

Texas Dairy Matters

Higher Education Supporting the Industry

Margin Protection Program – Dairy Sign Up Deadline is November 28

Joe Outlaw and David Anderson
Extension Economists
Texas A&M AgriLife Extension Service
The Texas A&M University System

The 2014 farm bill included the Dairy Margin Protection Program (MPP-Dairy) to replace the MILC program. Past dairy programs, for example MILC and the Price Support Program, were triggered only by low milk prices. But, over the last few years, higher and more volatile feed costs created much more interest in a program that was triggered by low milk price-feed cost margins. Falling milk prices and high feed costs led to disastrously low margins in 2009 while skyrocketing feed costs in 2012 led to low margins.

The deadline to sign up to participate in the Dairy Margin Protection Program is November 28, 2014.

Basics

Sign up begins with establishment of a production history for the dairy, which is the highest annual milk production in 2011, 2012, or 2013. The dairy producer selects a percent of annual milk production to cover (from 25% to 90% of production history) and a margin protection level (from \$4.00 to \$8.00 per cwt).

The margin is calculated using the USDA, NASS monthly national average all milk price, the national monthly average corn and alfalfa price (also reported by NASS) and the USDA, AMS reported Central Illinois rail delivered soybean meal price. Government payments are triggered

when this margin falls below the margin a dairy farmer elects to protect (from \$4.00 per cwt to \$8.00 per cwt).

If the calculated margin over a two-month period falls below a dairy producers purchased margin coverage level, then a program payment is made to the producer equal to the coverage level minus the calculated national margin. For example, if a dairy farmer chooses a margin coverage level of \$6.50 per cwt. and the calculated national margin falls to \$5.00 per cwt, then a program payment of \$1.50 per cwt is made on the percent of production history covered.

In Texas, our feed costs and our all-milk price are higher than the national average. The key for this program is that Texas prices move with national prices. When national feed and milk prices increase, so do Texas prices.

This program has potential to partially protect dairy farms from disasters like 2009.

Check with your county FSA office for more information. Decision aids are available to help evaluate this program for an individual dairy ([http://afpc.tamu.edu/economic models](http://afpc.tamu.edu/economic%20models)). Texas A&M AgriLife Extension Service personnel are also available to help producers evaluate this program.

<http://texasdairymatters.org>

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