

# Dairy Margin Protection Program 2016 Election Decisions



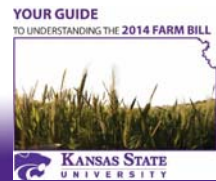
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## What we will cover today...

- Refresher of the MPP-Dairy Program
- Participation and Payouts from last sign-up
- Making 2016 Enrollment Decisions & 2016 Dairy Outlook

# What is the Dairy Margin Protection Program?

## Dairy Margin Protection Program

- Voluntary Risk Management program through FSA
- Protect farmers from unfavorable margins in the price of milk and the cost of feed inputs
- Coverage is based on the calendar year, paid in 2 month intervals
- Replaces the Market Income Loss Program (MILC) of the 2008 Farm Bill

# Margin

- Determined based on the difference between
  - National average All-Milk Price
  - National average cost of feed used to produce a hundredweight of milk

**Actual Dairy Production Margin =**

**U.S. All-Milk Price**

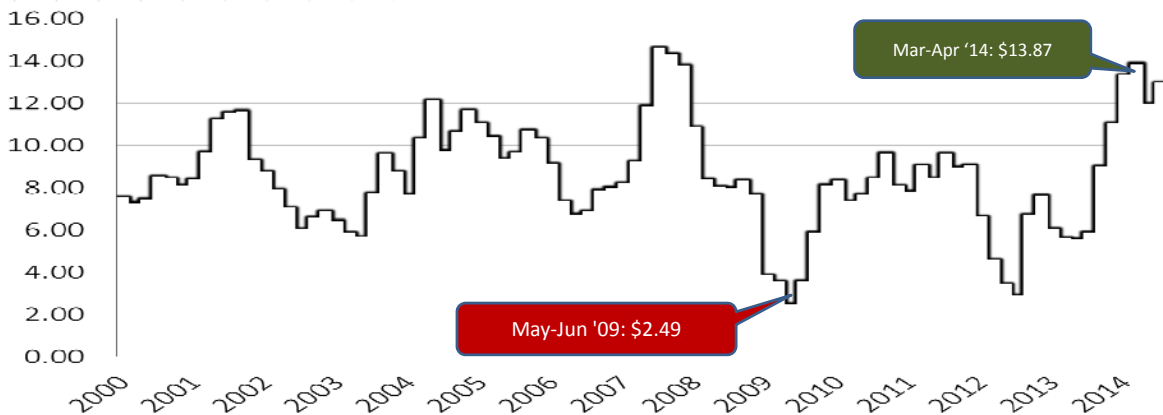
- 1.0728 x NASS Corn Price (\$/bu)
- 0.00735 x AMS Soybean Meal (Central IL) (\$/ton)
- 0.0137 x NASS Alfalfa Hay (\$/ton)

Feed ration per cwt of milk:

- 30 pounds of shell corn
- 106.4 pounds of corn silage
- 14.7 pounds of soybean meal
- 27.4 pounds of alfalfa hay

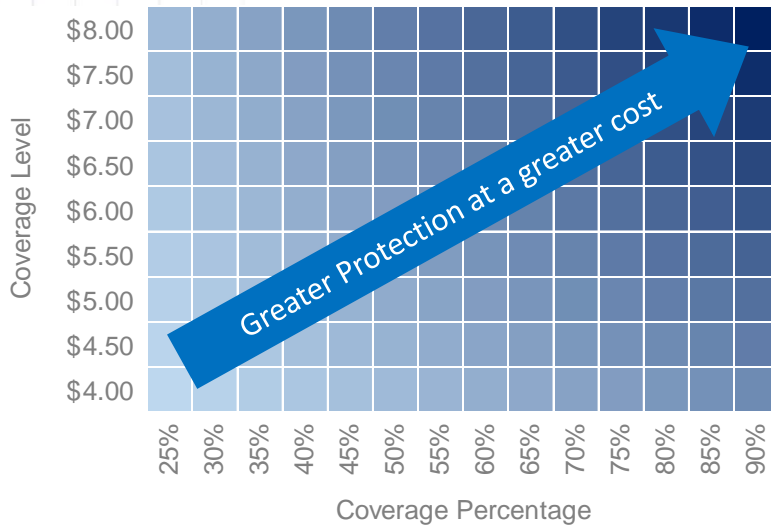
# Actual Dairy Production Margin

Margin = U.S. All-Milk Price – (NASS Corn Price x 1.0728 + AMS SBM x 0.00735 + NASS Alfalfa x 0.0137)



