



Dairy Margin Coverage /Supplemental
Dairy Margin Coverage

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Introduction

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Today's Discussion

- **Program Background**
- **Understanding the Program Basics**
- **Understanding Contract Revisions**
- **Production History**
- **More Program Information**
- **Contact Us**

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Program Background: Understanding the Changes

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Changes to DMC: Feed Cost Formula

- USDA is changing the DMC feed cost formula to better reflect the actual cost dairy farmers pay for high-quality alfalfa hay.
- FSA will calculate payments using 100% premium alfalfa hay rather than 50%. The amended feed cost formula will make DMC payments more reflective of actual dairy producer expenses.
- Participating dairy operations with 2020 and 2021 DMC contracts will be eligible for retroactive monthly indemnity payments because of the alfalfa feed cost change on their covered DMC production history.



Feed Cost Formula Example

Sam MacDonald is a participating DMC dairy operation with approved contracts for 2020 and 2021 and is eligible for an additional DMC indemnity payment because of the DMC alfalfa feed cost change for the months that indemnity payments were paid for 2020 and 2021.

For October 2021, MacDonald has \$9.50 coverage on 95 percent on his 1 million pounds of production history under DMC and earned \$0.73 payment per covered cwt.

MacDonald DMC Coverage:	\$9.50
Previous DMC Margin Rate:	\$8.77 (minus)
Previous DMC Payment per cwt.:	\$0.73



Feed Cost Formula Example (continued)

For October 2021, with the revised DMC margin, MacDonald will receive payment on the \$8.54 margin earning \$0.96 per covered cwt., resulting in an additional \$0.23 payment per covered cwt.

MacDonald DMC Coverage:	\$9.50
Revised DMC Margin Rate:	<u>\$8.54 (minus)</u>
Revised DMC Payment Rate:	\$0.96
Previous DMC Rate:	<u>\$0.73 (minus)</u>
Additional Payment Rate:	\$0.23

Covered DMC Production

Convert to covered production history: $1,000,000 \times 95\% = 9,500,000$ pounds

Convert to cwt coverage of PH: $9,500,000/100 = 9500$ cwt

Convert to Monthly cwt. of coverage: $9,500/12 = 792$ cwt

Additional Payment: $\$0.23 \times 792 \text{ cwt.} = \182.16

Sam MacDonald for October 2021 DMC indemnity will receive an additional \$182.16

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.

Eligibility

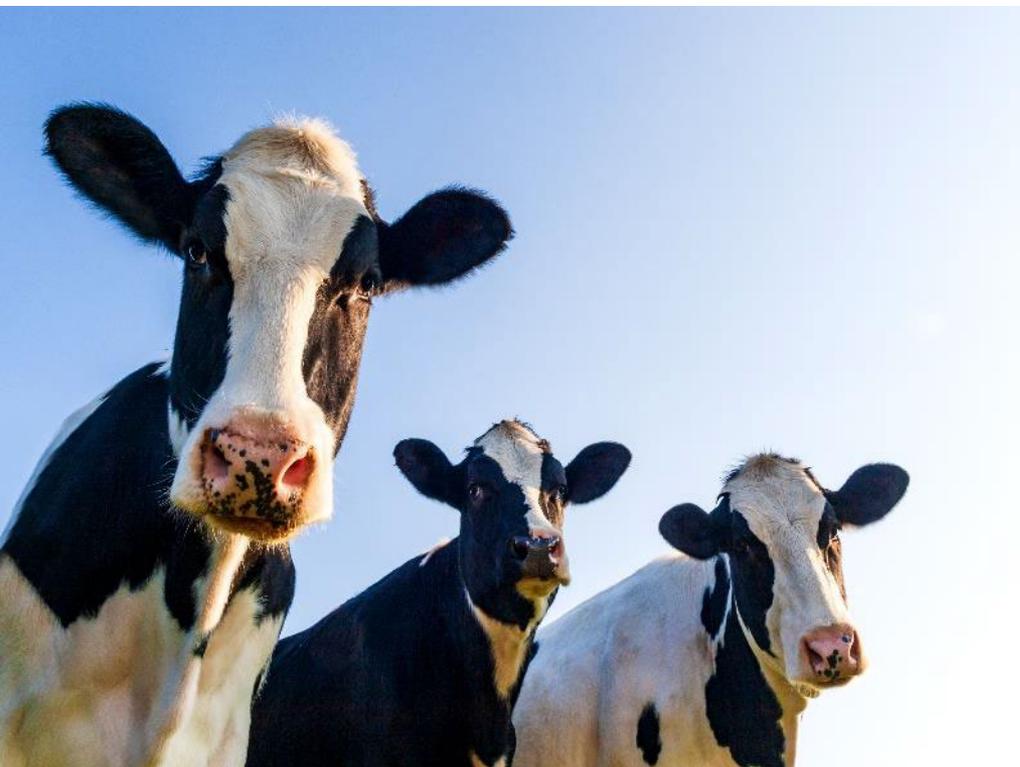
DMC	SDMC
<p>An eligible dairy operation must:</p> <ul style="list-style-type: none"> • Have a production history determined by the USDA Farm Service Agency (FSA). • Be registered to participate during a signup announced by FSA. • Pay a \$100 administrative fee annually for each year of participation, except if the dairy operation qualifies for a waiver for limited resource, beginning, socially disadvantaged, or veteran farmers and ranchers. • Select a coverage level ranging from \$4.00 to \$9.50 per hundredweight in \$0.50 increments. • Select a coverage percentage of the dairy operation's production history ranging from 5 percent to 95 percent, in 5 percent increments. 	<p>For participation in 2021 Supplemental DMC, dairy operations must meet the following:</p> <ul style="list-style-type: none"> • DMC established production history of less than 5,000,000 pounds* • 2019 milk marketing's must exceed established DMC production history • Have an approved supplemental production history for the dairy operation on CCC-800A • For 2021, already enrolled in DMC for 2021 DMC and submit a revised CCC-801 contract, during the special enrollment period, agreeing to the terms and conditions prescribed by CCC <p><i>Note: Eligible dairy operations not enrolled for 2021 DMC may enroll in supplemental DMC however will not be applicable until 2022.</i></p>

