

USDA Risk Management and Crop Insurance programs for Dairy Producers



Considering Federal programs as part of your farm's risk management plan

Farming is risky business and operators do all they can to keep risks to a minimum. Federal risk management programs offer some tools that can provide important protection as part of a farm's risk management plan. The USDA provides crop insurance, revenue protection and disaster coverage programs designed to support farmers and ranchers when natural or market events put their agricultural enterprises at risk. Learn about the options available for your farm enterprise to help you make informed decisions about risk management plans.



Top Options for Dairy Producers

Dairy Revenue Protection (DRP) – This insurance provides protection against unexpected declines in quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities, and the amount of covered milk production elected by the dairy producer. There are two pricing options available: the Class Pricing Option and the Component Pricing Option. Depending on your state, the covered milk production is indexed to the state production figures or the region where the milk is produced. Coverage is established by adding quarterly coverage endorsements to the policy. DRP covers approximately 30% of the milk supply and has provided more than \$400 million in payments to covered operations since 2019. Sign up with a crop insurance agent.

Dairy Margin Coverage (DMC) – This is a revenue protection program available through FSA, based on the difference between the price of milk and the cost of feed. The national dairy production margin is the difference between the all-milk price and average feed costs. Producers may purchase buy-up coverage. DMC paid out more than \$500 million in program benefits to dairy operations enrolled in calendar years 2019 and 2020. Sign up through your FSA office.

Livestock Gross Margin – Dairy Cattle (LGM-Dairy) – This program provides protection against loss of gross margin (market value of milk minus feed costs) on milk produced from dairy cows. LGM-Dairy uses the Chicago Mercantile Exchange Group futures prices for corn, soybean meal, and class III milk to determine the expected gross margin and the actual gross margin. Enrollment is 12 times per year, the last business Friday of each month. Sign up with a crop insurance agent.

Whole Farm Revenue Protection – Dairy (WFRP-Dairy) – This revenue insurance is a risk management safety net for one or multiple commodities produced on the farm under one insurance policy. It is tailored for any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, specialty, farm-identity preserved, or direct markets. The policy also provides provisions for replanting. WFRP insurance protects the adjusted gross revenue you earn or expect to earn from crops and livestock when you suffer production losses or decline in market prices due to unavoidable natural events. Sign up with a crop insurance agent.

Pasture, Rangeland, Forage Insurance Program (PRF) – This insurance is designed to help protect a farm operation from the risks of forage loss due to the lack of precipitation. This insurance can mitigate increased costs for feed, destocking, depopulating or other actions that are the result of losses of forage produced for grazing or harvested for hay. The coverage is based on precipitation expected during specific 2-month intervals selected by the producer. The PRF program utilizes a rainfall index to determine precipitation for coverage purposes, and does not measure production or loss of products themselves. Enrollment deadline is November 15. Sign up with a crop insurance agent.

Multi-Peril Crop Insurance (MPCI) – This is crop insurance for individual commodities; eligible commodities vary by state. Corn for grain or silage is one commodity that can be covered by MPCI insurance in all New England states. Check the RMA website or consult with a crop insurance agent for all the commodities that are eligible for MPCI coverage in your state. Sign up for MPCI insurance with a crop insurance agent.

Livestock Indemnity Program (LIP) - This FSA disaster relief program is for livestock losses in excess of normal mortality caused by eligible loss conditions. Final date to file notice of loss is 30 days after death is first apparent and final date to submit application for payment is 90 days after the calendar year in which the eligible loss condition occurred. Sign up through your FSA office.



Provisions for beginning farmers, traditionally underserved farmers and farmers with limited resources

Beginning farmers can receive increased assistance, and are exempt from paying the administrative fee for crop insurance policies. In certain instances, it provides them the ability to use the production history of farming operations in which they were previously involved. They also may qualify for increased premium subsidy rates, and in some cases of poor yield, they may receive a boost in production history calculations. Beginning farmers, farmers with limited resources and traditionally underserved farmers are also eligible for a waiver of the service fee and reduced premium for NAP disaster coverage through FSA.

For more information on these and other programs, visit the UVM Agricultural Risk Management Education website:

<http://go.uvm.edu/ag-risk>

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To find a licensed crop insurance agent, visit the USDA/RMA website

<http://www.rma.usda.gov/>

USDA Farm Service Agency (FSA) website <https://www.fsa.usda.gov/>



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The University of Vermont works in partnership with the USDA National Institute of Food and Agriculture, the University of Minnesota Digital Center for Risk Management Education and the Northeast Extension Risk Management Education Center to educate Vermont and New England producers about agricultural risk management, Federal Crop Insurance and USDA Disaster Assistance Programs. For more information, please contact UVM Agricultural Risk Management Education Coordinator Jake Jacobs at jake.jacobs@uvm.edu.