



2018 Farm Bill Dairy and Related Provisions

(Comparison of 2018 Margin Protection Program with the House and Senate versions of the 2018 Farm Bill and final 2018 Farm Bill “Agriculture Improvement Act”, as enacted on December 20, 2018)

	2018 Margin Protection Program	House version of 2018 Farm Bill	Senate version of 2018 Farm Bill	Final 2018 Farm Bill
Name of the Program	The program continues to be called the Margin Protection Program, even though changes were made to the program in 2018.	Makes significant changes to the Margin Protection Program and renames it “Dairy Risk Management Program”	Makes significant changes to the Margin Protection Program and renames is “Dairy Risk Coverage”	The name of the new MPP successor program is Dairy Margin Coverage (DMC). Like the MPP, the DMC will be administered by Farm Service Agency.
Administrative Fee	Farmers must pay \$100 annual administrative fee to participate in the program. In some cases, the fee is waived for underserved farmers.	No change in fee	The fee for a farmer choosing only catastrophic coverage is raised to \$200 annually.	No change to current law. Farmers must pay \$100 annual administrative fee to participate in the program. In some cases, the fee is waived for defined categories of underserved farmers.

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Top buy-up coverage level	Top buy-up coverage level is \$8.00	Adds new buy-up coverage level options of \$8.50 and \$9.00, but only for Tier I production (up to 5 million pounds of production history)	Adds new buy-up coverage level options of \$8.50 and \$9.00, but only for Tier I production (up to 5 million pounds of production history)	Adds new buy-up coverage levels for Tier I production (up to 5 million pounds of production history): \$8.50 buy up with a premium of 10.5 cents/cwt, \$9.00 buy up with a premium of 11 cents/cwt, and \$9.50 with a premium of 15 cents/cwt, but only for Tier I production. However, there is a 25 percent discount on premiums for farmers who lock in their coverage levels for the full 5 years of the bill.
Minimum percentage of production history that must be enrolled in program	Participating farmers can enroll from 25 to 90 percent of their production history in the MPP.	Participating farmers can enroll from 5 to 90 percent of their production history in the MPP.	Participating farmers can enroll from 5 to 90 percent of their production history in the MPP. However, the \$5 catastrophic coverage level only applies to 40 percent of production history.	Participating farmers can enroll from 5 to 95 percent of their production history in the Dairy Margin Coverage program.

