Frequently Asked Questions – 2016 Enrollment Update

Margin Protection Program

Registration and Coverage Selection

Who is eligible to participate in the program?

All dairy operations producing milk commercially in the United States and its territories are eligible to participate.

Where do I sign-up?

Individuals must register in person at their local Farm Service Agency office.

When do I need to sign-up?

A three-month sign-up period for 2016 opened July 1. Producers have until September 30 to sign up for coverage for the coming calendar year. They can also sign up for 2017 and 2018 in this enrollment period.

What information do I need when I register?

Individuals must have information regarding their production history for years 2011, 2012 and 2013 when they register.

Are there costs to participate in the program?

Yes. All participants pay a $100 annual administrative fee at the time they select coverage. Those selecting coverage beyond the basic coverage have two options for paying their premiums. They can pay the full premium at sign up or pay 25 percent on February 1 and the remaining 75 percent on June 1. Those who have not paid their premiums by the deadlines will be in default, and will not receive benefits for any subsequent two-month periods until their situation is corrected. Looking ahead, NMPF has urged USDA to provide alternatives for paying premiums, include quarterly payments and paying premiums monthly through a milk check deduction.

What coverage levels are available under the Margin Protection Program?

Producers have multiple options for coverage each year. Basic catastrophic coverage is free, except for a $100 annual administrative fee. Basic insurance covers 90 percent of production history and protects the producer’s margin when a national average margin falls below $4 per hundredweight. Beyond the basic $4 level, producers can pay a premium to insure their margin in 50-cent increments up to $8 per hundredweight. Likewise, they can choose to cover between

25 percent and 90 percent of their production history, in five percent increments. Premium rates are fixed for the life of the farm bill, and discounted premiums apply to the first 4 million pounds of milk production for all those in the program. Additional information on premium rates is available at www.futurefordairy.com.

NMPF is asking the Agriculture Department to change a policy that reduces the safety net protection for those farmers who purchase coverage beyond the minimum. Currently, producers can pay only the $100 administrative fee and protect 90 percent of their production history at the $4 margin level. However, those who purchase higher margin coverage, but at a production level of less than 90 percent – for example, a $5 margin at 75 percent of their production history – are protected for just 75 percent of their production even if the margin falls below $4. In other words, they pay more for less coverage at the catastrophic level, if they choose to insure less than 90 percent of their production.

Once I register for the program, can I opt out?

Once producers sign up, they are obligated to participate in the program for the life of the 2014 farm bill – that is, through calendar year 2018. However, producers can adjust their milk volume percentage and margin level annually. Also, they can elect basic catastrophic protection initially, which does not require a premium, and increase their coverage later if they think it's wise. But a producer must pay the required fees and premiums to remain in the program through 2018.

I participate in the Livestock Gross Margin program. Can I also participate in the Margin Protection Program?

Producers can't participate in both programs simultaneously. However, those already in LGM can sign up for Margin Protection Program coverage after their LGM protection ends. But they must sign up for the Margin Protection Program within the eligible period, which means no later than September 30, 2015.

Will producers need to have conservation programs in order to participate in Margin Protection Program?

Yes. Just as with the Milk Income Loss Contract program, producers must have a Highly Erodible Land Conservation and Wetland Conservation Certification, or AD-1026, on file with USDA if they want to be in the Margin Protection Program.

Some USDA programs limit participation based on an individual's adjusted gross income. Do these restrictions apply to the Margin Protection Program?

No. The Margin Protection Program is open to producers of all sizes and incomes.

What coverage levels should I choose?

Unlike MILC, each producer will determine the coverage level best for him or her. To inform decisions, the National Milk Producers Federation has created an online calculator tool. Producers can enter their own information to determine their best level of coverage. Historical information on margin patterns may also be helpful. Both are on the NMPF website, www.futurefordairy.com.

If a farm has multiple owners, can they select different coverage levels?

