U.S. Dairy Policy

June 23, 2025

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SUMMARY

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June 23, 2025

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U.S. Dairy Policy

Milk is perishable, produced daily (i.e., cows must be milked multiple times a day), and challenging to store on the farm. As a result, milk must be transported off the farm every day or every other day and sold regardless of market conditions for milk and milk products (e.g., cheese and yogurt). These unique factors place milk producers in a market position that may lead to instability in the supply and price of milk. Increases in feed grain commodity (e.g., corn and hay) prices may also pose a challenge to dairy producers. Additionally, biological constraints (e.g., a minimum of two years for dairy cattle to be ready to enter production) limit milk producers' ability to quickly respond to changing markets. Persistent input cost and milk market price volatility can drive producers out of the market.

The dairy industry has changed over the past couple of decades. Since 2003, milk production has increased 33% to 226.4 billion pounds of milk in 2024 as the number of milk cows has stabilized around 9 million head. The number of licensed dairy herds declined by about 65% from 2003 to 2024 as U.S. milk production shifted to larger herds. In addition, the U.S. milk production per cow per year increased during this period.

Consumer preferences for dairy products have changed over time. In total, U.S. per capita consumption of all dairy products has increased between 1980 and 2023. However, the average U.S. per capita consumption of fluid milk decreased from 29 gallons per year to 16 gallons per year (a 45% decline). Offsetting this decline, annual average domestic per capita consumption of dairy products other than fluid milk (i.e., cheese, yogurt, butter, and frozen foods) increased from 55 pounds to 84 pounds (a 53% increase) over the same period.

The U.S. Department of Agriculture (USDA) administers a suite of programs authorized by the Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) and subsequent extensions to help dairy producers recover from the financial effects of natural disasters and adverse market conditions (e.g., low milk prices and/or increasing feed costs). The farm bill is an omnibus, multiyear law that governs an array of agricultural and food programs. The 2018 farm bill included dairy provisions in Title I and Title XII. Title I, Commodity, established the Dairy Margin Coverage (DMC) program and the Milk Donation Program, and reauthorized the Dairy Forward Pricing Program (DFPP), the Dairy Indemnity Payment Program, and a provision in the Dairy Promotion and Research Program. Title XII, Miscellaneous, included a provision creating the Dairy Business Innovation Initiative. Dairy producers may also participate in other programs authorized or amended in the farm bill, including the Federal Crop Insurance Program; Livestock Indemnity Program; Livestock Forage Disaster Assistance Program; and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program.

USDA also administers programs authorized by legislation other than the farm bill. These include agricultural commodity promotion and research programs (i.e., checkoff programs) and the Federal Milk Marketing Orders (FMMOs). USDA's Agricultural Marketing Service (AMS) oversees two agricultural commodity programs that promote the dairy industry: the Dairy Promotion and Research Program (i.e., dairy checkoff program) and the National Fluid Milk Processor Promotion Board (i.e., fluid milk checkoff program). In general, these programs are to strengthen the U.S. dairy industry's position in the marketplace. The FMMO system is a permanently authorized mechanism for stabilizing the supply and price of fluid milk. Under FMMO law and regulations, USDA establishes a minimum milk price, and milk handlers (processors) are required to pay milk producers at least the minimum price and adhere to other specified rules. The collection of formulas used to calculate the minimum price are referred to as the *uniform pricing formula*.

Since 2018, USDA has created additional ad hoc dairy support programs using funds appropriated by Congress as well as funds from the Commodity Credit Corporation (CCC). These programs provided various types of supplemental support for disaster assistance, response to the COVID-19 pandemic, and increased costs associated with organic dairy production. For some stakeholders and policymakers, this increase in supplemental dairy support raises questions regarding the federal government's role in responding to natural disaster-related losses or other economic events impacting the U.S. dairy industry and the effectiveness of the permanently authorized dairy programs.

Policy options that may be of interest to Congress include considering additional oversight of federal spending on dairy programs, amending current dairy farm bill support programs, and amending permanent dairy programs that are authorized outside of a farm bill.

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Introduction

Milk is perishable, produced daily (i.e., cows must be milked multiple times a day), and challenging to store on the farm. As a result, milk must be transported off the farm every day or every other day and sold regardless of market conditions for milk and milk products (e.g., cheese and yogurt). These unique factors place milk producers in a market position that may lead to instability in the supply and price of milk. Increases in feed grain commodity (e.g., corn and hay) prices may also pose a challenge to dairy producers. Additionally, biological constraints (e.g., a minimum of two years for dairy cattle to be ready to enter production) limit milk producers' ability to quickly respond to changing markets. Persistent input cost and milk market price volatility can drive producers out of the market.

The U.S. Department of Agriculture (USDA) administers a suite of programs to help dairy producers recover from adverse market conditions (e.g., low milk prices and/or increasing feed costs) and the financial effects of natural disasters (see "Dairy-Specific Farm Bill Programs" and "Other Farm Bill Programs"). USDA also administers programs that promote U.S. dairy products, research, and nutrition education and also set a minimum price that milk handlers are required to pay milk producers (see "Promotion and Research Programs" and "Federal Milk Marketing Orders").

Since 2018, USDA has created additional ad hoc dairy support programs using funds appropriated by Congress as well as funds from the Commodity Credit Corporation (CCC). During this period, these programs provided various types of relief for supplemental disaster assistance, supplemental support in response to the COVID-19 pandemic, and supplemental support for increased costs associated with organic dairy production (see "Dairy Ad Hoc Programs Since 2018").[1]

The increase in ad hoc dairy support spending and current fiscal and budgetary pressures may complicate policy decisions. This report presents data on trends in the dairy industry, provides an overview of federal dairy programs designed to financially support dairy producers and provide options for mitigating risk caused by adverse market conditions, and discusses policy options of potential congressional interest.

As part of a potential farm bill reauthorization, the 119th Congress may consider the state of the U.S. dairy industry. Congress may also consider the effectiveness and role of farm bill programs dairy producers may participate in and permanent dairy programs authorized outside of farm bill legislation given the increased resurgence in ad hoc disaster assistance since 2018.[2] Milk producers may request that Congress, as it considers farm bill reauthorization, amend dairy programs that cover producers who are often subject to volatile market prices for milk and feed. Program changes that would allow participants to receive benefits equivalent to those provided by ad hoc dairy programs may reduce the request for annually appropriated supplemental disaster assistance. Conversely, some stakeholders advocate for eliminating support to the U.S. dairy industry. Congress may consider such competing views while determining the federal government's role in supporting the U.S. dairy industry.

[1] There are other programs, for example, the Market Facilitation Program (MFP), Coronavirus Food Assistance Program, Coronavirus Food Assistance Program 2, and the Emergency Livestock Relief Program, that may have provided financial assistance to dairy producers, as well as other commodity and livestock producers.

[2] For more information on ad hoc agricultural disaster assistance, see CRS Report RS21212, *Agricultural Disaster Assistance*.

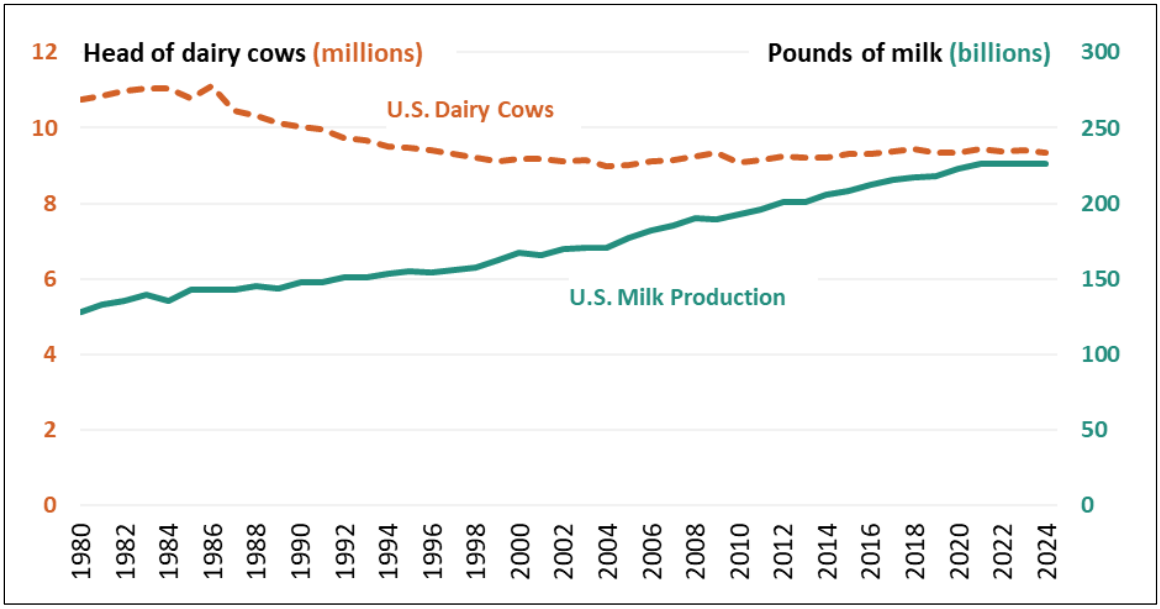
Trends in the Dairy Industry

The dairy industry has changed over the past couple of decades. For example, milk production has increased, the number of dairy cows and number of licensed dairy herds has declined, and consumer preferences have shifted from fluid milk to milk-based products such as cheese, yogurt, and butter. This section presents data on trends in dairy production, consumer preferences, value of milk production, and milk prices. These data may help inform policy choices when considering amending or developing dairy policies.

Dairy Production and Number of Farms

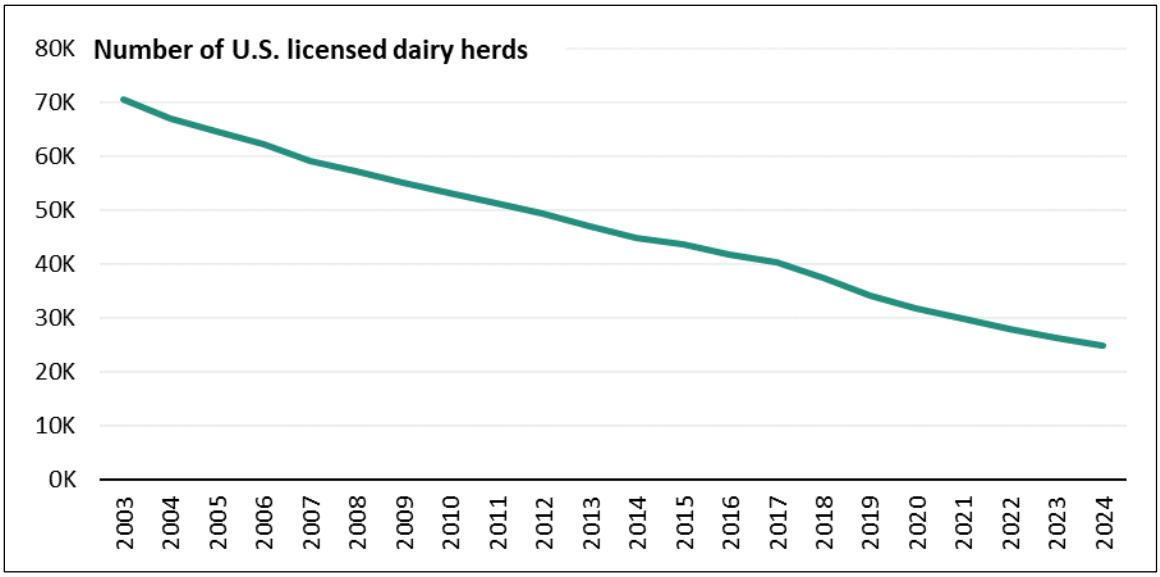
Since 2003, milk production has increased 33% to 226.4 billion pounds in 2024 as the number of milk cows has stabilized around 9 million head (**Figure 1**). The number of licensed dairy herds declined by about 65% from 2003 to 2024 (i.e., U.S. milk production is shifting to larger herds) (**Figure 2**). In addition, the number of pounds of milk produced per year by each U.S. dairy cow increased during this period.

