



Margin Protection Program for Dairy Producers (MPP-Dairy)

Re-enrollment for 2018 Coverage and New Provisions



2018 Changes

Bipartisan Budget Act provides:

- Re-opening of the 2018 signup period
- Margin calculation and payment on a monthly basis, rather than bi-monthly
- Increase of covered production on the Tier 1 premium schedule to 5 million pounds

2018 BBA Changes (Cont.)

- Reduction of premiums per hundred weight under the Tier 1 premium schedule
- Waiver of administrative fee for the following:
 - ❖ socially disadvantaged
 - ❖ limited resource
 - ❖ beginning farmer or rancher
 - ❖ Veteran

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2018 Re-enrollment Period



- Begins April 9, 2018, and ends June 1, 2018.
- \$100 administrative fee (unless exempt) & applicable forms for exemption are due by the end of re-enrollment period.
- Participation is optional for 2018
(opt-out by not submitting CCC-782)
- All dairy operations that enrolled during the previous 2018 signup **MUST** signup again during the re-enrollment period for coverage in 2018
- Coverage is retroactive to January 1, 2018, for eligible dairy operations

Eligibility

To be eligible for MPP-Dairy, the dairy operation **must**:

- Have produced milk from cows in the U.S., and be commercially marketing the milk at the time of the initial registration **AND** at the time of their 2018 coverage election
- Have production history established and approved for the dairy operation on CCC-781
- Submit a completed CCC-782, agreeing to MPP-Dairy terms and conditions

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Eligibility (Cont.)

To be eligible for MPP-Dairy, the dairy operation **must**:

- **NOT** participate in the LGM-Dairy program administered by RMA and MPP-Dairy simultaneously, *unless transitioning to MPP-Dairy during the 2018 re-enrollment period.*
- Pay the required administrative, *unless exempt*, and premium fees, if applicable, for each separate and distinct operation.

Real Life – First Steps

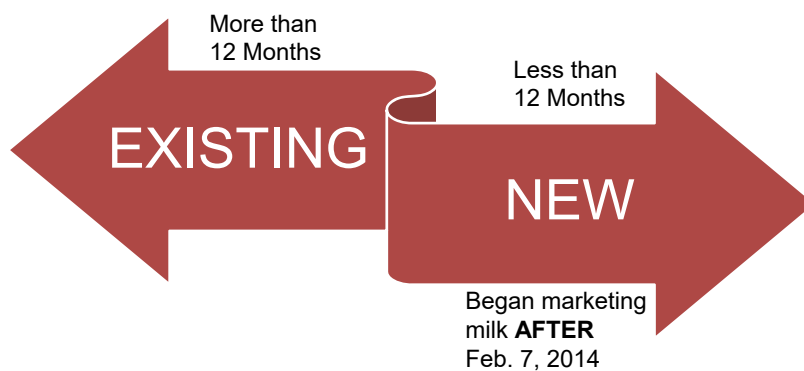
I have a dairy operation that wants to now signup for 2018 that has never participated in MPP-Dairy before, *what do I do?*



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Determine Type of Operation

Step 1



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Establishing Production History Existing Dairy Operation

Step 2

Existing Dairy Operation:

- 2011
- 2012
- 2013

Highest



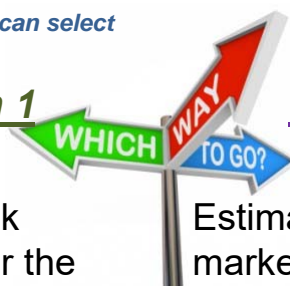
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Establishing Production History New Dairy Operation

Step 2

New Dairy Operation can select either option:

Option 1



Option 2

Volume of milk marketings for the months in operation extrapolated to a yearly amount based on a *seasonal index*

Estimate of actual marketings based on herd size of the dairy relative to the *National rolling herd average (22,774 lbs)*

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Coverage Elections (CCC-782)

- Choice of CAT Level or Buy-Up coverage
- Only one coverage level threshold (“*margin trigger*”) and percentage may be selected
- dairy operations may change coverage election prior to end of re-enrollment
- Must be agreed upon by all producers in the participating dairy operation.

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Coverage Elections CAT vs. Buy-Up

CAT	{	<ul style="list-style-type: none"> • \$100 – Admin fee • 90% - Covered Production History (PH) • \$4.00 - Trigger
Premium	{	<ul style="list-style-type: none"> • \$100 – Admin Fee • 25%-90% - Covered PH • \$4.50 - \$8.00 – Trigger • Possible Buy-Up Fees • 2-tier schedule applicable to % of coverage </> 5 mil lbs

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Covered Production History Example

ABC Dairy Operation has an established production history of 10 million lbs and has elected a coverage level of \$8 at 75%.

