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NJ & Secure Milk Supply

The staff at Rutgers Cooperative Extension of Salem County will be serving the New Jersey dairy industry as consultants to help with voluntary compliance for the Secure Milk Supply (SMS) Program. {See page 3 to learn about SMS} New Jersey has joined a conglomerate with 8 other states that make up the Mid-Atlantic Region. As of May 1, the final SMS plan for the region has been approved. In the upcoming months, RCE staff will be contacting all participants in the dairy industry, including dairy producers, milk haulers and milk processors, in an effort to educate and assist those who would like to participate in the voluntary program to meet the standards of the plan. Also, there will be two demonstration farms set up in the state where future field days will be held in an outreach effort. Look for updates in future NJ Dairy Newsletters and if you would like more information, please feel free to contact Dave Lee, Jasen Berkowitz or Kelly Steimle at (856) 769-0090.

LGM Sign-Up: May 30

Funding for the Dairy Livestock Gross Margin (LGM) Program is readily available for the March sign-up period. The program is authorized in the lower 48 states, and with this widespread availability, funding will likely be quickly utilized. Dairy producers should give the LGM for dairy program consideration based on the extreme volatility in feed pricing alone. A policy could help to set a guaranteed margin and provide relief in an unstable environment.

If you feel that dairy LGM may benefit you, contact your crop insurance agent as soon as possible to get details for your farm and to take care of pre-enrollment issues. Sign-ups will begin on Friday, May 30 and continue through May 31, if funds are not exhausted.
**Margin Protection Program**

The main feature of the new Farm Bill Dairy Title is the Dairy Producer Margin Protection Program. The Margin Protection Program is a new and unique safety net program that will provide dairy producers with indemnity payments when actual dairy margins are below the margin coverage levels the producer chooses on an annual basis. Its focus is to protect farm equity by guarding against destructively low margins, not to guarantee a profit to individual producers. The Farm Bill requires the Margin Protection Program to be established no later than September 1, 2014.

The program supports producer margins, not prices and is designed to address both catastrophic conditions as well as prolonged periods of low margins. Under this program, the “margin” will be calculated monthly by USDA and is simply defined as the all-milk price minus the average feed cost.

Average feed cost is determined using a feed ration that has been developed to more realistically reflect those costs associated with feeding the entire dairy farm enterprise consisting of milking cows, heifers, and other related cost elements.

Margin Protection Program details are as follows:

1. All dairy operations will be eligible to participate in the program. If one or more dairy producers participate in the production and marketing of milk on a single operation, all producers will be treated as a single dairy operation. If a dairy producer operates two or more operations, each operation will be required to register separately to participate in the program.

2. In the first year of the Margin Protection Program, coverage will be limited solely to the volume of milk equivalent to the producer’s production history. Production history is defined as the highest level of annual milk production during 2011, 2012 or 2013. In subsequent years, annual adjustments to the producer’s production history will be made based on the national average growth in overall US milk production as estimated by USDA. Any growth beyond the national average increase will not be protected by the program.

3. In 5 percent increments, producers will be able to protect from 25 percent up to 90 percent of their production history.

4. Producers will be able to select margin protection coverage at 50 cent increments beginning at $4 per cwt. through $8 per cwt. Premiums will be fixed for 5 years (through 2018) and are as follows:

<table>
<thead>
<tr>
<th>Coverage Level</th>
<th>Premiums*</th>
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</thead>
<tbody>
<tr>
<td>$4.00</td>
<td>None</td>
</tr>
<tr>
<td>$4.50</td>
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<td>$5.00</td>
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<tr>
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<tr>
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<td>$0.35</td>
</tr>
<tr>
<td>$8.00</td>
<td>$0.40</td>
</tr>
</tbody>
</table>

*Except for the premium at the $8.00 level, those premiums will be reduced by 25 percent for each of calendar years 2014 and 2015 and only for marketings under 4 million pounds.

5. Payments will be made to producers based on the percentage of their production history they have chosen to protect (25-90 percent) and the level of margin coverage they have selected ($4.50 to $8 per cwt). Payments will be distributed when margins fall below $4 (or below the selected level of coverage if a producer has selected a level above $4), averaged over any of these consecutive two-month periods: Jan-Feb, Mar-Apr, May-Jun, Jul-Aug, Sep-Oct, Nov-Dec.

6. Farmers will pay an annual administrative fee of $100 in order to access the new Margin Protection Program.

7. Should conditions warrant, the MILC payments will be temporarily available for dairy producers until the implementation of the Margin Protection Program or September 1, 2014 – whichever occurs first.