Figure 1. Number of U.S. Dairy Cows and Amount of U.S. Milk Production, 1980-2024



Source: Figure created by CRS using data reported by U.S. Department of Agriculture (USDA), National Agricultural Statistics Service (NASS), *Quick Stats*, accessed April 2025.

Figure 2. Number of U.S. Licensed Dairy Herds, 2003-2024



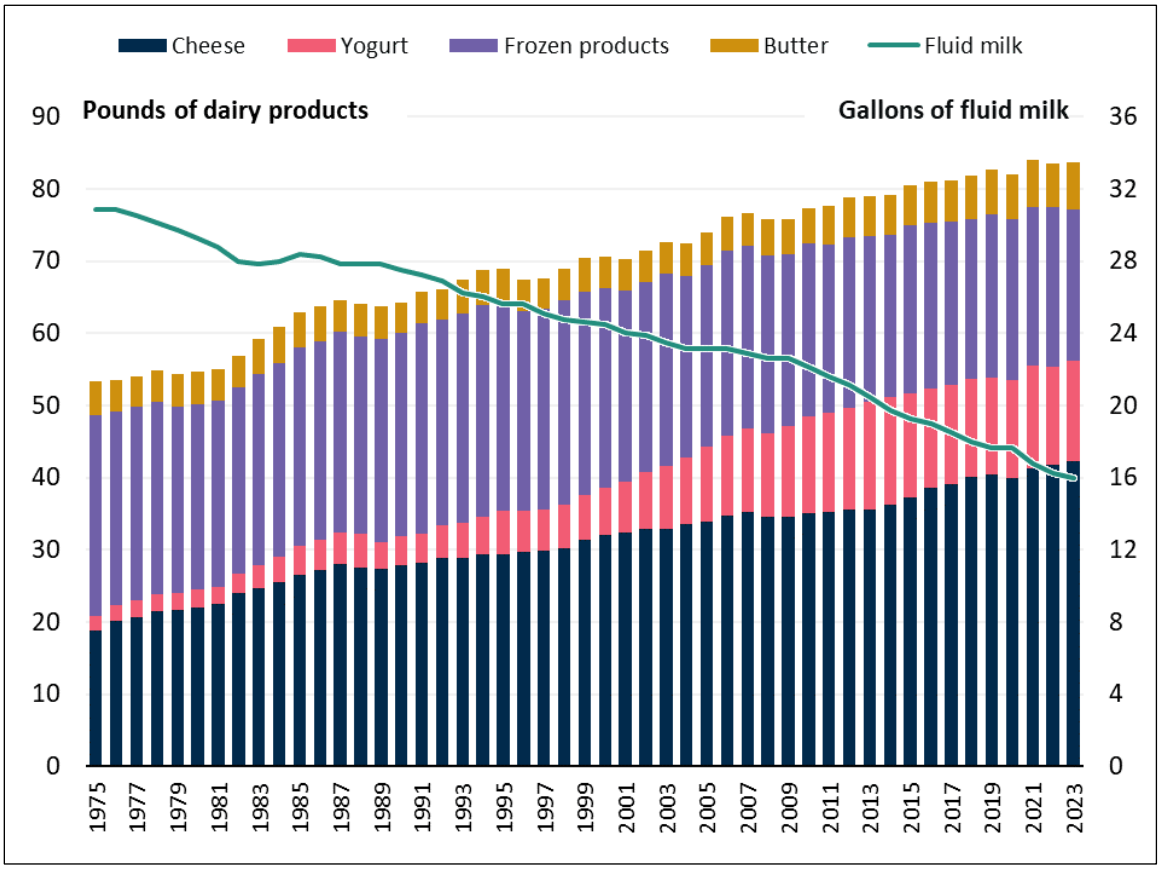
Source: NASS, *Milk Production*, February 2005-2018, March 2019, and February 2020-2025.

Note: USDA started collecting and reporting the number of U.S.-licensed dairy herds in 2003.

U.S. Milk and Other Dairy Product Consumption

U.S. consumer preferences for dairy products have changed over time. Between 1980 and 2023, the average per capita consumption of all dairy products in the United States increased about 22%. The average per capita consumption of fluid milk decreased from 29 gallons per year to 16 gallons per year (a 45% decline) (**Figure 3**). In contrast, the average per capita consumption of dairy products other than fluid milk (i.e., cheese, yogurt, butter, and frozen products) increased from 55 pounds to 84 pounds (a 53% increase) over the same time period. However, consumption did not increase in all non-fluid milk dairy product categories. The average annual consumption (in pounds per year) of yogurt, cheese, and butter products increased 451%, 93%, and 46%, respectively, from 1980 to 2023, while the average annual consumption of frozen dairy products decreased 18% over the same period.

Figure 3. Per Capita Consumption of Milk and Selected Dairy Products, 1980-2023



Source: CRS calculations using USDA Economic Research Service (ERS), "Dairy Products: Per Capita Consumption," accessed April 2025.

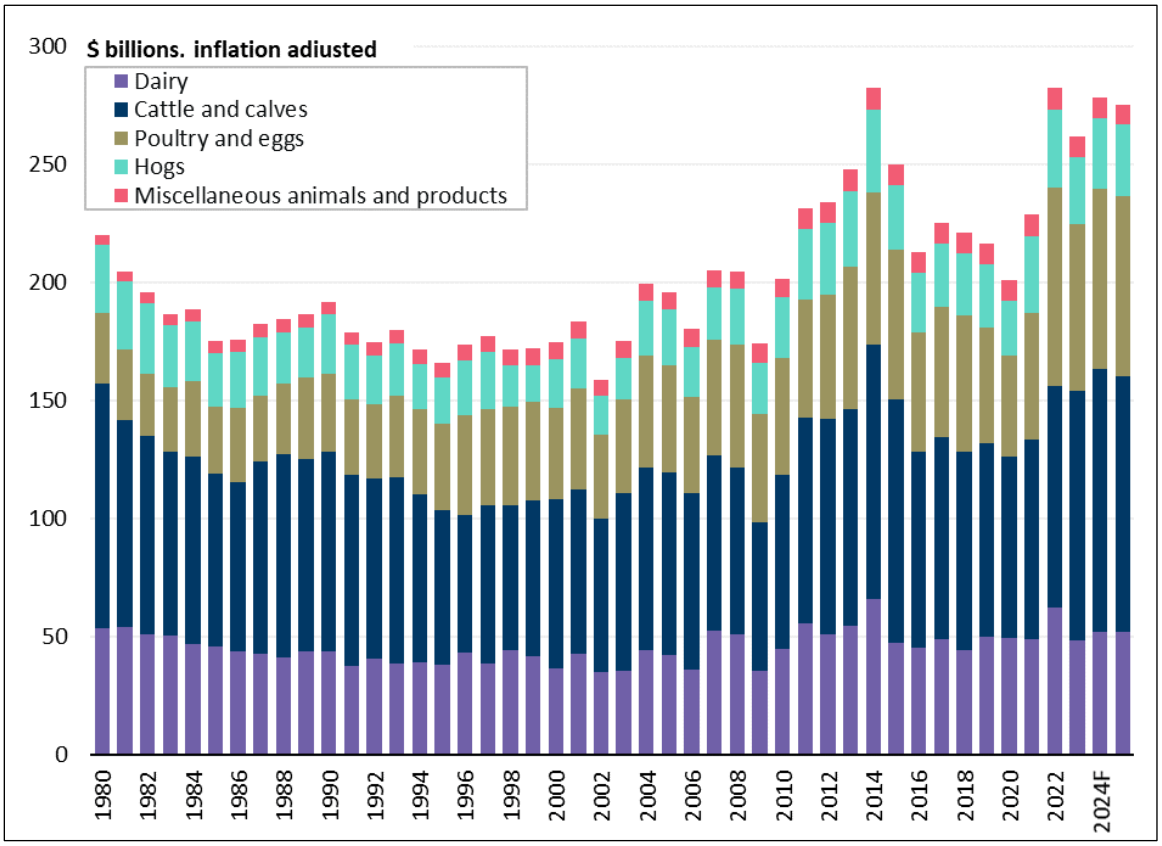
Note: Dry dairy products and evaporated and condensed milk are not included in the data shown.

Dairy Producer Cash Receipts

Cash receipts are a measure of the gross income from the sales of products during a calendar year.[3] In December 2024, the Economic Research Service estimated that total animal and animal product cash receipts in 2023 were $255.7 billion, when adjusted for inflation. Dairy cash receipts accounted for the third largest animal and animal product cash receipt category ($47 billion, 18%) behind cattle and calves (41%) and poultry and eggs (27%) (**Figure 4**). Between 2000 and 2023, the percentage of dairy cash receipts relative to total animal and animal product cash receipts ranged from a high of 26% in 2007 to a low of 18% in 2023.

[3] USDA Economic Research Service (ERS) estimates cash receipts using the National Agricultural Statistics Service's (NASS's) annual production, disposition, and income (PDI) reports and other published and unpublished NASS data.

