	4.50	\$ 0.020
\$	5.00	\$ 0.025	\$	5.00	\$ 0.040
\$	5.50	\$ 0.040	\$	5.50	\$ 0.100
\$	6.00	\$ 0.055	\$	6.00	\$ 0.155
\$	6.50	\$ 0.090	\$	6.50	\$ 0.290
\$	7.00	\$ 0.217	\$	7.00	\$ 0.830
\$	7.50	\$ 0.300	\$	7.50	\$ 1.060
\$	8.00	\$ 0.475	\$	8.00	\$ 1.360

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Farm Bill Dairy Program Forecasts

\$/cwt.	All-Milk Price	Farm Bill Feed Cost	MPP Margin	DPDP Margin	MILC Payment
Jan-13	\$19.90	\$13.61	\$6.01	\$6.29	\$0.1180
Feb-13	\$19.50	\$13.78	\$6.01	\$5.72	\$0.5222
Mar-13	\$19.10	\$13.86	\$5.62	\$5.24	\$0.7546
Apr-13	\$19.50	\$13.50	\$5.62	\$6.00	\$0.6797
May-13	\$19.70	\$13.93	\$5.57	\$5.77	\$0.7424
Jun-13	\$19.50	\$14.14	\$5.57	\$5.36	\$0.2187
Jul-13	\$19.00	\$14.15	\$5.77	\$4.85	\$0.0584
Aug-13	\$19.50	\$12.82	\$5.77	\$6.68	\$0.0000
Sep-13	\$20.10	\$12.13	\$8.91	\$7.97	\$0.0000
Oct-13	\$20.70	\$10.85	\$8.91	\$9.85	\$0.0000
Nov-13	\$21.60	\$10.56	\$11.04	\$11.04	\$0.0000
Dec-13	\$22.00	\$10.96	\$11.04	\$11.04	\$0.0000
Jan-14	\$23.50	\$10.30	\$13.31	\$12.70	\$0.0000
Feb-14	\$24.90	\$10.99	\$13.31	\$13.91	\$0.0000
Mar-14	\$25.40	\$11.15	N/A	\$14.25	\$0.0000

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National
Milk
Producers
Federation

Understanding The New Dairy Producer **Margin Protection Program**

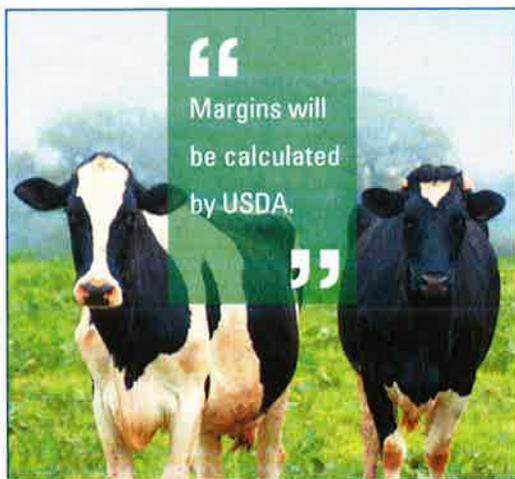


The new farm bill, passed in early 2014 by Congress, contains a new and better safety net for dairy farmers. It will help protect against the type of catastrophic loss of equity that afflicted many dairy producers in 2009, and again in 2012. The bill's Margin Protection Program will help address the volatility in margins caused by either low milk prices, high feed costs, or the combination of both.

It's now up to the U.S. Department of Agriculture to implement this voluntary risk management program. There are a number of questions that NMPF must work with USDA officials to answer in the coming months. Here's what we know right now about the basic structure of the program:

- Dairy producers will have the option to insure their operations on a sliding scale, both in terms of the amount of milk production covered, and the margin level at which they will be insured.
- Basic margin coverage starting at a threshold of \$4 per hundredweight is paid for by the government.
- At margin coverage greater than \$4/cwt., premium costs are shared by the farmer and the Agriculture Department.
- The program benefits all producers equally, regardless of size. There are no payment limits to the coverage.
- The farm bill requires the Margin Protection Program to be established no later than September 1, 2014.

