

## **DAIRY FARMERS ALERT:** USDA EXTENDS DEADLINE FOR ENROLLING IN DAIRY MARGIN COVERAGE AND SUPPLEMENTAL DMC PROGRAMS



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Due to comparatively low enrollment rates thus far, the U.S. Department of Agriculture (USDA) has extended the deadline to enroll in the federal government's **Dairy Margin Coverage** (DMC) and **Supplemental Dairy Margin Coverage** (SDMC) programs for fiscal year 2022. The new deadline to apply for 2022 coverage is March 25, 2022.

As part of the Biden-Harris Administration's ongoing efforts to support dairy farmers and rural communities, USDA's **Farm Service Agency** (FSA) opened DMC and SDMC signup in December 2021 to help dairy producers manage economic risk brought on by milk price and feed cost disparities.

8,969 operations have already enrolled for 2022 DMC coverage; however, that enrollment level is only 55% of the 2021 program year enrollment.

### DMC 2022 ENROLLMENT

The DMC program, created by the [2018 Farm Bill](#), offers reasonably priced protection to dairy producers when the difference between the all-milk price and the average feed cost (the margin) falls below a certain dollar amount selected by the producer. DMC provides eligible dairy producers with risk management coverage that pays producers when the difference between the price of milk and the cost of feed falls below a certain level. At 15 cents per hundredweight at the \$9.50 level of coverage, DMC is a very cost-effective risk management tool for dairy producers.

Producers who enrolled in DMC for 2021 received margin payments each month, January through November, for a total of \$1.2 billion, with an average payment of \$60,275 per operation. In 2021, based on data to date, DMC payments have triggered for January through November for more than \$1 billion. Since then, FSA

updated how feed costs are calculated (detailed below), which will make the program more reflective of dairy producers' actual expenses in 2022.

For DMC enrollment, producers must certify with FSA that the operation is commercially marketing milk, sign all required forms, and pay the \$100 administrative fee. The fee is waived for farmers who are considered limited resource, beginning, socially disadvantaged, or a military veteran. To determine the appropriate level of DMC coverage for a specific dairy operation, producers can use the [online dairy decision tool](#).

## SUPPLEMENTAL DMC ENROLLMENT

Supplemental DMC will provide \$580 million to better help small- and mid-sized dairy operations that have increased production over the years but were not able to enroll the additional production. In 2022, these dairy operators will be able to receive payments retroactively for that supplemental production.

Eligible dairy operations with less than 5 million pounds of established production history may enroll supplemental pounds based upon a formula using 2019 actual milk produced for sales, resulting in additional payments. Producers will be required to provide FSA with their 2019 Milk Marketing Statement.

Supplemental DMC coverage is applicable to calendar years 2021, 2022, and 2023. Participating dairy operations with supplemental production may receive retroactive supplemental payments for 2021, in addition to payments based on their established production history.

Supplemental DMC will require a revision to a producer's 2021 DMC contract and must occur before enrollment in DMC for the 2022 program year. Producers will be able to revise 2021 DMC contracts, apply for 2022 DMC, and enroll in other FSA programs by contacting their local [USDA Service Center](#).

## UPDATES TO USDA'S FEED COSTS FORMULA

USDA also has changed the DMC feed cost formula via a final rule published in the Federal Register on December 13, 2021. The new formula more accurately calculates the actual cost dairy farmers pay for high-quality alfalfa hay. FSA now calculates payments using 100% premium alfalfa hay, rather than 50%.

The amended feed cost formula will make DMC payments more reflective of actual dairy producer expenses. In December of 2021, following publication of the new feed cost policy, \$102 million was paid to producers as a result of the revised high quality alfalfa feed cost formula.

**For more information**, dairy producers can visit the [FSA dairy programs webpage](#), or contact their local USDA Service Center. To locate their local FSA office, go online to the USDA's locator Web page at: [farmers.gov/service-center-locator](#). USDA Service Center staff continue to work with agricultural producers via phone, email, and other digital tools; however, due to the pandemic, some USDA Service Centers are open to limited visitors. Additionally, more information related to USDA's response and relief for producers can be found at [farmers.gov/coronavirus](#).

Alternatively, learn more by contacting contact **GrayRobinson's Food Law Team** at via telephone at (866) 382-5132 or via email at: [foodlaw@gray-robinson.com](mailto:foodlaw@gray-robinson.com).



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