Figure 4. Producer Cash Receipts for Animal and Animal Products by Category, 1980-2025 Forecast



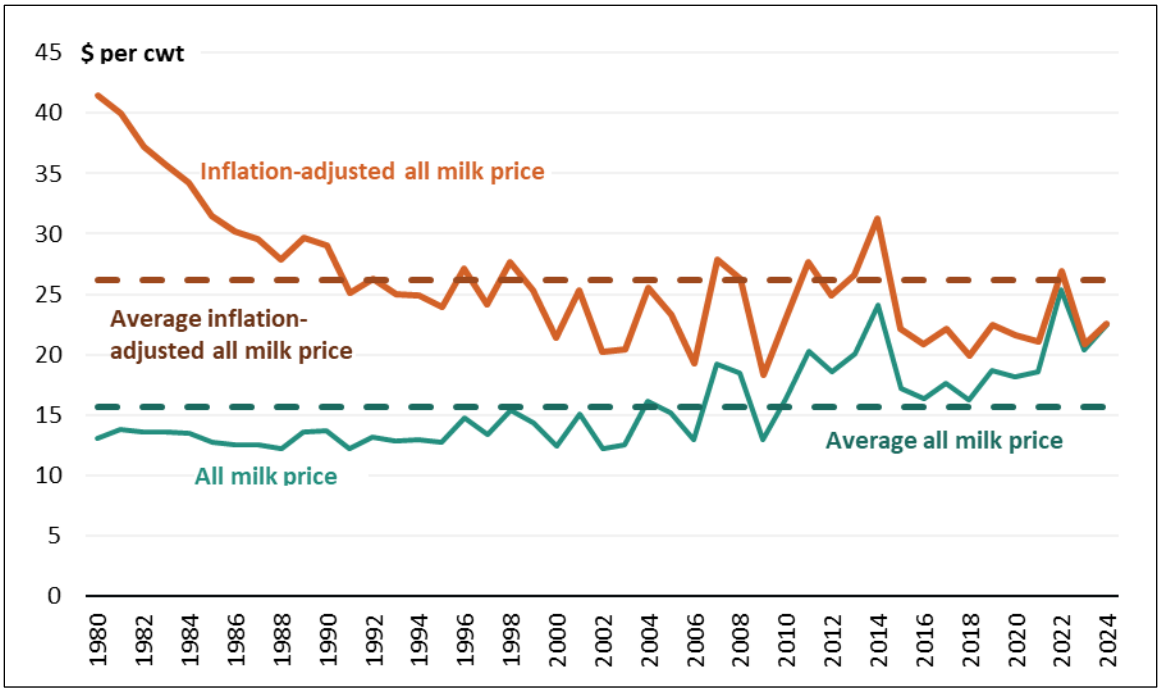
Source: CRS calculations using data from USDA, ERS, "Farm Income and Wealth Statistics," accessed April 2025.

Notes: Values for 2024 and 2025 were forecasted (F) by ERS. Values were adjusted for inflation using the Bureau of Economic Analysis (BEA) Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by ERS.

Dairy Producer Milk Prices

Nominal and inflation-adjusted milk prices show two different trends between 1980 and 2024 (**Figure 5**). In general, nominal milk prices increased since 1980. When adjusted for inflation, milk prices have decreased since 1980. Most of this decline occurred between 1980 and 1990, with real prices generally declining slower since then. From 1980 to 2024, dairy producers experienced periods of rapid increases and decreases in nominal and inflation-adjusted milk prices. One example of such price swings was in 2022 when the nominal and inflation-adjusted milk prices increased 37% and 28% compared with the previous year, respectively, then decreased in 2023 by 20% in nominal terms and by 23% when adjusted for inflation.

Figure 5. All Milk Price Per Hundredweight, 1980-2024



Source: NASS, *Quick Stats*, accessed April 13, 2025.

Notes: cwt = hundredweight (i.e., 100 pounds). Adjusted for inflation to 2024 dollars using the BEA, Table 1.1.4. Price Indexes for Gross Domestic Product: Annual, May 2025.

Dairy-Specific Farm Bill Programs

During periods of unexpected, rapid milk price changes, dairy producers may experience profitability challenges. One challenge is the biological constraints of dairy production (e.g., a minimum of two years is necessary for dairy cattle to be ready to enter dairy production). Another challenge may be periods of higher purchased feed costs associated with increased feed grain commodity prices (e.g., corn and hay).[4] USDA administers a collection of programs that are generally authorized in farm bill legislation and may provide dairy farmers with risk protection and income support to farmers in the United States who experience natural disasters, adverse growing conditions, and/or low market prices.

The farm bill is an omnibus, multiyear law that governs an array of agricultural and food programs.[5] The most recent farm bill—the Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334)—included dairy provisions in Title I and Title XII. Title I, Commodities, established the Dairy Margin Coverage (DMC) program and the Milk Donation Program (MDP), and reauthorized the Dairy Forward Pricing Program (DFPP), the Dairy Indemnity Payment Program (DIPP), and a provision in the Dairy Promotion and Research Program. Title XII, Miscellaneous, included a provision creating the Dairy Business Innovation (DBI) Initiative.

[4] Jeffrey Gillespie et al., *Structure, Costs, and Technology Used on U.S. Dairy Farms*, USDA ERS, ERR-334, July 2024, https://ers.usda.gov/sites/default/files/_laserfiche/publications/109626/ERR-334.pdf?v=21252.

[5] For more information about the farm bill, see CRS Report RS22131, *What Is the Farm Bill?*

After the expiration of the initial one-year extension of the 2018 farm bill (P.L. 118-22, Division B, §102), Congress enacted another one-year extension (P.L. 118-158, Division D) on December 21, 2024. The act extended the DMC program until December 31, 2025, and other dairy authorizations until September 30, 2025.

"Dairy Cliff"

Dairy is often mentioned concerning farm bill expiration because it would be the first commodity to revert to permanent law, and it signals the scale of potential market and budget consequences. The potential restoration of the permanent law dairy programs and resulting change in retail prices is often referred to as the "dairy cliff."[6] Absent congressional action by January 1, 2026, dairy commodity support would revert to milk support provisions in the Agricultural Act of 1949 (P.L. 81-439, as amended), which were suspended by the 2018 farm bill. If this were to happen, USDA would be compelled to purchase dairy products (whole milk, butterfat, and products made of such commodities) in quantities sufficient to raise the farm price of milk to the required parity price support level.[7] The purchase price under permanent law was almost two times higher than the actual February 2025 all milk price.[8] Therefore, reverting to permanent law could result in USDA outbidding commercial markets for a sizeable share of dairy output and potentially increase the retail prices for dairy products sold to consumers. This level of intervention in the market would be financially inefficient for the government, potentially costly for consumers, and disruptive to the marketplace.

Evolution of Dairy Support

Congress permanently authorized a milk price support program in the Agricultural Act of 1949 (P.L. 81-439, as amended).[9] In the 1981 farm bill, Congress switched the milk price support mechanism from parity pricing to a statutorily set milk support price.[10] Under a milk support price mechanism, if the price of milk were to fall below a certain price, the federal government is required to purchase dairy products at a set price thereby decreasing supply and increasing the price. In the 1985 farm bill and again in the 1990 farm bill, Congress amended the permanent milk price support program, reducing the statutorily set milk support price and program costs. In the 1996 farm bill and in each subsequent farm bill, Congress suspended the permanent milk

[6] For more information about the dairy cliff and farm bill expiration, see CRS Report R47659, *Expiration of the 2018 Farm Bill and Extension for 2025*.

[7] *Parity prices* refer to the relationship between prices that farmers receive for their products and prices they paid for inputs during a benchmark period of 1910-1914. Permanent law requires USDA to set the milk support price at between 75% and 90% of the parity price.

[8] March 2025 parity price data show that the mandated purchase price for milk would have been $51.15 per hundredweight in February 2025 compared with the February all milk price of $23.60 per hundredweight in February 2025. CRS calculation based on USDA, NASS, Agricultural Statistics Board, *Agricultural Prices*, March 31 2025, https://downloads.usda.library.cornell.edu/usda-esmis/files/c821gj76b/jm216m503/c534hj705/agpr0325.pdf.

[9] Under these programs, the federal government purchased dairy products such as cheese, butter, and nonfat dry milk. According to USDA, one of the early 1980s support prices contributed to reduced milk price fluctuations. However, the dairy support price policies adopted in the 1970s resulted in increased taxpayer burden and an oversupply of milk. James M. MacDonald et al., *Changing Structure, Financial Risks, and Government Policy for the U.S. Dairy Industry*, USDA, ERS, ERR-205, March 2016, https://ers.usda.gov/sites/default/files/_laserfiche/publications/45519/56833_err205_errata.pdf?v=89430.

[10] *Parity prices* refer to the relationship between prices that farmers receive for their products and prices they paid for inputs during a benchmark period of 1910-1914. Permanent law requires USDA to set the milk support price at between 75% and 90% of the parity price. For more information on parity prices, see CRS Report R47659, *Expiration of the 2018 Farm Bill and Extension for 2025*.

support program authorized by the 1949 farm bill, as amended. In the 2014 farm bill, Congress shifted the way in which U.S. dairy policy supports milk prices—from USDA buying dairy commodities to a producer-elected risk management margin protection program.

Dairy Margin Coverage Program

DMC is a voluntary risk management program for dairy producers administered by USDA's Farm Service Agency (FSA) created by the 2018 farm bill. It pays participating dairy producers each month when the national average margin falls below producer-selected levels. The national average margin is the difference between the national all milk price (published by the National Agricultural Statistics Service) and a national average feed cost (published by FSA). Under DMC, producers may select margin coverage from $4.00 per hundredweight (or *cwt*, which equals 100 pounds) up to $9.50 per hundredweight for annual milk production of 5 million pounds or less (Tier I). For milk production over 5 million pounds (Tier II), the margin coverage tops out at $8.00 per hundredweight.

Producers may elect to enroll in DMC each year. A participating dairy producer must have an established milk production history with FSA. Under DMC, dairy producers may choose to cover from 5% to 95% of their milk production history. In general, DMC production history is based on the highest annual milk marketings (i.e., milk sold) in 2011, 2012, or 2013.[11] Production history for dairies that have operated since 2014 are based on recent annual production levels. Production history for new dairy (i.e., less than one year of production history) is based on actual milk marketings for the months the dairy has been in operation or an FSA estimate of the milk marketings given the herd size of the dairy operation.[12]

To enroll in DMC, producers may be required to pay an annual $100 administrative fee and an additional premium. Fees are waived for limited resource, beginning, socially disadvantaged, and veteran farmers and ranchers. Producers selecting a $4.00 margin, or catastrophic coverage, only pay the $100 administrative fee; the premium cost is $0. The total premium amount that producers pay for margin coverage above $4.00 per hundredweight is a product of the margin-level premium that is set in statute and the share of production history the producer selects (**Table 1**). Producers who enrolled in DMC in 2019 for the five-year duration of the farm bill (i.e., 2019-2023) received a 25% premium discount.

Table 1. Dairy Margin Coverage (DMC) Premium Rates

Dollars per hundredweight of production history

Margin coverage level	Tier I (≤ 5 million lb.) Premium	Tier 2 (> 5 million lb.) Premium
$4.00 (catastrophic coverage)	None	None
$4.50	$0.0025	$0.0025
$5.00	$0.005	$0.005
$5.50	$0.030	$0.100
$6.00	$0.050	$0.310
$6.50	$0.070	$0.650
$7.00	$0.080	$1.107

[11] 7 U.S.C. §9055(a).