How the Margin Protection Program Will Work



The program will pay producers when the national average margin period of two consecutive months is below the level of coverage selected by the producer. The two-month periods are January-February, March-April, May-June, July-August, September-October, November-December. The program pays on one-sixth of a producer's annual production history, multiplied by the percentage of coverage selected by the producer.

The margin will be calculated by USDA, and is defined as the U.S. all-milk price minus national average feed costs. Feed costs will include the prices of corn and alfalfa hay (as reported by NASS), as well as soybean meal (as reported by AMS). These feeds reflect the costs associated with feeding all the dairy animals on a farm, including milking cows, heifers, and dry cows.

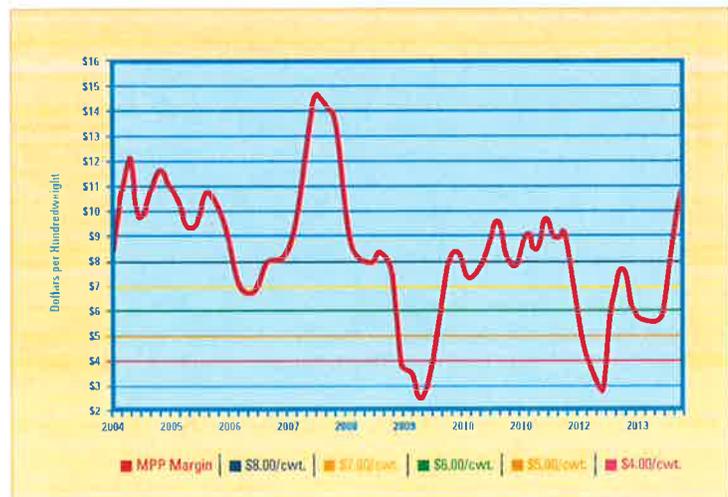
A farm's production history in the first year of the program will be equal to its highest level of annual milk production during 2011, 2012 or 2013. After that history is established, any upward adjustment in a farm's insurable base will be made annually, at the rate of the average growth in U.S. milk production as reported by the USDA. Any on-farm milk growth beyond the annual national average increase will not be eligible for insurance. New producers will use an extrapolation based on their actual production, or the national average milk production per cow.

Producers will choose to insure from 25% to 90% of their production history, in five percent increments. Coverage will be in 50 cent increments, from \$4 per cwt. to \$8 per cwt. Premiums will be fixed for five years at the amounts shown in the tables, but will be discounted by 25% in 2014 and 2015 for volumes up to 4 million pounds. MPP margins and coverage levels from 2004 to 2013 are shown in the line graph.

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All dairy operations will be eligible to participate. Multiple producers involved with a single operation will be treated as a single farm. Multiple farms operated by a single producer will have to register separately. Producers will sign up at their local Farm Service Agency office.

MPP Margin and Coverage Levels – 2004-2013



Using the MPP's formula, the margin between milk prices and feed costs has averaged around \$8/cwt. since 2004, reaching as high as \$14 in 2007, and dropping to just \$3 in 2009 and again in 2012. This chart shows that even free coverage would have provided a backstop at the \$4 level. Higher levels of coverage, purchased at \$4.50 and above, would have generated more frequent payouts.

How the Margin Protection Program Will Work *continued from page 2*

Margin protection insurance payments will be made to producers based on the portion of production history they choose to protect – that is, 25 percent to 90 percent – and the level of margin coverage they select between \$4.00 and \$8 per cwt. Payments will be distributed when margins fall below \$4 per cwt., or the coverage level selected by the producer, averaged over any of the established two-month periods. There will be an annual administrative fee of \$100 to enroll in the program. Examples of premium rates for various margins, and the overall cost of obtaining the maximum 90% coverage, are shown in the table. Producers cannot simultaneously participate in the MPP and use the Livestock Gross Margin Dairy program.

What MPP Replaces

The farm bill eliminated the dairy product price support program, the Dairy Export Incentive Program, and a Federal Milk Marketing Order Review Commission that was never established. The Milk Income Loss Coverage (MILC) program will end by Sept. 1st. Underlying permanent law, enacted in 1949, remains on the books.

