

USDA Programs Designed to Help Dairy

Dairy farmers currently have access to two government programs to help weather the volatile dairy market. One is the new Dairy Margin Coverage (DMC) program, which was included in the 2018 Farm Bill. DMC made numerous improvements on the previous

Margin Protection Program. Second, USDA announced at the end of May the second Market Facilitation Program (MFP), which is meant to help offset losses incurred by agriculture during the U.S. – China trade dispute.

Dairy Margin Coverage

The 2018 Farm Bill revamped the previous, unfavorable, Margin Protection Program

(MPP) provided in the 2014 Farm Bill. DMC uses the monthly national prices released in the USDA Agricultural Prices report for a bushel of corn, a ton of soybean meal, and a ton of alfalfa hay to configure the feed cost to produce 100 pounds of milk. This figure is then subtracted from the all milk price to determine the income over feed cost (IOFC) margin. This IOFC margin is what the program insures.

Under DMC the IOFC margin can be protected up to \$9.50 for \$0.15/cwt. for the first 5 million

pounds of historical production. Simply put, a dairy can pay \$0.15/cwt. to guarantee a margin of \$9.50 after feed costs are paid (based on national average prices).

Enrollment in the new DMC program began

June 17, 2019 and continues until September 20. Dairies that choose to enroll in the program can retroactively enroll from January 2019.

The January through June 2019 IOFC margins have been reported at \$7.71, \$7.91, \$8.66, \$8.82, \$9.00, and \$8.63 respectively (Table 1). Selecting the \$9.50 coverage level will create a payout to the producer of

2019	All Milk Price	Feed Cost	IOFC	Payment at \$9.50 coverage level
January	\$ 16.60	\$ 8.89	\$ 7.71	\$ 1.79
February	\$ 16.80	\$ 8.89	\$ 7.91	\$ 1.59
March	\$ 17.50	\$ 8.84	\$ 8.66	\$ 0.84
April	\$ 17.70	\$ 8.88	\$ 8.82	\$ 0.68
May	\$ 18.00	\$ 9.00	\$ 9.00	\$ 0.50
June	\$ 18.10	\$ 9.47	\$ 8.63	\$ 0.87
July	\$ 18.48	\$ 9.16	\$ 9.32	\$ 0.18
August	\$ 18.64	\$ 9.05	\$ 9.59	\$ -
September	\$ 18.83	\$ 8.89	\$ 9.94	\$ -
October	\$ 19.10	\$ 8.80	\$ 10.30	\$ -
November	\$ 19.13	\$ 8.74	\$ 10.39	\$ -
December	\$ 19.01	\$ 8.72	\$ 10.29	\$ -
Table 1	<i>Italic is current projection (July-December)</i>			

\$1.79/cwt., \$1.59/cwt, \$0.84/cwt., \$0.68/cwt, \$0.50/cwt, and \$0.87/cwt. for the first six months of 2019. For example, consider a farm that has an annual yearly production of 5 million pounds, which would be approximately 250 Jerseys. By opting to cover 95% of their production at \$9.50 IOFC, they would pay a \$7,225 premium to enroll for all of 2019. Just six months into 2019 the DMC payout for this dairy totals \$24,816, a return of \$17,591 income after premiums.

If an operation selects and maintains a coverage level for the next five years, the DMC program provides a 25% premium discount. This lowers the \$9.50 coverage from \$0.15 to \$0.1125/cwt. The five year total premium for the example dairy, including the \$100 annual program fee, will cost \$27,215 for 95% coverage at the \$9.50 level. With what is known for the first six months of 2019, and looking out into the rest of the year, every operation should give serious consideration to signing up for Dairy Margin Coverage.

Market Facilitation Program

The ongoing trade dispute with China has strongly impacted agriculture and dairy. With this hit on agriculture, the U.S. government has authorized USDA to provide up to \$14.5 billion through the Market Facilitation Program (MFP) in the form of direct payments to assist impacted producers.

For dairy specifically, the program will provide a \$0.20 per hundredweight payment to producers. The MFP payments will be paid in three waves. The first payment is expected in late August and will be 10 cents per cwt. on all of a dairy operation’s established annual production history. The second wave will be 5 cents per cwt., expected to pay in November 2019. The third wave, if warranted with market conditions, would be another 5 cents per cwt. paid in January 2020. Signup for the Market Facilitation Program started on July 29 and will

run through December 6, 2019. Registration can be completed at your local USDA Farm Service Agency (FSA) office.

The 2019 payment is slightly higher than the prior \$0.12 per cwt. offered in 2018, but does not make up for

DMC Premium Schedule

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	\$ -

the export market losses suffered by the dairy industry. The dairy industry would much rather be relying on trade to increase the value and profitability of the dairy products produced.

Solving the current issues with China is essential to dairy and all of agriculture. Also, pushing to expand export markets with other trading partners, including passing the U.S.-

Mexico-Canada Agreement (USMCA) would greatly increase opportunities for U.S. dairy exports and eliminate dependence on market facilitation programs.