[12] 7 U.S.C. §9055(b).

Margin coverage level	Tier I (≤ 5 million lb.) Premium	Tier 2 (> 5 million lb.) Premium
$7.50	$0.090	$1.413
$8.00	$0.100	$1.813
$8.50	$0.105	N/A
$9.00	$0.110	N/A
$9.50	$0.150	N/A

Source: Section 60101 of the Agriculture Improvement Act of 2018 (P.L. 115-334, 7 U.S.C. §9057).

Notes: N/A = not applicable; hundredweight = 100 pounds; lb. = pound. For milk production over 5 million pounds (Tier II), the margin coverage tops out at $8.00 per hundredweight.

FSA calculates and reports the DMC margin each month. If margin payments are triggered, producers are paid for one-twelfth of covered annual milk production history (i.e., a dairy producer's monthly DMC payment is based on one month's estimated milk production). Between the January 2019 implementation of the DMC program and December 2024, margin payments were triggered in 38 months for producers who opted for a $9.50 margin. Producers that selected margin coverage under $9.50 have received payments in some of those months, particularly in 2021 and 2023. Payments on the $4.00 catastrophic margin were triggered in June and July 2023 for the first time under DMC.[13]

Table 2 shows the total payments that participating dairy farms have received since the enactment of the 2018 farm bill. Between 2019 and 2024, total annual DMC payments ranged from a low of $36.7 million in 2024 to a high of almost $1.3 billion in 2023. Average DMC payments ranged from $2,333 per participating dairy farm in 2024 to $75,436 per participating dairy farm in 2023.[14] In addition, the participation rate of eligible dairy operations (i.e., dairy operations with FSA-established production histories) increased to 72.9% in 2024 from 43.8% in 2020.

Table 2. DMC Program Participation and Total Payments

2019-2024

Calendar Year	Licensed dairies enrolled in DMC (number)	Eligible dairy operations that participated (%)	Eligible milk production (billion pounds)	Covered milk Production (%)	Total payments ($ millions)
2019	23,481	71.4	178.6	64.4	450.877
2020	13,537	43.8	121.3	46.0	233.919
2021	19,108	67.0	162.5	66.4	1,185.908
2022	17,983	68.9	156.2	68.8	83.674
2023	17,120	73.1	153.6	74.1	1,291.464
2024	15,716	72.9	150.8	78.3	36.668

[13] FSA, "Dairy Margin Coverage Program Enrollment Information," updated December 19, 2024, https://www.fsa.usda.gov/resources/programs/dairy-margin-coverage-program-dmc/enrollment.

[14] CRS using data from FSA, "Dairy Margin Coverage Program Enrollment Information," updated December 19, 2024.

Source: Farm Service Agency, "Dairy Margin Coverage Program Enrollment Information," updated March 3, 2025, https://www.fsa.usda.gov/resources/programs/dairy-margin-coverage-program-dmc/enrollment.

The Consolidated Appropriations Act, 2021 (P.L. 116-260, Division N, §761), authorized supplemental DMC payments based on milk marketings in 2019 as part of COVID-19 assistance for agriculture for 2021, 2022, and 2023.[15] If actual milk marketing volumes in 2019 exceeded established production histories, supplemental DMC provided payments on 75% of the difference. Eligible milk producers must have participated in DMC during 2021 and have had actual milk marketings of less than 5 million pounds.[16] For the additional production, producers paid the Tier I premium and were able to covered milk production for 2021-2023. According to USDA at the time of enactment, supplemental DMC was likely to "benefit small and mid-size dairy operations with less than 5 million pounds of DMC established production history that have increased milk production over time prior to 2020."[17]

In the Further Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-22, Division B, §102), which included a one-year farm bill extension for the 2024 crop year (expiration date of December 31, 2024, for dairy programs), Congress amended the DMC program. Under the amended law, dairy producers who were eligible for the one-time update to their production history in 2021, 2022, and 2023 under the supplemental DMC were allowed to maintain their updated production history under DMC for 2024. Additionally, dairy producers who had not established supplemental production history may have been eligible to make a one-time adjustment to their established production history. If eligible dairy producers elected this one-time adjustment, their production history would be referred to as adjusted based production history. The method used for these adjustments was the same method used to establish supplemental production history that was authorized by the Consolidated Appropriations Act, 2021 (P.L. 116-260). Congress codified other adjustments that USDA implemented when administering the supplemental DMC program. For example, Congress changed the feed cost formula previously based on a 50%-50% blend of alfalfa and premium alfalfa prices to be based on 100% premium alfalfa. In addition, Congress reauthorized DMC premium discount rates for dairy operations that made a one-time election of coverage level and coverage percentage that are applicable to each year from 2019 through 2024.

The American Relief Act, 2025 (P.L. 118-158, Division D, §4101), includes a one-year farm bill extension for the 2025 crop year (from the previous expiration date of December 31, 2024, for dairy programs). In this act, Congress directed USDA to continue offering DMC premium discount rates for dairy operations that made a one-time election of coverage level and coverage percentage that are applicable to each year from 2019 through 2025. This act also authorizes eligible dairy operations that did not have an adjusted base production history to make a one-time adjustment to their established production history in 2025.[18] Dairy stakeholders support

[15] Provisions in the Consolidated Appropriations Act, 2021 (P.L. 116-260, Division N, §761), required UDSA to pay eligible dairy producers supplemental DMC payments in accordance to DMC statute and regulations in each month following January 2021 until December 2023 (§761(h) and (i)).

[16] FSA, "Supplemental Dairy Margin Coverage (SDMC) Special Enrollment and 2022 Dairy Margin Coverage Election Period," Notice DMC-52, December 2021, https://www.fsa.usda.gov/Internet/FSA_Notice/dmc_52.pdf.

[17] FSA, "Supplemental Dairy Margin Coverage (SDMC) Special Enrollment and 2022 Dairy Margin Coverage Election Period," p. 1.

[18] If eligible dairy producers elect this one-time adjustment, their production history would be referred to as adjusted based production history. The method used for these adjustments is the same method used to establish supplemental production history that was previously authorized by the Consolidated Appropriations Act, 2021 (P.L. 116-260).

continuing this authority for updated production histories to keep up with increases in milk production.[19]

Milk Donation Program[20]

The 2018 farm bill established and authorized the MDP by renaming and modifying the previously created Dairy Donation Program (DDP).[21] Under the MDP, dairy farmers, cooperatives, or processors who pool milk in the Federal Milk Marketing Order (FMMO) system may donate fluid milk to public or private nonprofit organizations and receive reimbursement for costs associated with the donated milk. Participants are required to provide USDA with donation and distribution plans that (1) describe how they will donate, process, transport, store, and distribute milk; (2) estimate how much milk will be donated and provide a plan for unanticipated donations; and (3) explain their reimbursement rate. The reimbursement rate may not exceed the value of the difference of Class I (fluid) milk and the lower of Class III (cheese) or Class IV (butter, powder) products in the federal milk marketing order pool for the applicable month. USDA is to review and approve the plans at least once a year, and USDA may verify the documentation for reimbursements by conducting spot checks or audits. Distributors are prohibited from reselling donated milk, and those who violate this rule are barred from future participation in the program. The 2018 farm bill directed $9 million in CCC funding for the program in FY2019 and $5 million for each fiscal year thereafter. Funds are available until expended.

Dairy Forward Pricing Program

The DFPP allows farmers to voluntarily enter into forward price contracts with handlers for pooled milk used in Class II products (soft products such as yogurt, ice cream, and cottage cheese), Class III products (cheese), or Class IV products (butter, powder) that may be pooled under the FMMOs (see "Federal Milk Marketing Orders"). Statute prevents Class I fluid milk from being forward-contracted under the DFFP.[22]

Handlers pay the agreed-on contract price instead of the FMMO-calculated minimum blend price. Handlers with forward contracts remain subject to all other FMMO provisions. Payments specified under a forward contract must be made on or before the same date as the federal order payments they replace.

In February 2024, USDA published a reauthorizing rule for DFPP following the authorization of a one-year extension of the 2018 farm bill in the Further Continuing Appropriations and Other Extensions Act, 2024 (P.L. 118-22, Division B, §102).[23] Under this final rule, new contracts under

[19] U.S. Congress, Senate Agriculture, Nutrition, and Forestry Committee, *Perspectives from the Field: Farmer and Rancher Views on the Agricultural Economy, Part 2*, written testimony of Harold Howrigan, 119th Cong., 1st sess., February 26, 2025, https://www.agriculture.senate.gov/imo/media/doc/6855a5d1-fbda-1496-4d0d-3526a953ebd9/Testimony_Howrigan_02.26.2025.pdf.

[20] USDA refers to the Milk Donation Program as the "Milk Donation Reimbursement Program." Agricultural Marketing Service (AMS), "Milk Donation Reimbursement Program," https://www.ams.usda.gov/services/milk-donation-reimbursement-program.

[21] USDA referred to the Dairy Donation Program as the Dairy Production Donation Program (DPDP). Under the DPDP, USDA would purchase dairy products under certain market conditions. USDA would donate the purchased dairy products to public and private nonprofits groups that serve low-income populations (7 C.F.R. §1430(C)).

[22] 7 U.S.C. §8772(c)(1)(A).

[23] AMS, "Reauthorization of Dairy Forward Pricing Program," 89 *Federal Register* 12949, February 21, 2024, https://www.federalregister.gov/documents/2024/02/21/2024-03407/reauthorization-of-dairy-forward-pricing-program.

DFPP could be entered into until September 30, 2024. Any forward contract entered into up to and until the deadline was subject to a September 30, 2027, expiration date.

Dairy Indemnity Payment Program

DIPP indemnifies dairy farmers and manufacturers of dairy products from certain types of loss. Specifically, it provides payments to dairy farmers for milk or cows producing milk if they have been directed to remove their milk from commercial markets because of the presence of certain chemical or toxic residue, such as pesticides and nuclear radiation or fallout. Dairy manufacturers are eligible for loss compensation caused by the presence of certain pesticide residues. Program participants must not be responsible for the contamination nor have been indemnified for the same loss from another source.[24] In 2021, USDA amended regulations to allow for indemnification of cows that are likely not marketable because of contamination. This change was made primarily to address concerns about per- and polyfluoroalkyl substances (PFAS) in dairy cows, making them unmarketable for a lengthy time and therefore eligible for depopulation.[25]

DIPP was reauthorized in farm bills through 2018 and has since been extended twice. The second extension reauthorized DIPP until September 30, 2025. DIPP is authorized to receive appropriations of such sums as necessary, to remain available until expended. USDA executes outlays for DIPP through the CCC.

