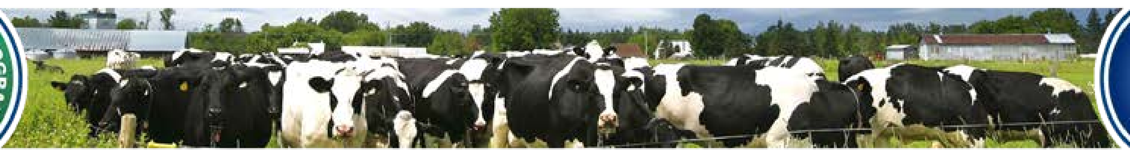

Frequently Asked Questions – 2016 Enrollment Update

Margin Protection Program

Registration and Coverage Selection

Who is eligible to participate in the program?

All dairy operations producing milk commercially in the United States and its territories are eligible to participate.

Where do I sign-up?

Individuals must register in person at their local Farm Service Agency office.

When do I need to sign-up?

For the 2017 and 2018 coverage years individuals must sign-up between July 1 and September 30 of the year prior to the year for which they are selecting coverage. The three-month sign-up period for 2017 coverage opens July 1, 2016. Producers will then have until December 16, 2016 to finalize their coverage options for 2017. During the open enrollment period producers already enrolled in Margin Protection Program may modify their coverage options for the upcoming coverage year.

NMPF worked with USDA during the enrollment periods for the 2015 and 2016 coverage years to extend the open season windows into December and November, respectively, to allow producers more time to make informed risk management decisions.

What information do I need when I register?

Individuals must have information regarding their production history for years 2011, 2012 and 2013 when they register.

Are there costs to participate in the program?

Yes. All participants pay a $100 annual administrative fee at the time they select coverage. Those selecting coverage beyond the basic coverage have several options for paying their premiums: 1) They can pay the full premium at sign up; 2) They can pay 25 percent of the premium by Feb 1 of the applicable calendar year of coverage, with the remaining balance due no later than Sept. 1 of the calendar year of coverage; or 3) they can arrange deductions from their monthly milk check. Those who have not paid their premiums by the deadlines will be in default, and will not receive benefits for any subsequent two-month periods until their situation is corrected. NMPF worked closely with USDA since Margin Protection Program was introduced in 2014 to allow flexibility in how Margin Protection Program premiums were paid. In 2016 USDA provided the new option to allow monthly premium payments through milk check deductions.

What coverage levels are available under the Margin Protection Program?

Producers have multiple options for coverage each year. Basic catastrophic coverage is free with the payment of the $100 annual administrative fee. Basic protection covers 90 percent of production history and makes program payments when the Margin Protection Program margin falls below $4 per hundredweight. Above the basic $4 level, producers can pay a premium for supplemental Margin Protection Program coverage up to $8 per hundredweight, in 50-cent increments. Likewise, they can choose to cover between 25 percent and 90 percent of the production history, in five percent increments. For example, a producer electing to purchase $8 coverage on 25 percent of the production history would be eligible for program payments on 65 percent of the production history at the $4 coverage level plus 25 percent of the production history at the $8 coverage option (total protection at $4 equals 90 percent). Premium rates are fixed for the life of the farm bill, although discounted premiums apply to the first 4 million pounds of milk production covered for all those in the program. Additional information on premium rates is available at www.futurefordairy.com.

NMPF worked closely with the Agriculture Department to expand Margin Protection Program safety net protection by decoupling the basic and supplemental coverage options. Now, beginning with the 2017 coverage year, all participating dairy operations will automatically receive the $4 protection on 90 percent of their production history and then may purchase additional, supplemental coverage ranging from $4.50 per hundredweight to $8 per hundredweight on up to 90 percent of their production history.

Once I register for the program, can I opt out?

Once producers are enrolled in Margin Protection Program they are obligated to participate for the life of the 2014 farm bill. The 2014 Farm Bill is currently authorized through 2018. However, producers can adjust their Margin Protection Program coverage options annually, i.e. amount of milk covered and coverage level. A producer who does not pay the administrative fee or premium obligations will be ineligible to participate through 2018.

I participate in the Livestock Gross Margin for Dairy program. Can I also participate in the Margin Protection Program?

Producers can’t participate in both programs simultaneously. However, those already in LGM-D can sign up for Margin Protection Program coverage after their LGM-D contract ends. Farmers choosing to enrolled in Margin Protection Program after LGM-D must sign up within the enrollment period described above.

Will producers need to have conservation programs in order to participate in Margin Protection Program?

Yes. Just as with the Milk Income Loss Contract program, producers must have a Highly Erodible Land Conservation and Wetland Conservation Certification, or AD-1026, on file with USDA if they want to be in the Margin Protection Program.

Some USDA programs limit participation based on an individual’s adjusted gross income. Do these restrictions apply to the Margin Protection Program?

No. The Margin Protection Program is open to producers of all sizes and incomes.

