

Dairy Margin Coverage Program for 2024

On February 23 USDA’s Farm Service Agency (FSA) announced the details for dairy producers to enroll in the Dairy Margin Coverage (DMC) program for 2024. DMC is a voluntary risk management program that offers protection to dairy producers when the difference between the all-milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer. Tier 1 coverage is available for up to 95% of a dairy’s historical production below five million pounds. Production can be enrolled for income over feed costs margins ranging from \$4.00 to \$9.50 per hundredweight. The DMC program was authorized as part of the 2018 Farm Bill and extended through 2024 in conjunction with the one-year extension of the 2018 Farm Bill.

The enrollment period begins Feb. 28, 2024, and ends April 29, 2024. For those who sign up for 2024 DMC coverage, payments may begin as soon as March 4, 2024, for any payments that triggered in January 2024. Producers who wait until the end of the enrollment period will be eligible for January and February indemnity payments, if warranted by DMC price data. However, the sooner a producer enrolls, the sooner any earned indemnity payments will be made.

A revision to the 2024 program allows eligible

dairy operations to make a one-time adjustment to established production history. This adjustment will be accomplished by combining previously established supplemental production history with DMC production history for those dairy operations that participated in Supplemental Dairy Margin Coverage during a prior coverage year.

During its five-year history DMC has provided a very effective safety net for an operation’s first five million pounds of production. Table 1 shows the annual costs and returns for each one million pounds enrolled at \$9.50 coverage for 2019 through 2023. Each year’s indemnity payments have exceeded the premiums paid. Last year DMC payments triggered in 11 months for producers that selected protection at the \$9.50 level.

As shown in Table 2 enrollment in DMC has varied from a low of 45% of dairies in 2020 to 75% of dairies last year.

However, the program provided a positive return each year for participating herds.

With the sign-up period for 2024 now open, producers will be making enrollment decisions. The FSA web site includes a Decision Tool to provide guidance.

<https://dmc.dairymarkets.org/>

Based on FSA’s current feed costs and milk price projections, shown in the table below, DMC will only

Year	Months IOFC Below \$9.50	Indemnity per 1 million pounds*	Insurance Premium	Net Gain
2019	7	\$ 5,058	\$ 1,425	\$ 3,633
2020	5	\$ 6,533	\$ 1,425	\$ 5,108
2021	11	\$ 23,162	\$ 1,425	\$ 21,737
2022	2	\$ 1,714	\$ 1,425	\$ 289
2023	11	\$ 25,918	\$ 1,425	\$ 24,493

* Indemnity reflects sequestration of 6.2% for 2019, 5.9% for 2020, and 5.7% for 2021-2023

Year	Dairies Enrolled	% of Dairies	Total Indemnity Paid	Average Per Dairy
2019	23,495	73%	\$ 451,263,875	\$ 19,207
2020	13,547	45%	\$ 233,918,791	\$ 17,267
2021	19,125	69%	\$ 1,186,304,823	\$ 62,029
2022	17,966	71%	\$ 83,680,962	\$ 4,650
2023	17,101	75%	\$ 1,299,941,043	\$ 76,015

provide an indemnity payment for \$9.50 coverage for January and February production. However, the simulator forecasts corn prices to be between \$4.07 and \$4.27 per bushel from March through December and to average \$4.22 for the year. The simulator also projects the all-milk price to range between \$21.24 and \$23.37 per hundredweight during the same nine months and to average \$21.89 for the year. Those would be the lowest corn prices since 2019 and 2020 which averaged \$3.75 and \$3.50 per bushel, respectively. Those same two years the all-milk price averaged \$18.60 and \$18.32, respectively. A time-worn dairy industry adage is that it’s tough to have high milk prices concurrent with low corn prices.

Producers should also view DMC in terms of what it is designed to be, an insurance program. “Dairy Margin Coverage is proven to be a program to reduce risk for our dairy producers,” said FSA Administrator Zach Ducheneaux. “If 2023 taught us anything, it’s that we honestly have no idea what will happen in the market in any given year. Producers who took advantage of this affordable risk management tool for the 2023 program year, were able to mitigate some financial impacts

on their operations. At \$0.15 per hundredweight for \$9.50 coverage, risk protection through Dairy Margin Coverage is a relatively inexpensive investment in a true sense of security and peace of mind.”

USDA also offers other risk management tools for annual production in excess of five million pounds. The Dairy Revenue Protection (DRP) plan protects against a decline in milk revenue (yield and price). The Livestock Gross Margin (LGM) plan provides protection against the loss of the market value of milk minus the feed costs. Both DRP and LGM livestock insurance policies are offered through the Risk Management Agency. Producers should contact their local crop insurance agent for more information.

This year producers have the luxury of delaying their DMC enrollment decision until after prices are known for the first two months and price projections for the remainder of the year are more in focus. However, based on the previous five years of the program, the smart move looks to be to enroll up to five million pounds of production for the \$9.50 coverage.

