

# USING THE MPP DASHBOARD

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Howard Leathers

Department of Agricultural and Resource Economics

University of Maryland, College Park



DEPARTMENT OF  
AGRICULTURAL AND  
RESOURCE ECONOMICS

# 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.



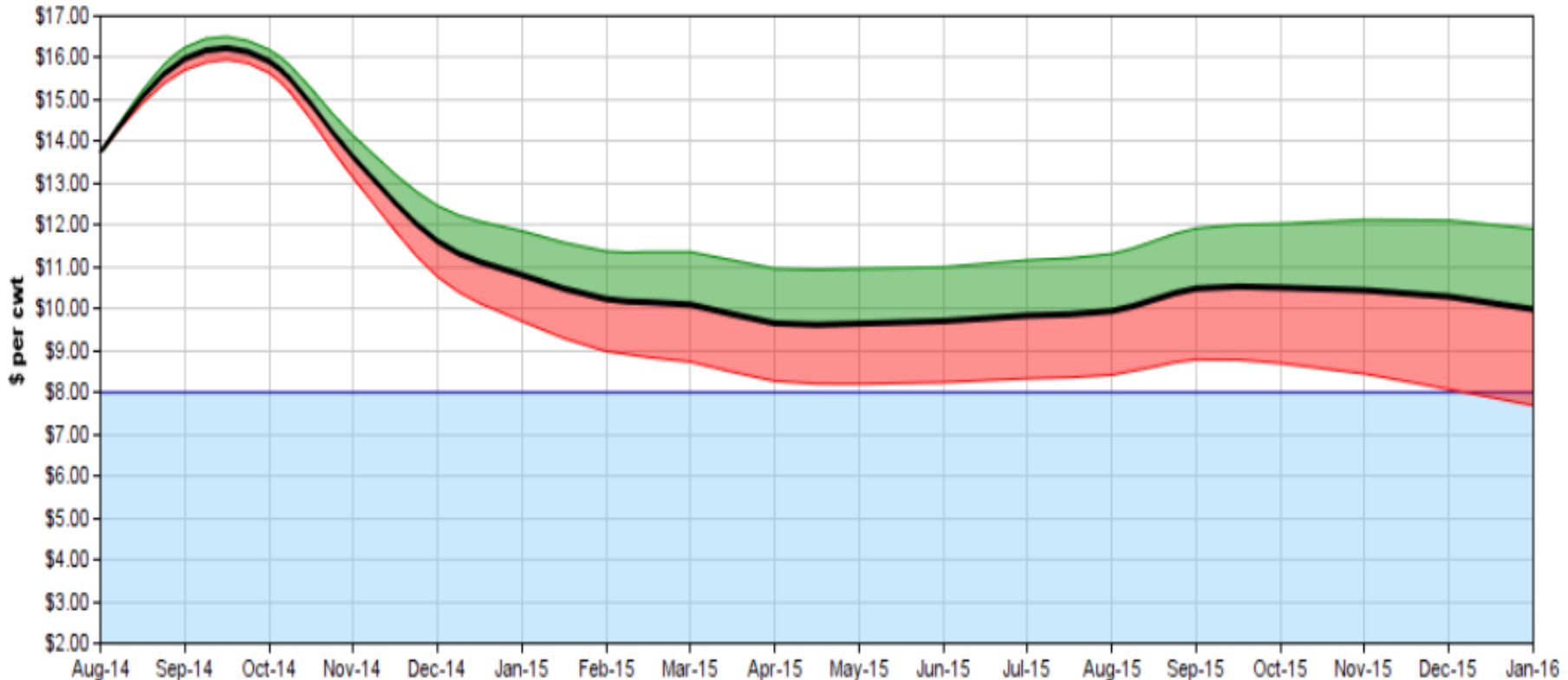
# Decisions for 2014-2015:

- 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.



Source: Thraen, Ohio State, Buckeye Dairy News.

<http://dairy.osu.edu/bdnews/Volume%2016%20issue%205%20files/Volume%2016%20Issue%205.html>



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# Probability of an MPP payment during 2015.