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.

NOTE: Dairy operations with a DMC production history over 5 million pounds or have not increased 2019 milk production levels over their production history are not eligible for SDMC.

Now, lets 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.



Understanding The Program Basics

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Establishing Your Supplemental DMC Production History

As a part of establishing your Supplemental DMC Production the County Office Committee (COC) will verify:

- Dairy operation 2019 milk marketing statement
- That a form CCC-800A* is complete and signed

Note: Once supplemental production history is approved, this history will apply to any further DMC contract.

Establishing Your Supplemental DMC Production History

To establish supplemental production history, CCC-800A:

- Must be completed by a participating dairy operation and used for the initial establishment of supplemental production history.
- Will be accepted and approved by County Offices during a special enrollment or coverage election period

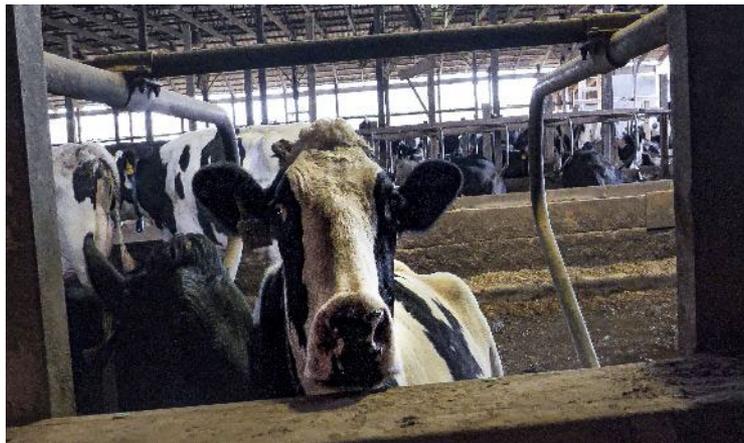
Note: CCC-800A must be accompanied by CCC-801 to be considered registered for DMC.

Supplemental DMC Sign-up for 2021

2021 Supplemental DMC Special Enrollment will occur:

➤ **December 13, 2021 through February 18, 2022**

IMPORTANT: For participation in 2021 Supplemental DMC, dairy operations must enroll during the special enrollment including dairy operations with lock-in contracts.



