USDA Risk Management and Crop Insurance for Dairy Producers

U.S. Department of Agriculture
Risk Management Agency

Crop Insurance as part of a farm's risk management plan

Farming is risky business and operators do all they can to keep risks to a minimum. Crop insurance is one tool 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. It is important for farmers to have the necessary information to make decisions about planning for the unexpected. Learn about the crop insurance options available for your farming enterprise and then make informed decisions about insurance coverage for your operation.

Top Options for Dairy Producers

Whole Farm Revenue Protection – Dairy (WFRP-Dairy) – This revenue insurance is a risk management safety net for one or multiple commodities 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. Coverage is provided for the duration of the producer's tax year (the insurance period), which is a calendar year if taxes are filed by calendar year (March 15 sales closing date), or a fiscal year if taxes are filed by fiscal year (November 20 sales closing date). Sign up with a crop insurance agent.

Dairy Revenue Protection (Dairy-RP) – 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 diary 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. Sign up with a crop insurance agent.

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.

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. Deadline to sign up is November 15. Sign up with a crop insurance agent.

Multi-Peril Crop Insurance (MPCI) – This is crop insurance for individual commodities and 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.

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. Sign up through your FSA office.

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.

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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 an insurance agent licensed in your state, visit the RMA website

USDA Risk Management Agency (RMA) website **http://www.rma.usda.gov/**

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

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