More can be read on the DMC program at <http://bit.do/USDADMC>. A decision making tool can be found at www.dairymarkets.org. Contact your local Farm Service Agency office to learn more and enroll in either program. (<https://www.farmers.gov/service-locator> to find your local office) NAJ contact Drew Duncan, 614/322-4462 dduncan@usjersey.com

NAJ Milk & Component Outlook - July 2019 Jersey Price Comparisons

<u>JUL '19(STATISTICAL BLEND PRICE</u>		<u>JUL'19 MONTHLY MILK VOLUME</u> (Million #)		<u>JUL'19 JERSEY REGULATED BLEND PRICE</u>	
Northeast (Boston)	\$19.40	Northeast (Boston)	2,240	Northeast (Boston)	\$23.99
Appalachian (Charlotte)	\$19.84	Appalachian (Charlotte)	411	Appalachian (Charlotte)	\$23.08
Southeast (Atlanta)	\$20.25	Southeast (Atlanta)	402	Southeast (Atlanta)	\$25.09
Florida (Tampa)	\$21.75	Florida (Tampa)	199	Florida (Tampa)	\$25.09
Mideast (Cleveland)	\$18.02	Mideast (Cleveland)	1,700	Mideast (Cleveland)	\$22.86
Upper Midwest (Chicago)	\$17.71	Upper Midwest (Chicago)	2,897	Upper Midwest (Chicago)	\$22.17
Central (Kansas City)	\$17.64	Central (Kansas City)	1,335	Central (Kansas City)	\$21.95
California (Sacramento)	\$17.82	California (Sacramento)	2,005	California (Sacramento)	\$19.19
Southwest (Dallas)	\$18.47	Southwest (Dallas)	1,144	Southwest (Dallas)	\$22.54
Arizona (Phoenix)	\$17.88	Arizona (Phoenix)	391	Arizona (Phoenix)	\$21.01
<u>Pacific Northwest (Seattle)</u>	<u>\$17.52</u>	<u>Pacific Northwest (Seattle)</u>	<u>795</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$21.00</u>
ALL FMMO MARKET AVERAGE	\$18.75	ALL FMMO MARKET TOTAL	13,518	ALL FMMO MARKET AVERAGE	\$22.54

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO during month.

Prices reflect FMMO minimum prices at Jersey component values.

<u>JUL '19 JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS</u>		<u>JUL'19 DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>		<u>JUL'19 PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE</u>	
Northeast (Boston)	\$24.15	Northeast (Boston)	\$4.75	Northeast (Boston)	24.5%
Appalachian (Charlotte) (includes protein prem.)	\$23.37	Appalachian (Charlotte)	\$3.53	Appalachian (Charlotte)	17.8%
Southeast (Atlanta)	\$25.09	Southeast (Atlanta)	\$3.34	Southeast (Atlanta)	15.3%
Florida (Tampa)	\$25.09	Florida (Tampa)	\$3.34	Florida (Tampa)	15.3%
Mideast (Cleveland) (includes protein premium)	\$23.30	Mideast (Cleveland)	\$5.28	Mideast (Cleveland)	29.3%
Upper Midwest (Chicago) (includes cy premium)	\$22.34	Upper Midwest (Chicago)	\$4.63	Upper Midwest (Chicago)	26.1%
Central (Kansas City)	\$21.95	Central (Kansas City)	\$4.31	Central (Kansas City)	24.4%
California (Sacramento)	\$19.19	California (Sacramento)	\$1.37	California (Sacramento)	7.7%
Southwest (Dallas)	\$22.54	Southwest (Dallas)	\$4.07	Southwest (Dallas)	22.0%
Arizona (Phoenix) (includes protein)	\$21.28	Arizona (Phoenix)	\$3.40	Arizona (Phoenix)	19.0%
<u>Pacific Northwest (Seattle)</u>	<u>\$21.00</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.48</u>	<u>Pacific Northwest (Seattle)</u>	<u>19.9%</u>
ALL FMMO MARKET AVERAGE	\$22.66	ALL FMMO MARKET AVERAGE	\$3.77	ALL FMMO MARKET AVERAGE	20.1%

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.

