

2018

# FARM BILL

HOUSE & SENATE CONFERENCE REPORT

## 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

- **New Program:** The 2018 Farm Bill Conference report improves the dairy safety net by replacing the Margin Protection Program (MPP) with Dairy Margin Coverage (DMC). The new program provides more flexibility for operations of all sizes. The report also calls on USDA to collect and analyze new feed cost data.
- **Eligible Production History:** DMC allows operations to cover between five percent and ninety-five percent of their existing production history. Previously under MPP, producers could only cover between twenty-five and ninety percent.
- **Coverage Levels:** DMC lets operations 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:** The conference report drops the price of \$8 coverage from \$0.142/cwt to \$0.10/cwt, provides affordable \$8.50-\$9.50 options, 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 Discount:** DMC provides a 25% annual premium discount for any operation that signs up in 2019 and commits to maintaining their coverage decisions, including coverage level and covered production, through 2023. Any producer who receives this discount 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.
- **Premium Repayment:** Operations that participated in MPP during 2014-2017 will be entitled 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	\$ -

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## Crop Insurance Products for Dairy

- **Livestock Gross Margin Insurance (LGM):** The conference report 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:** Operations that were locked out of the improved 2018 Margin Protection Program (MPP) due to LGM participation will be allowed to retroactively participate in MPP for the months in 2018 in which they were excluded.
- **Dairy Revenue Protection (Dairy-RP):** Operations can use DMC in combination with Dairy-RP without restrictions. The current prohibition on using LGM and Dairy-RP on the same milk remains in place.

**Reauthorizations:** The 2018 Farm Bill reauthorizes forward pricing, the Dairy Indemnity Program, and certain promotion and research authorities through 2023.

**Dairy Product Donation:** The 2018 Farm Bill repeals the Dairy Product Donation Program and replaces it with the Milk Donation Program.

- **Dairy Product Donation Program:** The bill repeals the Dairy Product Donation Program established in the last farm bill that has not triggered since it was authorized. This provision does change any of USDA's other dairy purchasing programs.
- **Milk Donation Program:** The bill 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 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:** This bill creates a new program to encourage fluid milk purchases by members of households who receive Supplemental Nutrition Assistance Program benefits.

**Dairy Business Innovation Initiatives:** The bill authorizes \$20 million to 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.