Select Year:

2024

Annual Historic Production ⓘ

5,000,000

Coverage Percentage:

95%

Tier 1 Coverage Level: \$9.50

Tier 2 Coverage Level: \$8.00

Coverage Level	Choice (\$/cwt)	Covered Prod History (lbs)	Total Premium (\$/cwt)
\$9.50	\$0.1500	4,750,000	\$7,125.00
\$8.00	\$1.8130	0	\$0.00
			4,750,000 \$7,125.00

MONTH	ALL MILK PRICE FORECAST (\$/CWT)	CORN PRICE FORECAST (\$/BU)	PREMIUM/SUPREME ALFALFA HAY PRICE FORECAST (\$/TON)	SOYBEAN MEAL PRICE FORECAST (\$/TON)	FEED COST FORECAST (\$/CWT)	DMC MARGIN FORECAST (\$/CWT)
Jan	\$19.86	\$4.80	\$253	\$378.40	\$11.40	\$8.46
Feb	\$20.40	\$4.51	\$253	\$374.88	\$11.06	\$9.34
Mar	\$21.44	\$4.27	\$237	\$349.76	\$10.40	\$11.04
Apr	\$21.63	\$4.14	\$229	\$341.31	\$10.09	\$11.54
May	\$21.72	\$4.08	\$231	\$337.73	\$10.03	\$11.69
Jun	\$21.79	\$4.07	\$229	\$337.84	\$9.98	\$11.81
Jul	\$21.90	\$4.07	\$229	\$339.46	\$9.99	\$11.91
Aug	\$22.23	\$4.09	\$230	\$341.46	\$10.05	\$12.18
Sep	\$22.65	\$4.12	\$231	\$342.45	\$10.10	\$12.55
Oct	\$23.13	\$4.14	\$232	\$342.78	\$10.14	\$12.99
Nov	\$23.37	\$4.18	\$243	\$344.00	\$10.34	\$13.03
Dec	\$22.95	\$4.21	\$240	\$345.67	\$10.34	\$12.61
2024	\$21.92	\$4.22	\$236.48	\$347.98	\$10.33	\$11.59

*Price and margin estimate date: February 26, 2024



Milk & Component Outlook - January 2024 Jersey Price Comparisons

	<u>January '24 STATISTICAL BLEND PRICE</u>	<u>January '24 MONTHLY MILK VOLUME</u> (Million #)	<u>January '24 JERSEY REGULATED BLEND PRICE</u>
Northeast (Boston)	\$19.31	Northeast (Boston)	2,256
Appalachian (Charlotte)	\$21.10	Appalachian (Charlotte)	475
Southeast (Atlanta)	\$21.61	Southeast (Atlanta)	320
Florida (Tampa)	\$23.05	Florida (Tampa)	230
Mideast (Cleveland)	\$17.90	Mideast (Cleveland)	1,495
Upper Midwest (Chicago)	\$15.59	Upper Midwest (Chicago)	2,629
Central (Kansas City)	\$17.24	Central (Kansas City)	1,290
California (Los Angeles)	\$16.81	California (Los Angeles)	2,074
Southwest (Dallas)	\$17.73	Southwest (Dallas)	1,087
Arizona (Phoenix)	\$18.81	Arizona (Phoenix)	452
Pacific Northwest (Seattle)	\$17.39	Pacific Northwest (Seattle)	609
ALL FMMO MARKET AVERAGE	\$18.78	ALL FMMO MARKET TOTAL	12,917
<i>Prices reflect Federal Order minimum blend prices for city shown.</i>			
January, '24 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS			
Northeast (Boston)	\$23.26	Northeast (Boston)	\$3.95
Appalachian (Charlotte) (includes protein prem.)	\$24.77	Appalachian (Charlotte)	\$3.67
Southeast (Atlanta)	\$26.95	Southeast (Atlanta)	\$3.90
Florida (Tampa)	\$26.97	Florida (Tampa)	\$3.92
Mideast (Cleveland) (includes protein premium)	\$22.16	Mideast (Cleveland)	\$4.26
Upper Midwest (Chicago) (includes cy premium)	\$19.33	Upper Midwest (Chicago)	\$3.74
Central (Kansas City)	\$20.59	Central (Kansas City)	\$3.35
California (Los Angeles)	\$18.38	California (Los Angeles)	\$1.57
Southwest (Dallas)	\$20.95	Southwest (Dallas)	\$3.22
Arizona (Phoenix) (includes protein)	\$22.63	Arizona (Phoenix)	\$3.82
Pacific Northwest (Seattle)	\$20.03	Pacific Northwest (Seattle)	\$2.64
ALL FMMO MARKET AVERAGE	\$22.37	ALL FMMO MARKET AVERAGE	\$3.46
<i>Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.</i>			
ESTIMATED JERSEY MILK COMPOSITION			
Butterfat	5.27	Dec-24	
TRUE Protein	3.99	FMMO Milkfat	\$ 2.9765
Other Solids	5.73	FMMO True Protein	\$ 1.1265
Solids Not Fat (SNF)	9.72	FMMO Other Solids	\$ 0.2417
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.83	Dec-24	
CME Block Cheese Price	\$ 1.52	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	
<i>Percent difference in Jersey price with premiums, over the statistical blend price.</i>			
January '24 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE			
Northeast (Boston)	20.5%	Dec-24	
Appalachian (Charlotte)	17.4%	FMMO Milkfat Adjustment	\$2.93
Southeast (Atlanta)	16.9%	FMMO True Protein Adjustment	\$0.69
Florida (Tampa)	17.0%	FMMO Other Solids Adjustment	(\$0.01)
Mideast (Cleveland)	23.8%	Dec-24	
Upper Midwest (Chicago)	24.0%	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	
Central (Kansas City)	19.4%	Dec-24	
California (Los Angeles)	9.3%	ALL FMMO MARKET AVERAGE	
Southwest (Dallas)	20.3%	ALL FMMO MARKET AVERAGE	
Arizona (Phoenix)	15.2%	ALL FMMO MARKET AVERAGE	
Pacific Northwest (Seattle)	18.4%	ALL FMMO MARKET AVERAGE	
<i>Prices reflect FMMO minimum prices at Jersey component values.</i>			



