

Dairy Margin Coverage

PROGRAM REVIEW 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?



- 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
 - 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 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 at the \$9.50 level for 2022.

- In August 2022, the margin was \$8.08
- The payment per hundredweight is $\$9.50 - \$8.08 = \$1.42$
- 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: $791.67 \times \$1.42 = \$1,125$

- DMC payment is \$1,125

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	\$8.29	79,166.667	0	\$1.21	\$0.00	\$955.00
Feb	\$6.44	79,166.667	0	\$3.06	\$1.56	\$2,421.00
Mar	\$6.33	79,166.667	0	\$3.17	\$1.67	\$2,508.00
Apr	\$6.45	79,166.667	0	\$3.05	\$1.55	\$2,415.00
May	\$6.55	79,166.667	0	\$2.95	\$1.45	\$2,336.00
Jun	\$6.99	79,166.667	0	\$2.51	\$1.01	\$1,989.00
Jul	\$7.51	79,166.667	0	\$1.99	\$0.49	\$1,572.00
Aug	\$8.11	79,166.667	0	\$1.39	\$0.00	\$1,102.00
Sep	\$9.02	79,166.667	0	\$0.48	\$0.00	\$383.00
Oct	\$9.57	79,166.667	0	\$0.00	\$0.00	\$0.00
Nov	\$10.01	79,166.667	0	\$0.00	\$0.00	\$0.00
Dec	\$10.17	79,166.667	0	\$0.00	\$0.00	\$0.00
2023	\$7.95	950,000	0	\$1.65	\$0.64	\$15,681.00

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