



Dairy in the 2018 Farm Bill: More than Margin(al) Improvements

National Milk Producers Federation
Farm Foundation Forum
Feb. 5, 2019

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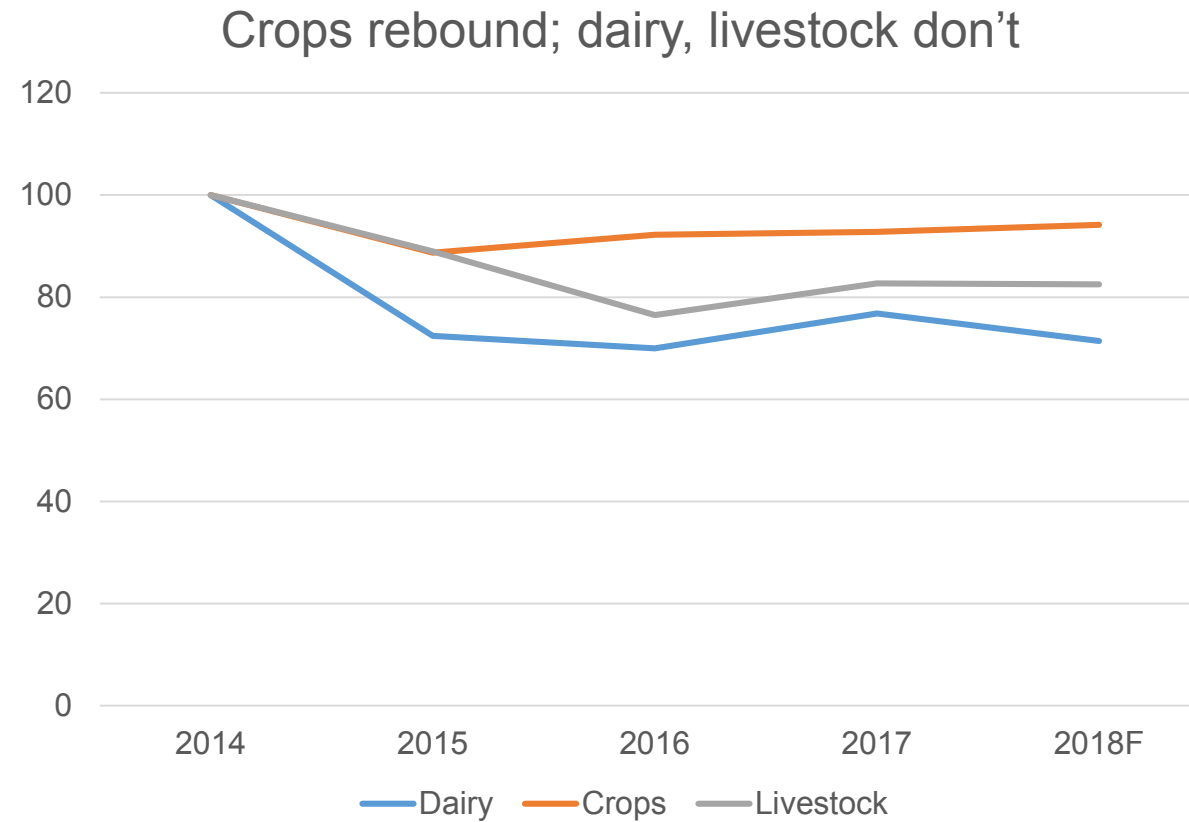
Connecting Cows, Cooperatives, Capitol Hill, & Consumers

Dairy fared best in the farm bill ...

- Falling revenues since 2014
- Problems with the Margin Protection Program
- Policy shifts that roiled markets