What coverage levels should I choose?

Unlike MILC, each producer will determine the coverage level best for him or her. To inform decisions, the National Milk Producers Federation has created an online calculator tool. Producers can enter their own information to determine their best level of coverage. Historical information on margin patterns may also be helpful. Both are on the NMPF website, www.futurefordairy.com and www.nmpf.org/economics.

If a farm has multiple owners, can they select different coverage levels?

No. Dairy operations owned by multiple individuals will have to determine a single coverage percentage and margin level.

I own two dairy operations. Am I required to choose the same coverage levels for both?

No. Those owning multiple dairy operations can protect each farm at a different level or not at all.

What if a member of my immediate family wants to start another farm? Is he or she still eligible to participate?

Family members can form a new dairy operation, with a new production history, if their interest in another farm has been small.

Production History

How is annual production history defined?

Annual production history is the highest annual milk marketings in calendar years 2011, 2012 or 2013.

Will annual production history increase during the life of the program?

Yes. Production history will increase each year based on the rise in national average milk production. For example, USDA announced that for the 2017 coverage year, production histories will be increased by 1.34 percent. Those enrolled in the program since 2015 have benefitted from production history bumps of 0.86 percent for 2015 coverage, and 2.61 percent for 2016 coverage. Importantly, if national average milk production decreases, production histories will not decrease.

NMPF worked with USDA to recognize the importance of risk management protection when an eligible family member joins the operation. In 2016 USDA announced that the production history for a producer could be updated when an eligible family member joins the operation. Any dairy operation already enrolled in the Margin Protection Program that had an intergenerational transfer occur will have an opportunity to increase the dairy operations production history during the 2017 registration and annual coverage election period. No other increases in the farm's milk production will be covered.

What if a dairy operation has no annual production history during 2011, 2012 or 2013?

Farmers without production history for 2011, 2012 or 2013 will be considered new operations. If an operation started February 7, 2013, or later, it has two options to determine production history. These are: 1) the volume of milk marketings for the months they were in production extrapolated over a year, or 2) an estimate of the operation's actual milk marketings based on herd size and national rolling herd average data from USDA.

If I decide to sell my dairy operation, can I keep or sell my production history?

If a dairy farm is sold, production history can either move with the farmer to a new facility, or stay with the farm, but not both. USDA will handle unique ownership situations and changes on a case-by-case basis.

What if a dairy closes and then reopens? How is its annual production history determined?

If a dairy operation closed before 2011 and then reopens, the Margin Protection Program will consider it a new farm. If a dairy operation closed after January 1, 2011, and then reopens, production history will be determined using the highest annual milk marketings from calendar years 2011, 2012 or 2013. An operation that restarted after February 7, 2013, has two options for determining production history: 1) the volume of milk marketings for the months they were in production extrapolated over a full year, or 2) an estimate of actual milk marketings based on herd size and national rolling herd average data from USDA.

Margin Protection Payments

How will payments be calculated under the program?

The margin will be calculated by USDA. It is defined as the U.S. all-milk price, minus national average feed costs, computed by a formula using the prices of corn, soybean meal, and alfalfa hay. Feeds will reflect costs associated with feeding all the dairy animals on a farm, including heifers and dry cows. The program pays on one-sixth of a producer's annual production history, multiplied by the percentage of coverage selected by the producer.

When will I be eligible for a payment?

The program pays when the national average margin for any one of six consecutive two-month periods is below the level of coverage selected by the producer. The two-month periods are January-February, March-April, May-June, July-August, September-October, and November-December. Producers will typically receive payments a little more than a month after a payment is triggered. For example, if a payment is triggered for January-February, the margin for that period will be announced at the end of March and payments will be sent out in early April.

Dairy Product Donation Program

What is the Dairy Product Donation Program?

The Dairy Product Donation Program is designed to help margins recover when they drop below the catastrophic level of $4 per hundredweight. It requires USDA to purchase consumer-ready dairy products for distribution through low-income feeding programs.

How does the Dairy Product Donation Program work?

If margins fall below $4 per hundredweight for any two consecutive months, the Agriculture Department will publish a list of consumer-ready dairy products to be purchased at market prices for one month. Purchased items will be donated to food banks and other low-income feeding programs. USDA will purchase dairy products for three months, unless margins rebound above $4 sooner. Each instance of low margins will trigger a specific set of products to be purchased. Products will include both those that will help increase farmers' margins and those needed by food banks.

Will the Dairy Product Donation Program impact our burgeoning export market?

To protect exports, the program will end if U.S. prices exceed international prices by more than five percent or seven percent, depending on margin levels. USDA cannot store the products it purchases and organizations are prohibited from selling products back into commercial markets.

General

What if I disagree with a decision made concerning my eligibility or other aspects of how the program works?

As with other USDA programs, producers can appeal decisions with which they disagree to their elected FSA county committee. This includes decisions on production history, farm ownership, and conservation compliance.