Dairy Business Innovation Initiatives

In the 2018 farm bill, Congress established and permanently authorized the DBI Initiatives, which receive funds from discretionary spending. Under the DBI Initiatives, USDA provides grants to eligible entities so they can conduct technical assistance and training and provide sub-grants for modernization, specialization, value chain innovation, product development, and marketing. As set in statute, 50% of the funding provided under DBI must be used for subawards.[26] These subawards may be used for dairy farm modernization, specialization, grazing projects, value chain and commodity innovations, and product development, packaging, and marketing of dairy products. Eligible applicants for subawards include state agencies of agriculture or other state entities, cooperative extension services, institutions of higher education, and nonprofit organizations.[27] The three purposes of the DBI Initiatives are

> (1) diversifying dairy product markets to reduce risk and develop higher-value uses for dairy products;
>
> (2) promoting business development that diversifies farmer income through processing and marketing innovation; and
>
> (3) encouraging the use of regional milk production.[28]

[24] 7 U.S.C. §4551.

[25] Commodity Credit Corporation (CCC) and Farm Service Agency (FSA), "Supplemental Dairy Margin Coverage Payment; Conservation Reserve Program; Dairy Indemnity Payment Program; Marketing Assistance Loans, Loan Deficiency Payments, and Sugar Loans; and Oriental Fruit Fly Program," 86 *Federal Register* 70689, December 13, 2021.

[26] 7 U.S.C. §1632d(g)(2).

[27] The Dairy Business Innovation Initiatives do not provide grants to individual dairy producers.

[28] 7 U.S.C. §1632d(b).

USDA has established regional dairy initiatives at the California State University, Fresno; University of Tennessee; University of Wisconsin; and Vermont Agency of Agriculture, Food & Markets.[29] These regional initiatives receive grants from USDA and are responsible for administering 50% of their funds as subawards.

Table 3 shows the funding Congress appropriated for DBI and the amount USDA awarded to each initiative between FY2019 and FY2024.[30] Examples of projects initiated under the DBI are recruiting and training peers to (1) conduct workshops for managing stress and mental health, (2) conduct feasibility studies on small-scale processing facilities, and (3) explore opportunities for increasing market access of a new value-added dairy product.[31]

Table 3. Funds Appropriated for Dairy Business Innovation Initiatives and Amounts Awarded to Grantees

		Amounts Awarded to Grantees			
Fiscal Year	Total Appropriated	California State University, Fresno	University of Tennessee	University of Wisconsin	Vermont Agency of Agriculture, Food & Markets
2019	$1,500,000	N/A	$454,000	$454,000	$454,000
2020	$20,000,000	N/A	$6,133,000	$6,133,000	$6,133,000
2021	$22,000,000	$1,800,000	$6,133,000	$6,133,000	$6,133,000
2022	$25,000,000	$1,794,000	$7,053,000	$7,053,000	$7,053,000
2023	$25,000,000	$1,840,000	$7,053,000	$7,053,000	$7,053,000
2024	$12,000,000	$690,000	$3,450,000	$3,450,000	$3,450,000
2025	$12,000,000	not reported	not reported	not reported	not reported

Source: Compiled by CRS using P.L. 116-6, P.L. 116-94, P.L. 116-260, P.L. 117-103, P.L. 117-328, and P.L. 118-42; USDA, Agricultural Marketing Service (AMS), 2026 USDA Explanatory Notes; and USDA, AMS, "DBI Awarded Grants," https://www.ams.usda.gov/services/grants/dbi/awards.

Notes: N/A = not applicable. Values shown are not adjusted for inflation. The amount awarded to grantees may not sum to the appropriated amount. AMS uses 8% of the appropriated funds to provide technical assistance for grant recipients. AMS may use a portion of the appropriated funds to administer the program.

[29] The California State University, Fresno Region includes Arizona, California, New Mexico, Nevada, Oregon, and Washington. The University of Wisconsin Region includes Wisconsin, Minnesota, Iowa, South Dakota, Illinois, Michigan, Ohio, Indiana, Nebraska, Kansas, and Missouri. The University of Tennessee Region includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. UDSA, Agricultural Marketing Service (AMS), "Dairy Business Innovation Initiatives," https://www.ams.usda.gov/services/grants/dbi.

[30] As of May 2025, data on Dairy Business Innovation Initiatives amounts awarded to grantees are not publicly available.

[31] For additional examples, see USDA, AMS, *Status and Outcomes of the Dairy Business Innovation Initiatives*, January 2022, https://www.ams.usda.gov/sites/default/files/media/DBIReporttoCongress.pdf.

Other Farm Bill Programs

Dairy producers may be eligible to participate in other programs authorized or generally amended in a farm bill. These programs include the Federal Crop Insurance Program (FCIP); Livestock Indemnity Program (LIP); Livestock Forage Disaster Assistance Program (LFP); Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and Noninsured Crop Disaster Assistance Program (NAP).

FCIP dairy policies may offset financial losses associated with natural occurrences leading to decreased milk production on average in a state, poor dairy market conditions, and/or increasing feed costs. The other four programs may offset financial losses associated with natural disasters (e.g., cows dying because of disease or freezing).

Federal Crop Insurance Program

FCIP offers farmers the opportunity to purchase insurance coverage against financial losses caused by a wide variety of perils, including certain adverse growing and market conditions. Authorized insurance companies, called *approved insurance providers* (AIPs), sell and service FCIP policies. USDA regulates the policies offered and their pricing. The federal government subsidizes the premiums that farmers pay for these insurance policies to encourage farmer participation.[32]

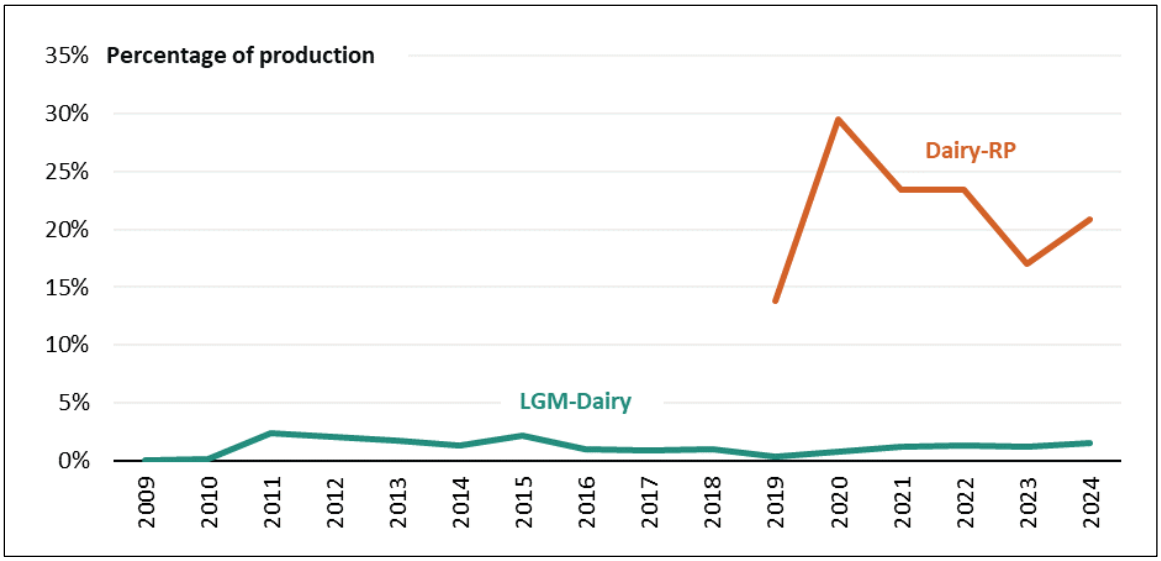
Dairy producers may purchase insurance coverage for their milk production, other agricultural commodities produced on the farm, and lands used to graze their animals. Dairy Revenue Protection (Dairy-RP) and Livestock Gross Margin for Dairy Cattle (LGM-Dairy) are the main policies used to insure milk production.[33] Dairy-RP and LGM-Dairy are available for purchase in all states.

Figure 6 shows the percentage of U.S. milk production covered by dairy federal crop insurance policies from commodity years 2009-2024. LGM-Dairy has been available since 2009 and Dairy-RP since 2019. The percentage of U.S. milk production covered under LGM-Dairy was less than 2% in each year. Between 2019 and 2024, the percentage of U.S. milk production covered by Dairy-RP ranged from a low of 14% in 2019 to a high of 30% in 2020.

[32] For more information about the Federal Crop Insurance Program, see CRS Report R46686, *Federal Crop Insurance: A Primer*.

[33] Farmers can also insure milk production under Whole-Farm Revenue Protection and Micro Farm policies. For background on these policies, see Risk Management Agency (RMA), "Whole-Farm Revenue Protection: Fact Sheet," https://www.rma.usda.gov/about-crop-insurance/fact-sheets/whole-farm-revenue-protection, and RMA, "Micro Farm Program: Fact Sheet," https://www.rma.usda.gov/about-crop-insurance/fact-sheets/micro-farm-program.

Figure 6. U.S. Milk Production Share Covered by Dairy Crop Insurance Policies, Commodity Years 2009-2024



Source: Figure created by CRS using data from Risk Management Agency (RMA), "Summary of Business," https://www.rma.usda.gov/tools-reports/summary-of-business.

Notes: Dairy-RP = Dairy Revenue Protection; LGM-Dairy = Livestock Gross Margin for Dairy Cattle. RMA approved the sale of LGM-Dairy policies in 2008 and the sale of Dairy-RP policies in 2018. Dairy producers could begin purchasing LGM-Dairy policies in 2009 and Dairy-RP policies in 2019. For dairy crop insurance policies, the commodity year is from January 1 to December 31 (i.e., a calendar year).

Dairy Revenue Protection

Dairy-RP policies indemnify revenue losses over a three-month window (i.e., a quarter) due to a decline in milk production or milk price.[34] If a producer's actual milk revenue falls below an expected revenue guarantee, then the producer receives an indemnity payment.[35] Among other provisions, under Dairy-RP, dairy producers select

1. the amount of expected milk production to cover each quarter;
2. how to value the expected milk production, either by milk class pricing or component pricing;
3. the level of revenue to cover, ranging from 80% to 95% of expected quarterly revenue in 5% increments;
4. which quarters to cover;[36] and

[34] Dairy-RP does not indemnify producers against dairy cattle deaths, other losses or damages of dairy cattle, or any other losses or damages.

[35] If multiple producers own the milk, they would receive indemnity payments proportional to their ownership share.

[36] Dairy producers purchase Dairy-RP on a quarterly basis for the dairy crop year (July-June). Policies are available for purchase any day during the dairy crop year except for specific dates when certain USDA reports are released or when RMA does not make pricing data available. Farmers may purchase Dairy-RP for up to five quarters during the coverage period.

