

For: State and County Offices

Dairy Margin Coverage (DMC) 2019 Partial Year Contracts With Lock-In Coverage

Approved: Deputy Administrator, Farm Programs



1 Overview

A Background

DMC provides an option during the 2019 coverage election period to make a 1-time election of coverage level and percentage of coverage, which will “lock-in” those elections for a 5-year period beginning January 1, 2019, and ending December 21, 2023. Dairy operations electing the lock-in option receive a 25 percent discount of the premium rate per cwt. but are required to participate for the 5-year period.

B Purpose

This notice provides State and County Offices with:

- clarification of policy to administer partial year DMC contracts for dairy operations that were enrolled in the 5-year lock-in coverage option, but dissolved before the end of the 2019 coverage year
- procedure to revise partial year contracts, if applicable.

C Contact

State Offices will direct questions about this notice to either of the following.

| Contact | Telephone Number | E-Mail Address |
|--------------------|------------------|--|
| Douglas E. Kilgore | 202-720-9011 | douglas.e.kilgore@usda.gov |
| Angela Payton | 202-720-0482 | angela.payton@usda.gov |

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|---------------------------|--|
| Disposal Date | Distribution |
| April 1, 2020 10-15-19 | State Offices; State Offices relay to County Offices |

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2 2019 Partial Year DMC Contracts

A Partial Year Contracts for Dissolutions Because of Death, or Disaster

Dairy operations enrolled in 2019 DMC with lock-in coverage and a dissolution occurred after enrollment because of death, or a disaster event that occurred and prevented the operation from functioning, remain eligible for the 25 percent discount from the dates the dairy operation commercially marketed milk, regardless of the number of calendar days between enrollment and date of dissolution.

B Partial Year Contracts for Dissolutions Occurring 31 Calendar Days or More After DMC Enrollment

Dairy operations enrolled in 2019 DMC with lock-in coverage having a dissolution 31 calendar days **or more** after the date of the DMC coverage election can be processed as normal according to 1-DMC, paragraph 70.

C Partial Year Contracts for Dissolutions Occurring 30 Calendar Days or Less of DMC Enrollment

Dairy operations enrolled in 2019 DMC with lock-in coverage having a dissolution 30 calendar days from the date of DMC enrollment are not eligible for lock-in coverage and the contract must be revised to reflect the annual coverage level **without** the premium discount. This will increase the premium fee amount and may require additional premiums to be due from the dairy operation for 2019 DMC. Count Offices will revise these partial year contracts according to subparagraph 3 A.

D Partial Year Contracts with Questionable Cases

If County Offices encounter partial year contracts for dissolutions that are extraordinary and unlike a dissolution example in subparagraph A, B, or C, submit the cases to the National Office for review.

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3 Revising Partial Year Contracts

A Revising Partial Year Contracts for Dissolutions Occurring Within 30 Days from DMC Enrollment

For 2019 partial year contracts with a dissolution occurring within 30 days from DMC enrollment, County Offices will create a manual CCC-801 to reflect an annual coverage election without the 25 percent discount. Additionally, a new CCC-802 is required because the premium change and the possible refund will require this form to be corrected. A new signature is also required from the dairy operation on the new manual CCC-801 and new CCC-802 because of the contract changes. If the dairy operation refuses to sign the revised contract, COC will disapprove the previous contract and send a letter with appeal rights according to 1-APP to the applicable dairy operation.

Once revised documents are reviewed and approved by COC, the documents must be submitted to SharePoint through the State Office to apply the end date.

4 Dissolution Notification

A FSA Notification

Producers in a participating dairy operation must notify FSA immediately of their intention to no longer produce and commercially market milk because of the dissolution of the operation by completing CCC-802.

B Dissolved Dairy Operations

All dissolved dairy operations:

- will be responsible for the pro-rated premium based on the days they commercially marketed milk during the calendar year, if applicable
- that continue to collect DMC payments for days they did not commercially market milk will be required to refund the payments when CCC-802 is approved.

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5 Action

A State Office Action

State Offices will ensure that County Offices:

- are immediately informed of the contents of this notice
- assist County Offices in revising DMC contracts, if required
- forward any 2019 partial year DMC contract questions to the National Office.

B County Office Action

County Offices will:

- follow guidance in this notice on 2019 partial year DMC contracts
- forward questions about the contents of this notice to the State Office price support specialist.