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Catastrophic, no-premium, level of coverage	Catastrophic (no-premium) coverage level is \$5 for Tier I production, and \$4 for Tier II production.	Reduces catastrophic coverage level to \$4 for Tier I and Tier II production	Includes catastrophic coverage at \$5 for Tier I and II production, but payout at that level only applies to 40 % of production history.	Catastrophic coverage is \$4 million. But buying up to \$5 is very cheap for both Tier I and II production. For both tiers of production history, the premium for buying up to \$4.50 is \$.0025/cwt, and for \$5.00 coverage the premium is \$.005/cwt.																										
Production threshold for Tier I (lower) premiums	Tier 1 (lower) premiums apply to a farmer's first 5 million pounds of production history enrolled in program. (Prior to 2018, the threshold was 4 million pounds.)	Maintains Tier I production threshold at 5 million pounds.	Maintains Tier I production threshold at 5 million pounds.	Maintains Tier I production threshold at 5 million pounds of production history.																										
Tier I premium levels	Tier 1 premiums are reduced relative to premiums in place from 2014-2017.	Tier 1 premiums are reduced even further	Makes slight changes to Tier 1 premiums. However, it gives an additional 50 percent premium discount for a participating farmer with up to 2 million pounds of production history, and a 25 percent premium discount for farmers with up to 10 million pounds of production history.	<p>Tier I premiums are:</p> <table border="1"> <thead> <tr> <th>Coverage level</th> <th>Tier I Premium</th> </tr> </thead> <tbody> <tr><td>\$4.00</td><td>0</td></tr> <tr><td>\$4.50</td><td>.0025</td></tr> <tr><td>\$5.00</td><td>.0050</td></tr> <tr><td>\$5.50</td><td>.030</td></tr> <tr><td>\$6.00</td><td>.050</td></tr> <tr><td>\$6.50</td><td>.070</td></tr> <tr><td>\$7.00</td><td>.080</td></tr> <tr><td>\$7.50</td><td>.090</td></tr> <tr><td>\$8.00</td><td>.100</td></tr> <tr><td>\$8.50</td><td>.105</td></tr> <tr><td>\$9.00</td><td>.11</td></tr> <tr><td>\$9.50</td><td>.15</td></tr> </tbody> </table> <p>However, a 25% discount applies for all Tier I and II premiums for farmers who lock in coverage levels for the full 5 years of the bill.</p>	Coverage level	Tier I Premium	\$4.00	0	\$4.50	.0025	\$5.00	.0050	\$5.50	.030	\$6.00	.050	\$6.50	.070	\$7.00	.080	\$7.50	.090	\$8.00	.100	\$8.50	.105	\$9.00	.11	\$9.50	.15
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Tier II premium levels	Tier II premiums are increased relative to premiums in place from 2014-2017.	Maintains current Tier II premium rates	Increases Tier II premium rates	<p>Tier II premiums are:</p> <table border="1" data-bbox="1182 363 1495 856"> <thead> <tr> <th>Coverage level</th> <th>Tier II Premium</th> </tr> </thead> <tbody> <tr><td>\$4.00</td><td>0</td></tr> <tr><td>\$4.50</td><td>.0025</td></tr> <tr><td>\$5.00</td><td>.0050</td></tr> <tr><td>\$5.50</td><td>.100</td></tr> <tr><td>\$6.00</td><td>.310</td></tr> <tr><td>\$6.50</td><td>.650</td></tr> <tr><td>\$7.00</td><td>1.107</td></tr> <tr><td>\$7.50</td><td>1.143</td></tr> <tr><td>\$8.00</td><td>1.813</td></tr> <tr><td>\$8.50</td><td>N/A</td></tr> <tr><td>\$9.00</td><td>N/A</td></tr> <tr><td>\$9.50</td><td>N/A</td></tr> </tbody> </table> <p>However, there is a 25 percent across-the-board discount on Tier I and II premiums for farmers who lock in their coverage levels for the full 5 years of the bill.</p> <p>In addition, a farmer whose production history exceeds 5 million pounds, who chooses to buy up to \$8.50, \$9.00, and \$9.50 coverage for their first 5 million pounds of production history, will be permitted to choose a different buy-up level (e.g. \$5.00) for any Tier II production enrolled. However, if they only buy up to \$8.00 or lower for their Tier I production, any Tier II production enrolled must also be enrolled at the same level as their Tier I production.</p>	Coverage level	Tier II Premium	\$4.00	0	\$4.50	.0025	\$5.00	.0050	\$5.50	.100	\$6.00	.310	\$6.50	.650	\$7.00	1.107	\$7.50	1.143	\$8.00	1.813	\$8.50	N/A	\$9.00	N/A	\$9.50	N/A
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Frequency of program calculations and payouts	MPP payments are calculated monthly (the old program in place from 2014-17 made payments based on a 2-month average)	Maintains monthly payment calculations	Maintains monthly payment calculations	Maintains monthly payment calculations
LGM-Dairy Participation	Farmers are prohibited from participating in the MPP program and the Livestock Gross Margin- Dairy (LGM-Dairy) program at the same time.	Farmers are allowed to participate in the new dairy risk management program and the LGM-Dairy program at the same time, but not on the same milk.	Maintains current prohibition on participating in new dairy risk coverage program and LGM-Dairy at the same time.	There are no restrictions on participation in LGM-Dairy and new DMC program at the same time. In addition, farmers who participated in LGM-dairy in 2018 and were therefore prohibited from participating in the improved MPP program for 2018 are permitted under the bill to participate in MPP retroactively for 2018 (retroactive back to Jan 1, 2018).
Budget sequester reductions in MPP payments	MPP payments are reduced due to a government-wide budget reduction sequester from Congress. The percentage reduction ranges from 6.5 to 7 percent and is announced annually.	No change	No change	No change

