

# Dairy Risk Management - DMC

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**THE OHIO STATE UNIVERSITY**

COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

# Managing risk

- Dairy farm economics are volatile
- Must begin by knowing your cost of production
- OSU Extension Farm Business Analysis & Benchmarking Program (<https://farmprofitability.osu.edu/>)
- OSU Extension Farm Budgets  
<https://farmoffice.osu.edu/farm-mgt-tools/farm-budgets>
- OSU Extension Dairy resources (<https://dairy.osu.edu/>)
- Speak with your lender, accountant, and Extension Educator



# Dairy Margin Coverage (DMC)

- Overview
  - Authorized in the 2018 Farm Bill
  - Replaces the MPP-Dairy (2014 Farm Bill)
  - Voluntary program...full year commitment
  - Up to \$9.50 coverage level for 5 million or less pounds & up to \$8.00 coverage over 5 million pounds

# DMC

- Eligibility
  - All dairy producers
  - Single operator or multiple people in an operation who market milk
  - Production history with FSA
  - \$100 administrative fee (waived for limited-resource, veteran, beginning, socially disadvantaged)
  - Select coverage \$4.00 to \$9.50 per cwt.
  - Cover 5% to 95% of historic production
  - Also eligible for LGM & DRP

# DMC

- Fees

- Catastrophic coverage (\$4.00) \$100 annually
- Increased coverage, \$100 annually + premiums

<b>Coverage Level</b>	<b>Tier 1 Premium per cwt for covered production history of 5 mil lbs. or less</b>	<b>Tier 2 Premium per cwt, all years for covered production history over 5 mil lbs.</b>
\$4.00	None	None
\$4.50	\$0.0025	\$0.0025
\$5.00	\$0.005	\$0.005
\$5.50	\$0.030	\$0.100
\$6.00	\$0.050	\$0.310
\$6.50	\$0.070	\$0.650
\$7.00	\$0.080	\$1.107
\$7.50	\$0.090	\$1.413
\$8.00	\$0.100	\$1.813
\$8.50	\$0.105	N/A
\$9.00	\$0.110	N/A
\$9.50	\$0.150	N/A

# DMC Coverage

## DMC Coverage Selection

Annual Historic Production:  ?

Coverage Percentage:  ▼

Covered Annual Production: 4,750,000 lbs  
 Tier 1: 4,750,000 lbs  
 Tier 2: 0 lbs

Annual Premium & Fee: \$7,225.00  
 Average Premium per cwt: \$0.1500

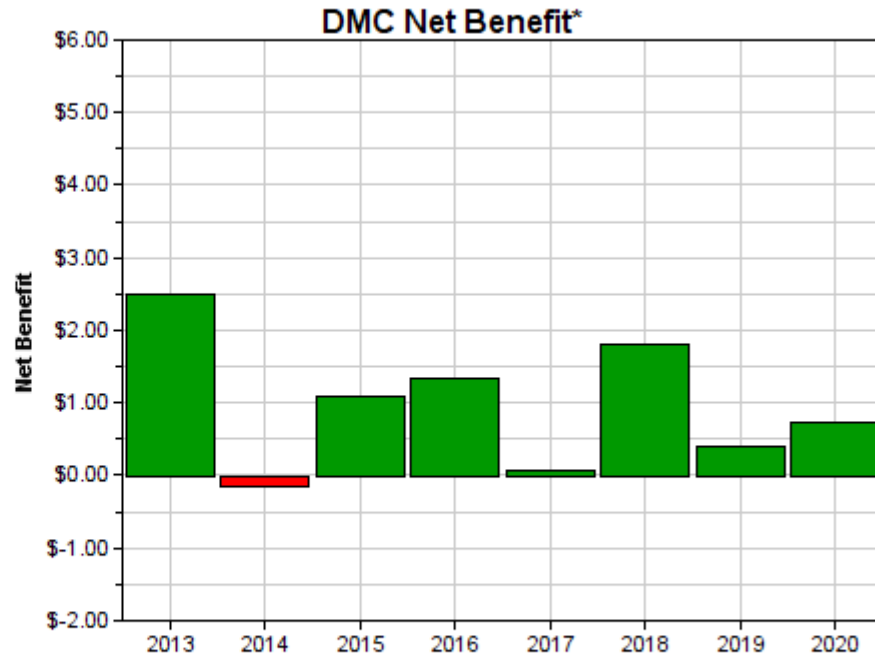
Coverage Level	Tier 1		Tier 2	
	Choice	Premium	Choice	Premium
\$9.50	<input checked="" type="radio"/> \$0.1500	\$7,125.00	<input type="radio"/> na	\$0.00
\$9.00	<input type="radio"/> \$0.1100	\$5,225.00	<input type="radio"/> na	\$0.00
\$8.50	<input type="radio"/> \$0.1050	\$4,987.50	<input type="radio"/> na	\$0.00
\$8.00	<input type="radio"/> \$0.1000	\$4,750.00	<input type="radio"/> \$1.8130	\$0.00
\$7.50	<input type="radio"/> \$0.0900	\$4,275.00	<input type="radio"/> \$1.4130	\$0.00
\$7.00	<input type="radio"/> \$0.0800	\$3,800.00	<input type="radio"/> \$1.1070	\$0.00
\$6.50	<input type="radio"/> \$0.0700	\$3,325.00	<input type="radio"/> \$0.6500	\$0.00
\$6.00	<input type="radio"/> \$0.0500	\$2,375.00	<input type="radio"/> \$0.3100	\$0.00
\$5.50	<input type="radio"/> \$0.0300	\$1,425.00	<input type="radio"/> \$0.1000	\$0.00
\$5.00	<input type="radio"/> \$0.0050	\$237.50	<input type="radio"/> \$0.0050	\$0.00
\$4.50	<input type="radio"/> \$0.0025	\$118.75	<input type="radio"/> \$0.0025	\$0.00
\$4.00	<input type="radio"/> \$0.0000	\$0.00	<input checked="" type="radio"/> \$0.0000	\$0.00

# DMC Coverage

## DMC Historic Analysis

Start Year\* 2013  
End Year 2020

Total number of months: 93  
Number of months with payout: 59  
Average DMC premium per cwt: \$0.150  
Average payment per cwt: \$1.13  
Max payment per cwt: \$4.65  
Average net indemnity per cwt: \$0.98  
Cumulative net indemnity: \$370,513



\* Indemnity payments minus premiums.

\* Start years prior to the beginning of the DMC program in 2019 are estimates



## Action steps

- Know your cost of production
- Visit the DMC Dairy Decision Tool  
(<https://www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index>)
- DMC Tool video  
(<https://dairymarkets.org/dmc/DMCvideo.html>)
- Determine production level you wish to cover & whether you want to cover more than the basic level
- Schedule appointment with FSA – December 11 Deadline



## Presenter contact information

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