

Dairy margin protection program for Wyoming dairy producers

By James Sedman and John Hewlett

The Agricultural Act of 2014 replaced the Milk Income Loss Contracts (MILC) program with the Dairy Margin Protection Program (or MPP-D).

This program raises the level of coverage available to dairy producers by not only protecting against low milk prices, but also by covering feed cost variations. Eligible dairy farms may not participate in the Livestock Gross Margin-Dairy insurance program to qualify for MPP-D coverage.

Dairy Margin Protection

MPP-D covers against milk prices falling below the average calculated feed price.

Producers must establish a production history using their highest annual milk production year from 2011-2013. Dairies without

at least 12 consecutive months of milk marketings are considered new operations; they can establish their production history by estimating their yearly milk production using either their first full month's production or herd size.

Once a production history has been established, coverage ranging from 25 to 90 percent of this history can be purchased at a price of \$4.50/cwt to \$8.00/cwt (available in \$0.50 increments). Margin levels of \$8.00/cwt or less will generate payments depending on the level of coverage purchased.

Producers may also purchase catastrophic coverage (CAT) for a \$100 sign-up fee, which pays 90 percent of a producer's production history at the \$4.00/cwt margin level.

Premiums increase as coverage levels go up and range from \$0.006/cwt to \$1.36/cwt (depending on production level). The margin between milk and feed prices is determined by the Farm Service Agency (FSA) and is calculated using the National Agricultural Statistics Service (NASS) and Agricultural Marketing Service (AMS) prices for alfalfa hay, corn, and soybean meal.

Payments are made when the actual production margin is lower than the coverage level for a consecutive two-month period.

For example, if a dairy has actual production of 36,000 cwt with coverage of \$6.50/cwt, where the actual margin is calculated to be \$4.50/cwt, then the difference of \$2.00 is multiplied by 50 percent and actual production (36,000 cwt)

is divided by 6, resulting in a payment of \$6,000.

Online Decisions Tools Available

An online tool allows producers to analyze their own production information and compare coverage levels available at www.fsa.usda.gov/mpptool. To advance to the tool, the "Agree" button must be clicked under the disclaimer message.

First select MPP from the tab in the top left corner. Using the example dairy above, we enter 3,600,000 pounds for actual production history and \$6.50/cwt coverage at 90 percent. At current projections for the year, the premium would be \$2,322 and the projected payment for 2016 would be \$559 (shown in the figure at right).

Users can also view probabilities for various margin scenarios in their decision-making process. Following the information from our example and using current projec-

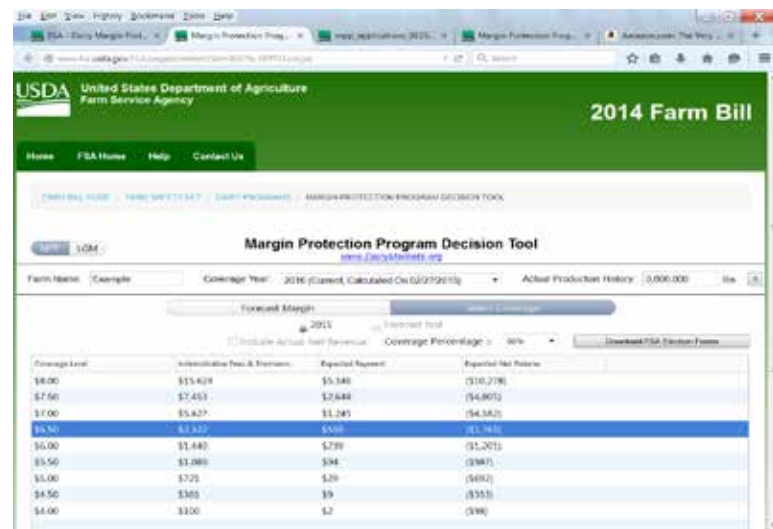


Figure 1. Projected MPP-D premium and payment levels for 2016.

tions, the probabilities are shown in Figure 2 below.

The red and green bands describe a 50 percent probability range, with a 25 percent probability that margins will fall in the green band and a 25 percent probability they will fall below into the red band.

James Sedman is a consultant to the Department of Agricultural and Applied Economics in the University of Wyoming College of Agriculture and Natural Resources, and John Hewlett is a farm and ranch management specialist in the department. Hewlett may be reached at (307) 766-2166 or hewlett@uwyo.edu.



Figure 2. Projected probability ranges for MPP-D example for 2015-2016.

For more information

Visit a local FSA office for more information or to enroll. While sign-up for the 2015 program is past, sign-up for 2016 is July 15-September 30. Users may access the online decision tool at www.fsa.usda.gov/mpptool.

For more information, presentations, tools, and online courses on this and other risk management topics on the Web, visit Rightrisk.org/WY/FarmBill.

New educators join team serving northwestern Wyoming producers

Two new educators to the University of Wyoming Extension Agriculture and Horticulture Initiative Team will serve farmers and ranchers in northwestern Wyoming: Caitlin Youngquist and Jeremiah Vardiman.

Youngquist is based in Washakie County and Vardiman in Park County, but both serve the five counties of northwestern Wyoming and the Wind River Reservation. They are dedicated to providing research-based educational programs for farmers and ranchers, said Hudson Hill, an extension educator and chair of the agriculture and horticulture team.

UW Extension provides an important link between rural communities and the information and resources available through the University of Wyoming, said Youngquist.

"In so doing, they also help the research faculty members stay connected to the communities they serve," she said.



Caitlin Youngquist

Youngquist came to Wyoming from northwestern Washington State. She holds a bachelor's degree in animal science and two graduate degrees in soil science from Washington State University. Prior to moving to Washakie County, Youngquist worked as a farm planner and compost specialist for the Snohomish Conservation District. She and her husband raised fresh

market blackberries and grass-finished beef.

As a soil and compost scientist, Youngquist is especially interested in techniques for monitoring soil health, methods to add value to agricultural and municipal waste streams, and strategies for improving communication between scientists and the communities they serve.

Her previous research projects include livestock mortality compost, antibiotics in municipal biosolids, and the use of compost on specialty crops. She has worked with dairy farms, equine facilities, and commercial compost yards.

Her work with crops includes specialty potatoes, vegetable seed crops, and small grains. She is looking forward to working with commodity and specialty crop growers in the Big Horn Basin to help improve profitability and sustainability on the farm, said Hill.

Youngquist can be reached at the Washakie County extension of-

rice at (307) 347-3431 or by email at cyoungqu@uwyo.edu. She also keeps a blog with a Q&A segment found at www.caitlinanswers.weebly.com.

Vardiman attended Chadron State College in Chadron, Nebraska, where he earned a bachelor's degree in biology with an emphasis in environmental studies. He followed that with a master's degree in science education. He was assistant farm manager for the UW Sheridan Research and Extension Center prior to moving to Park County.

His duties included field preparation, weed control, crop rotation, pesticide application, planting, harvesting, and fertilizer applications. He also managed establishment of the new research greenhouses at the research center. His other experiences

include reclamation in the oil and gas industry, cattle and sheep, and managing wildlife.

"Vardiman brings to the team a strong working knowledge of the challenges and opportunities facing Wyoming agriculture, a contagious enthusiasm for his work, and deep respect and appreciation for the agricultural lifestyle," said Hill.

Vardiman can be reached at the Park County extension office in Powell at (307) 754-8836 or by email at jvardima@uwyo.edu.



Jeremiah Vardiman