5. whether to purchase—for an additional premium cost—an optional protection factor that may increase the value of indemnity payments when they are triggered.[37]

A dairy producer's premium is based on risk and varies on the basis of the amount of total value of milk insured, premium subsidies, and other actuarial factors. The premium subsidy for Dairy-RP decreases as the elected coverage increases. For example, if a dairy producer elects 80% coverage (lowest coverage option), the federal government subsidizes 55% of the premium. However, if a dairy producer elects the highest coverage option of 95%, the federal government subsidizes 44% of the premium.[38]

Livestock Gross Margin for Dairy Cattle

LGM-Dairy indemnifies producers for economic losses associated with rising average feed costs for dairy cattle and/or declining average milk prices. LGM-Dairy does not indemnify producers against dairy cattle deaths, unexpected decreases in milk production, unexpected increases in feed use, anticipated or multiple-year increases in feed costs, or anticipated or multiple-year declines in milk prices.[39] Under LGM-Dairy, a dairy producer is insuring an expected gross margin level for an expected amount of milk production (i.e., *target marketings*). If the actual gross margin at the end of the coverage period is less than the expected gross margin, the producer may receive an indemnity payment based on the difference between the two values. LGM-Dairy policies insure milk production for a period of 11 months. Dairy producers may purchase an LGM-Dairy policy on any Thursday during the calendar year. Premiums are due at the end of the insurance period.

For LGM-Dairy, the *expected gross margin*—calculated separately for each month—is the difference between the expected market value of milk marketings (i.e., the average price of milk) and a producer-customized measure of average feed costs.[40] The expected market value of milk is determined by the daily Class III milk futures price published by the Chicago Mercantile Exchange (CME) group. The producer-customized measure of average feed costs is calculated using the CME-published corn and soybean meal futures prices and the amount of feed that dairy producers expect to provide to their dairy cattle each month while the policy is in effect. Dairy producers can customize the amount of corn and soybean meal (or equivalents) of feed within certain prespecified ranges to tailor the average feed cost to their operation's expected feed costs.[41]

[37] If an indemnity is triggered, the value of the indemnity is multiplied by the protection factor. Protection factors can range from 1.0 to 1.5 in increments of 0.05. For more information about Dairy-RP, see RMA, "Dairy Revenue Protection: Fact Sheet," April 2019, https://www.rma.usda.gov/about-crop-insurance/fact-sheets/dairy-revenue-protection.

[38] RMA, "Dairy Revenue Protection: Fact Sheet."

[39] RMA, "Livestock Gross Margin Insurance Dairy Cattle: Fact Sheet," April 2022, https://www.rma.usda.gov/sites/default/files/2024-02/Livestock-Gross-Margin-Insurance-Dairy-Cattle-Fact-Sheet.pdf.

[40] A simplified formula illustrating how to calculate an indemnity payment under LGM-Dairy is [(expected milk production x futures milk price for the month coverage starts) – (expected feed use x futures feed prices for the month coverage starts)] – [(expected milk production x futures milk price futures milk price for the month coverage expires) – (expected feed use x futures feed price for the given month the coverage expires)].

[41] Dairy producers can select between 0.00364 and 0.0382 tons of corn or corn equivalent feed per hundredweight of milk produced and between 0.000805 and 0.013 tons of protein meal or protein meal equivalent feed per hundredweight of milk produced. Farmers who do not elect customized feed amounts are assigned default values of 0.014 tons of corn and 0.002 tons of soybean meal feed per hundredweight of milk produced.

The *actual gross margin*—calculated separately for each month—is the actual average price of milk for the month multiplied by the target marketings less the actual average feed cost for the month. The *actual average feed cost* is the amount of feed that the producer selected multiplied by the actual average price of corn and soybean meal. The calculation of actual gross margin does not involve a producer's actual marketings over the insured period. Thus, if a producer actually sells less milk than the target amount of marketings over the insurance period, that shortfall in sales is not indemnified under an LGM-Dairy policy. Also, if a producer sells more milk than the target amount of marketings over the insurance period, the insurance coverage does not apply for the volume of milk that exceeds the target marketings.

Premiums for LGM-Dairy depend on the producers' target marketings over the insurance period, the deductible selected, and premium subsidies. The *deductible* is the amount of margin loss that the producer must incur before the policy makes an indemnity payment. Deductibles range between $0 and $2.00 per hundredweight of milk in $0.10 increments. Thus, a producer who selects a deductible of $2.00 per hundredweight of milk may be eligible to receive indemnity payments from the policy if the expected margin less the actual margin is more than $2.00 per hundredweight of milk (i.e., no indemnity payments will be made if the expected margin minus the actual margin is less than $2.00).

For LGM-Dairy, the premium subsidy is based on the producer-elected deductible. Relatively lower deductibles have relatively lower premium subsidies. For example, if a producer chooses a $0 deductible, the premium subsidy is 18%. However, if a producer chooses the highest deductible of $2, the premium subsidy is 50%.[42]

Natural Disaster Assistance Programs

Four programs are permanently authorized to financially compensate livestock producers, including dairy producers, for losses cause by natural disasters: (1) LIP, (2) LFP, (3) ELAP, and (4) NAP.[43] All four programs receive such sums as necessary in mandatory funding via the CCC to reimburse eligible producers for their losses.[44] FSA administers these programs nationwide.

Congress permanently authorized LFP, LIP, and ELAP in the 2014 farm bill. Producers do not pay fees to participate and can apply for compensation at their local FSA offices.[45] In addition, these three programs do not require producers to enroll in them prior to a natural disaster. For individual producers, payments under LFP may not exceed $125,000 per year. There are no limits on payment amounts received under LIP and ELAP. To be eligible for a payment under any of these programs, a producer's average adjusted gross income (AGI) cannot exceed $900,000.[46]

NAP has permanent authority under Section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. §7333) and is administered differently than LFP, LIP, and ELAP.

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[42] RMA, "Livestock Gross Margin Insurance Dairy Cattle: Fact Sheet," April 2022, https://www.rma.usda.gov/about-crop-insurance/fact-sheets/livestock-gross-margin-insurance-dairy-cattle.

[43] For more information, see CRS Report RS21212, *Agricultural Disaster Assistance*, and CRS Report R48245, *The Noninsured Crop Disaster Assistance Program (NAP)*.

[44] 7 U.S.C. §9081(b)(1), 7 U.S.C. §9081(c)(2), and 7 U.S.C. §9081(d)(1).

[45] For local FSA contact information, see the FSA locator at http://offices.sc.egov.usda.gov/locator/app?agency=fsa.

[46] Adjusted gross income (AGI) measures a taxpayer's net income—that is, income after expenses—from multiple sources (e.g., income earned from farming, wages or salary, social security, interest, dividends, and private pensions). Net farm income (i.e., income earned from farming) is one component of AGI and is reported on the Internal Revenue Service Schedule F. For the agricultural disaster programs, the amount of AGI measured for program administration is the average AGI for the three years preceding the most recently completed tax year. For more information on AGI, see CRS Report R46248, *U.S. Farm Programs: Eligibility and Payment Limits*.

Livestock Indemnity Program

LIP provides payments to eligible livestock owners and contract growers, including dairy producers, for livestock deaths in excess of normal mortality caused by an eligible loss condition (e.g., adverse weather for livestock, disease, or animal attack). Payments may also be made when the animal is injured as a direct result of an eligible loss condition but does not die and is therefore sold at a reduced price. Eligibility is predicated on not only the occurrence of a specific loss condition but also that condition's direct causation to the injury or death of the animal.

The LIP payment rate is equal to 75% of the average fair market value of the deceased animal type.[47] USDA publishes a payment rate for each type of livestock for each year.[48]

Livestock Forage Disaster Program

LFP provides payments to eligible livestock producers, including dairy producers impacted by drought and/or wildfires on federally managed land used for grazing.[49] LFP payments offset a portion of the producer's supplemental feed costs incurred because of qualifying drought or wildfire.

Although LFP payment calculations for drought differ from the calculations for fire on federally managed land, factors included in payment calculations for both drought and wildfire are the duration of forage loss and estimated monthly cost to the impacted livestock or dairy producer. The number of monthly LFP payments that producers may receive for a qualifying drought depends on the length and intensity of the drought during the normal grazing period, based on the U.S. Drought Monitor.[50] More intense and prolonged droughts result in a livestock producer receiving more monthly LFP payments. For droughts, the payment amount is equal to the number of monthly payments multiplied by 60% of estimated monthly feed cost. For producers who sold livestock because of drought conditions, the payment rate is equal to 80% of the estimated monthly feed cost.[51] In general, USDA publishes a payment rate for each type of livestock for each year.[52]

[47] 7 U.S.C. §9081(b)(2).

[48] For payment rates, see FSA, "Disaster Assistance: Livestock Indemnity Program: Fact Sheet," January 2025, https://www.fsa.usda.gov/tools/informational/fact-sheets/livestock-indemnity-program-lip. Historically, Livestock Indemnity Program (LIP) payment rates were issued once annually. In 2022 and 2023, USDA issued midyear adjustments to the LIP payment rates to account for rapid changes in livestock market prices. For more information, see FSA, "USDA Updates Livestock Disaster Payment Rate to Assist Producers Hard-Hit by Heat and Humidity," press release, August 25, 2023, https://www.fsa.usda.gov/news-events/news/08-25-2023/usda-updates-livestock-disaster-payment-rate-assist-producers-hard-hit.

[49] 7 U.S.C. §9081(c)(3) and 7 U.S.C. §9081(c)(4).

[50] The U.S. Drought Monitor (USDM) is a collaborative effort to classify drought between the National Drought Mitigation Center (NDMC) at the University of Nebraska–Lincoln, the National Oceanic and Atmospheric Administration (NOAA), and USDA. The USDM classifies drought severity and duration at the county level and publishes weekly county-level maps. For more information, see U.S. Drought Monitor, "What Is the USDM?," https://droughtmonitor.unl.edu/About/WhatistheUSDM.aspx.

[51] For more information on the Livestock Forage Disaster Program (LFP), see CRS Report R48082, *Livestock Forage Disaster Program (LFP): Drought and Wildfire Assistance*.

[52] Payment rates for LFP are available in FSA, "Disaster Assistance: LFP – Livestock Forage Disaster Program: Fact Sheet," January 2025, https://www.fsa.usda.gov/tools/informational/fact-sheets/livestock-forage-disaster-program-lfp.

Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program

ELAP provides compensation to producers of livestock (including dairy producers), honey bees, and farm-raised fish for losses due to disease, adverse weather, feed or water shortages, or other conditions (e.g., wildfires on nonfederally managed grazing lands) that are not covered under LIP or LFP (e.g., livestock grazing loss that is not due to drought or wildfires on federally managed lands).[53]

Applicants who are defined as socially disadvantaged, limited resource, beginning, and/or veteran farmers or ranchers are eligible for up to 90% of cost of loss.[54] All other losses are based on a national payment rate not to exceed 80% of cost of loss.[55]

In 2024, USDA amended regulations to ELAP to partially compensate eligible dairy producers for milk losses due to an infection of a strain (H5N1) of highly pathogenic avian influenza (HPAI) in their dairy herds.[56] Under this new rule, ELAP provides payments based on 100% of the milk production lost during the 21-day period when a cow is removed from the milk herd and 50% of the milk production during the subsequent 7 days when the cow returns to milking.[57] The ELAP payment for milk losses is based on 90% of the monthly all milk price.[58]

Noninsured Crop Disaster Assistance Program

Eligible dairy producers may purchase NAP policies at planting time to indemnify them against losses to their crops grown for grazing or forage (e.g., hay) caused by certain types of natural disasters.[59] NAP does not cover milk or livestock losses. There are two types of NAP coverage: basic and buy-up. Basic NAP offers coverage for losses in excess of 50% of normal yield (i.e., catastrophic losses). Producers pay an administrative service fee. The service fee is the lesser of $325 per crop or $825 per producer per administrative county, not to exceed a total of $1,950 for farms in multiple counties. Basic NAP has an annual payout limit of $125,000 per crop year per producer for basic coverage. Producers may purchase higher coverage levels that cover less severe losses (buy-up coverage). Buy-up coverage is available in increments of 5% to cover between 50% and 65% of a crop lost. For NAP buy-up coverage, producers pay the NAP service fee and a premium. Premiums for buy-up coverage are based on the value of the potential indemnity. NAP buy-up coverage has an annual payout limit of $300,000 per crop year per producer. For both types of NAP coverage, policies must be purchased prior to a disaster event,

[53] For more information about the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), see CRS Report RS21212, *Agricultural Disaster Assistance*.

[54] 7 U.S.C. §9081(d)(4).

[55] 7 C.F.R. §1416.109.

[56] FSA, "USDA to Begin Accepting Applications for Expanded ELAP to Help Dairy Producers Offset Milk Loss Due to H5N1," press release, June 27, 2024, https://www.usda.gov/media/press-releases/2024/06/27/usda-begin-accepting-applications-expanded-emergency-livestock.

[57] FSA uses the monthly national average production in pounds per head, per month, reported by USDA's National Agricultural Statistics Service (NASS) to determine expected milk production per day. NASS milk production data are available at USDA, "Economics, Statistics and Market Information System: Milk Production," https://usda.library.cornell.edu/concern/publications/h989r321c?locale=en.

[58] The all milk price is published in a monthly report: USDA, "Economics, Statistics and Market Information System: Agricultural Prices," https://usda.library.cornell.edu/concern/publications/c821gj76b.

[59] For more information on the Noninsured Crop Disaster Assistance Program (NAP), see CRS Report R48245, *The Noninsured Crop Disaster Assistance Program (NAP)*.

and producers must purchase or renew coverage on an annual basis. A producer is ineligible under NAP if the producer's average AGI exceeds $900,000.

Permanent Dairy Programs Outside the Farm Bill

USDA also administers dairy programs that are authorized and generally amended outside of a farm bill.[60] These include promotion and research programs (i.e., checkoff programs) and FMMOs.

Promotion and Research Programs

USDA's Agricultural Marketing Service (AMS) oversees two agricultural commodity research and promotion programs for the dairy industry. These two programs are the Dairy Promotion and Research Program (i.e., dairy checkoff program) and the National Fluid Milk Processor Promotion Board (i.e., fluid milk checkoff program). Each checkoff program reimburses USDA for administrative costs.[61] This section describes the checkoff programs' authorizing legalization, funding, governing body, and reporting requirements.

Dairy Promotion and Research

The Dairy Promotion and Research Program (known as the "dairy checkoff program") is a national producer and importer program for dairy product promotion, research, and nutrition education.[62] Congress authorized the dairy checkoff program in the Dairy Production Stabilization Act of 1983 (P.L. 98-180). The program is also governed by a set of federal regulations called the "Dairy Promotion and Research Order."[63] When authorizing the program, Congress found and determined that

> (1) dairy products are basic foods that are a valuable part of the human diet;
>
> (2) the production of dairy products plays a significant role in the Nation's economy;
>
> (3) dairy products must be readily available and marketed efficiently to ensure that the people of the United States receive adequate nourishment;
>
> (4) the maintenance and expansion of existing markets for dairy products are vital to the welfare of milk producers and those concerned with marketing; and
>
> (5) dairy products move in interstate and foreign commerce, and dairy products that do not move in such channels of commerce directly burden or affect interstate commerce of dairy products.[64]

In 2002, Congress declared that it was in the public's interest to establish a promotion program designed to strengthen the U.S. dairy industry's position in the marketplace and to maintain and expand foreign markets.[65]

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[60] Congress may amend non-farm-bill dairy programs when reauthorizing a farm bill.

[61] For more information on AMS's oversight responsibilities, see AMS, *Guidelines for AMS Oversight of Commodity Research and Promotion Programs*, January 2020, https://www.ams.usda.gov/sites/default/files/media/AMSRPGuidelines.pdf.

[62] 7 U.S.C. §4501.

[63] The regulations for the dairy promotion and research order (i.e., dairy checkoff) are in 7 C.F.R. Part 1150.

[64] 7 U.S.C. §4501(a).

[65] The Farm Security and Rural Investment Act of 2002 (2002 farm bill; P.L. 107-171, §1505(c)) authorized the (continued...)

The program is funded by U.S. dairy farmers, who pay an assessment of 15 cents per hundredweight on their milk production, and importers, who pay 7.5 cents per hundredweight (on a milk-equivalent basis) on dairy products imported into the United States.[66]

The dairy checkoff program is governed by a board appointed by the Secretary of Agriculture. Statute defines the composition of the board, board member terms, power and duties of the board, and rules on how board membership should represent the geographic distribution of milk processors.[67]

National Fluid Milk Processor Promotion Board

The National Fluid Milk Processor Promotion Board (i.e., fluid milk checkoff program) develops and finances generic promotions to maintain and expand dairy markets and fluid milk consumption on behalf of U.S. fluid milk processors.[68] Congress authorized the checkoff program in the Fluid Milk Promotion Act of 1990 (P.L. 101-624, Title XIX, Division H, of the Food, Agriculture, Conservation, and Trade Act of 1990). The program is also governed by a set of federal regulations called the "Fluid Milk Promotion and Research Order."[69] When authorizing the program, Congress stated eight reasons for creating it, of which five were the same as for creating the dairy checkoff program. Additionally, Congress amended the statute to include another reason for creating the program in the Agricultural Market Transition Act (P.L. 104-127, Title I, of the Federal Agricultural Improvement and Reform Act of 1996). The additional four congressional findings were

> (6) the fluid milk segment of the dairy market contributes substantially to ensuring that the prices paid to milk producers for raw milk are stable and adequate to maintain the overall strength of the dairy industry;
>
> (7) to maintain and expand markets for fluid milk products, not to maintain or expand any processor's share of those markets and not to prohibit or restrict individual advertising or promotion of fluid milk products;
>
> (8) the cooperative development, financing, and implementation of a coordinated program of advertising and promotion of fluid milk products is necessary to maintain and expand markets for fluid milk products;
>
> (9) it is appropriate to finance the cooperative program... with self-help assessments paid by the fluid milk processors.[70]

National Dairy Promotion and Research Board (i.e., dairy checkoff program) to spend funds "to develop international markets for, and to promote within such markets, the consumption of dairy products produced or manufactured in the United States." Congress has extended this authorization in each subsequent farm bill legislation. 7 U.S.C. §4501(b).

[66] Farm Security and Rural Investment Act of 2002 (P.L. 107-171 §1505(d)) and Food, Conservation, and Energy Act of 2008 (P.L. 110-234 §1507(c)). For the U.S. International Trade Commission's report on the dairy checkoff assessment fees, see John Fry et al., *The USDA's Final Rule on Dairy Import Assessment Fees: A Large or Small Economic Impact on Imports?*, May 2011, https://www.usitc.gov/publications/332/ID-28.pdf.

[67] 7 U.S.C. §4504(b) and 7 U.S.C. §4504(c). For a list of the current Dairy Promotion and Research Program board members, see AMS, "National Dairy Promotion & Research Board," https://www.ams.usda.gov/rules-regulations/research-promotion/dairy.

[68] 7 U.S.C. §6401.

[69] The regulations for the national fluid milk processor promotion board (fluid milk checkoff program) are in 7 C.F.R. Part 1160.

[70] 7 U.S.C. §6401(a).

The program is funded by eligible U.S. fluid milk processors, who pay an assessment of 20 cents per hundredweight of fluid milk products marketed.[71] Eligible fluid milk processors are entities that process more than 3 million pounds of fluid milk per month.[72] Eligible processors do not pay the assessment on fluid milk products exported from the United States.[73] In addition, fluid milk processors processing organic milk may be exempt from paying the assessment.[74]

The fluid milk checkoff program is governed by a board appointed by the Secretary of Agriculture.[75] Statute defines the composition of the board, board member terms, power and duties of the board, and rules on how board membership should represent the geographic distribution of milk processors.

Checkoff Program Reporting Requirements

The authorizing statute for the dairy and fluid milk checkoff programs require USDA to submit annual reports to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry by July 1 of each year.[76] The statute requires that annual reports describe the activities conducted under these programs, accounting for the receipt and disbursement of all funds received by the programs, and include an independent evaluation of the effectiveness of these programs during the previous fiscal year.

USDA has not always met the reporting deadlines required by law. For example, the Government Accountability Office (GAO) reported that the 2013, 2014, and 2015 annual dairy and fluid milk checkoff program reports were all submitted to Congress in October 2017.[77] According to a letter from multiple dairy industry stakeholders, USDA did not publish the 2020, 2021, and 2022 annual reports to Congress before June 2023.[78] As of June 2025, the most recent published report is for program activities in 2022.[79]

Federal Milk Marketing Orders

The FMMO system is a permanently authorized mechanism for stabilizing the supply and price of fluid milk.[80] According to testimony before the House Committee on Agriculture, the FMMOs are designed to ensure milk producers of fair treatment in the marketplace while assuring consumers

[71] 7 U.S.C. §6409(f).

[72] Fluid milk products delivered directly to the consumer's residence are excluded when determining the amount of fluid milk processed each month. 7 U.S.C. §6402(4).

[73] 7 U.S.C. §6407(l).

[74] 7 C.F.R. §1160.215.

[75] 7 U.S.C. §6407. For a list of current fluid milk checkoff program board members, see AMS, "The National Fluid Milk Processor Promotion Board," https://www.ams.usda.gov/rules-regulations/research-promotion/fluid-milk.

[76] 7 U.S.C. §4514(4) and 7 U.S.C. §6407(m).

[77] Government Accountability Office (GAO), *Agricultural Promotion Programs: USDA Could Build on Existing Efforts to Further Strengthen Its Oversight*, GAO-18-54, November 21 2017, https://www.gao.gov/assets/gao-18-54.pdf.

[78] Letter from Angela Huffman, president of Farm Action, and Deborah Mills, chairwoman of National Dairy Producers Organization, to Thomas J. Vilsack, Secretary of Agriculture, June 20 2023, https://farmaction.us/wp-content/uploads/2023/06/Dairy-Checkoff-Letter-to-USDA.pdf.

