

2015

## Farm bill and changes for dairy producers

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### Recommended Citation

Schulte, Kristen (2015) "Farm bill and changes for dairy producers," *Ag Decision Maker Newsletter*: Vol. 18 : Iss. 6 , Article 2.  
Available at: <http://lib.dr.iastate.edu/agdm/vol18/iss6/2>

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## Farm bill and changes for dairy producers

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The Agricultural Act of 2014 will bring changes for producers including a new program for dairy producers. The legislation has multiple programs that can benefit dairy producers, but the highlight is the Milk Margin Protection (MMP) program. Like other government programs, there are new names and acronyms to learn. The common ones associated with the dairy portion of the farm bill are:

- Milk Margin Protection (MMP)
- Actual Dairy Product Margin (ADPM)
- Actual Dairy Production History (ADPH)
- Dairy Product Donation Program (DPDP)

The MPP program is open to all producers, although they must enroll for a fee of \$100 each time they register. Enrollment will occur on an annual basis, and producers can elect whether to participate each year. This program transitions payments from a set payment based on milk price under MILC to a variable payment based on coverage purchased under MPP. MPP uses national milk and feed prices to determine ADPM. The ADPM is calculated by National All Milk Price ( $1.0728 \times \text{corn price} + 0.00735 \times \text{soybean meal price} + 0.0137 \times \text{alfalfa hay price}$ ). The corn and alfalfa hay prices are national average prices determined by NASS, while the soybean meal price is representative of Central Illinois and determined by Agricultural Marketing Service.

A dairy producer can cover 25 to 90 percent of his or her ADPH; coverage can be purchased in five percent increments. A producer's ADPH is determined by the highest annual marketing in the three previous years (2011, 2012 or 2013). New producers can opt to extrapolate milk production to a yearly basis or use a calculated production from national average yield times herd size.

Producers can partake in the MPP by paying premiums to cover percentages of their ADPH at

levels of ADPM from \$4 to \$8 in \$0.50 increments. Two different premium structures are offered based on total hundredweight covered above or below four million pounds; premiums paid depend on hundredweight covered in relation to ADPH. For ADPM protection under four million pounds, premiums range from \$0.00 for \$4.00 to \$0.475 for \$8.00 per hundredweight, and \$0.00 to \$1.36 premium for coverage above four million pounds. Payment is based on two consecutive months (January/February, March/April, etc.) of calculated ADPM below coverage level purchased.

The key for producers to understand with this program is how their Income Over Feed Cost (IOFC) correlates to the calculated ADPM. Therefore, understanding the actual cost of production and feed cost per hundredweight is important to determining if the program is a good fit for each producer. Rules and regulations have yet to be set for producers to enroll in the program; stay tuned to your local FSA office and extension resources for more information.

DPDP is a program that helps to control dairy product supply on the market in times of low margins. When ADPM falls below the \$4 margin for two consecutive months, the secretary of agriculture will announce and implement the program, which consists of buying and distributing dairy products.

Rules and regulations will be set in the coming months. More information on the crop and livestock related programs will be available on Ag Decision Maker ([www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm)) or by contacting your local extension farm business management specialist. The program Dairy Markets and Dairy Policy through University of Wisconsin, [dairy.wisc.edu/](http://dairy.wisc.edu/), also offers a wide breadth of information on dairy programs and policy.