



THE NATIONAL PROGRAM ON DAIRY MARKETS AND POLICY¹

MPP Educational Program Update²

5 August 2014

The launch of the new Margin Protection Program (MPP) is anticipated in about one month. Although the formal release date by the Farm Service Agency (FSA) is unknown, it is well understood that USDA is striving to honor the 1 September 2014 deadline specified in the Agricultural Act of 2014. It also is not known when the enrollment period will begin, or end, relative to the publication of the final rule, but it is a safe bet that the enrollment will begin in September, probably early September and that farmers will have ample time to make an enrollment decision. Thus, while we might not know precise dates, we will be in the thick of it soon.

The purpose of this update is to let interested parties know, with as much precision as we can provide, what to expect and when to expect it. Keep in mind that the information provided below is from the group that USDA has commissioned to provide a decision tool and companion educational materials for the MPP, but it is not an official statement by USDA.

The faculty for the National Program on Dairy Markets and Policy (identified in the footnote below) have been working on a variety of educational materials, in addition to the tool itself. As previously announced, we have decided to not release draft materials prior to the publication of the final rule, but we anticipate being able to release a wide selection and variety of materials very shortly afterwards.

¹ The DMaP Team includes Marin Bozic, University of Minnesota, Brian Gould, University of Wisconsin, John Newton, University of Illinois, Charles Nicholson, The Pennsylvania State University, Andrew Novakovic, Cornell University, Mark Stephenson, University of Wisconsin, Cameron Thraen, The Ohio State University, and Christopher Wolf, Michigan State University.

² This material is based upon work supported by the U.S. Department of Agriculture, Farm Service Agency, under Agreement No. 58-0510-4-002 N.

We will be posting information on our DMaP website, with MPP-Dairy specific information beginning at the URL www.dairymarkets.org/MPP and on <http://www.farmdoc.illinois.edu/farmbilltoolbox/>. From these pages, you will have access to the tool itself, as well as educational materials that will include videos and downloadable documents. The educational library will include short formats to provide a quick overview of various topics and longer formats that offer more detail. In addition to basic information about the MPP-Dairy program and the decision tool, we will have information to help producers think about their particular risk profile and the variety of options that are available for financial risk management. The farmdoc Farm Bill Toolbox has some materials concerning the MPP but also a host of informative articles and tools related to other new programs in the Agricultural Act of 2014.

Keeping in mind that there are a number of key questions that cannot be definitively answered at this point, we can share the following regarding some common questions that go beyond the basic program design that has been outlined by a variety of people in a variety of outlets. Again, these are interpretations from the DMaP faculty team and do not represent a formal announcement from USDA or imply any future announcement USDA will or may make.

When can I sign up for the MPP?

The exact dates of MPP enrollment are unknown but we anticipate that enrollment will begin shortly after the final rule is published. We expect that dairy farmers will be provided with ample opportunities to consider how MPP may impact marketing decisions and how it may be integrated into the existing suite of risk management tools available to dairy farmers.

Where can I get information about the MPP?

First and foremost, producers should get information from their local FSA offices. There will be many people and places that offer information about the rules and advice on what farmers should think about, but it is the USDA that has the final word on how the program will operate.

Second, FSA will provide all the information you need about how the program works but they won't offer any advice about what you should do. There will be many sources of information and counsel regarding your enrollment and participation decision. Certainly, the DMaP Team will be one of those sources, but there will be many others, including your state and local Extension educators. The DMaP Team is also working to provide its educational materials to Extension educators and train representatives from each state on the MPP program and web based decision tool.

How do I confirm that I'm eligible to participate in MPP?

For most farmers, the answer can be made pretty simple. If you produce cow's milk and get paid regularly for selling it to a commercial processor, including your milk marketing cooperative, you are eligible. In business operations that involve more than a simple sole proprietorship, it will be necessary for you to get the specific information from FSA about eligibility and requirements related to the consents or agreement of multiple owners of the dairy farm business.

The Rule relating to who is an eligible producer under the MILC is a likely indication of how USDA will answer the basic question for the MPP. The following are key definitions used under the MILC program. There is no guarantee or intended implication of a guarantee that these definitions will also be used for the MPP; however, it would be reasonable to expect very similar definitions.