Dairy Margin Coverage Supplemental Production History Establishment Submission

2021

2021 SDMC Sign-up AND 2022 DMC Sign-up
(SDMC incorporated)

2022

2023 DMC Sign-up

2023

2024 DMC Sign-up

Supplemental DMC Production History Calculation

To determine the dairy operations supplemental production history:

The dairy operations DMC established production history is subtracted from the dairy operations 2019 milk marketing's with the result multiplied by 75 percent.

Operator A (Example)	
2019 Milk Marketings	1,500,000 pounds
DMC Production History	- <u>900,000 pounds</u>
Net (x 75%)	600,000 pounds
Established Supplemental – Production History	450,000 pounds

Supplemental DMC Production History Calculation (Example 2)

Operator B (Example 2)	
2019 Milk Marketings	15,000,000 pounds
DMC Production History	- <u>2,500,000 pounds</u>
Net (x 75%)	12,500,000 pounds
Established Supplemental Production History	9,375,000 pounds

Note: Additional DMC coverage due to supplemental production history is limited to 5,000,000 pounds.



Understanding Contract Revisions

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Your Supplemental Production Has Been Established, Now What?

2021 CCC-801 contract may be revised according to include:

- Supplemental production history
- Supplemental premiums and
- Maintain 2021 DMC coverage elections

B Example CCC-801

The following is an example CCC-801.

PART A - GENERAL INFORMATION				
5. Dairy Operation Name and Address				
6. Does the dairy operation currently produce and commercially market milk? (For 2018, if you commercially produced milk for any calendar month in 2018, indicate "YES")				
YES	NO			
<input type="checkbox"/>	<input type="checkbox"/>			
7. Does the dairy operation elect to lock in your coverage levels through Dec. 31, 2022? Note: Even though locked in, annual filing of the CCC-801 is required.				
<input type="checkbox"/>	<input type="checkbox"/>			
PART B - COVERAGE LEVEL ELECTION (County Office Use Only)				
8. Approved Production History: _____ lbs.				
9. Coverage Level Percentage Election				
Check one desired level:				
<input type="checkbox"/> 5%	<input type="checkbox"/> 25%	<input type="checkbox"/> 45%	<input type="checkbox"/> 65%	<input type="checkbox"/> 85%
<input type="checkbox"/> 10%	<input type="checkbox"/> 30%	<input type="checkbox"/> 50%	<input type="checkbox"/> 70%	<input type="checkbox"/> 90%
<input type="checkbox"/> 15%	<input type="checkbox"/> 35%	<input type="checkbox"/> 55%	<input type="checkbox"/> 75%	<input type="checkbox"/> 95%
<input type="checkbox"/> 20%	<input type="checkbox"/> 40%	<input type="checkbox"/> 60%	<input type="checkbox"/> 80%	
10. Tier 1 Coverage Level Threshold Election				
Check one desired level:				
<input type="checkbox"/> \$4.05 (CAT)	<input type="checkbox"/> \$5.50	<input type="checkbox"/> \$7.00	<input type="checkbox"/> \$8.50	
<input type="checkbox"/> \$4.50	<input type="checkbox"/> \$6.00	<input type="checkbox"/> \$7.50	<input type="checkbox"/> \$9.00	
<input type="checkbox"/> \$5.00	<input type="checkbox"/> \$6.50	<input type="checkbox"/> \$8.00	<input type="checkbox"/> \$9.50	
11. Tier 2 Coverage Level Threshold Election				
Can only be different than the Tier 1 coverage level threshold if the coverage level elected in item 10 is \$8.50, \$9.00 or \$9.50.				
Check one desired level:				
<input type="checkbox"/> \$4.05 (CAT)	<input type="checkbox"/> \$5.50	<input type="checkbox"/> \$7.00		
<input type="checkbox"/> \$4.50	<input type="checkbox"/> \$6.00	<input type="checkbox"/> \$7.50		
<input type="checkbox"/> \$5.00	<input type="checkbox"/> \$6.50	<input type="checkbox"/> \$8.00		
PART C - CALCULATED TOTALS AND PAYMENT AMOUNTS (County Office Use Only)				
Calculated Amount Due		Amount Received and/or Credited		
A. Administrative Fee due:	\$	A. Administrative Fee paid or waived:	\$	
B. Calculated Premium due no later than Sept. 1 of the applicable coverage year:	\$	B. 2014 - 2017 Premium Credit:	\$	
		C. Premium Amount Paid:	\$	
C. Total Amount Due:	\$	D. Total Amount Received/Credited:	\$	
		E. Total Balance Due:	\$	

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CCC-801 Contract Revision (Example)

Operator A has a 2021 DMC contract with



- Operator A has increased his milk production since originally enrolling in MPP
- Operator A established supplemental production history at 10,000,000 pounds.
- For 2021, Operator A is required to maintain the coverage levels of their established supplemental history of: 95 percent coverage at \$9.50 coverage level

What Happened With the Production History Limitation You Ask?

