

For: State and County Offices

**Margin Protection Program for Dairy Producers (MPP-Dairy) Transition Period
From the Livestock Gross Margin for Dairy Cattle (LGM-Dairy) Program**

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

On February 7, 2014, the Agricultural Act of 2014 (2014 Farm Bill) was signed into law. The 2014 Farm Bill authorizes MPP-Dairy, a new margin-based dairy program, to replace the MILC program no later than September 1, 2014. The MPP-Dairy offers protection to dairy producers against extremely low margins when the difference between the all-milk price and the average feed cost falls below a certain, producer selected, dollar amount.

RMA administers a similar protection for dairy producers under the LGM-Dairy insurance program. However, the 2014 Farm Bill specifically provides that in relation to the LGM-Dairy program, a participating dairy operation under the MPP-Dairy may **not** participate in both programs, thus multiple benefits will **not** be allowed.

FSA has been working with RMA to facilitate an appropriate transition process that will allow LGM-Dairy participants with active target marketings insured into 2015, maximum flexibility if they choose to participate in MPP-Dairy.

B Purpose

This notice informs State and County Offices of the preliminary guidelines that will be used for dairy producers to transition from the LGM-Dairy program to the MPP-Dairy program.

Disposal Date	Distribution
December 1, 2014	State Offices; State Offices relay to County Offices

2 Transitioning From LGM-Dairy to MPP-Dairy Program

A LGM-Dairy to MPP-Dairy Preliminary Transition Process

During a transition period announced by FSA, dairy producers with an active policy under LGM-Dairy who have target marketings insured into 2015, will be allowed to register to participate in MPP-Dairy while still meeting the contractual requirements of the LGM-Dairy insurance contract. The LGM-Dairy policy requirement for completing the active target marketings will conclude the producer's coverage under LGM-Dairy to ensure transition to MPP-Dairy.

Transition to MPP-Dairy may occur in the next available month **after** all target marketings under LGM-Dairy are completed. Under MPP-Dairy, a 2-month consecutive period **cannot** be split. Therefore, the next available month following completion of the target marketings would be the first month of the following consecutive 2-month period according to the following:

- January/February
- March/April
- May/June
- July/August
- September/October
- November/December.

Note: Development and clearance of MPP-Dairy final regulations are currently underway. FSA will announce full details of the transition period process upon publication of the MPP-Dairy final rule in the FR.

B LGM-Dairy to MPP-Dairy Transition Examples

Examples of the LGM-Dairy to MPP-Dairy are as follows.

- A producer purchases LGM-Dairy in May 2014 with target marketings through April 2015. Coverage under LGM-Dairy will conclude at the end of April 2015, and coverage under MPP-Dairy may begin in May 2015.
- A producer purchases LGM-Dairy in June 2014 with target marketings through May 2015. Coverage under LGM-Dairy will conclude at the end of May, however, coverage under MPP-Dairy may not begin until July 2015, which would result in a gap in coverage.

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3 Action Required

A State Office Action

SED's and STC's shall:

- ensure that County Offices immediately notify producers of the contents of this notice using all available sources with available funding
- direct questions about this notice to the National Office according to subparagraph C.

Note: The National Office will provide a listing of producers currently enrolled in LGM-Dairy to distribute to County Offices to assist with the appropriate outreach effort required by this notice.

B County Office Action

County Offices shall:

- immediately inform all dairy operations in their county of the contents of this notice by any of the following:
 - over-the-counter contact
 - newsletters with available funding
 - outreach according to 22-AO
 - other methods of communication, as applicable
- forward questions about this notice to the State Office specialist.

C National Office Contact Information

For questions or situations not addressed in this notice, State Offices shall contact Dani Cooke by either of the following:

- e-mail at **danielle.cooke@wdc.usda.gov**
- telephone at 202-720-1919.