... and it needed to

Dairy Revenues Down 28% Since 2014

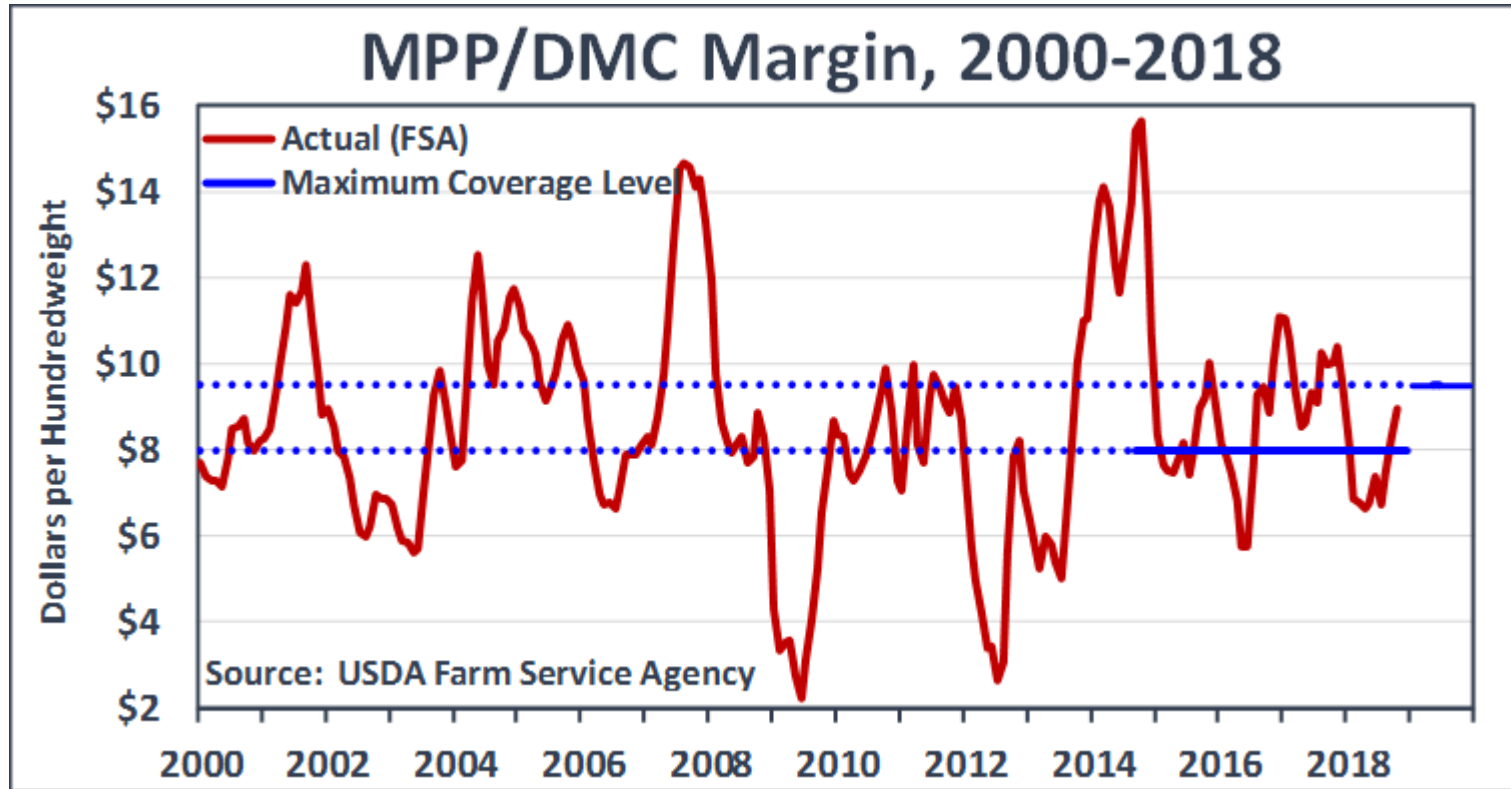


Margin Protection Program Flawed

2014: Dairy is the problem commodity