Source: Marin Bozic-University of Minnesota

## Coverage Options



**\*126 Possible Coverage Choice Combinations**

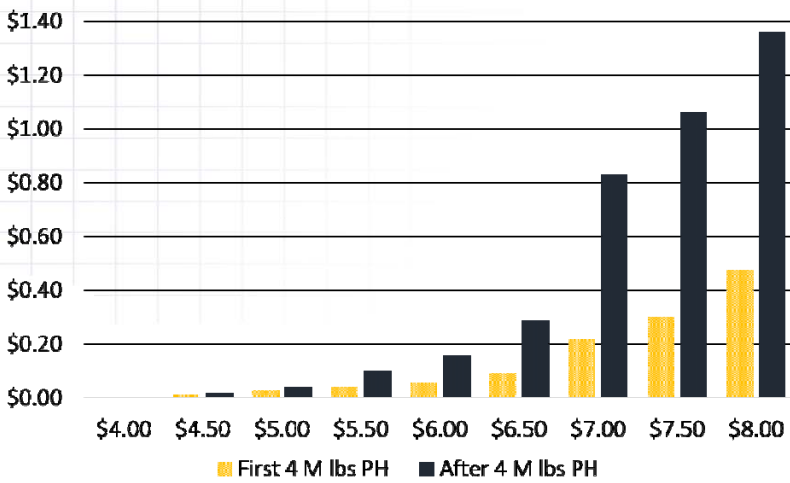
## What does it cost?

\$100 administrative fee every year + premium

CAT coverage →

Coverage Level	Tier 1 ≤ 4mil lbs CPH (\$/cwt)	Tier 2 >4 M lbs. CPH (\$/cwt)
\$4.00	\$0.000	\$0.000
\$4.50	\$0.010	\$0.020
\$5.00	\$0.025	\$0.040
\$5.50	\$0.040	\$0.100
\$6.00	\$0.055	\$0.155
\$6.50	\$0.090	\$0.290
\$7.00	\$0.217	\$0.830
\$7.50	\$0.300	\$1.060
\$8.00	\$0.475	\$1.360

## What does it cost?



200 cow dairy @ 90% production history

\$4.50 coverage = \$360

\$6.50 coverage = \$3,240

\$7.50 coverage = \$10,800

1000 cow dairy @ 90% production history

\$4.50 coverage = \$3,560

\$6.50 coverage = \$49,420

\$7.50 coverage = \$179,480

## Production History

- Production “Bump”
  - If you signed up for 2015 coverage, you will get a 2.61% PH bump for 2016

## Enrollment every year

- Once you elect to participate, you are locked in for at least CAT coverage for the life of the Farm Bill
- **Can change margin level and coverage percent every year!!!**

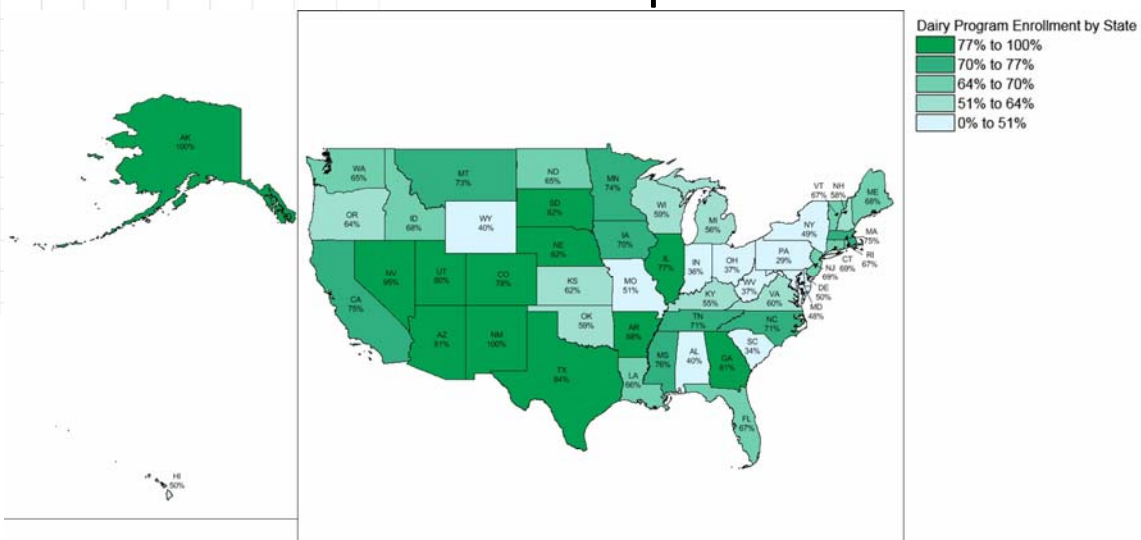
2016 Registration/Coverage Election	July 1 <sup>st</sup> - Sept. 30 <sup>th</sup> , 2015
2017 Registration/Coverage Election	July 1 <sup>st</sup> - Sept. 30 <sup>th</sup> , 2016
2018 Registration/Coverage Election	July 3 <sup>rd</sup> -Oct. 2 <sup>nd</sup> , 2017

