Dairy Margin Coverage
Supplemental Dairy Margin Coverage
Recent changes to DMC: Feed Cost Formula

- USDA changed the DMC feed cost formula to better reflect the actual cost dairy farmers pay for high-quality alfalfa hay.

- FSA now calculates payments using 100% premium alfalfa hay rather than 50%. The amended feed cost formula makes DMC payments more reflective of actual dairy producer expenses.

- Participating dairy operations with 2020 and 2021 DMC contracts were eligible for retroactive monthly indemnity payments because of the alfalfa feed cost change on their covered DMC production history. These payments have been issued by FSA.
Determining the margin...

The margin is determined according to the following:

- The national all-milk price determined from the average price received, per cwt. of milk, by dairy operations for all milk sold to plants and dealers in the U.S.

- The national average feed cost determined from the cost of feed used to produce a cwt. of milk, calculated by the sum of the products determined by multiplying:
  - 1.0728 by the national price of corn per bushel for a month as reported in the USDA Agricultural Prices Report
  - 0.00735 by the central Illinois price of soybean meal per ton for a month as reported in the USDA Market News-Monthly Soybean Meal Price Report
  - 0.0137 by the national price of alfalfa hay per ton for a month as reported in the USDA Agricultural Prices Report.

Note: The national price for alfalfa hay will reflect the average alfalfa hay price in addition to the premium and supreme alfalfa hay price.

The actual dairy production margin is the difference between the all-milk price and the average feed cost. For example, if the all-milk price for a month is $20.00 per cwt. and the calculated average feed cost for the same month is $12.00 per cwt., the “actual dairy production margin” is $8.00 per cwt.
Understanding DMC vs. SDMC

• 2018 Farm Bill authorizes the Dairy Margin Coverage (DMC) program.
  • DMC is a voluntary program that provides dairy operations with risk management coverage that will pay producers when the difference between the price of milk and the cost of feed (the margin) falls below a certain level.

• Supplemental DMC (sometimes referred to as SDMC) was authorized as part of Consolidated Appropriations Act of 2021.
  • SDMC is for small and mid-size dairy operations with less than 5 million pounds of DMC established production history that have increased milk production over time prior to 2020.

• The Supplemental DMC program is just that, a supplement to the DMC Program.
Why a Supplemental DMC Program?

• Supplemental DMC coverage is applicable to calendar years 2021, 2022, and 2023.
• Established Supplemental production history will trigger payments in addition to payments based on their established production history.
• An opportunity to receive supplemental payments whenever the average actual dairy production margin for a month is less than the coverage level threshold as selected by the dairy operation.
Now, let's talk about who is NOT eligible for SDMC?

- Dairy operations with a DMC production history over 5 million pounds; or
- Dairy operation that have not increased 2019 milk production levels over their production history are not eligible for SDMC.
DMC and Supplemental DMC Sign-up for 2021

2021 Supplemental DMC Special Enrollment occurs:

➢ December 13, 2021 through March 25, 2022

IMPORTANT: For participation in 2021 Supplemental DMC, dairy operations must enroll during the special enrollment.
## Premium cost

<table>
<thead>
<tr>
<th>Coverage Level (Margin)</th>
<th>Tier 1 Premium Per Cwt. 2019 Through 2023 Covered Production History at 5 Million Pounds or Less</th>
<th>Tier 1 Premium with 25 percent lock-in discount</th>
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<tbody>
<tr>
<td>$4.00</td>
<td>None</td>
<td>$0.001875</td>
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<tr>
<td>$4.50</td>
<td>$0.0025</td>
<td>$0.003750</td>
</tr>
<tr>
<td>$5.00</td>
<td>$0.005</td>
<td>$0.003750</td>
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<tr>
<td>$5.50</td>
<td>$0.030</td>
<td>$0.0225</td>
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<td>$6.00</td>
<td>$0.050</td>
<td>$0.0375</td>
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<td>$6.50</td>
<td>$0.070</td>
<td>$0.0525</td>
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<tr>
<td>$7.00</td>
<td>$0.080</td>
<td>$0.060</td>
</tr>
<tr>
<td>$7.50</td>
<td>$0.090</td>
<td>$0.0675</td>
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<td>$8.00</td>
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<td>$0.075</td>
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<tr>
<td>$8.50</td>
<td>$0.105</td>
<td>$0.07875</td>
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<td>$9.00</td>
<td>$0.110</td>
<td>$0.0825</td>
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<tr>
<td>$9.50</td>
<td>$0.150</td>
<td>$0.1125</td>
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</table>
Coverage threshold refers to at Margin trigger you want to cover your milk between $4.00 and $9.50

