

Margin Protection Program for Dairy and Livestock Gross Margin Dairy

Contract Design Features of MPP and LGM-Dairy

	MPP	LGM-Dairy
Coverage Level	Coverage is available each year from \$4 to \$8 per cwt in \$0.50 increments on up to 90% of the maximum production over the 2011, 2012, and 2013 calendar years. The same percentage of milk covered is the same over all months of the contract.	Coverage is available at prevailing market prices. Insurable milk marketings are certified by the producer and subject to inspection from the insurance company. The percentage of milk covered can vary from month to month. Multiple contracts can be used to cover a month's production until 100% of a month's production is insured.
Sales Period	Farmer may change coverage options annually and coverage lasts one calendar year.	LGM-Dairy is available for purchase each month. Farmers may sign up 12 times per year. LGM-Dairy is offered on a first come, first serve basis and is subject to underwriting capacity.
Indemnity Payments	Payments made for consecutive two-month periods of Jan/Feb, Mar/Apr,...,Nov/Dec.	Payments made at the end of the coverage period.
Premium Rates	Fixed for the life of the Farm Bill (25% discount applied to 2014 and 2015 calendar year premium rates).	Designed to be actuarially fair. Sets the policy premium equal to 1.03 times the expected indemnity less the declared deductible.
Government Subsidy	No direct subsidy. There may exist significant indirect subsidies given the fixed Premiums.	Premium subsidy up to 50% depending on a farmers declared deductible.
Farmer Customization	Fixed contract design with respect to feed ration and percent of milk covered. Dairy production margin formula is fixed. Feed quantities do not change.	LGM-Dairy can be tailored to farm size and feed usage (includes feed equivalent conversion) and to reflect actual feed market risk. Ration quantities are not fixed.
Agricultural Prices Used	Uses USDA announced prices for all-milk, corn, soybean meal, and alfalfa hay.	Uses simple average of futures prices for class III milk, corn, and soybean meal.

Margin Protection Program for Dairy

- FSA Factsheet
<https://www.extension.umn.edu/agriculture/business/farm-bill/dairy-mpp-rules-and-regulations/index.html>
- Program on Dairy Markets and Policy - MPP
<https://dairymarkets.org/MPP/>
- Margin Protection Program Decision Tool - USDA Farm Service Agency
<https://www.fsa.usda.gov/programs-and-services/farm-bill/farm-safety-net/dairy-programs/mpp-decision-tool/index>

Livestock Gross Margin Dairy

- Livestock Gross Margin Insurance Dairy Cattle Factsheet (USDA Risk Management Agency)
<https://www.rma.usda.gov/pubs/rme/lgmdairy.pdf>
- The basics of Livestock Gross Margin Insurance for Dairy (Progressive Dairyman)
<https://www.progressivedairy.com/topics/management/the-basics-of-livestock-gross-margin-insurance-for-dairy>
- Livestock Gross Margin Insurance for Dairy Cattle (UW, Understanding Dairy Markets)
http://future.aae.wisc.edu/lgm_dairy.html