## Participation & Payments from 2014 & 2015 Enrollment

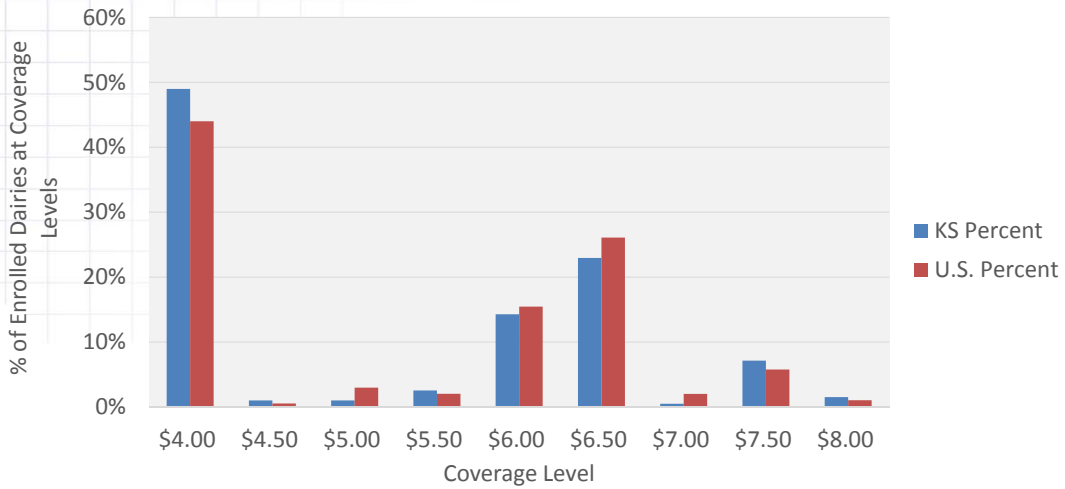
# 2015 Participation

- Nationally, 55% of licensed dairies enrolled in MPP-Dairy
  - Of those, 56% purchased buy-up coverage
- In Kansas, 62% of licensed dairies enrolled (196 out of 315)
  - Of those 51% purchased buy-up coverage

