USING THE MPP DASHBOARD

Howard Leathers
Department of Agricultural and Resource Economics
University of Maryland, College Park
MPP: Quick review

- Replaces MILC.
- Makes a payment (from the government) when “margins” are “low”.
- “Margins” are the difference between the all-milk price per cwt and the cost of feed needed to produce a cwt of milk. The margins are based on national prices, so are the same for every dairy farmer.
- “Low” is an amount determined by farmer decision.
  - $4 coverage is “free”.
  - Farmer paid premiums are required for coverage above $4.
  - $8 is the maximum coverage level.
- Participation decisions are made every year.
  - Decision for calendar 2015 is due December 5, 2014.
  - Decision for last four months of 2014 is due the same day.
Decisions for 2014-2015:

- Participate? (Yes or no)

- What percentage of my output do I want to cover?
  - Any number between 25 and 90%, in increments of 5 (so 25%, 30%, 35%, etc., up to 90%).
  - For 2015, “my output” is “production history” which is the highest annual output during calendar years 2011, 2012, and 2013.
  - For each year after 2015 (for those who participate in 2015) this production history number will be increased by the percentage increase in all milk production in the US.

- What level of margin coverage do I want?
  - Any number between $4.00 and $8.00, in increments of $0.50 (so $4, $4.50, $5, $5.50, etc. up to $8.00).
  - Margins are based on national prices (for milk and grains) and are the same for all farmers in the country. They change from month to month.
Outlook for 2014-2015:

- Current All milk price is in the $23-24 range.
- Current feed costs per cwt are about $7.50.
- So the current margin is about $16.
- Is there any plausible scenario in which Margin would fall below even $8 in the remainder of 2014? No.
- Is there any plausible scenario in which Margin would fall below even $8 during 2015? Highly unlikely. See next slide.
Forecasted margin based on futures prices in late October 2014.

Probability of an MPP payment during 2015.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected</td>
<td>$15.95</td>
<td>$12.62</td>
<td>$10.52</td>
<td>$9.88</td>
<td>$9.68</td>
<td>$9.89</td>
<td>$10.50</td>
<td>$10.37</td>
</tr>
<tr>
<td>&lt; $8.00</td>
<td>-</td>
<td>-</td>
<td>5%</td>
<td>16%</td>
<td>20%</td>
<td>19%</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td>&lt; $7.50</td>
<td>-</td>
<td>-</td>
<td>2%</td>
<td>10%</td>
<td>13%</td>
<td>12%</td>
<td>9%</td>
<td>15%</td>
</tr>
<tr>
<td>&lt; $7.00</td>
<td>-</td>
<td>-</td>
<td>1%</td>
<td>5%</td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>&lt; $6.50</td>
<td>-</td>
<td>-</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>&lt; $6.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>&lt; $5.50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1%</td>
<td>1%</td>
<td>-</td>
<td>2%</td>
</tr>
<tr>
<td>&lt; $5.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td>&lt; $4.50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&lt; $4.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

http://dairy.osu.edu/bdnews/Volume%2016%20issue%205%20files/Volume%2016%20Issue%205.html
For 2015, premiums are much higher than expected indemnities.
Dollars spent in premiums for each dollar of expected indemnity payment, 2015, at different levels of coverage.

For large dairy farms, as much as $15+ in premiums for each dollar in expected payments.

For small dairy farms, $3-5 in premiums for each dollar in expected payments.

For coverage levels less than $6, there is zero expected indemnity payment.
When and Where?

- MPP decisions for 2015 must be submitted by December 5, 2014.
- Submit them to your local FSA office.
- FSA offices are also excellent sources of answers to remaining questions.