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Farmers' ability to make annual decisions	Farmers have the flexibility to make annual decisions about MPP participation	Requires farmers participating in the Dairy Risk Management Program to lock in their buy-up coverage and percentage participation levels for full 5 years of farm bill	Continues to allow dairy farmers to make annual decisions about participation in the new program.	Farmers retain the flexibility to make annual decisions about DMC participation. However, as an incentive to make a 5-year decision, there is a 25 percent across-the-board discount on Tier I and II premiums for farmers who lock in their coverage levels for the full 5 years of the bill.
Refund for premiums from 2014-2017		No refund for past premiums	Refunds \$77 million in MPP premiums paid by dairy farmers from 2014-2017, minus the payouts made to MPP participants during that time.	Farmers who signed up for the MPP in 2014-17, will receive a partial refund for their net premiums (premiums minus payouts) for that period of time. Farmers will have two choices: 1) either they can get a cash refund of 50% of their net premiums for 2014-2017; or 2) they can receive 75% of their net premiums from 2014-17 as a credit toward future premiums in the DMC program.
Dairy product donations to low income citizens	Includes a Dairy Product Donation Program which is only active when the MPP margins are very low. It has never kicked in.	Repeals Dairy Product Donation Program	Replaces Dairy Product Donation Program with a "Milk Donation Program" funded at \$8 million in 2019, and \$5 million annually thereafter.	Replaces current Dairy Product Donation Program with the Milk Donation Program, to make it easier for farmers, processors and cooperatives to donate fluid milk to food banks.

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Feed calculations		Does not change the feed formula, but requires USDA to analyze using higher value, dairy quality alfalfa as part of the feed cost formula.	No feed formula changes or provisions.	Requires USDA's National Agricultural Statistic Service (NASS) to revise monthly survey reports to include prices for high-quality (dairy quality) alfalfa hay. Also requires USDA to analyze data regarding average producer feed costs.
Program Sign-up timing				The bill includes makes the new DMC effective on January 1, 2019, which will likely require farmers to be allowed to sign up retroactively to the beginning of 2019.

Dairy Margin Coverage Program Premium Table:

Coverage level	Tier I Premium	Tier II Premium
\$4.00	0	0
\$4.50	.0025	.0025
\$5.00	.0050	.0050
\$5.50	.030	.100
\$6.00	.050	.310
\$6.50	.070	.650
\$7.00	.080	1.107
\$7.50	.090	1.143
\$8.00	.100	1.813
\$8.50	.105	N/A
\$9.00	.11	N/A
\$9.50	.15	N/A

Additional Dairy Provisions

	Current Law	House version of 2018 Farm Bill	Senate version of 2018 Farm Bill	Final 2018 Farm Bill
Class I mover reform	Under the Federal Milk Marketing Order System, the formula used to set minimum monthly prices for Class I (fluid) milk in a region is the higher of Class III or IV milk each month (called the “Class I mover”), plus a regional Class I differential.	The bill changes the Class I mover to be the monthly average of Class III or IV, plus 74 cents.	The bill changes the Class I mover to be the monthly average of Class III or IV, plus 74 cents.	The bill changes the Class I mover to be the monthly average of Class III or IV, plus 74 cents.
Dairy Business Innovation Initiative	N/A	N/A	The bill includes a Dairy Business Innovation amendment by Senator Baldwin to provide technical assistance and grants to dairy businesses to promote dairy product innovation and diversification, and expand processing capacity to respond to oversupply of milk.	The bill includes a Dairy Business Innovation grant program to require USDA to establish at least 3 regional dairy innovation centers to provide technical assistance and grants to dairy businesses to promote dairy product innovation and diversification, and expand processing capacity to respond to oversupply of milk.

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Forward contacting authority for non-cooperatives for Classes II, III and IV milk	The 2008 Farm Bill included the Dairy Forward Pricing Program to allow non-cooperative regulated handlers to enter into forward pricing contracts with dairy farmers for all classes of milk, except Class I (fluid) milk. Without this provision federal milk marketing orders prohibit non-cooperative handlers from entering into such contracts.	Reauthorizes the Dairy Forward Pricing Program through 2023	Reauthorizes the Dairy Forward Pricing Program through 2023	Reauthorizes the Dairy Forward Pricing Program through 2023
Healthy Milk Incentive Projects				The bill authorizes a program to develop and test methods to increase fluid milk consumption by SNAP recipients, by providing retail incentives to purchase fluid milk.
Farm and Stress Assistance Network		Reauthorizes Farm and Stress Assistance Network, subject to annual appropriations	Authorizes \$10 million annually for FY 2019-2023. Grants may be used for training programs and workshops for individuals who assist farmers in crisis, and for grants for community-based organizations.	Senate provision included, with an amendment to make Indian tribes eligible for grants.

If you have any questions, please contact:
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