Farm Bill 2014: Dairy Summary

Overview:

- Program will start no later than September 1, 2014; program kicks in when two consecutive months have margin below purchased protection level.
- Costs producer $100/ year for $4.00 margin level
- Production history based on highest production during calendar year 2011, 2012, or 2013; new farms can extrapolate from current production or based on herds their size
- Price/cwt premium decreased by 25% for the first 4,000,000 lbs shipped in 2014 and 2015 for margins $4.50-$7.50

Margin Protection:

Producer can only purchase margin protection if they **do not** participate in the livestock gross margin for dairy program under the Federal Crop Insurance Act. Protection will begin when the difference between "all milk price" and ration cost decreases to the protection level the producer purchases for two consecutive months. Protection will begin no later than September 1, 2014

- "All milk price" refers to the average price per hundred weight for all milk sold in the US
- Ration cost is determined by the following equation:
  - o 1.0728 x bushel of corn + 0.00735 x ton of soybean meal + 0.0137 x ton of alfalfa hay
  - o Corn and alfalfa hay based on average national price; soybean meal based on central Illinois price

Purchasing of Margin Protection:

Producers can choose the price when margin protection begins. Coverage can begin at a margin of $8.00 to $4.00 at $0.50 increments.

Producers can choose the percentage of coverage of their annual production from 25%-90% at 5% increments

- Annual production based on highest yearly production from 2011, 2012, or 2013
- New producers can choose based on current extrapolated production or average production of similar sized dairies
- Premiums will be paid out based on the margin level for the first 4,000,000 lbs shipped using the following table:

Coverage Level	S/cwt
$4.00	None
$4.50	0.010
$5.00	0.025
$5.50	0.040
$6.00	0.055
$6.50	0.090
$7.00	0.217
$7.50	0.300
$8.00	0.475

- After 4,000,000 lbs are shipped, premium payments increase based on the following table:

Margin Coverage	$/cwt
$4.00	None
$4.50	$0.020
$5.00	$0.040
$5.50	$0.100
$6.00	$0.155
$6.50	$0.290
$7.00	$0.830
$7.50	$1.060
$8.00	$1.360

Calculation of the Producer Payment:

- Coverage percentage x Highest Yearly Production x Premium per hundredweight
- $100 administration fee due each year

Timing of payment will be determined by the Secretary of Agriculture; if producer wants to purchase margin protection after the start of a new year, the amount is prorated based on time left in year.

Margin Protection Payment:

After two consecutive months when margins are at purchased levels, producers are paid base on the following formula

- Margin level x coverage percentage x (production level/6)