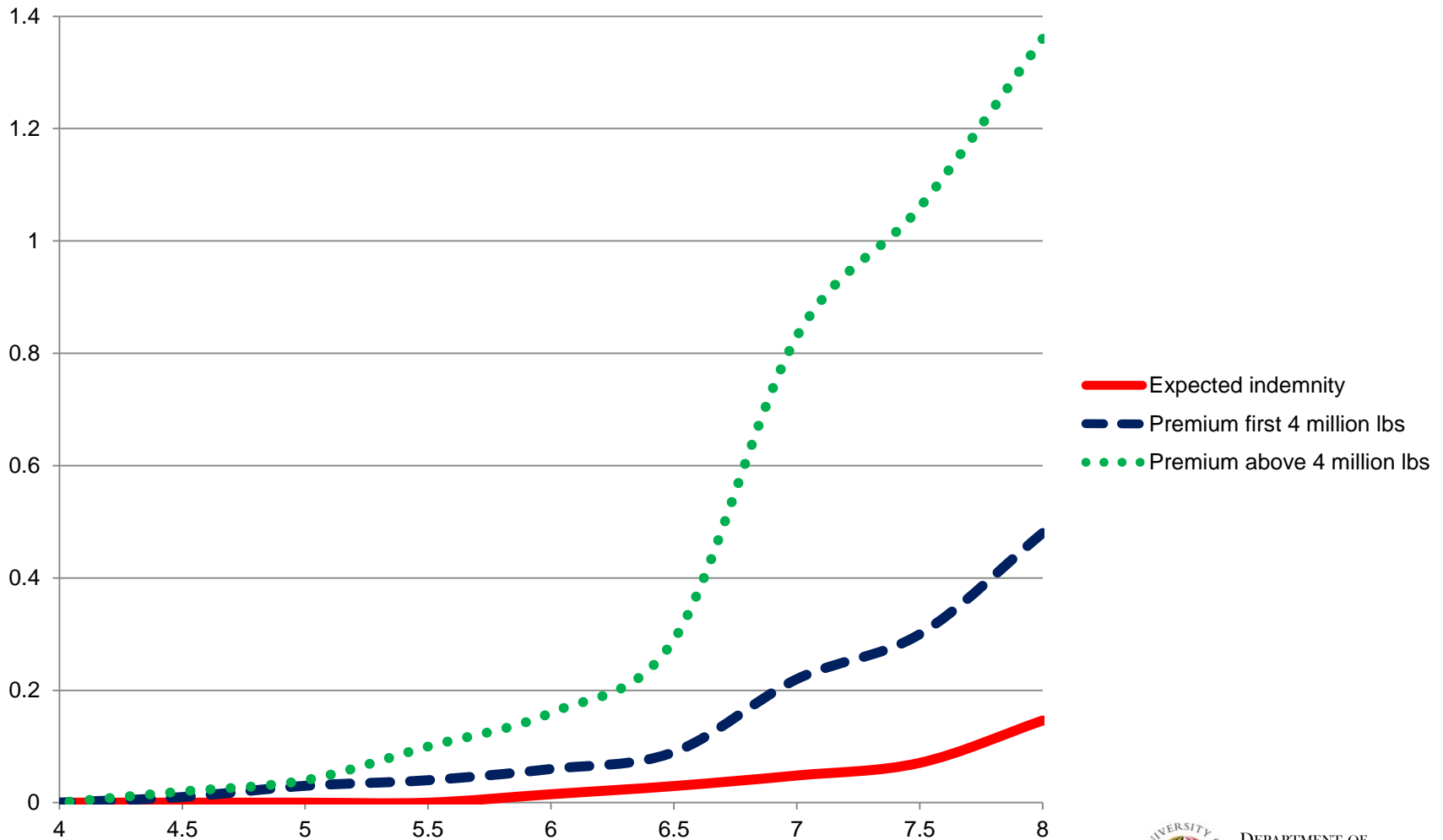
Margin Level	Sep-Oct 2014	Nov-Dec 2014	Jan-Feb 2015	Mar-Apr 2015	May-Jun 2015	Jul-Aug 2015	Sep-Oct 2015	Nov-Dec 2015
Expected	\$15.95	\$12.62	\$10.52	\$9.88	\$9.68	\$9.89	\$10.50	\$10.37
< \$8.00	-	-	5%	16%	20%	19%	14%	21%
< \$7.50	-	-	2%	10%	13%	12%	9%	15%
< \$7.00	-	-	1%	5%	8%	7%	5%	10%
< \$6.50	-	-	-	2%	4%	3%	3%	6%
< \$6.00	-	-	-	1%	2%	1%	1%	4%
< \$5.50	-	-	-	-	1%	1%	-	2%
< \$5.00	-	-	-	-	-	-	-	1%
< \$4.50	-	-	-	-	-	-	-	-
< \$4.00	-	-	-	-	-	-	-	-

Source: Thraen, Ohio State, Buckeye Dairy News.

