

For: State and County Offices

**Announcing Payment Triggers for
Margin Protection Program for Dairy Producers (MPP-Dairy)**

Approved: Acting Deputy Administrator, Farm Programs



1 2018 Margin Payment Triggers

A Background

MPP-Dairy payments are triggered when the difference between the National all milk price and the National average feed cost (the margin) falls below the producer selected margin trigger, ranging from \$4 to \$8, calculated monthly. MPP-Dairy participating dairy operations were required to make 2018 coverage elections by the June 1, 2018, re-enrollment deadline. Coverage elections made for 2018 will be retroactive to January 1, 2018. USDA prices for milk and feed components required to determine the National average margin have been released for the 2018 months of January through April and MPP-Dairy payments have triggered for February, March, and April for dairy operations that elected coverage of \$7, \$7.50, and \$8.

Payments for margins triggered will be issued directly to producers. MPP-Dairy payments issued will **not** be offset by premium balances due. The full balance of the premium is due September 4, 2018.

B Purpose

This notice informs State and County Offices that February, March, and April 2018 payments for dairy operations that elected the applicable margin trigger will automatically be processed beginning on June 4, 2018.

C Contacts

If there are questions about this notice, State Offices will contact either of the following according to this table.

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Dani Cooke	202-720-1919	Danielle.cooke@wdc.usda.gov
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Disposal Date	Distribution
October 1, 2018 5-31-18	State Offices; State Offices relay to County Offices

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2 MPP-Dairy Payment Calculation

A MPP 2018 Margins

The following table provides the actual 2018 National average margin January through April.

Month	Margin
January	\$8.11705 cwt. (above margin)
February	\$6.88349 cwt.
March	\$6.76837 cwt.
April	\$6.61635 cwt.

B MPP 2018 Payment Rates

Eligible producers will receive a payment based on the amount of covered production history elected by the dairy operation for calendar year 2018, according to 1-MPP, paragraph 61.

February Payments Elected:

Margin Trigger Coverage Levels	Payment Rate/cwt.
\$7.00	\$0.11651
\$7.50	\$0.61651
\$8.00	\$1.11651

March Payments Elected:

Margin Trigger Coverage Levels	Payment Rate/cwt.
\$7.00	\$0.23163
\$7.50	\$0.73163
\$8.00	\$1.23163

April Payments Elected:

Margin Trigger Coverage Levels	Payment Rate/cwt.
\$7.00	\$0.38365
\$7.50	\$0.88365
\$8.00	\$1.38365

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2 MPP-Dairy Payment Calculation (Continued)

C Payment Calculation Example

The payment rate calculation determines the amount that the margin trigger elected by the dairy operation exceeds the average actual dairy margin for a month. Multiplying the established production history by the coverage percentage elected by the dairy operation determines the covered production. Divide the covered production history by 100 to determine the hundredweight (cwt) covered then divide by 12 to determine the monthly payment covered production history. Then multiply the payment rate by the monthly covered production history. The following example is at the \$8 coverage level, with a 90 percent coverage election threshold on 7,500,000 pounds of established production history.

March margin is \$6.76837

- $\$8 - \$6.76837 = \$1.23163$ Payment Rate
- $7,500,000 \text{ lb.} \times 90 \text{ percent} = 6,750,000 \text{ lb.}$
- $6,750,000 / 100 = 67,500 \text{ cwt.}$
- $67,500 \text{ cwt.} / 12 = 5,625 \text{ cwt.}$
- $5,625 \times 1.23163 = \$6,928$

\$6,928 payment amount for March

D Sequestration

MPP-Dairy payments will be sequestered at a rate of 6.6 percent. The sequestration reduction is fully automated so no action is required by County Offices. The following example shows the sequestration percent applied to payment calculated above. The 6.6 percent sequestration rate is subtracted from 100 to determine the factor to be multiplied by the payment.

- $6,928 \times 6.6\% = \$457$
- $6,928 - \$457 = \$6,471$

\$6,471 sequestered payment to producer

E MPP Payment Processing

The MPP software will automatically generate payments after contract approval is entered in the MPP software so no action is required by County Offices, other than action to sign and certify the payments. See 2-MPP, Part 3 for guidance for payment processing.

Note: State Offices will submit payment problems to the MPP-Dairy SharePoint site at https://sharepoint.fsa.usda.net/mgr/dafp/PECD/Payment_Issues/default.aspx.