

Dairy Margin Coverage Program



The 2018 Farm Bill authorizes the **Dairy Margin Coverage (DMC) program**, which replaces the Margin Protection Program for Dairy (MPP-Dairy).

The Further Continuing Appropriations and Other Extensions Act, 2024, extended provisions of the Agricultural Improvement Act of 2018 (2018 Farm Bill) and amends Section 1403 of the Agricultural Act of 2014 (2014 Farm Bill) authorizing DMC for coverage year 2024 and to allow certain eligible dairy operations to make a one-time adjustment to established production history.

The DMC program is a voluntary program that provides dairy operations with risk management coverage that will pay producers when the difference (the margin) between the national price of milk and the average cost of feed falls below a certain level selected by the program participants.

Who is Eligible?

All dairy operations in the United States are eligible for the DMC program. An operation can be run either by a single producer or multiple producers who commercially produce and market cows' milk.

Each producer on the operation must share in the risk of producing milk and make contributions (including land, labor, management, equipment, or capital) to the operation of the dairy that are at least equal to the individual or entity's share of the operation.



An eligible dairy operation must:

- 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

If a dairy is operated by more than one producer, it will be registered as a single operation. If producers operate two or more dairies, each operation will be registered separately.

Eligible program participants in DMC are also eligible to participate in the Livestock Gross Margin for Dairy Producers Program and the Dairy Revenue Protection Program administered by the Risk Management Agency.

How it Works:

Production History

For most operations, production history is based on the highest milk production in 2011, 2012, and 2013. New dairy operations may establish a production history from recent annual production levels. During the years of 2021, 2022, and 2023 dairy operations that increased milk production levels over their established production history were able to update production history through an established supplemental production history. For 2024 DMC, participating dairy operations production history of record may be a combination of previous established production histories.

Administrative and Premium Fees and Premium Fee Discount

The DMC program offers:

- catastrophic coverage at no cost, other than an annual \$100 administrative fee
- greater coverage, at various levels, for a premium in addition to a \$100 administrative fee

The schedule of premiums is provided in the following table.

Coverage Level	Tier 1 <i>Premium per cwt for covered production history of 5 mil lbs. or less</i>	Tier 2 <i>Premium per cwt, all years for covered production history over 5 mil lbs.</i>
\$4.00	None	None
\$4.50	\$0.0025	\$0.0025
\$5.00	\$0.005	\$0.005
\$5.50	\$0.030	\$0.100
\$6.00	\$0.050	\$0.310
\$6.50	\$0.070	\$0.650
\$7.00	\$0.080	\$1.107
\$7.50	\$0.090	\$1.413
\$8.00	\$0.100	\$1.813
\$8.50	\$0.105	N/A
\$9.00	\$0.110	N/A
\$9.50	\$0.150	N/A

A dairy operation that selects dairy margin coverage above the catastrophic level coverage is required to pay, in addition to the annual administrative fee, if applicable, an annual premium based on the coverage level and percentage of production history. A second election on production above 5 million pounds in Tier II (between \$4 and \$8) may be chosen if \$8.50 or above is elected in Tier I.

New dairy operations that first register for the DMC program for a calendar year after the start of a calendar year can lock-in coverage for the premium discount by paying a pro-rated premium.

A dairy operation that makes a one-time election of coverage level and coverage percentage that are applicable to each of calendar years 2019 through 2024 will receive a 25 percent discount on premium rates.

The premium fee discount for a lock-in contract is applicable for all pounds of adjusted base production history.

Adjusted Base Production History

FSA has revised the regulations for DMC to allow eligible dairy operations to make a one-time adjustment to established production history.

The adjusted base production history calculation is based on actual 2019 marketings for the participating dairy operation and applies the same calculation used to establish supplemental production history. To be eligible for the adjusted base production history, participating dairy operations must:

- have established production history of less than 5 million pounds
- complete and submit CCC-800B: Adjusted Base Production History Establishment during the 2024 registration and coverage election period
- provide supporting documentation of actual 2019 marketings
- not have established supplemental production history during coverage years 2021, 2022, or 2023.

Note: For dairy operations who established supplemental production history during 2021 through 2023 coverage years are required to combine their supplemental production history with established production history to create one adjusted base production history. Once combined, the adjusted base production history will be the production history of record on the 2024 DMC contract.

For More Information

For more information about FSA programs, visit fsa.usda.gov or contact your local FSA office. To find your local FSA office, visit farmers.gov.

This fact sheet is for informational purposes only; other eligibility requirements or restrictions may apply.