



U.S. Senator Debbie Stabenow, Chairwoman

2014 Farm Bill Dairy Programs

The 2014 Farm Bill includes two new, key programs – a Dairy Product Donation Program and a Margin Protection Program for dairy producers. Below are details on those programs.

Dairy Product Donation Program

The Farm Bill creates a new and improved dairy purchase program. As a partial replacement for the stabilization program included in the Dairy Security Act, this program was added to provide a backstop against margins sliding below \$4.00. The new program:

- Kicks in when dairy margins are under \$4.00 for two consecutive months
- Requires USDA to purchase dairy products until margins rebound above \$4.00
- Provides flexibility to allow USDA to purchase dairy products to fill specific needs
- Requires USDA to donate the products to feeding programs – not to resell them

Margin Protection Program

The margin insurance program provides insurance payments when actual dairy margins are below margin insurance coverage levels selected by individual producers for specified consecutive 2-month periods.

- Coverage is only provided on base production, which is set at the beginning of the Farm Bill based on the highest production year out of calendar years 2011, 2012 and 2013.
- An annual adjustment will be made for the national growth average but the margin insurance program will not cover any growth above the national growth average. While there is not a stabilization program, any excess growth that occurs will be exposed to the open market with no safety net.
- Farmers can choose coverage on up to 90% (in 5% increments) of their base production, on levels ranging from \$4-\$8 in \$.50 increments.
- Producers will be able to take advantage of a 25% educational waiver for 2014/2015 calendar years to learn and adjust to the program.
- Producers can annually adjust their coverage levels.

(over)

The Secretary is required to have the program up and running by September 1, 2014. Producers pay premiums for coverage and will pay an annual administrative fee of \$100. The programs allows for new producers to get into the program.

- The dairy program maintains a two-tiered approach for premiums. Premiums are optimized for small producers to obtain coverage at levels consistent with their higher production costs, thereby creating a viable and effective safety net.
- Additionally, a discount is provided for 2014/2015 on the first 4 million pounds to allow small producers to get familiar with the program. This discount provides a 25% premium reduction, except at the \$8.00 level.
- Provides MILC transition program (at higher levels) until September 1, 2014.
- Economic models of this plan have demonstrated that the indemnities under the margin protection program would exceed those provided under the MILC program.

Key premiums (before the discount in 2014/2015):

Milk marketings under 4 million lbs

Milk marketings over 4 million lbs

<u>Coverage</u>	<u>Premium</u>	<u>Coverage</u>	<u>Premium</u>
\$4.00	None	\$4.00	None
\$4.50	\$.01	\$4.50	\$.02
\$5.00	\$.025	\$5.00	\$.04
\$5.50	\$.04	\$5.50	\$.10
\$6.00	\$.055	\$6.00	\$.155
\$6.50	\$.09	\$6.50	\$.29
\$7.00	\$.217	\$7.00	\$.83
\$7.50	\$.30	\$7.50	\$1.06
\$8.00	\$.475	\$8.00	\$1.36

Other Repeals and Extensions

- Repeals dairy product price support program
- Temporarily continues MILC to September 1, 2014 at higher levels
- Repeals Dairy Export Incentive Program
- Extends Dairy Forward Pricing Program
- Extends Dairy Indemnity Program
- Extends Dairy Promotion and Research Program
- Repeals the Federal Milk Marketing Order Review Commission