<table>
<thead>
<tr>
<th>Month</th>
<th>Corn ($/bu)</th>
<th>Premium Alfalfa Hay ($/ton)</th>
<th>Soybean Meal ($/ton)</th>
<th>All Milk ($/cwt)</th>
<th>Final Feed Costs for DMC ($/cwt)</th>
<th>Milk Margin Above Feed Costs for DMC ($/cwt)</th>
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</thead>
<tbody>
<tr>
<td>January</td>
<td>4.24</td>
<td>206.00</td>
<td>439.24</td>
<td>17.50</td>
<td>10.60</td>
<td>6.90</td>
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<tr>
<td>February</td>
<td>4.75</td>
<td>211.00</td>
<td>427.28</td>
<td>17.10</td>
<td>11.13</td>
<td>5.97</td>
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<tr>
<td>March</td>
<td>4.89</td>
<td>210.00</td>
<td>410.02</td>
<td>17.40</td>
<td>11.14</td>
<td>6.26</td>
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<tr>
<td>April</td>
<td>5.31</td>
<td>211.00</td>
<td>413.36</td>
<td>18.40</td>
<td>11.63</td>
<td>6.77</td>
</tr>
<tr>
<td>May</td>
<td>5.91</td>
<td>226.00</td>
<td>421.03</td>
<td>19.20</td>
<td>12.53</td>
<td>6.67</td>
</tr>
<tr>
<td>June</td>
<td>6.00</td>
<td>230.00</td>
<td>378.18</td>
<td>18.40</td>
<td>12.37</td>
<td>6.03</td>
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<tr>
<td>July</td>
<td>6.12</td>
<td>232.00</td>
<td>365.23</td>
<td>17.90</td>
<td>12.43</td>
<td>5.47</td>
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<tr>
<td>August</td>
<td>6.32</td>
<td>238.00</td>
<td>358.21</td>
<td>17.70</td>
<td>12.67</td>
<td>5.03</td>
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<tr>
<td>September</td>
<td>5.45</td>
<td>244.00</td>
<td>343.55</td>
<td>18.40</td>
<td>11.71</td>
<td>6.69</td>
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<tr>
<td>October</td>
<td>5.02</td>
<td>247.00</td>
<td>325.43</td>
<td>19.70</td>
<td>11.16</td>
<td>8.54</td>
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<tr>
<td>November</td>
<td>5.27</td>
<td>246.00</td>
<td>358.73</td>
<td>20.80</td>
<td>11.66</td>
<td>9.14</td>
</tr>
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</table>

*At a milk margin minus feed costs of $9.50 or less, payments are possible depending on the level of coverage chosen by the dairy producer.*
## S-DMC Payment Calculations @ 95% coverage and $9.50 Margin with New Alfalfa Rates

<table>
<thead>
<tr>
<th>Current DMC PH</th>
<th>2019 Actual Milk Marketings</th>
<th>3,236,767.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Rate</td>
<td>SU-DMC Payment under 5 mil</td>
<td>Pay Rate</td>
</tr>
<tr>
<td>January</td>
<td>2.6</td>
<td>$1,147.88</td>
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<tr>
<td>February</td>
<td>3.53</td>
<td>$1,558.46</td>
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<tr>
<td>March</td>
<td>3.24</td>
<td>$1,430.43</td>
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<tr>
<td>April</td>
<td>2.73</td>
<td>$1,205.27</td>
</tr>
<tr>
<td>May</td>
<td>2.83</td>
<td>$1,249.42</td>
</tr>
<tr>
<td>June</td>
<td>3.47</td>
<td>$1,531.97</td>
</tr>
<tr>
<td>July</td>
<td>4.03</td>
<td>$1,779.21</td>
</tr>
<tr>
<td>August</td>
<td>4.47</td>
<td>$1,973.47</td>
</tr>
<tr>
<td>September</td>
<td>2.81</td>
<td>$1,240.59</td>
</tr>
<tr>
<td>October</td>
<td>0.96</td>
<td>$423.83</td>
</tr>
<tr>
<td>November</td>
<td>0.36</td>
<td>$158.94</td>
</tr>
<tr>
<td>December</td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>Total 2021 SDMC Payments</td>
<td><strong>$13,699.47</strong></td>
<td></td>
</tr>
<tr>
<td>Cost of 2021 SDMC</td>
<td><strong>$794.68</strong></td>
<td></td>
</tr>
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</table>