Continued on Page 4
The Secure Milk Supply (SMS) Plan is a national effort funded by USDA APHIS with the goal of maintaining business continuity for dairy producers and processors during a hoof-and-mouth disease (HMD) outbreak while minimizing disease spread and assuring a continuous supply of milk and milk products to consumers. There are a variety of regional plans in development throughout the U.S. that take into account milk movement patterns and regulatory issues.

In the event HMD is diagnosed in the United States, a national animal health emergency will be declared and livestock as well as allied industries will feel the immediate impact of animal and animal product quarantine and movement restrictions. Quarantine, managed movement and mandatory biosecurity protocols are designed to contain and control the disease and minimize virus spread. In the dairy industry, the just-in-time supply practices of milk movement in the U.S. could be significantly impacted by managed movement and the need for additional biosecurity at farms and processing facilities. This could lead to a disruption of the provision of milk and milk products to consumers impacting normal business. Additionally, there could be significant milk disposal and animal welfare issues on dairies. Most dairy operations and processing plants do not have the capacity to store milk for more than 48 hours; some have less than 24 hours storage capacity. Hence, pre-planning for safe, timely, risk-based, permitted movement of animals and animal products will be critical to maintaining the business continuity (survival) of the dairy industry while controlling and containing the outbreak. The SMS Plan is working to develop the pre-event plan to minimize the impact of an HMD outbreak in the United States.

The USDA-APHIS has developed the HMD Response Plan in the event the disease occurs in the U.S. The response goals are to following:

- Detect, control and contain HMD in animals as quickly as possible
- Eradicate HMD using strategies that stabilize animal agriculture, food supply, economy, protect human health, and
- Provide science- and risk-based approaches and systems that facilitate continuity of business of non-infected animals and non-contaminated animal products

The overall goal of the SMS Plan is “to maintain milk movement form dairy farms with no evidence of infection a Hoof-and-Mouth (HMD) outbreak and to provide a continuous supply of wholesome milk and milk products for consumers.” Accomplishing this goal requires a partnership between industry (producers, haulers and processors), states (animal health officials, regulatory officials), the federal government (animal health officials, planners, policy makers), and academia (subject matter experts, communication facilitators). Participation in the SMS is strictly VOLUNTARY. For those that choose to participate in pre-event planning, the goal is less disruptions for their milk to reach processing plants.

New Jersey is part of the Mid-Atlantic States Projects along with Delaware, Maryland, North Carolina, South Carolina, Tennessee, Virginia, West Virginia and Pennsylvania. In this region, the SMS Plan concepts, including the Biosecurity Performance Standards, will be introduced to producers, milk haulers and processors at meetings to be held in the coming months. Be on the lookout for notifications of these meetings. If you have any questions, give Dave Lee, Jasen Berkowitz or Kelly Steimle at the Salem County Extension Office a call at (856) 769-0090.
Dairy Product Donation Program

The new Farm Bill also creates a new Dairy Product Donation Program that would be triggered in the event of extremely low operating margins for dairy farmers and would also provide nutrition assistance to individuals in low income groups by requiring USDA to purchase dairy products for donation to food banks and other feeding programs. The new program would only activate if margins fall below $4.00 for two consecutive months and would require USDA to purchase dairy products for three consecutive months, or until margins rebound above $4.00. The program would trigger out if US prices exceed international prices by more than 5%. Under this provision USDA would purchase a variety of dairy products to distribute to food banks or related non-profit organizations. USDA is required to distribute, not store, these products. February 7, 2014

Organizations receiving USDA purchased dairy products would be prohibited from selling the products back into commercial markets.

Programs That Were Eliminated

In addition to the creation of the Margin Protection Program and the Dairy Product Donation Program, the new Farm Bill eliminates the outmoded and ineffective Dairy Product Price Support Program and the Dairy Export Incentive Program. The Federal Milk Marketing Order Review Commission established in the previous Farm Bill is also eliminated. As noted earlier, once the Margin Protection Program is up and running, the Milk Income Loss Coverage (MILC) program will also be eliminated.

Programs That Were Renewed

Three existing dairy programs will be renewed under provisions of the new Farm Bill: the Dairy Promotion and Research Program (“checkoff”), the Dairy Indemnity Program, and the Dairy Forward Pricing Program. The authority for all three programs is extended through 2018.

Source: National Milk Producers Federation - www.nmpf.org