

Tariffs Threaten DMC Payments When Farmers Need Them Most

By Tom Crosby

Imagine you are offered a crop insurance program that fully covers hail damage if the hailstorm happens on a weekday. If the hail damage comes on a weekend, however, there is no coverage.

Crazy, huh?

But in a way, this is exactly what farmers who rely on the Dairy Margin Coverage program are up against. In times of very low milk prices, they desperately need help from program payments. Sometimes they get it; sometimes they don't.

Why is that? DMC payments are based on the difference between prices farmers receive for milk and an index of prices paid for feed. When that difference is higher, farmers are assumed to be more profitable, and payments are lower. When that difference is lower, however, farmers are assumed to be less profitable, and payments are higher.

Trade wars could affect both the milk prices and the feed prices that are used to calculate program payments. If the milk price used in DMC benefit calculations drops, the DMC program will help offset the reduced income farmers receive. Why? Lower milk prices mean lower margins and, therefore, higher offsetting payments.

The situation with feed prices is more concerning. Feed prices that are lower make the program margin higher; program payments will therefore be lower. This will not significantly affect very large dairy farms because they buy most of their feed and therefore benefit directly from ~~tariff-induced~~ lower feed costs.

Smaller family dairy farms typically grow most of their feed instead of buying it on open markets. Because of this, they get a “double whammy” from tariff-induced lower feed prices. On the one hand, they receive lower payments from the DMC program. On the other, they do not benefit directly from lower feed prices the way very large farms do and therefore become less competitive for milk markets.

Today’s markets are starting to strain under what could become a perfect storm. Feed prices were very low for all of 2025 and will likely stay that way this year, too. The stage is set for farmers getting no help at all from DMC when milk prices fall.

Here is an example. Imagine the milk price index falls to \$20, low enough to send a lot of family farmers packing. On the one hand, \$20 is too low to support operations. On the other, the margin at, say, a \$10 feed price index would mean no payments whatsoever from DMC. And, just to bring things closer to home, the average DMC feed price index for all of 2025 was a bit under \$10.

The DMC program was primarily intended to be an important insurance program to protect smaller dairy farms during unfavorable economic times. To more fully meet that goal, we need to provide better protection for smaller dairy farms during times when feed prices fall to very low levels. Fortunately, there is a simple way to get this protection—put a floor price on the feed price index.

Based on past DMC feed indices and USDA cost of production estimates for growing feed on smaller farms, a floor price of \$13.00 seems reasonable. (See chart 1) As simple as this solution seems, we expect it will provide invaluable security for our nation’s family dairy farmers. In the example above, \$20 milk gives no payment at all when feed prices are \$10. With a \$13 floor, however, a producer with \$9.50 coverage would see a \$2.50 payment.

The Dairy Margin Coverage (DMC) program is a mainstay among Federal farm programs that provide financial relief to smaller family dairy farmers. We

must act now to fix DMC's feed price loophole. We are already losing way too many family dairies—without a fully-effective DMC program, those losses will be much worse.

See how our proposal would change DMC payments in *chart 2* below.

Chart 1

USDA – Milk Production Cost per Hundredweight sold, by size group

	50-99 cows	2000+ cows
Purchased Feed	\$4.62	\$7.59
Homegrown Feed	\$7.93	\$2.33
Grazed Feed	\$.14	-0-
Total Cost per CWT	\$12.69	\$9.92