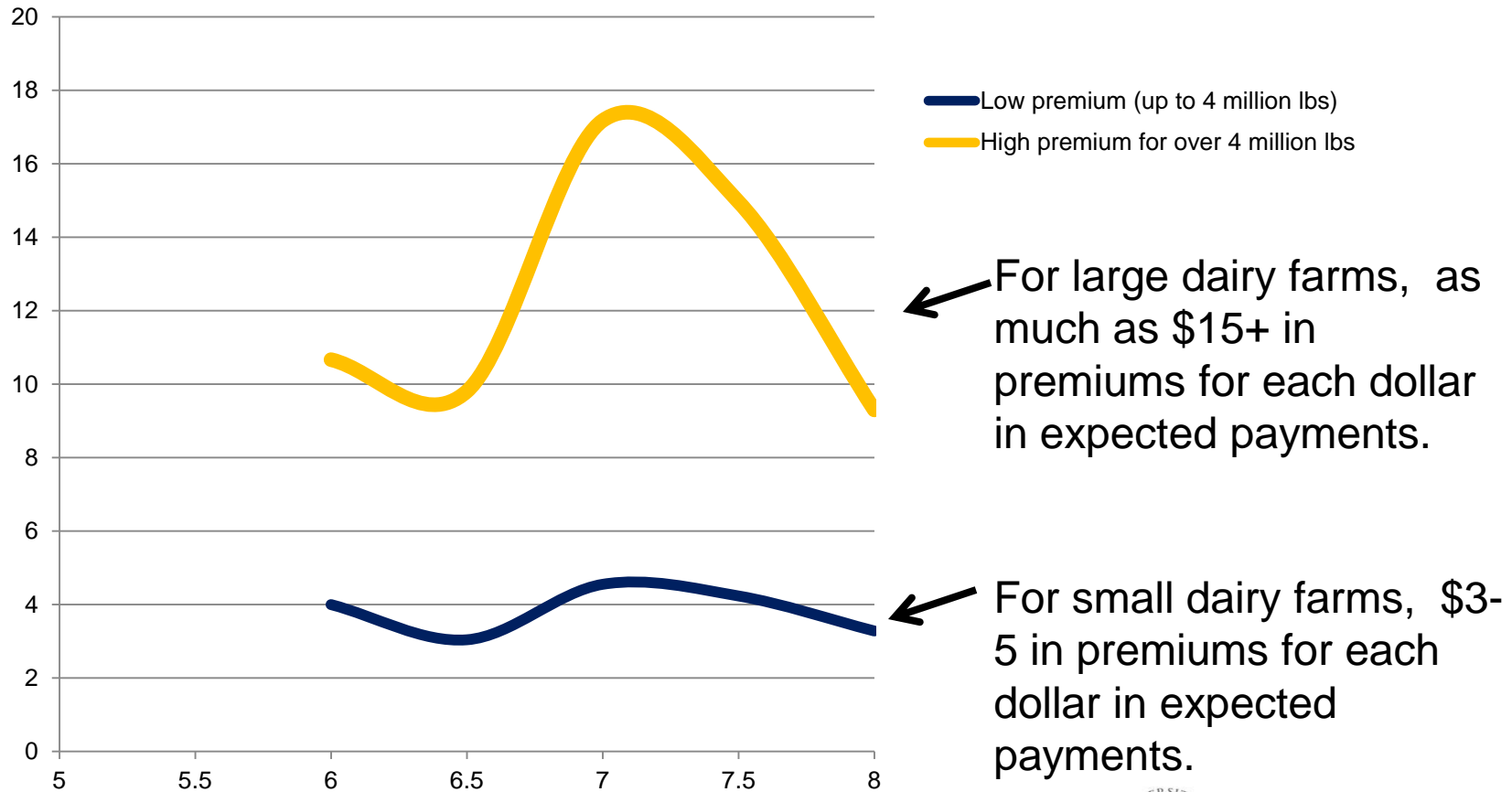
<http://dairy.osu.edu/bdnews/Volume%2016%20issue%205%20files/Volume%2016%20Issue%205.html>



# 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 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.