| SDMC Production | 557,673 |
| SDMC Covered Production | 529,789 |
| SDMC Covered CWT's | 5,297.89 |

Pounds of 21 SDMC Covered Production (@95%)
New York State FSA has issued almost $106 million in 2021 DMC and almost $4 million to date in supplemental DMC

Producers enrolled in 2019 DMC = 2486
Producers enrolled in 2020 DMC = 852
Producers enrolled in 2021 DMC = 1999
Producers enrolled in 2022 DMC = 1541 (as of 3/18/22)
Farm Storage Facility Loans (FSFL)
Farm Storage Facility Loans (FSFLs) provide low-interest financing for producers to store, handle and/or transport eligible commodities they produce. This includes the following:

- Acquire, construct or upgrade new or used, portable or permanently affixed, on-farm storage and handling facilities;

- Acquire new or used storage and handling trucks;

- Acquire portable or permanently affixed storage and handling equipment.
Eligible Commodities

- Grains, including malted
- Hay & forage
- Fruits & vegetables
- Milk, butter, cheese & yogurt
- Meat, poultry & eggs (raw)
- Honey
- Maple sap & syrup
- Hops & Hemp
- Floriculture
- Aquaculture
- Floriculture
Eligible Facilities, Equipment and Updates

- Hauling Trucks (including refrigerated)
- Refrigeration/freezer units
- Hay Storage, including pole barns
- Cold Storage includes handling, washing & packing equipment
- Grain Bins & Cribs, including drying equipment
- Milk Houses & Equipment including milk tanks
- Hop & Hemp storage and drying equipment
- Skid steers, Forklifts and Telehandlers
- Silage Bunks
- Sap Tanks, Silos and Barrels
FSFL Requirements

- Demonstrate the need for additional storage

- **Maximum loan amount is $500,000 per loan request.**
  - Down payment is required
    - 15% loans over $50,000
    - 5% loans under $50,000

- **Environmental Compliance**
  - Must be completed before any ground is disturbed
  - Ensures protections of environmentally sensitive land and wildlife
Loan Term Options

The FSFL maximum term are 3, 5, 7, 10, or 12 years.

- $100,000 or less, 3, 5, 7-year FSFL term only
- $100,000.01 to $250,000, 3, 5, 7, or 10-year
- $250,000.01 to $500,000, 3, 5, 7, 10, or 12-year

*Used* storage structures, equipment, and storage and handling trucks shall have a maximum term of 3 or 5 years

FSFL’s over $100,000 require a real estate mortgage or an Irrevocable Letter of Credit to secure the FSFL.
FSFL Loan Rates

Interest rates for March 2022
1.500% for 3-year loans
1.750% for 5-year loans
1.875% for 7-year loans
1.875% for 10-year loans
2.000% for 12-year loans

- Interest is fixed for the life of the loan

- Yearly payments
FSFL Activity in New York

New York currently has 284 active FSFL’s for a total outstanding loan amount of $12,656,868
Market Assistance Loans (MAL’s)

Marketing assistance loans provide producers interim financing at harvest time to meet cash flow needs without having to sell their commodities when market prices are typically low at harvest-time lows. Allowing producers to store production at the farm and then market/feed the commodities throughout the year.

- Silage is not eligible for MAL’s but high moisture corn is. (bushels would be calculated down to 15.5% moisture)

- High Moisture corn stored in bunks is not eligible. Ag bag and silo storage is eligible

- Even if hm corn is for feed, it can be eligible for a MAL. A monthly repayment schedule would be put in place to repay loan as it’s being fed out.