<u>ESTIMATED JERSEY MILK COMPOSITION</u>	<u>Jul-19</u>	<u>REGULATED MILK PRICES</u>	<u>Jul-19</u>	<u>AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:</u>	<u>Jul-19</u>
Butterfat	4.85	FMMO Milkfat	\$ 2.6858	FMMO Milkfat Adjustment	\$3.01
TRUE Protein	3.63	FMMO True Protein	\$ 2.4032	FMMO True Protein Adjustment	\$1.39
Other Solids	5.73	FMMO Other Solids	\$ 0.1689	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.36				
Cheese Yield (90% Fat Recovery, 38% Moisture)	12.55				
CME Block Cheese Price	\$ 1.82				

NAJ Milk & Component Outlook - 2019 Prices through July

2019 AVERAGE STATISTICAL BLEND PRICE FOR EACH FEDERAL ORDER		2019 MILK VOLUME (Million #)		2019 AVERAGE JERSEY REGULATED BLEND PRICE	
Northeast (Boston)	\$17.85	Northeast (Boston)	15,803	Northeast (Boston)	\$21.95
Appalachian (Charlotte)	\$18.63	Appalachian (Charlotte)	3,131	Appalachian (Charlotte)	\$22.16
Southeast (Atlanta)	\$19.01	Southeast (Atlanta)	3,003	Southeast (Atlanta)	\$22.80
Florida (Tampa)	\$20.69	Florida (Tampa)	1,473	Florida (Tampa)	\$24.36
Mideast (Cleveland)	\$16.62	Mideast (Cleveland)	11,550	Mideast (Cleveland)	\$20.33
Upper Midwest (Chicago)	\$15.82	Upper Midwest (Chicago)	21,478	Upper Midwest (Chicago)	\$19.72
Central (Kansas City)	\$16.17	Central (Kansas City)	10,045	Central (Kansas City)	\$20.03
California (Sacramento)	\$16.60	California (Sacramento)	15,166	California (Sacramento)	\$17.70
Southwest (Dallas)	\$16.98	Southwest (Dallas)	8,376	Southwest (Dallas)	\$20.62
Arizona (Phoenix)	\$16.56	Arizona (Phoenix)	3,002	Arizona (Phoenix)	\$19.91
<u>Pacific Northwest (Seattle)</u>	<u>\$16.24</u>	<u>Pacific Northwest (Seattle)</u>	<u>5,227</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$19.43</u>
ALL FMMO MARKET AVERAGE	\$17.38	ALL FMMO MARKET TOTAL	98,253	ALL FMMO MARKET AVERAGE	\$20.82

Prices reflect Federal Order minimum blend prices for city shown.

Total Grade A milk volume sold under FMMO.

Prices reflect FMMO minimum prices at Jersey component values.

2019 AVERAGE JERSEY BLEND WITH ESTIMATED PROTEIN OR CHEESE YIELD PREMIUMS		2019 AVERAGE DOLLAR DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE		2019 AVERAGE PERCENT DIFFERENCE: JERSEY MILK WITH PREMIUMS VS. STATISTICAL BLEND PRICE	
Northeast (Boston)	\$22.17	Northeast (Boston)	\$4.33	Northeast (Boston)	24.3%
Appalachian (Charlotte) (includes protein prem.)	\$22.50	Appalachian (Charlotte)	\$3.54	Appalachian (Charlotte)	18.7%
Southeast (Atlanta)	\$22.80	Southeast (Atlanta)	\$3.35	Southeast (Atlanta)	17.3%
Florida (Tampa)	\$24.36	Florida (Tampa)	\$3.63	Florida (Tampa)	17.5%
Mideast (Cleveland) (includes protein premium)	\$20.92	Mideast (Cleveland)	\$4.34	Mideast (Cleveland)	26.2%
Upper Midwest (Chicago) (includes cy premium)	\$19.95	Upper Midwest (Chicago)	\$4.15	Upper Midwest (Chicago)	26.3%
Central (Kansas City)	\$20.03	Central (Kansas City)	\$3.87	Central (Kansas City)	24.0%
California (Sacramento)	\$17.70	California (Sacramento)	\$1.14	California (Sacramento)	6.9%
Southwest (Dallas)	\$20.62	Southwest (Dallas)	\$3.63	Southwest (Dallas)	21.4%
Arizona (Phoenix) (includes protein)	\$20.25	Arizona (Phoenix)	\$3.66	Arizona (Phoenix)	22.2%
<u>Pacific Northwest (Seattle)</u>	<u>\$19.43</u>	<u>Pacific Northwest (Seattle)</u>	<u>\$3.23</u>	<u>Pacific Northwest (Seattle)</u>	<u>19.9%</u>
ALL FMMO MARKET AVERAGE	\$20.98	ALL FMMO MARKET AVERAGE	\$3.54	ALL FMMO MARKET AVERAGE	20.4%

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	2019	REGULATED MILK PRICES	2019	AVERAGE JERSEY PRICE ADJUSTMENT PER CWT:	2019
Butterfat	5.00	FMMO Milkfat	\$2.5760	FMMO Milkfat Adjustment	\$2.97
TRUE Protein	3.77	FMMO True Protein	\$1.7876	FMMO True Protein Adjustment	\$1.08
Other Solids	5.73	FMMO Other Solids	\$0.2137	FMMO Other Solids Adjustment	(\$0.01)
Solids Not Fat (SNF)	9.50				
Cheese Yield (90% Fat Recovery, 38% Moisture)	13.05				
CME Block Cheese Price	\$1.64				