Deadline for MPP: December 5th

If you would like to sign up for the Dairy Margin Protection Program (MPP) offered by the Farm Service Agency (FSA) for coverage in the remainder for 2014 and/or for all of 2015, you must sign up at your local FSA office by December 5, 2014. If you miss this sign up date, you will not be eligible for coverage in 2014 and 2015, but you will be able to sign up for coverage in 2016 during the next sign up period which will begin on June 1, 2015 and close August 31, 2015.

By now, you should have received documentation regarding your annual production histories for 2011, 2012 and 2013 (if you were milking in those years). Be sure to bring this information with you to the FSA office so that your annual production history may be established for participation in MPP.

For more information on MPP, please go to page 3 of this newsletter. If you would like additional information, contact your local FSA office or give Dave Lee, Jasen Berkowitz or Kelly Steimle a call at the Salem County Extension office (856) 769-0090.

LGM or MPP: What’s Best?

With Livestock Gross Margin for Dairy (LGM) and the introduction of the Margin Protection Program (MPP), there are now two risk management tools available for the insurance of margin for the dairy industry. Both programs insure the margin between feed costs and milk price, but in slightly different manners. An overview of each program is discussed in depth in the following pages of this newsletter. The most important fact to understand is that both programs may not be used simultaneously. That being said, once a dairyman enrolls in MPP, participation in this program is required through the end of the current Farm Bill (2018), meaning participation in LGM will be suspended through 2018. Please consider both options before making a decision for what program works best for your operation to manage your risk.

If you have any questions about either program, please contact the Garden State Crop Insurance Education Team at (856)769-0090. If you have questions regarding LGM or would like to enroll in LGM, contact your crop insurance agent. If you have questions regarding MPP and would like to enroll in MPP, contact your local FSA office.
Livestock Gross Margin (LGM) for Dairy

Livestock Gross Margin (LGM) for dairy is an insurance program that provides protection against unexpected declines in the gross margin of a dairy operation. The market value of milk (gross revenue) minus feed costs (variable cost) equals gross margin. This expected value is calculated based on the futures prices of milk (Chicago Class III) and feed (corn and soybean meal) based on the futures market of the Chicago Mercantile Exchange. Unlike crop insurance where the majority of revenue risk exists with production, the risk with LGM dairy lies predominately with price of milk and feed. This program does not set a support price on milk nor does it consider variable costs beyond feed. Instead, LGM for dairy strictly covers the difference between the expected gross margin and the actual gross margin. Other causes of revenue loss such as production loss, damage to livestock, livestock death, etc. are not covered. LGM for dairy is a risk management tool for dairymen to help them remain sustainable.

To participate in the LGM for dairy program, expected prices would be determined for both feed and milk in the futures market. The next step would be to determine how many cwt of milk are to be insured. Once this is determined, the gross margin guarantee is established and then at month’s end, the actual prices of milk and feed are determined. Actual gross margin may then be calculated to determine if an indemnity payment is owed.

Any amount of milk may be insured assuming that specified amount can in fact be produced. The limit of milk that can be covered in a year is 240,000cwt.

Premiums are determined using a premium calculator program based the amount of milk insured, expected gross margins for each period, and deductibles. Producers may select deductible levels between $0 and $2.00 per hundredweight of milk in $0.10 increments.

An application must be completed and filed while funds remain available but not later than the sales closing date of the initial insurance period for which coverage is requested. Coverage for the milk described in the application will not be provided unless the insurance company receives and accepts a completed application and a target marketing report, premium is paid in full, and the insurance company sends the producer a written summary of insurance. Coverage begins one full month following the sales closing date of the policy. In the eleven months in an insurance policy, ten months are insured because the month following sign up is not covered. To participate in the LGM for dairy program, consult your crop insurance agent.

Dairy LGM for November: Sign Up November 21

Dairy producers should give the LGM for dairy program consideration based on some very positive RMA margins that are expected to be available during the November enrollment period.

Today’s futures markets are offering an uncommon opportunity for producers to cost effectively protect an unusually high margin in 2015.

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, November 21 and continue through November 22, if funds are not exhausted.

If you have any questions about LGM or would like to enroll contact your crop insurance agent.

Source of some content: Center For Dairy Excellence
Farmers can now enroll in the new dairy Margin Protection Program. The voluntary program, established by the 2014 Farm Bill, provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the farmer.

The U.S. Department of Agriculture (USDA) also launched a new Web tool to help producers determine the level of coverage under the Margin Protection Program that will provide them with the strongest safety net under a variety of conditions. The online resource, available at www.fsa.usda.gov/mpptool, allows dairy farmers to quickly and easily combine unique operation data and other key variables to calculate their coverage needs based on price projections.

