

Extension Education Resources for the 2023 Dairy Margin Coverage (DMC) Open Enrollment

In a recent Extension webinar, Leonard Polzin, Extension Dairy Markets Outreach Specialist, shared his insights for the 2023 Dairy Margin Coverage program. Enrollment remains open until December 9th, 2022, for interested producers. A recording of Mr. Polzin's presentation is available at: <https://youtu.be/371b2P4GkgE>. For those not familiar with the program, DMC is a voluntary risk management program provided by the U.S Department of Agriculture (USDA) and is available to dairy producers. This program helps producers manage risks associated with changing milk and feed prices. The margin protection program utilizes the All-Milk price less a ration cost to produce 100 pounds of milk. DMC ensures a producer-selected margin amount, thus providing both milk price and feed price risk management.

When electing coverage, producers have two main selection criteria to consider:

1. Percent coverage of annual historic production
2. Margin coverage level

These criteria selections determine the total amount of premium due, potential indemnity payment received, and the amount of financial risk being managed. Coverage percentages range from 5-95% of annual production history. Margin coverage level selection determines the amount of margin per hundredweight (cwt) of milk a producer wants to insure. Margin coverage levels range from \$4/cwt of margin to \$9.50/cwt. As margin coverage levels increase, so does premium cost per cwt. Starting at \$0/cwt and increasing to \$0.15/cwt respectively for Tier 1 (up to 5 million pounds of historic production). To see how these selection criteria play out on an individual operation, visit: dmc.dairymarkets.org to utilize the interactive tool.

To account for increased milk production on farms producing 5 million pounds of milk or less annually, the program has previously offered Supplemental DMC, and will continue to do so in 2023. Supplemental DMC allows producers to increase their annual production history so that it more closely reflects their current milk production. It is advised to enroll in Supplemental DMC before completing the 2023 sign-up.

In addition to DMC, additional risk management tools available to dairy producers are Dairy Revenue Protection (DRP) and Livestock Gross Margin for Dairy (LGM-Dairy). Participating in DMC does not affect eligibility to participate in these additional risk management products. For more information and to enroll in DRP or LGM-Dairy, contact your local crop insurance agent.

To enroll in the DMC program, please visit your local FSA office. They will be able to assist with sign-up as well and answer specific questions about Supplemental DMC enrollment.

More information about the 2023 DMC

- **Signup dates:** October 17, 2022 to December 9, 2022
- **How it works:** DMC protects margin per cwt
 - Margin = (all-milk price) – (average feed cost)
 - Feed cost includes corn, premium alfalfa hay, and soybean meal

- If the calculated margin is below the margin coverage level selected by the producer, an indemnity is paid to the producer.
- **Tiered system:**
 - Tier 1 = First 5 million pounds of annual production or less
 - Tier 1 premiums are less expensive per cwt.
 - Tier 2 = Production in excess of the first 5 million pounds of annual production
 - Tier 2 premiums are more expensive per cwt and coverage is limited to \$8/cwt of margin protection.
- **Cost:**
 - \$100 administrative fee
 - Indemnities are calculated and paid monthly. Indemnity payments are applied toward premium payment due.
 - \$4/cwt margin protection (considered catastrophic coverage) is available to producers at no cost.
- **Supplemental DMC**
 - Supplemental DMC allows producers to include 75% of new additional milk marketings compared to annual historic production.
 - Enrollment for Supplemental DMC must be done before electing coverage for the 2023 DMC program year.
- **Online decision tool:**
 - <https://dmc.dairymarkets.org/>
- **How to enroll:**
 - Contact your local FSA Service Center
- **How to find your local FSA Service Center:**
 - <https://www.farmers.gov/working-with-us/service-center-locator>
- **USDA FSA Dairy Margin Coverage Website:**
 - <https://www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index>
- **Additional risk management tools:**
 - Dairy Revenue Protection (DRP)
 - <https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Dairy-Revenue-Protection>
 - Livestock Gross Margin for Dairy (LGM-Dairy)
 - <https://www.rma.usda.gov/Fact-Sheets/National-Fact-Sheets/Livestock-Gross-Margin-Insurance-Dairy-Cattle>
 - To find an Insurance Agent to assist with these products:
 - <https://public-rma.fpac.usda.gov/apps/AgentLocator/>