Chart 2

Changes to DMC Payment with proposed \$13.00 floor feed cost 2023-2025												
Month	Year	All Milk Price	Corn Price	Hay Price	Soymeal Price	Total Feed Cost	DMC Margin	Higher Of	"Higher of" Margin	Payment W/ \$9.50 Coverage	Payment with "Higher of"	Diff
Jan	2023	\$23.10	\$6.64	\$328	\$462.85	\$15.02	\$8.08	\$15.02	\$8.08	\$1.42	\$1.42	(\$0)
Feb	2023	\$21.60	\$6.80	\$324	\$500.53	\$15.41	\$6.19	\$15.41	\$6.19	\$3.31	\$3.31	\$0.00
Mar	2023	\$21.10	\$6.67	\$314	\$484.40	\$15.02	\$6.08	\$15.02	\$6.08	\$3.42	\$3.42	\$0.00
Apr	2023	\$20.70	\$6.70	\$315	\$457.25	\$14.86	\$5.84	\$14.86	\$5.84	\$3.66	\$3.66	\$0.00
May	2023	\$19.30	\$6.54	\$317	\$423.58	\$14.47	\$4.83	\$14.47	\$4.83	\$4.67	\$4.67	\$0.00
Jun	2023	\$17.90	\$6.49	\$310	\$413.46	\$14.25	\$3.65	\$14.25	\$3.65	\$5.85	\$5.85	\$0.00
Jul	2023	\$17.40	\$6.22	\$288	\$443.15	\$13.88	\$3.52	\$13.88	\$3.52	\$5.98	\$5.98	\$0.00
Aug	2023	\$19.70	\$5.73	\$282	\$438.00	\$13.23	\$6.47	\$13.23	\$6.47	\$3.03	\$3.03	\$0.00
Sep	2023	\$21.00	\$5.21	\$288	\$411.07	\$12.56	\$8.44	\$13.00	\$8.00	\$1.06	\$1.50	\$0.44
Oct	2023	\$21.60	\$4.93	\$278	\$416.16	\$12.16	\$9.44	\$13.00	\$8.60	\$0.06	\$0.90	\$0.84
Nov	2023	\$21.70	\$4.66	\$271	\$464.27	\$12.12	\$9.58	\$13.00	\$8.70	\$0	\$0.80	\$0.80
Dec	2023	\$20.60	\$4.80	\$275	\$440.60	\$12.16	\$8.44	\$13.00	\$7.60	\$1.06	\$1.90	\$0.84
Jan	2024	\$20.10	\$4.74	\$274	\$378.40	\$11.62	\$8.48	\$13.00	\$7.10	\$1.02	\$2.40	\$1.38
Feb	2024	\$20.60	\$4.36	\$278	\$363.62	\$11.16	\$9.44	\$13.00	\$7.60	\$0.06	\$1.90	\$1.84
Mar	2024	\$20.70	\$4.36	\$271	\$361.75	\$11.05	\$9.65	\$13.00	\$7.70	\$0	\$1.80	\$1.80
Apr	2024	\$20.50	\$4.39	\$260	\$357.68	\$10.90	\$9.60	\$13.00	\$7.50	\$0	\$2.00	\$2.00
May	2024	\$22.00	\$4.51	\$276	\$388.65	\$11.48	\$10.52	\$13.00	\$9.00	\$0	\$0.50	\$0.50
Jun	2024	\$22.80	\$4.48	\$256	\$384.10	\$11.14	\$11.66	\$13.00	\$9.80	\$0	\$0	\$0.00
Jul	2024	\$22.80	\$4.24	\$237	\$364.30	\$10.47	\$12.33	\$13.00	\$9.80	\$0	\$0	\$0.00
Aug	2024	\$23.60	\$3.84	\$236	\$343.40	\$9.88	\$13.72	\$13.00	\$10.60	\$0	\$0	\$0.00
Sep	2024	\$25.50	\$3.98	\$227	\$346.34	\$9.93	\$15.57	\$13.00	\$12.50	\$0	\$0	\$0.00
Oct	2024	\$25.20	\$3.99	\$236	\$342.85	\$10.03	\$15.17	\$13.00	\$12.20	\$0	\$0	\$0.00
Nov	2024	\$24.20	\$4.07	\$235	\$316.18	\$9.91	\$14.29	\$13.00	\$11.20	\$0	\$0	\$0.00
Dec	2024	\$23.12	\$4.23	\$230	\$303.63	\$9.92	\$13.20	\$13.00	\$10.12	\$0	\$0	\$0.00
Jan	2025	\$24.10	\$4.29	\$242	\$316.97	\$10.25	\$13.85	\$13.00	\$11.10	\$0	\$0	\$0.00
Feb	2025	\$23.60	\$4.58	\$243	\$304.78	\$10.48	\$13.12	\$13.00	\$10.60	\$0	\$0	\$0.00
Mar	2025	\$22.00	\$4.57	\$242	\$303.80	\$10.45	\$11.55	\$13.00	\$9.00	\$0	\$0.50	\$0.50
Apr	2025	\$21.00	\$4.62	\$252	\$295.03	\$10.58	\$10.42	\$13.00	\$8.00	\$0	\$1.50	\$1.50
May	2025	\$21.04	\$4.53	\$207	\$438.80	\$10.92	\$10.12	\$13.00	\$8.04	\$0	\$1.46	\$1.46
Jun *	2025	\$21.92	\$4.43	\$205	\$334.97	\$10.02	\$11.90	\$13.00	\$8.92	\$0	\$0.58	\$0.58
July *	2025	\$22.24	\$4.32	\$205	\$309.13	\$9.71	\$12.53	\$13.00	\$9.24	\$0	\$0.26	\$0.26
Aug *	2025	\$22.67	\$4.21	\$208	\$306.19	\$9.61	\$13.06	\$13.00	\$9.67	\$0	\$0	\$0.00
Sep *	2025	\$23.08	\$4.12	\$209	\$305.83	\$9.53	\$13.55	\$13.00	\$10.08	\$0	\$0	\$0.00
Oct *	2025	\$23.55	\$4.08	\$212	\$309.08	\$9.55	\$14.00	\$13.00	\$10.55	\$0	\$0	\$0.00
Nov *	2025	\$23.71	\$4.06	\$222	\$311.41	\$9.69	\$14.02	\$13.00	\$10.71	\$0	\$0	\$0.00
Dec *	2025	\$23.45	\$4.06	\$220	\$312.86	\$9.66	\$13.79	\$13.00	\$10.45	\$0	\$0	\$0.00
ave		\$21.92	\$4.85	\$257.58	\$373.75	\$11.47	\$10.45	\$13.34	\$8.58	\$0.96	\$1.37	\$0.41

* price forecast - DMC Decision tool Web sight

Tom Crosby is a dairy farmer from Shell Lake , Wisconsin, a National Board member of the National Farmers Organization, and the Midwest Regional Manager of NFO's Dairy Division.