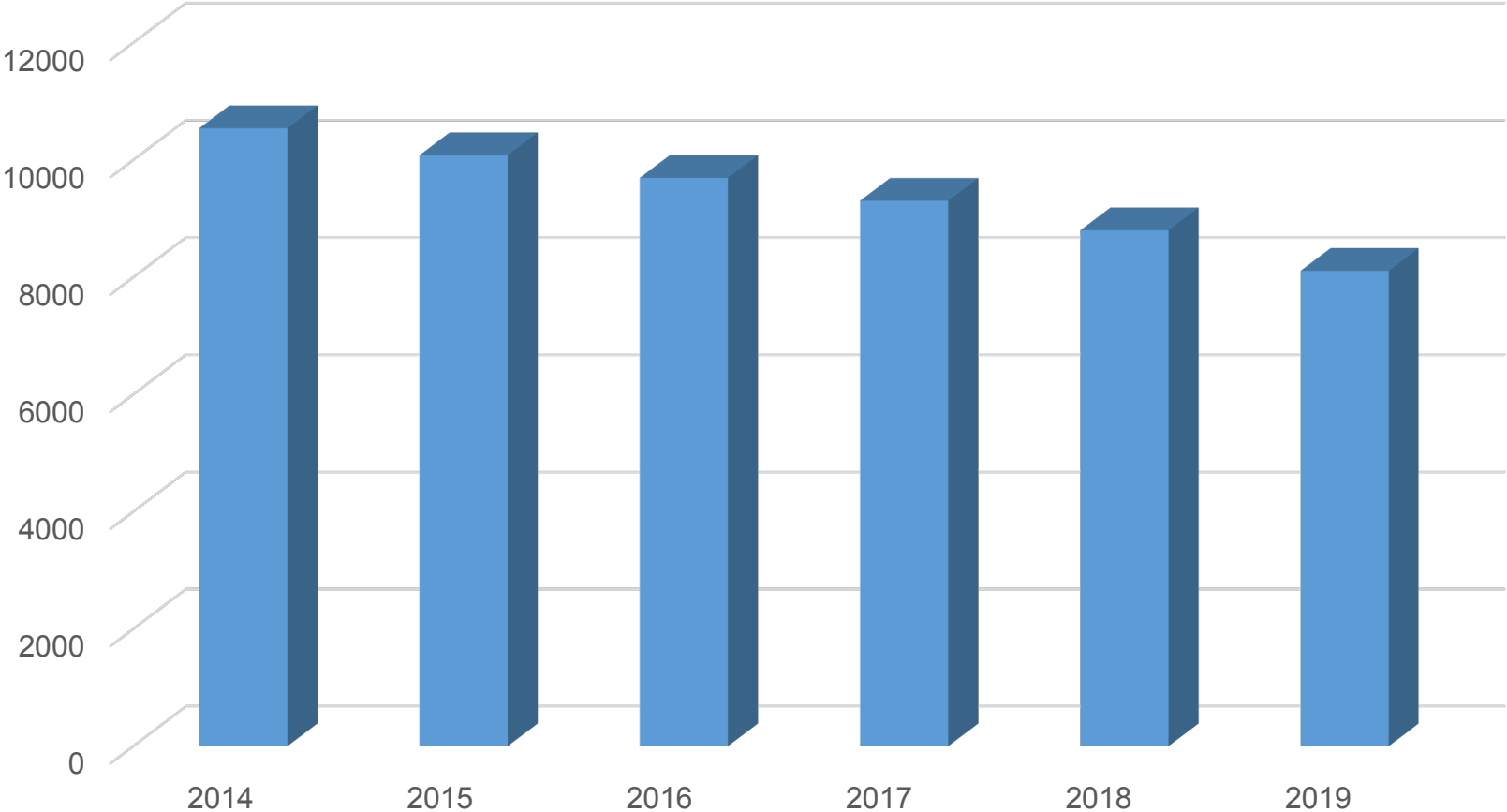
- Feed-cost compromise was good politics, bad policy
- Farmer coverage plummeted

Margins fall ...

