Strengthens the Dairy Safety Net

All sectors of production agriculture have been struggling to cope with a period of chronically low prices, but perhaps none more so than the dairy sector. Recognizing these challenges, in February Congress passed the Bipartisan Budget Act of 2018 (BBA) which made an $800 million investment in the Margin Protection Program (MPP) and lifted the cap on livestock insurance expenditures. The conference report renames MPP as Dairy Margin Coverage (DMC) and builds on the BBA investment by offering new coverage levels for the first 5 million pounds of production, drastically reducing premiums on catastrophic coverage levels for larger producers, and eliminating the restriction between the margin program (formerly MPP, now DMC) and Livestock Gross Margin (LGM) insurance.

Increases coverage options: The conference report adds $8.50, $9.00, and $9.50 coverage levels for the first 5 million pounds of covered milk production. Additionally, the conference report expands the range of production allowed to be covered, from 5 percent up to 95 percent of production history.

Rewards risk management strategies: For dairy operations that choose to make a 5-year decision to lock in a coverage level and coverage percentage for the life of the 2018 Farm Bill, premium rates are reduced by 25 percent.

Offers flexibility and reduces certain premiums for large operations: The conference report allows dairies with covered production in excess of 5 million pounds to enroll in $8.50, $9.00, or $9.50 coverage under Tier I and to make an independent coverage level election in Tier II. Additionally, as noted in the table that follows, premiums for $5.00 coverage in Tier II are reduced by 88 percent (91 percent if the premium is discounted for 5-year coverage) in an effort to make catastrophic coverage levels more affordable.

Premium Comparison Table ($/cwt)

		Tier I (first 5m pounds)				Tier II (over 5m pounds)		
Coverage Level		MPP premium	DMC Premium	DMC Discounted Premium		MPP Premium	DMC Premium	DMC Discounted Premium
$9.50		N/A	$0.150	$0.113		N/A	N/A	N/A
$9.00		N/A	$0.110	$0.083		N/A	N/A	N/A
$8.50		N/A	$0.105	$0.079		N/A	N/A	N/A
$8.00		$0.142	$0.100	$0.075		$1.360	$1.813	$1.360
$7.50		$0.087	$0.090	$0.068		$1.060	$1.413	$1.060
$7.00		$0.063	$0.080	$0.060		$0.830	$1.107	$0.830
$6.50		$0.040	$0.070	$0.053		$0.290	$0.650	$0.488
$6.00		$0.016	$0.050	$0.038		$0.155	$0.310	$0.233
$5.50		$0.009	$0.030	$0.023		$0.100	$0.100	$0.075
$5.00		$0.000	$0.005	$0.00375		$0.040	$0.005	$0.00375
$4.50		$0.000	$0.0025	$0.00188		$0.020	$0.0025	$0.00188
$4.00		$0.000	$0.000	$0.000		$0.000	$0.000	$0.00000

*The DMC Discounted Premium would be the premium cost if an operation chooses to lock in the coverage level and coverage percentage for 5 years.

Provides access to more risk management tools: The conference report eliminates the restriction on participating in DMC and LGM crop insurance. This flexibility, along with the new Dairy Revenue Protection (Dairy-RP) insurance policy developed by the American Farm Bureau Federation, will provide multiple options to address risk for dairy farmers.

Provides equitable relief for 2018 MPP participation: The conference report allows dairy operations that were prohibited from participating in MPP following the premium reductions enacted via the BBA (due to enrollment in an LGM contract) to retroactively enroll in coverage.

Incentivizes participation in revamped program: Recognizing MPP did not provide an adequate safety net for dairy farmers, the conference report provides dairy operations the opportunity to utilize 75 percent of the net premium paid for MPP from 2014-2017 as a credit for future DMC premiums. Alternatively, operations can elect to receive 50 percent of net premium as a direct refund.

Improves Vital Disaster Programs

Livestock Indemnity Program (LIP): LIP provides assistance to livestock producers in the event of the death or forced sale of livestock due to an eligible cause of loss. The conference report updates the eligible causes of loss to include disease and deaths of unweaned livestock, so all livestock death losses are consolidated under one program (whereas certain losses were previously covered under ELAP).

Livestock Forage Program (LFP): LFP provides feed cost replacement for livestock producers in the event of forage loss due to severe drought. The conference report maintains this critical assistance for livestock producers.

Emergency Assistance For Livestock, Honey Bees, and Farm-raised Fish (ELAP): ELAP provides assistance to producers of livestock, honey bees, and farm-raised fish to aid in the reduction of losses not covered under other disaster programs. The conference report ensures ELAP assistance will cover the inspection of herds for cattle fever tick and removes the arbitrary payment limitation on ELAP assistance.

Tree Assistance Program (TAP): TAP offers cost share assistance to eligible orchardists who suffer loss or damage to tree groves. Producers may receive 65 percent of the cost of replanting trees or 50 percent of the cost to remove damaged limbs and vines. The conference report increases the cost share to 75 percent for beginning farmers and veterans.

Maintains Current Administrative Provisions

Payment limitations and AGI means testing: The conference report maintains the current payment limitation of $125,000 in assistance from ARC/PLC per person or entity. The separate limit for peanuts is maintained and doubling for spouses continues to apply. Additionally, participation continues to be limited to persons or entities with less than $900,000 in average adjusted gross income (AGI). The conference report removes Loan Deficiency Payments (LDPs) and Marketing Loan Gains (MLGs) from counting toward the payment limitation.