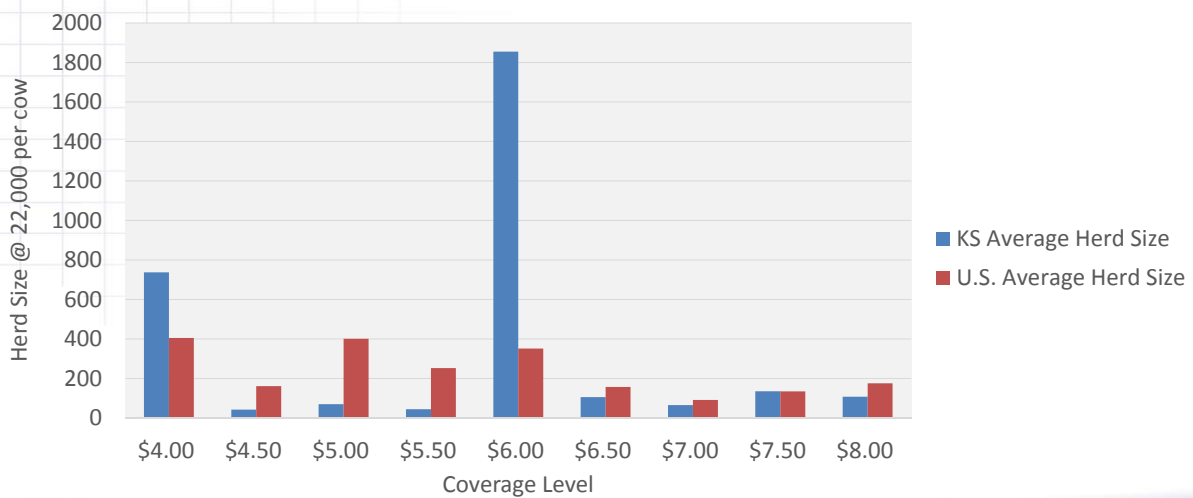
# 2015 Participation



## 2015 Buy-up Coverage



## 2015 Buy-up Coverage





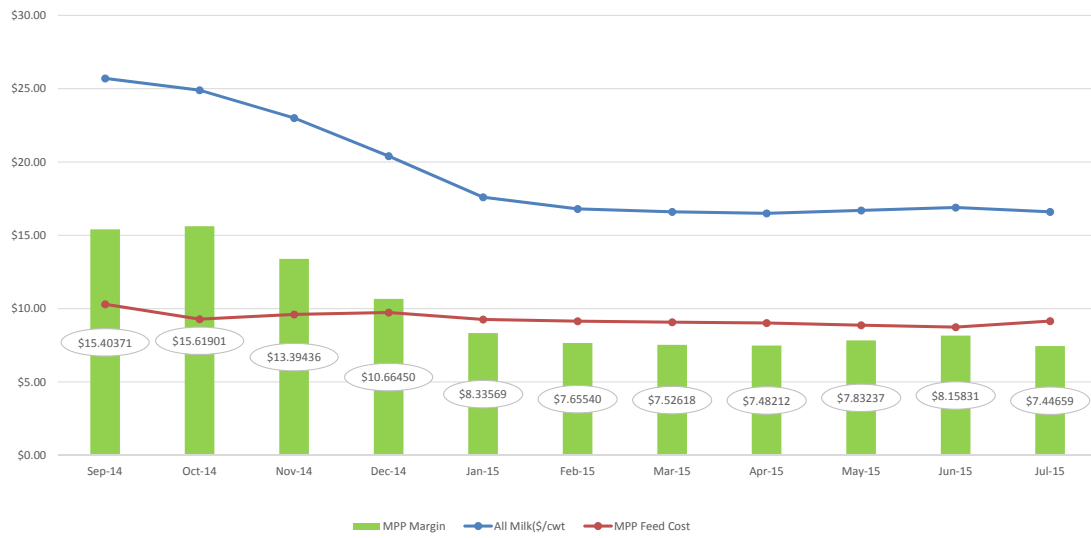
## Percentage of Production History Covered

Coverage Level	Kansas	U.S.
\$4.00	90.00%	90.00%
\$4.50	90.00%	88.50%
\$5.00	90.00%	88.00%
\$5.50	90.00%	84.50%
\$6.00	89.00%	83.10%
\$6.50	82.90%	76.70%
\$7.00	90.00%	82.00%
\$7.50	79.50%	71.40%
\$8.00	90.00%	57.90%

## MPP Margin

Month-Year	Pay Periods	Corn (\$/bu)	Alfalfa Hay(\$/ton)	Soybean Meal (\$/ton)	All Milk(\$/cwt)	MPP Feed Cost	MPP Margin	Milk Margin/pay Period
Sep-14	5	3.48	197	525.72	25.70	\$10.30	\$15.40371	\$15.51136
Oct-14		3.56	194	381.5	24.90	\$9.28	\$15.61901	
Nov-14		3.58	184	441.39	23.00	\$9.61	\$13.39436	
Dec-14	6	3.78	183	431.73	20.40	\$9.74	\$10.66450	\$12.02943
Jan-15	1	3.81	174	380.02	17.60	\$9.26	\$8.33569	\$7.99554
Feb-15		3.79	172	370.38	16.80	\$9.14	\$7.65540	
Mar-15	2	3.81	172	357.83	16.60	\$9.07	\$7.52618	\$7.50415
Apr-15		3.75	184	336.61	16.50	\$9.02	\$7.48212	
May-15	3	3.62	192	320.23	16.70	\$8.86	\$7.83237	\$7.99534
Jun-15		3.58	178	335.03	16.90	\$8.74	\$8.15831	
July-15	4	3.80	169	375.71	16.60	\$9.15	\$7.44659	
Aug-15								

MPP-Dairy Margin since Start of Program



## Making 2016 Enrollment Decisions

# Questions?



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