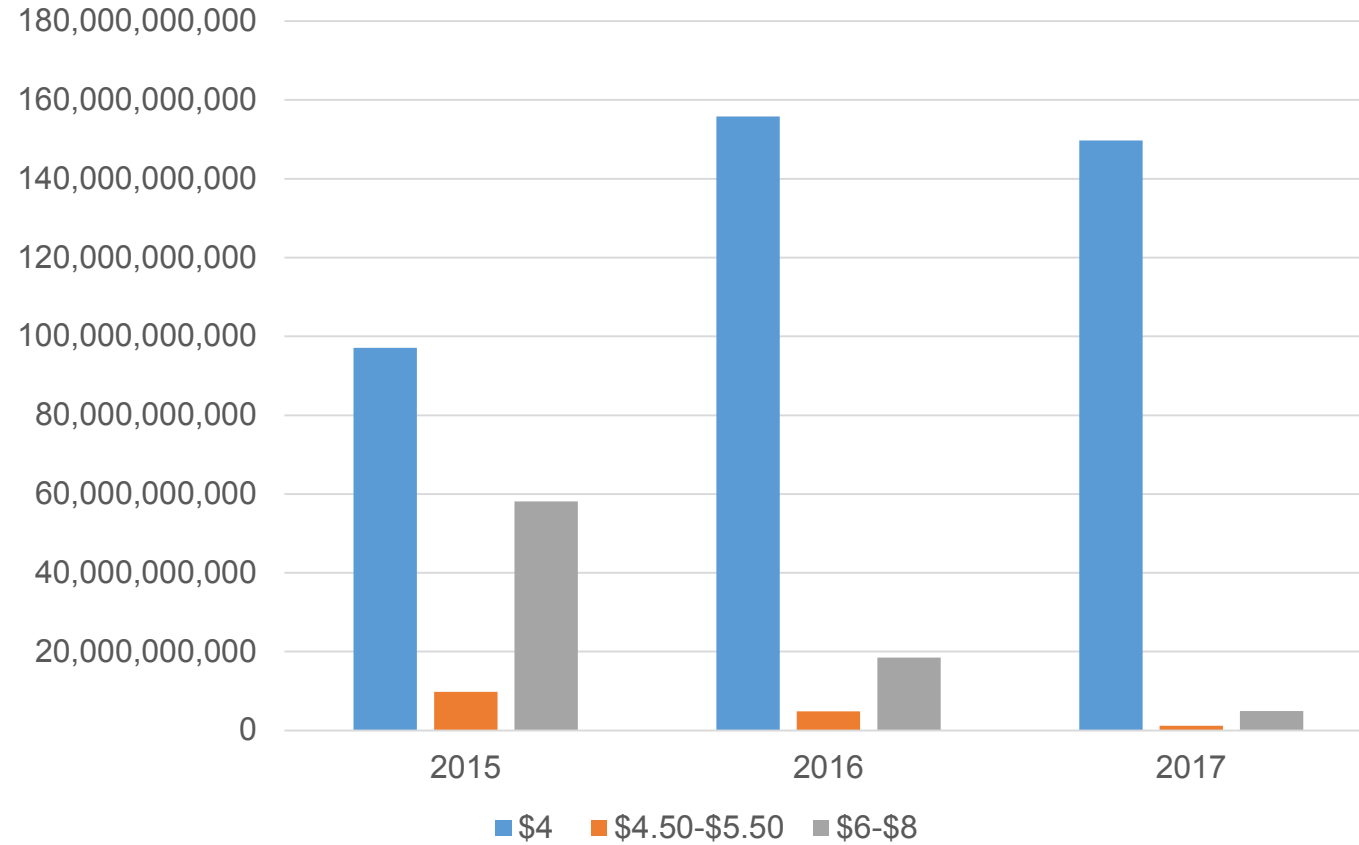


... and farms fail

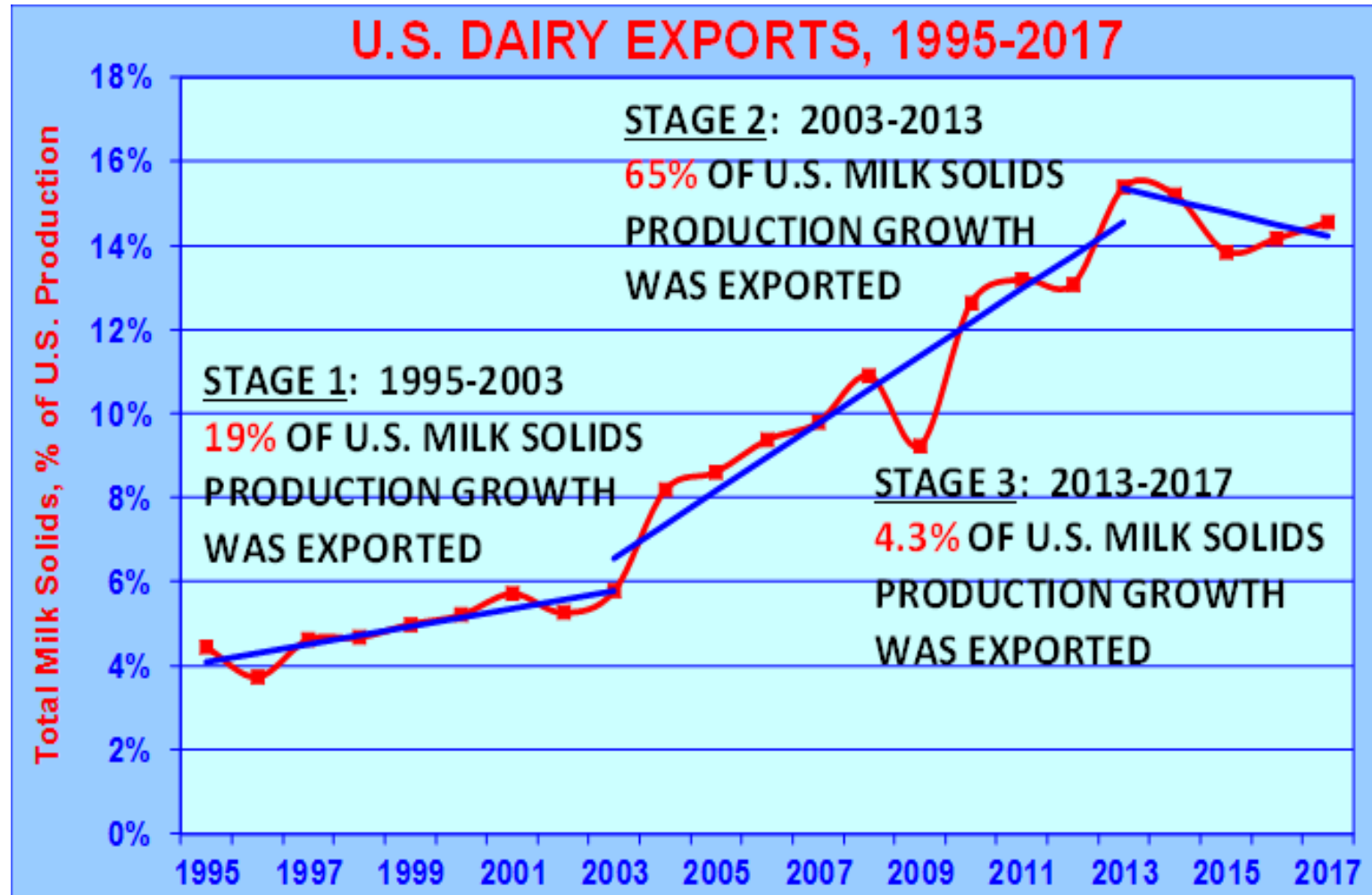
Wisconsin dairy herds consolidate



Farmers Flee MPP



Trade Winds Blow Against Dairy



What was the policy reaction?

- Dairy baseline raised, MPP fixed in Bipartisan Budget Act (Feb. 2018)
- New Dairy Margin Coverage Plan created in 2018 farm bill (Dec. 2018)

How does DMC differ?

- More affordable, more comprehensive coverage for small producers
- More meaningful, non-distorting coverage for large producers

In other words ...

Premium Comparison Table (\$/cwt)

Coverage Level	TIER I (FIRST 5M POUNDS)		TIER II (OVER 5M POUNDS)	
	DMC Premium	DMC Discounted Premium	DMC Premium	DMC Discounted Premium
\$9.50	\$0.150	\$0.113	N/A	N/A
\$9.00	\$0.110	\$0.083	N/A	N/A
\$8.50	\$0.105	\$0.079	N/A	N/A
\$8.00	\$0.100	\$0.075	\$1.813	\$1.360
\$7.50	\$0.090	\$0.068	\$1.413	\$1.060
\$7.00	\$0.080	\$0.060	\$1.107	\$0.830
\$6.50	\$0.070	\$0.053	\$0.650	\$0.488
\$6.00	\$0.050	\$0.038	\$0.310	\$0.233
\$5.50	\$0.030	\$0.023	\$0.100	\$0.075
\$5.00	\$0.005	\$0.00375	\$0.005	\$0.00375
\$4.50	\$0.0025	\$0.00188	\$0.0025	\$0.00188
\$4.00	\$0.000	\$0.000	\$0.000	\$0.00000

*The DMC Discounted Premium would be the premium cost if an operation chooses to lock in the coverage level and coverage percentage for 5 years.

Other positives

- DMC allowed with other programs (LGM, Dairy-RP)
- Changes in feed-cost calculations
- Better hedging for Class I milk price risk

Thanks!

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