Dairy Operation means any person or group of persons who as a single unit as determined by CCC, produce and market milk commercially produced from cows and whose production facilities are located in the United States. [This is the same as the definition specified in the Agricultural Act of 2014 for MPP]

Participating State means each of the 50 States in the United States of America, including the District of Columbia, and the Commonwealth of Puerto Rico, or any other territory or possession of the United State. [This is the same as the definition specified in the Agricultural Act of 2014 for MPP]

Eligible Production means milk that was produced by cows in the United States and marketed commercially by a producer in a participating State.

Marketed commercially means sold to the market to which the dairy operation normally delivers whole milk and receives a monetary amount.

Milk Marketing means a marketing of milk for which there is a verifiable sales or delivery record of milk marketed for commercial use. [Producers who have on-farm sales, farmstead processing, direct marketing sales, or participate in a raw milk cow sharing arrangement will need to confirm with their local FSA office what kind of documentation they will need]

Producer means any individual, group of individuals, partnership, corporation, estate, trust association, cooperative, or other business enterprise or other legal entity who is, or whose members are, a citizen of, or legal resident alien or aliens in the United States, and who directly or indirectly, as determined by the Secretary, shares in the risk of producing milk, and makes contributions (including land, labor, management, equipment, or capital to the dairy farming operation of the individual or entity that are at least commensurate with the share of the individual or entity of the proceeds of this operation. [This is a definition of a producer or farmer that is common to all FSA programs see the following for more details

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=pmel&topic=ae>]

If I participated in MILC, will I have to provide additional information about my farm business or production history?

Farmers will have to provide information about the ownership and business structure of their farms and the amounts of milk commercially marketed from the farm. Farmers, including farm operations with multiple owners and owners with multiple operations, must provide information about any and all milk marketings that occurred from January 2011 to December 2013. From this information, FSA will determine an Actual Production History (APH) or just Production History. The Production History represents a base level of milk production eligible to receive MPP payments.

Farmers who participated in MILC will have a leg up. Much of the information you provided for MILC will be similar or even identical to what you must provide for MPP, but be prepared to create and update your paperwork.

Can I start assembling this information before the enrollment period begins?

Absolutely, however, FSA will not have instructions on what information they will require or the forms you must use to submit this information until after the final rule is published or possibly not until the enrollment period begins.

Will I have to have a Conservation Plan to participate in the MPP?

This has not been specifically announced yet, but a conservation plan was required under MILC and the Agricultural Act of 2014 indicates that farmers who receive farm program benefits must demonstrate compliance with conservation requirements. The MILC language is as follows:

The dairy operation must comply with highly erodible land and wetland conservation provisions set out at 7 CFR Part 12

[See the following for more information

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=pmel&topic=cce>]

Will there be any enrollment or payment limitations based on my farm size or income?

Unlike MILC, there are no limitations to participation or benefits based on a farm's size, either in terms of the volume of milk marketings or any other measure of size. Participation fees are increased above a certain milk volume, but the ability to participate and the average size (\$/cwt) of a MPP payment are not affected by farm size.

MILC also had eligibility limitations based on a farmers' adjusted gross income, similar to other farm programs that provide safety net payments. That MILC language was as follows:

The dairy operation must comply with ... adjusted gross income provisions....

With respect to adjusted gross income, no person or entity may receive a payment ... if their adjusted gross nonfarm income for the relevant base period for the marketings ... is over \$500,000. Further for entities an otherwise due payment will be reduced commensurately to the extent that any person with an interest in the entity; as determined under AGI regulations, had such income over that limit for the relevant period. [See the following for more information

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=pmel&topic=agi>]

Whether AGI eligibility rules will apply to MPP has not been formally announced but, it is clear that the intention of the designers of the MPP is that it not be subject to income eligibility rules.

Will there be educational meetings for producers in my area?

Yes. Cooperative Extension and many industry organizations or firms will be offering educational programs for producers and other interested parties. The DMAP Group is not responsible for local, producer meetings under its agreement with USDA, but we are presenting "Train-the-Trainer" meetings in five locations across the country during the week of 8 September. A separate announcement will be distributed, with an agenda. And, information will be posted on the website.