Covered production history due to the supplemental DMC production is limited to a maximum of 5,000,000 pounds.



If an enrolled dairy operation meets (or exceeds) the 5,000,000 pounds limitation, any additional supplemental pounds will not be covered under DMC.

How Do These Revisions Affect Lock-in Contracts?

If Dairy operations with lock-in contracts choose to establish supplemental production history & update their DMC contract, they are also required by contract to:

- Maintain the lock-in contract and coverage levels
- Apply for Supplemental during the special enrollment
- Pay the standard premium rate for supplemental pounds of production history

Note: Lock-in discounted premium does NOT apply to supplemental pounds of production history.



Deep Dive: Production History

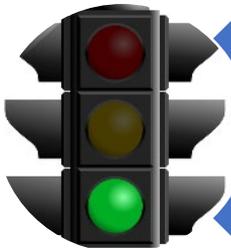
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Production History Modifications



Established production history and established supplemental production history are separate records for each dairy operation.

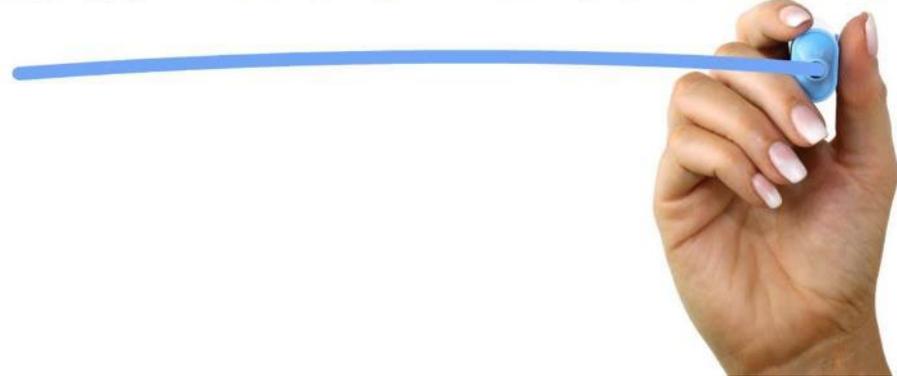


Once production history is established for dairy operation, this newly established production history will be applicable to any future DMC contract

Successions-in-Interest

- A dairy operation that succeeded from another may establish Supplemental production history from the predecessor dairy operation.
- Dairy operations with both production history and supplemental production history may transfer the histories thru the succession-in-interest.

INFORMATION



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Re-Establishments & Fees

- **Re-Establishments:** For dairy operations that have previously dissolved and wish to reestablish their operation, will need to reestablish both established production history and supplemental production history.
- **Fees:**
 - Administrative Fees: No new fees. Administrative fees for Supplemental DMC are covered under the regular DMC program.
 - Premium Fees: Supplemental premium fees are due on covered supplemental history.



More Program Information....

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Important Dates

Open Enrollment Period:

**December 13, 2021
through February 18,
2022**

Payment Issued:

**Once enrolled and
approved**



Conclusion



DMC-SDMC National Awareness

- Educate: Visit our customer friendly [“Dairy Margin Coverage Program”](#), to learn more about the program.
- Help FSA to spread the word! Get connected with your local [State Outreach Coordinators \(usda.gov\)](#)
- Utilize available DMC & SMDC Resources*



Program Amplification Resources

Resources are available on

<https://www.fsa.usda.gov/programs-and-services/outreach-and-education/stakeholder-toolkit/index>

Dairy Decision Tool: [Dairy Markets & Policy](#)

Contents available to help you amplify the program:

- Program Information
- News Releases
- Today's Educational Webinar
- Helpful links to factsheets, DMC Decision Tool, & more.



We are here to help!

If you have any questions, please contact either:

Doug Kilgore, Program Manager at
douglas.e.kilgore@usda.gov

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

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