Milk & Component Outlook - 2024 Prices through December

2024 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER

	2024 MILK VOLUME (Million #)	2024 AVERAGE JERSEY REGULATED BLEND PRICE
Northeast (Boston)	\$19.31	Northeast (Boston)
Appalachian (Charlotte)	\$21.10	Appalachian (Charlotte)
Southeast (Atlanta)	\$21.61	Southeast (Atlanta)
Florida (Tampa)	\$23.05	Florida (Tampa)
Midwest (Cleveland)	\$17.90	Midwest (Cleveland)
Upper Midwest (Chicago)	\$15.59	Upper Midwest (Chicago)
Central (Kansas City)	\$17.24	Central (Kansas City)
California (Los Angeles)	\$16.81	California (Los Angeles)
Southwest (Dallas)	\$17.73	Southwest (Dallas)
Arizona (Phoenix)	\$18.81	Arizona (Phoenix)
Pacific Northwest (Seattle)	\$17.39	Pacific Northwest (Seattle)
ALL FMMO MARKET AVERAGE	\$18.78	ALL FMMO MARKET AVERAGE

Prices reflect Federal Order minimum blend prices for city shown.

2024 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS

	2024 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE	2024 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE
Northeast (Boston)	\$23.26	20.5%
Appalachian (Charlotte) (includes protein prem.)	\$24.77	17.4%
Southeast (Atlanta)	\$26.95	16.9%
Florida (Tampa)	\$26.97	17.0%
Midwest (Cleveland) (includes protein premium)	\$22.16	23.8%
Upper Midwest (Chicago) (includes cy premium)	\$19.33	24.0%
Central (Kansas City)	\$20.59	19.4%
California (Los Angeles)	\$18.38	9.3%
Southwest (Dallas)	\$20.95	18.1%
Arizona (Phoenix) (includes protein)	\$22.63	20.3%
Pacific Northwest (Seattle)	\$20.03	15.2%
ALL FMMO MARKET AVERAGE	\$22.37	18.4%

Total Grade A milk volume sold under FMMO.

Prices reflect FMMO minimum prices at Jersey component values.

2024 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE

	2024 AVERAGE JERSEY PRICE ADJUSTMENT PER CWT: 2024	2024
Northeast (Boston)	\$3.95	\$2.9765
Appalachian (Charlotte)	\$3.67	\$1.1265
Southeast (Atlanta)	\$3.90	\$0.2417
Florida (Tampa)	\$3.92	
Midwest (Cleveland)	\$4.26	
Upper Midwest (Chicago)	\$3.74	
Central (Kansas City)	\$3.35	
California (Los Angeles)	\$1.57	
Southwest (Dallas)	\$3.22	
Arizona (Phoenix)	\$3.82	
Pacific Northwest (Seattle)	\$2.64	
ALL FMMO MARKET AVERAGE	\$3.46	

Includes a protein premium of \$0.05 for every 0.01% increase in protein over the market average.

Prices reflect difference between Jersey price with premiums, and the statistical blend price.

Percent difference in Jersey price with premiums, over the statistical blend price.

ESTIMATED JERSEY MILK COMPOSITION

Butterfat	5.27
TRUE Protein	3.99
Other Solids	5.73
Solids Not Fat (SNF)	9.72
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.83
CME Block Cheese Price	\$1.52

REGULATED MILK PRICES

FMMO Milkfat	\$2.9765
FMMO True Protein	\$1.1265
FMMO Other Solids	\$0.2417

AVERAGE JERSEY PRICE ADJUSTMENT PER CWT: 2024

FMMO Milkfat Adjustment	\$2.73
FMMO True Protein Adjustment	\$1.11
FMMO Other Solids Adjustment	(\$0.01)