- Most MAL’s can be issued within a week of application

- Other eligibility rules apply. Contact your local FSA for specifics
2021 Commodity Loan Rates in New York (assuming quality standards are met)

Corn – Ranges between 2.32 – 2.37 per bushel

Soybeans – $6.21 pe bushel

Soft Red Wheat - $3.63 per bushel

Soft White Wheat - $3.96 per bushel

March interest rate is 1.875% for a 9 month loan.
Disaster Programs
Emergency Conservation Program (ECP)

The Emergency Conservation Program (ECP), administered by the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA), provides emergency funding and technical assistance to farmers and ranchers to rehabilitate farmland and conservation structures damaged by natural disasters and implement emergency water conservation measures in periods of severe drought.
Emergency Conservation Program (ECP) cont.

- Grading, shaping or leveling land (filling gullies, releveling irrigated farmland and incorporating sand and silt);
- Restoring fences (livestock cross fences, boundary fences, cattle gates, or wildlife exclusion fence on agricultural land);
- Restoring conservation structures (waterways, terraces, diversion ditches and permanently installed ditching system); and
- Providing emergency water during periods of severe drought (grazing and confined livestock and existing irrigation systems for orchards and vineyards).
Emergency Conservation Program (ECP) cont.

**Cost-Share Payments**

Cost-share payments are:

- Up to 75 percent of the cost to implement approved restoration practices;
- Up to 90 percent of the cost to implement approved restoration practices for producers who certify as limited resource, socially-disadvantaged or beginning farmers/ranchers;
- Limited to $500,000 per person or legal entity per disaster; and
- Available as an advance payment of up to 25 percent of expected cost-share, for only the replacement or restoration of fencing.
Disaster Programs: Livestock Indemnity Program (LIP)

LIP provides benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.
Disaster Programs: Livestock Indemnity Program (LIP)

Eligible loss conditions:

**Adverse weather** that is not expected to occur which directly results in or is exacerbated by extreme, abnormal or damaging weather that directly results in injury or death of eligible livestock. Ex. earthquake, hail, lightning, tornado, flood, blizzard, extreme heat, extreme cold, straight-line winds, eligible winter storm….

*Note: Drought is not an eligible cause of loss under LIP unless associated with anthrax*

**Eligible Disease** exacerbated by an adverse weather event that directly results in the death of eligible livestock. Ex. anthrax, cyanobacteria (blue-green algae), lackspur poisoning

*Other eligibility rules apply*
Livestock Forage Program (LFP)

The Livestock Forage Disaster Program (LFP) provides payments to:

- Eligible livestock owners and contract growers who have covered livestock and
- Who are also producers of grazed forage crop acreage (native and improved pasture land with permanent vegetative cover)

Or

- Certain crops planted specifically for grazing that have suffered a loss of grazed forage due to a qualifying drought during the normal grazing period for the county
Emergency Livestock Assistance Program (ELAP)

ELAP provides financial assistance to eligible producers of livestock, honeybees and farm-raised fish for losses due to disease, certain adverse weather events or loss conditions, including blizzards and wildfires, as determined by the Secretary. ELAP assistance is provided for losses not covered by other disaster assistance programs such as LIP and LFP
Emergency Livestock Assistance Program (ELAP) cont.

ELAP covers

• Feed and grazing losses due to eligible adverse weather such as blizzards, floods, excessive wind, tornados.…

• Additional cost of transporting water to eligible livestock due to an eligible drought or adverse weather event that directly impacts water availability during the normal grazing period.

• Additional cost of transporting feed to eligible livestock due to an eligible drought or adverse weather event

• Other eligibility rules apply
Summary on FSA Programs for Dairy Producers

**DMC**  Insure milk production using milk price and feed cost

**FSFL**  Low interest loans for storage and handling equipment

**MAL**  Low interest loans for stored commodities

**ECP**  Disaster program to rehabilitate farmland and structures damaged by eligible natural disasters

**LIP**  Disaster program to assist livestock owners for deaths caused by eligible adverse weather conditions

**LFP**  Disaster program to assist livestock owners who graze and suffer a loss of grazing land due to a qualifying drought

**ELAP**  Disaster program to assist livestock owners for losses due certain diseases or adverse weather events. This program can cover feed losses, cost of transporting water and feed.
We are here to help!

If you have any questions, please contact either:

Jenifer Dean, Farm Program Chief at jenifer.dean@usda.gov

Or contact your local FSA County Office: www.farmers.gov/service-locator

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