

Dairy Margin Protection Program—2015 Status:

With relatively small fluctuations in milk prices and feed component costs the margin between them has bounced close to the \$8 margin and is projected to remain at similar levels during the rest of the year. This has meant the program has only triggered for a small number of producers at the \$8 buy-up level.

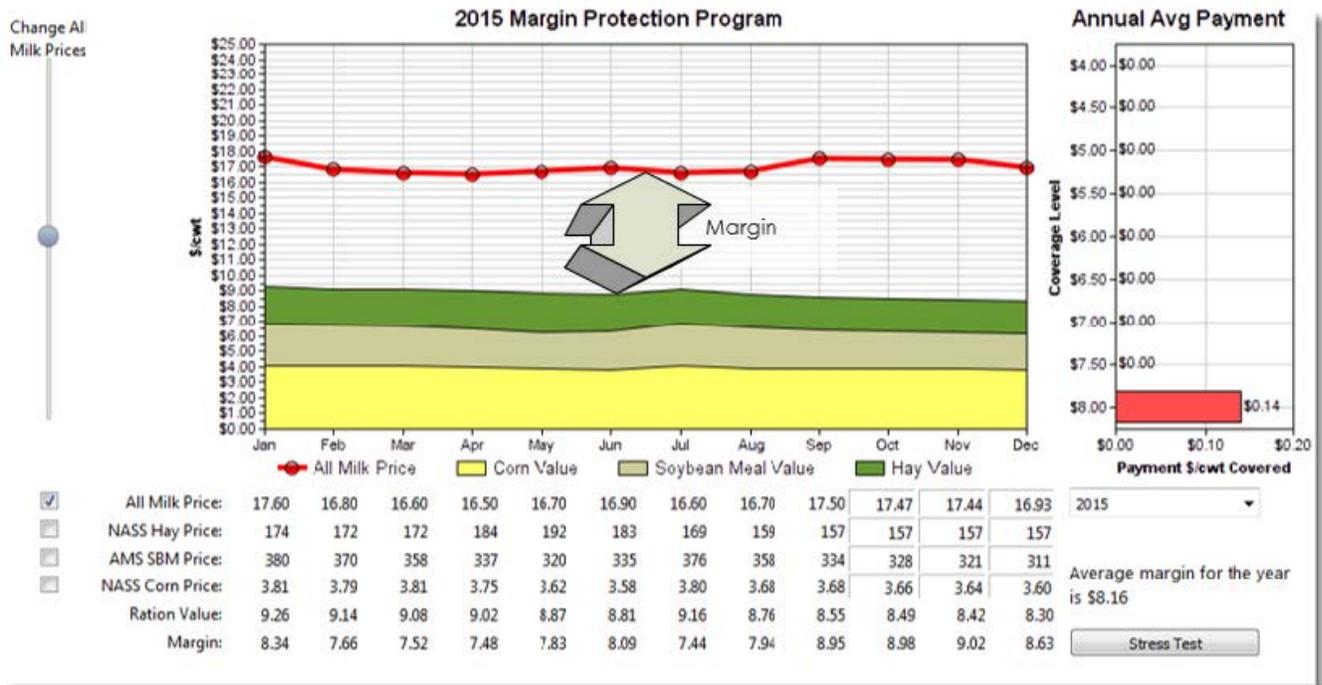


Figure 1 - 2015 Margin Protection Program (MPP) with Margin identified between All Milk Price (red) and Hay Value (green)

The Dairy Margin Protection Program is a risk management tool for dairy producers that participate. But what does that mean? What do dairy producer receive for their money?

- Unlike previous program, dairy producers have to sign-up for the program before the coverage year and pay applicable fees of premiums to receive the risk protection.
- Paying the fees and premiums provides risk protection if the margin between the national feed costs and national milk price goes below certain levels. Just like crop insurance or other insurance products, even though you pay into the program each year, many years you will not receive any payment or pay in more than you receive. But in years when there is a low margin, the payments can far exceed the premiums paid.
- For example in 2015, producer paid about \$73 million in fees and premiums. While this has only resulted in about \$700,000 in payments to producers so far, it is important to understand how the program would have functioned under other conditions and over a longer period to understand the risk protection that was provided. If the same coverage options and premiums were paid for the six previous years, the below table shows the estimated return on the \$73m in annual premiums and fees.
- Over the 2009-2014 period premiums and fees would have totaled about \$500 million and the program would have paid out \$2.5 billion. In three of six years the program would have paid out more than premiums and fees; and in three years premiums and fees would have been more than program payments. Payments under the MILC program totaled \$1.6 billion for the same period

2009	\$1,438 million
2010	\$1.7 million
2011	\$0.1 million
2012	\$916 million
2013	\$182 million
2014	\$0

The charts on the reverse show the specific national milk price and feed input prices for the 6-year period as calculated in the advance MPP-Dairy tool. Producers can test other scenarios using this tool at:

http://www.fsa.usda.gov/FSA/pages/content/farmBill/fb_MPPDTool.jsp