Farm Bill Creates Dairy Donation Program

Margin Protection Program Premiums

Margin Level Covered	First 4 Million Pounds 2014-2015	First 4 Million Pounds After 2015	More Than 4 Million Pounds
\$4.00	Free	Free	Free
\$4.50	\$0.0075	\$0.010	\$0.020
\$5.00	\$0.0187	\$0.025	\$0.040
\$5.50	\$0.0300	\$0.040	\$0.100
\$6.00	\$0.0412	\$0.055	\$0.155
\$6.50	\$0.0675	\$0.090	\$0.290
\$7.00	\$0.1627	\$0.217	\$0.830
\$7.50	\$0.2250	\$0.300	\$1.060
\$8.00	\$0.4750	\$0.475	\$1.360

Premiums will be fixed for five years at the amounts shown in the tables, but will be discounted by 25% in 2014 and 2015 for volumes up to 4 million pounds.

Examples of Premium Costs

Dairy Size	100 Head	500 Head	1,000 Head	
Milk Production History (pounds)	1,967,397	11,304,071	24,641,052	
90 Percent Covered (pounds)	1,770,657	10,173,664	22,176,947	
Margin Protection	\$4.00	Free	Free	Free
	\$4.50	\$177	\$1,635	\$4,035
	\$5.00	\$443	\$3,469	\$8,271
	\$5.50	\$708	\$7,774	\$19,777
	\$6.00	\$974	\$11,769	\$30,374
	\$6.50	\$1,594	\$21,504	\$56,313
	\$7.00	\$3,842	\$59,921	\$159,549
	\$7.50	\$5,312	\$77,441	\$204,676
\$8.00	\$8,411	\$102,962	\$266,206	

Based on how NMPF believes the USDA should implement the program, this chart illustrates how much three different-sized dairy operations would pay for varying levels of margin coverage. This estimation uses the higher premium costs to be implemented after 2015 on production up to 4 million pounds.

The farm bill also created a Dairy Product Donation Program to be triggered in times of extremely low margins. If margins fall below \$4.00 per cwt. for any two consecutive months, the Agriculture Department will immediately purchase a variety of consumer-ready dairy products at market prices for donation of food banks and other low-income feeding programs. USDA will purchase dairy products for up to three consecutive months, unless margins rebound above \$4.00 before that period.

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**Farm Bill
Creates
Dairy
Donation
Program**

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To protect exports, the program will end if U.S. prices exceed international

prices by more than five percent or seven percent, depending on margin levels. USDA cannot store the dairy products it purchases and organizations receiving the products are prohibited from selling them back into commercial markets. The donation program must be in place within 120 days of when the Margin Protection Program is implemented.

Examples of Margin Coverage – 2012, at \$6.50 Margin Protection

Dairy Size	100 Head	500 Head	1,000 Head
Milk Production History (pounds)	1,967,397	11,304,071	24,641,052
90 Percent Covered (pounds)	1,770,657	10,173,664	22,176,947
Premium	\$1,594	\$21,504	\$56,313
March-April Margin: \$4.59	\$5,635	\$32,376	\$70,573
May-June Margin: \$3.48	\$8,922	\$51,266	\$111,751
July-August Margin: \$2.88	\$10,697	\$61,460	\$133,972
Net 2012 Return	\$23,660	\$123,598	\$259,984

Had the MPP been in operation in 2012, this chart provides an estimate of both the premium cost to three different-sized dairy operations, as well as the payouts. The chart's examples include the net return the program would have generated if each farm covered 90% of its output at the \$6.50 margin level.

**MPP
Implementation
– What
Happens
Now?**

USDA's Farm Service Agency is responsible for setting up the Margin Protection Program, a process that will take much of 2014. NMPF is working with FSA to ensure the program is effective and farmer-friendly. At this point, there are still several unknowns and points in need of further clarification. These include the following questions:

- Will coverage actually start in 2014? When will the sign-up actually begin?
- Can farmers insure different portions of their annual production at different levels of margin protection?
- How will new entrants starting the program be handled, as well as those selling or leasing their operations?

NMPF will be working with USDA to develop clear answers to these and other questions as the Agriculture Department writes the rules for the new MPP. As we learn more, we will share that information with dairy cooperatives and their producers. We are refashioning our existing Future for Dairy website into a hub for information on the program and its implementation. Check www.futurefordairy.com for updates.



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