Changes to Dairy Insurance Affecting New York Farmers

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Summary: Projections for milk prices for the remainder of 2018 suggest many dairy farmers will continue to experience tight margins. New products coming out and changes to the Margin Protection Program and the new enrollment period are a good opportunity for dairy farmers to evaluate their risk management plans and choose the tools that are the best fit for their farm. In this article we review these recent policy changes and provide resources for more information.

The Bipartisan Budget Act of 2018 included several changes to risk management tools available to dairy farmers through an insurance product and a program administered by the USDA Farm Service Agency (FSA). Livestock Gross Margin-Dairy (LGM) is a longstanding insurance product that dairy farmers can purchase through their crop insurance agents. LGM-Dairy allows farmers to insure against a margin between milk price and feed costs similar to MPP. The Margin Protection Program (MPP) is a program established by the 2014 Farm Bill administered by the FSA that was designed to provide dairy farmers another way to manage their margin risk. MPP has a minimum level of coverage that a farmer could have signed up for a small administrative fee, and then additional level of coverage for higher margins with additional premium costs. The 2014 Farm Bill had a provision that prohibited farmers from participating in both LGM and MPP. Once a farmer enrolled in MPP, that enrollment was supposed to be effective for the entire period of the 2014 Farm Bill.

Dairy farmers have experienced a multi-year period of low milk prices, complicated in the Northeast by challenges with processing capacity. This led to calls for changes to the MPP-Dairy program to be a more robust safety net for dairy farmers across the country. In the 2018 Budget Act, several provisions made changes to MPP: premiums were reduced, a cap on milk production was raised, and there will be a new enrollment period for MPP in April and May of 2018. Additional information on the changes to MPP and decision tools for farmers can be found at the Dairy Markets and Policy website: https://dairymarkets.org/MPP/. These changes to the MPP should encourage dairy farmers to re-evaluate if LGM-Dairy or MPP is the best for their farm.

Farmers can now enroll in MPP no later than June 1st, 2018 if they have active marketings under LGM. Once the active marketings are completed, the farmer's coverage under LGM finishes and they can they switch to coverage under MPP. Their coverage under the MPP would begin in the month following the completion of all marketing through LGM. As an example, a farmer that purchased LGM coverage for the period of March 2018 through July 2018, could start coverage under the MPP program in August of 2018. Farmers have the option to enroll in MPP while having coverage under LGM until June 1st, but they cannot be covered by both programs at the same time.

Additionally, the 2018 Budget Act addressed a long-standing concern with LGM insurance, by removing the cap of $20 million dollars on premium subsidies for all livestock insurance policies. This cap applied for LGM across species, sometimes resulting in policies being fully subscribed and unavailable to some dairy farmers.

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