The Margin Protection Program, which replaces the Milk Income Loss Contract program, gives participating dairy producers the flexibility to select coverage levels best suited for their operation. Enrollment ends on December 5, 2014, for 2014 and 2015. Participating farmers must remain in the program through 2018 and pay a minimum $100 administrative fee each year. Producers have the option of selecting a different coverage level during open enrollment each year.

Dairy operations enrolling in the new program must comply with conservation compliance provisions and cannot participate in the Livestock Gross Margin dairy insurance program. Farmers already participating in the Livestock Gross Margin program may register for the Margin Protection Program, but the new margin program will only begin once their Livestock Gross Margin coverage has ended.

The 2014 Farm Bill also established the Dairy Product Donation Program. The program authorizes USDA to purchase and donate dairy products to nonprofit organizations that provide nutrition assistance to low-income families. Purchases only occur during periods of low dairy margins. Dairy operators do not need to enroll to benefit from the Dairy Product Donation Program.

Visit FSA online at www.fsa.usda.gov/factsheets, or stop by a local FSA office to learn more about the Margin Protection Program or the Dairy Product Donation Program.

Questions?
Please contact your local FSA Service Center:
Columbus: Nick Morolda: (609) 267-1639 or nick.morolda@nj.usda.gov
Freehold: Gabi Grunstein: (732) 462-0075 or gabor.grunstein@nj.usda.gov
Frenchtown: Doreen Beruck: (908) 782-4614 or doreen.beruck@nj.usda.gov
Hackettstown: Lindsay Caragher: (908) 852-2576 or lindsay.caragher@nj.usda.gov
Vineland: Angela Andreoli: (856) 205-1225 or angela.andreoli@nj.usda.gov
Woodstown: Al DiBella: (856) 769-1126 or al.dibella@nj.usda.gov

Support for NJ Dairy Producers Regarding MPP

Rutgers Cooperative Extension of Salem County along with FSA state offices will be providing any support needed to New Jersey dairy producers regarding the newly implemented Dairy Margin Protection Program (MPP). With the closing date for 2014 and 2015 sign ups being December 5, if you would like to participate, action must be taken in the very near future.

If you have any questions, issues or concerns, feel free to contact your local FSA office (contact info found above) or staff at the Salem County Extension office at (856) 769-0090.
### Happy Thanksgiving!

The Garden State Crop Insurance Education Team would like to wish you and your families a Happy Thanksgiving! Travel safely, enjoy your family time together and don’t eat too much turkey and pumpkin pie!

---

**FSA & Rutgers Team Up For Dairy Meetings**

The Farm Service Agency (FSA) teamed up with Rutgers Cooperative Extension (RCE) of Salem County to introduce the new Dairy Margin Protection Program to New Jersey Dairy Producers at three regional meetings. The meeting took place between October 28-30 where FSA representatives Nancy Coles and Lindsay Caragher presented on the MPP program. Rutgers representatives Jasen Berkowitz and Dave Lee then presented on MPP and how to use the program most effectively as a risk management tool. Kelly Steimle of Rutgers also presented on the Secure Milk Supply (SMS) Plan that is now in effect in New Jersey. Information on both MPP and SMS can be found in this newsletter.

All meetings were well attended and representatives from nearly 50% of the New Jersey dairy industry were present. Paul Hlubik, NJ State Director of FSA, stated, “The collaborative effort between FSA and Rutgers Cooperative Extension of Salem County resulted in three successful meetings to inform New Jersey dairy producers about MPP so that they may make critical risk management decisions and maintain a viable dairy industry in New Jersey.”

If you were not able to attend and would like to learn more about MPP, please call your local FSA agent or give the RCE of Salem County team a call at (856) 769-0090. For more information on the SMS plan, contact RCE of Salem County at (856) 769-0090.

---

**Questions about crop insurance?** Call a crop insurance agent or our toll free information line 800-308-2449. Or visit us online at [http://salem.rutgers.edu/cropinsurance](http://salem.rutgers.edu/cropinsurance)

Dave Lee  
Jasen Berkowitz  
Kelly Steimle  
Bob Bruch

---

This newsletter is brought to you by the Garden State Crop Insurance Education Initiative, a partnership between the USDA Risk Management Agency, New Jersey Department of Agriculture and Rutgers Cooperative Extension of Salem County. For additional information about crop insurance, contact your crop insurance agent, locate a crop insurance agent at [www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html), visit our website [http://salem.rutgers.edu/cropinsurance](http://salem.rutgers.edu/cropinsurance) or call our toll free hotline 1-800-308-2449.

---

“The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual’s income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)