No. Dairy operations owned by multiple individuals will have to determine a single coverage percentage and margin level.

I own two dairy operations. Am I required to choose the same coverage levels for both?

No. Those owning multiple dairy operations can protect each farm at a different level or not at all.

What if a member of my immediate family wants to start another farm? Is he or she still eligible to participate?

Family members can form a new dairy operation, with a new production history, if their interest in another farm has been small.

Production History

How is annual production history defined?

Annual production history is the highest annual milk marketings in calendar years 2011, 2012 or 2013.

Will annual production history increase during the life of the program?

Yes. Production history will increase each year based on the increase in national average milk production. For example, USDA determined milk production increased 2.61 percent in 2014. As a result, those already in the program will see their production history increase by the same 2.61 percent for the 2016 enrollment year. No other increases in production history will be covered. However, if national average milk production decreases, production histories will not decrease.

What if a dairy operation has no annual production history during 2011, 2012 or 2013?

Farmers without production history for 2011, 2012 or 2013 will be considered new operations. If an operation started February 7, 2013, or later, it has two options to determine production history. These are: 1) the volume of milk marketings for the months they were in production extrapolated over a year, or 2) an estimate of the operation's actual milk marketings based on herd size and national rolling herd average data from USDA.

If I decide to sell my dairy operation, can I keep or sell my production history?

If a dairy farm is sold, production history can either move with the farmer to a new facility, or stay with the farm, but not both. USDA will handle unique ownership situations and changes on a case-by-case basis.

What if a dairy closes and then reopens? How is its annual production history determined?

If a dairy operation closed before 2011 and then reopens, the Margin Protection Program will consider it a new farm. If a dairy operation closed after January 1, 2011, and then reopens, production history will be determined using the highest annual milk marketings from calendar years 2011, 2012 or 2013. An operation that restarted after February 7, 2013, has two options for determining production history: 1) the volume of milk marketings for the months they were in production extrapolated over a full year, or 2) an estimate of actual milk marketings based on herd size and national rolling herd average data from USDA.

Margin Protection Payments

How will payments be calculated under the program?

The margin will be calculated by USDA. It is defined as the U.S. all-milk price, minus national average feed costs, computed by a formula using the prices of corn, soybean meal, and alfalfa hay. Feeds will reflect costs associated with feeding all the dairy animals on a farm, including heifers and dry cows. The program pays on one-sixth of a producer's annual production history, multiplied by the percentage of coverage selected by the producer.

When will I be eligible for a payment?

The program pays when the national average margin for any one of six consecutive two-month periods 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, and November-December. Producers will typically receive payments a little more than a month after a payment is triggered. For example, if a payment is triggered for January-February, the margin for that period will be announced at the end of March and payments will be sent out in early April. Payments of $0.0045 for January-February and $0.495 for March-April have been made so far in 2015.

Dairy Product Donation Program

What is the Dairy Product Donation Program?

The Dairy Product Donation Program is designed to help margins recover when they drop below the catastrophic level of $4 per hundredweight. It requires USDA to purchase consumer-ready dairy products for distribution through low-income feeding programs.

How does the Dairy Product Donation Program work?

If margins fall below $4 per hundredweight for any two consecutive months, the Agriculture Department will publish a list of consumer-ready dairy products to be purchased at market prices for one month. Purchased items will be donated to food banks and other low-income feeding programs. USDA will purchase dairy products for three months, unless margins rebound above $4 sooner. Each instance of low margins will trigger a specific set of products to be purchased. Products will include both those that will help increase farmers' margins and those needed by food banks.

Will the Dairy Product Donation Program impact our burgeoning export market?

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 products it purchases and organizations are prohibited from selling products back into commercial markets.

General

What if I disagree with a decision made concerning my eligibility or other aspects of how the program works?

As with other USDA programs, producers can appeal decisions with which they disagree to their elected FSA county committee. This includes decisions on production history, farm ownership, and conservation compliance.