- 7.5 million covered production history (10,000,000 x 0.75)
- 5 million lbs buy-up assessed at lower Tier 1
- 2.5 million lbs buy-up assessed at higher Tier 2

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2018 Premium Schedule

Coverage Level (Margin) per cwt.	Tier 1 Premium per cwt for 2018	Tier 2 Premium per cwt for 2018
	Covered production history at 5 million lbs or less	Covered production history over 5 million lbs
\$4.00	None	None
\$4.50	None	\$0.020
\$5.00	None	\$0.040
\$5.50	\$0.009	\$0.100
\$6.00	\$0.016	\$0.155
\$6.50	\$0.040	\$0.290
\$7.00	\$0.063	\$0.830
\$7.50	\$0.087	\$1.060
\$8.00	\$0.142	\$1.360

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Calculating the Premium Example; 75% at \$7.00

- $75\% \times 10,000,000 \text{ lbs} = 7,500,000 \text{ lbs}$
- Divide by 100 lbs = 75,000 cwt
- 5,000,000 lbs or 50,000 cwt at Tier 1/\$.063 = \$3,150.00
- 2,500,000 lbs or 25,000 cwt at Tier 2/\$.83 = \$20,750.00
- Total Premium = \$23,900.00

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Reviewing 2018 Contract Data

All data originally recorded, except signatures, will remain

Once Tier 1 payment rates and pounds are updated, the system-generated contract will reflect changes.

Example: Producer with 5,500,000 pounds elected buy-up coverage at \$7.00 @ 90%. The original contract premium was \$16,565.

Before the county office revises the contract, if the contract is viewed, the premium will be listed as \$3,119 after the edit is complete.

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Real Life – LGM Participant

I have a producer that is currently participating in the RMA LGM-Dairy program and now wants to participate in MPP-Dairy.

Can they register for 2018? **Yes**

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LGM-Dairy Transition Process

- Must submit CCC-781/CCC-782 and applicable fees **no later than** June 1, 2018
- Subject to a prorated premium
- Must complete active target marketings under LGM before coverage will begin under MPP
- MPP-Dairy coverage will begin the next month after the month all target marketings under LGM-Dairy are completed and coverage ends

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LGM Prorated Premium Example

An LGM-Dairy participant has target marketings through May 2018 and registers for 2018 coverage under MPP on 4/25/18.

- Coverage under MPP will begin 6/1/18
- 7 months remain in coverage year
- \$23,900 calculated premium
- $\$23,900/12 = \$1,992 \times 7 = \$13,942$



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The "Margin"

Determined **monthly** based on the difference between:

- National all-milk price
- National average feed cost

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Margin Calculation Example

Month/Year	All-Milk Price	Average Feed Cost	Margin
February/2018	\$15.30	\$8.41651	\$6.88349

- ❖ Determine difference:
 - ❖ $\$15.30 - \$8.41651 = \$6.88349$
- ❖ Margin = \$6.88349

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MPP-Dairy Payment Calculation

- Determine the amount that the “margin trigger” elected by the operation exceeds the average actual dairy margin for a month
- ✕ result by covered production history
- ÷ result by 100 to determine cwt
- ÷ result by **12** to determine payment

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MPP-Dairy Payment Calculation Example for 75% and \$7.00

February margin is \$6.88348850

$\$7.00 - \$6.88 = \$0.1165115$ payment rate

$\$0.1165115 \times 7,500,000 = 873,836$

$873,836 / 100 = 8,738$

$8,738 / 12 = \$728$

\$728 payment for February

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MPP-Dairy Payment Calculation Example for 90% and \$8.00

February margin is \$6.88348850

$\$8.00 - \$6.88 = \$1.165115$ payment rate

$\$1.165115 \times 4,000,000 = 4,660,460$

$4,660,460 / 100 = 46,604.60$

$46,604.60 / 12 = 3,883.72$

\$3,883.72 payment for February

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MPP Resources

- FSA Website –
www.fsa.usda.gov/programs-and-services/Dairy-MPP/index
 - Monthly Margin Rates
 - Enrollment Reports
- Decision Tool –
www.fsa.usda.gov/mpptool or
<https://dairymarkets.org/MPP/Tool/>

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