

MGR-20-010

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Date

April 10, 2020

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Martin R. Barbre, Administrator

Subject

Dumped Milk on Dairy Revenue Protection and Livestock Gross Margin for Dairy Policies

Background

Both the Dairy Revenue Production (DRP) and Livestock Gross Margin for Dairy (LGM-Dairy) programs require dairy producers to market an amount of milk that is proportionate to the amount of insurance coverage they have purchased. This milk must be sold to count towards milk being delivered to the market, or 'marketed'.

The intent of this requirement is to ensure that dairy producers are not purchasing an amount of insurance in excess of their productive capacity and potentially receive an indemnity payment that is in excess of their actual losses. However, some dairy producers may be required to dump milk that would normally have been marketed. As a result, their insurance indemnities (if eligible) would be reduced even though they had actually produced a volume of milk that is appropriate for the coverage they purchased. This is not the intent of the policy.

The Risk Management Agency (RMA) recognizes the potential for dairy producers to have their coverage inadvertently reduced and is updating the requirements

regarding marketed milk in order to ensure the policy functions as intended.

Action

For the 2020 calendar year, Approved Insurance Providers (AIPs) are authorized to count dumped milk towards the milk marketings (for DRP) or actual marketings (for LGM-Dairy) regardless of whether the milk was sold. Producers will still have to provide supporting documentation to the AIP from the cooperative or milk handler verifying the actual pounds dumped and that the milk dumped. This change will provide consistency among all dairy producers on how dumped milk is handled under these policies. The amount of eligible indemnity payment is unaffected by this change. Rather, this avoids imposing a penalty that was not intended to apply in cases where a dairy producer had produced a volume of milk that is consistent with the amount of coverage purchased. In addition, RMA is also removing the testing requirements for dumped milk under the DRP program for producers insuring milk under the component pricing option forced to dump milk. AIPs may use the average butter fat and protein levels for dump milk not tested.

DISPOSAL DATE:

December 31, 2020