

2018 Farm Bill Conference Report: Dairy Detailed Summary

More coverage options and more flexible tools for less money at time when dairy farmers need them most.

Dairy Margin Coverage (DMC) Replaces the Margin Protection Program: *Sec. 1401* preserves the generally structure of the Margin Protection Program

- **Studies and Reports:** *(a), (b), and (c) Review of Data Used in Calculations of Average Feed Cost, Corn Silage Report, and Collection of Alfalfa Hay Data* – Includes the House language that requires USDA to study how representative the current feed cost formula is of actual average operation feed costs. These sections also require USDA to evaluate cost of corn silage and begin collecting cost of high-value alfalfa.
- **Multiproducer Registration:** *(d)* streamlines sign up for operations with multiple owners. This issue is especially important to operations with many owners.
- **Livestock Gross Margin Insurance:** *(e)* Completely removes the restriction between LGM and FSA dairy programs. Producers will be able to use DMC and LGM without restriction on the same milk.
- **Retroactive LGM Participation:** *(e)* also allows producers who were locked of the improved 2018 Margin Protection Program (MPP) due to LGM participation to retroactively participate in MPP for the months in 2018 in which they were exclude from participation.
- **Production History:** *(f)* ends annual national production history updates as proposed similarly in the House and Senate bills. This section provides for equitable treatment for newly-participating dairies and disallows the changing of business structure solely for updating production history.
- **Coverage Percentage:** *(g)* allows operations to cover between five percent and ninety-five percent of production history. Previously under MPP, producers could only cover between twenty-five and ninety percent.
- **Coverage Levels:** *(g)* also allows operations to cover margins between \$4.00 and \$9.50 in fifty-cent increments for their first five million pounds of participating production. Previously under MPP, there were no options at \$8.50, \$9.00, or \$9.50. Operations enrolling more than five million pounds can cover margins between \$4.00 and \$8.00. Operations choosing \$8.50, \$9.00, or \$9.50 coverage in the first tier can choose any second coverage level in their second tier.
- **Producer Premiums:** *(h)* establishes the premium rates in the table apply per covered hundredweight per year. The Conference Report includes a much cheaper \$9 coverage option at \$0.11/cwt compared to the House bill (\$0.17/cwt) or the Senate bill (\$0.18/cwt). The report also establishes a coverage option at \$9.50 and makes the price of \$4.50 and \$5.00 coverage uniform across tiers, reducing the cost of \$5 coverage for operations covering more than five million pounds by nearly 90%.
- **Premium Repayment:** *(i)* allows each dairy operation that participated in MPP in 2014-2017 to receive a repayment of a portion of premiums paid over that time period as either a 50% direct refund or a 75% credit toward future DMC premiums.

Margin	First Five Million Pounds	Over Five Million Pounds
\$ 4.000	\$ -	\$ -
\$ 4.500	\$ 0.0025	\$ 0.025
\$ 5.000	\$ 0.005	\$ 0.005
\$ 5.500	\$ 0.030	\$ 0.100
\$ 6.000	\$ 0.050	\$ 0.310
\$ 6.500	\$ 0.070	\$ 0.650
\$ 7.000	\$ 0.080	\$ 1.107
\$ 7.500	\$ 0.090	\$ 1.413
\$ 8.000	\$ 0.100	\$ 1.813
\$ 8.500	\$ 0.105	\$ -
\$ 9.000	\$ 0.110	\$ -
\$ 9.500	\$ 0.150	\$ -

- **Premium Discount:** *(j)* allows any operation that signs up in 2019 and commits to maintaining their coverage decisions, including coverage level and covered production, through 2023 to receive a 25% discount on their premiums each year. Any producer who makes this commitment will be unable to change their coverage decisions at any time over the life of the bill. Operations electing to not commit to five-year decisions may continue to make annual coverage decisions but will be ineligible for this discount.
- **Program Name:** *(k)* makes necessary changes to name the program Dairy Margin Coverage and also specifies that MPP regulations that do not conflict with the new structure of DMC are to remain in place and do not need to be reissued.

Reauthorizations: *Sec. 1402* reauthorizes forward pricing, the Dairy Indemnity Program, and certain promotion and research authorities through 2023.

Class I Skim Milk Price: *Sec. 1403* revises the formula for skim milk price and was supported by both producer and processor groups.

Dairy Product Donation: *Sec. 1404* repeals the Dairy Product Donation Program and replaces it with the Milk Donation Program.

- **Dairy Product Donation Program:** *(a)* repeals the Dairy Product Donation Program established in the last farm bill that has not triggered since it was authorized.
- **Milk Donation Program:** *(b)* establishes a new fluid milk donation program that makes it easier for producers, processors, and co-ops to donate fluid milk to food banks and other feeding organizations. Donated milk currently is treated as 'other use' milk in the federal orders meaning that it has a lower value going into the pool than fluid milk usually would. This program allows dairy organizations and feeding programs to jointly propose a plan for USDA to pay up to the difference between 'other use' and Class I milk so there isn't a disincentive to donate. The program is funded at \$9 million in 2019 and at \$5 million in each of the following years.

Healthy Fluid Milk Incentives Projects: *Sec. 4209* creates a new program to create incentives to encourage fluid milk purchases by members of households who receive Supplemental Nutrition Assistance Program benefits.

Dairy Business Innovation Initiatives: *Sec. 12513* requires USDA to establish at least three regionally-located dairy innovation centers to provide outreach and technical assistance with the goals of diversifying dairy product markets to reduce risk, develop higher-value uses for dairy products, promote business development that diversifies farmer income, builds processing and marketing innovation, and encourages the use of regional milk production.