[79] For a repository of dairy and fluid milk checkoff program reports from 2005 to 2022, see AMS, "Report to Congress on Dairy & Fluid Milk Promotion & Research Programs," https://www.ams.usda.gov/reports/report-congress-dairy-fluid-milk-promotion-research-programs.

[80] The Federal Milk Marketing Order (FMMO) system originated in the 1930s. For more information, see CRS In Focus IF12923, *Pricing Amendments to the Federal Milk Marketing Orders*. Authorization for orders, including milk marketing orders, are codified in 7 U.S.C. §608c.

of a consistent and adequate supply of dairy products.[81] Under FMMO law and regulations, USDA establishes a minimum milk price, and milk handlers (processors) are required to pay milk producers at least a minimum price for fluid milk and adhere to other specified rules. The collection of formulas used to calculate the minimum price is referred to as the *uniform pricing formula*.[82]

The FMMO system governs milk marketing in defined geographic regions (i.e., orders) (**Figure 7**).[83] In 1962, the number of orders peaked at 83.[84] Pursuant to consolidation and reform measures enacted in the Federal Agriculture Improvement and Reform Act of 1996 (1996 farm bill; P.L. 104-127, §143), 11 FMMOs were established in January 2000.[85] However, the Western Order terminated on April 1, 2004.[86] California dairy producers voted to establish an FMMO in 2018, returning the number of milk marketing orders to 11.[87]

[81] U.S. Congress, House Committee on Agriculture, Subcommittee on Dairy and Poultry, *Milk Marketing Orders*, 96th Cong., 1st sess., July 17, 1979, p. 29.

[82] For more information on the FMMO system, see CRS Report R45044, *Federal Milk Marketing Orders: An Overview*.

[83] These regions may not correspond to state, tribal, or local boundaries.

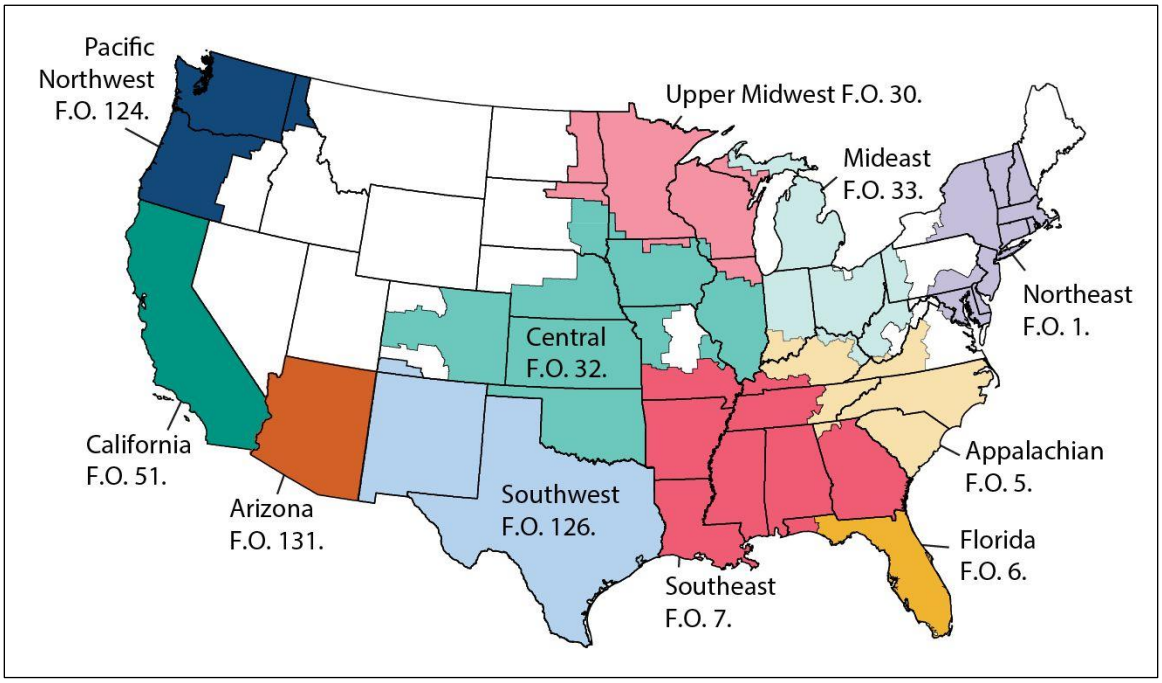
[84] Alexander Swantz, "How We Came to Have Federal Milk Marketing Orders: What They Are and What They Do," *Journal of Dairy Science*, vol. 45, no. 11 (November 1962), pp. 1397-1402, https://doi.org/10.3168/jds.S0022-0302(62)89635-0.

[85] Prior to FMMO reorganization, there were 31 federal orders. Richard Stillman, "Federal Milk Marketing Orders: Consolidation and Reform," *Agricultural Outlook*, March 1998, pp. 20-23.

[86] The Western Order consisted of Utah, parts of southern Idaho, eastern Oregon, eastern Nevada, and the southwest corner of Wyoming. For the final rule for termination, see AMS, "Milk in the Western Marketing Area; Termination of the Order," 69 *Federal Register* 8327, February 24, 2004, https://www.federalregister.gov/documents/2004/02/24/04-3952/milk-in-the-western-marketing-area-termination-of-the-order.

[87] USDA, "USDA Announces Producer Approval of California Federal Milk Marketing Order," press release, June 7, 2018, https://www.usda.gov/media/press-releases/2018/06/07/usda-announces-producer-approval-california-federal-milk-marketing.

Figure 7. Federal Milk Marketing Orders, 2025



Source: USDA, Agricultural Marketing Service (AMS), "11 Federal Milk Marketing Order Areas," https://www.ams.usda.gov/sites/default/files/media/Federal%20Milk%20Marketing%20Orders%20Map.pdf.

Notes: F.O. = federal order. Blank areas of the map are regulated by state orders or are unregulated. Alaska and Hawaii are not in F.O.s.

FMMOs are established and amended through a formal public hearing process that allows interested parties to present evidence regarding marketing and economic conditions in support of, or in opposition to, instituting or amending an order.[88] USDA makes most FMMO changes administratively through the federal rulemaking process, and such rules must then be approved by milk producers in a referendum. Congress may alter the FMMO system through legislation (for more information, see the section titled "Federal Milk Marketing Orders System").

Dairy Ad Hoc Programs Since 2018

Since 2018, Congress and USDA have provided supplemental assistance that has included direct payments to dairy producers for financial losses caused by poor dairy market conditions and natural disasters. These ad hoc programs are the DDP, Organic Dairy Marketing Assistance Program (ODMAP), and the Milk Loss Program (MLP). Each program has its own set of eligibility criteria and payment calculations. This section describes programs that provided financial assistance to dairy producers only.

Other ad hoc support programs directed at the agricultural sector in general (e.g., the Market Facilitation Program, Coronavirus Food Assistance Program, Coronavirus Food Assistance Program 2, and Emergency Livestock Relief Program) that may have provided financial

[88] For more information on the pricing amendments to the Federal Milk Marketing Orders that dairy producers approved in January 2025, see CRS In Focus IF12923, *Pricing Amendments to the Federal Milk Marketing Orders*.

assistance to dairy producers as well as to other commodity and livestock producers are covered in other CRS products.[89]

Dairy Donation Program

In the Consolidated Appropriations Act, 2021 (P.L. 116-260), Congress established the DDP, which was implemented by AMS.[90] Congress appropriated $400 million for DDP to remain available until expended. According to USDA, the purpose of this program was to facilitate dairy product donations while reducing food waste and aiding hunger relief during the COVID-19 pandemic.[91] Under the DDP, eligible dairy organizations (i.e., individual dairy farmers, dairy cooperatives, or dairy processors) could partner with and donate certain dairy products to eligible distributors (i.e., public or private nonprofit organizations that distribute food donations to recipient individuals and families).[92]

The DDP had eligibility requirements for which dairy products could be donated, which expenses could be reimbursed, and which dairy organizations could participate:

- Eligible dairy products were primarily made from milk, including fluid milk; were produced and processed in the United States; were packaged in consumer-sized containers; and had a sell-by, best-by, or use-by date no sooner than 12 days from the date the product was delivered to the eligible distributor.[93]
- Eligible expenses included the value of donated dairy products, manufacturing costs, and transportation costs.[94]
- Eligible dairy organizations were required to pool milk under an FMMO.[95]

DDP was similar to the Milk Donation Program (MDP) authorized by the 2018 farm bill. One of the differences between these programs is the eligible dairy products. As described above, various types of dairy product were eligible for donation under DDP. Under MDP, only fluid milk is eligible for donation.

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[89] For more information about the MFP, see CRS Report R45310, *Farm Policy: USDA's 2018 Trade Aid Package*; CRS Report R45865, *Farm Policy: USDA's 2019 Trade Aid Package*; and CRS In Focus IF11289, *Farm Policy: Comparison of 2018 and 2019 Market Facilitation Programs*. For more information about USDA's COVID-19 farm support response, see CRS Report R46395, *USDA's Coronavirus Food Assistance Program: Round One (CFAP-1)*; CRS Report R46645, *USDA's Coronavirus Food Assistance Program: Round Two (CFAP-2)*; CRS In Focus IF11764, *U.S. Agricultural Aid in Response to COVID-19*; and CRS Report R47051, *U.S. Farm Income Outlook: 2021 Forecast*.

[90] Consolidated Appropriations Act, 2021 (P.L. 116-260, Title VII, §762).

[91] USDA, AMS, "USDA Establishes Dairy Donation Program, Part of Continuing USDA Pandemic Assistance," press release, August 25, 2021, https://www.ams.usda.gov/press-release/usda-establishes-dairy-donation-program-part-continuing-usda-pandemic-assistance.

[92] USDA, AMS, "Establishment of a Dairy Donation Program," 86 *Federal Register* 48887, September 1, 2021, https://www.federalregister.gov/documents/2021/09/01/2021-18606/establishment-of-a-dairy-donation-program.

[93] 7 C.F.R. §§1147.1 and 1147.3. Examples of eligible dairy products included gallons of milk, 8-ounce blocks of cheese, single-serving containers of yogurt, and 1-pound packages of butter.

[94] 7 C.F.R. §1147.1.

[95] 7 C.F.R. §1147.1.

Milk Loss Program

The MLP provides financial assistance to eligible dairy operations in the event of an eligible natural disasters. Assistance is based on the fair market value of milk dumped or removed from the commercial milk market as a result of eligible natural disasters in 2018-2022.[96] Eligible natural disasters included droughts, wildfires, hurricanes, floods, derechos, excessive heat, winter storms, freeze (including a polar vortex), and smoke exposure. Congress appropriated supplementing funding for agricultural losses due to natural disaster including milk losses in the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (P.L. 116-20; covered losses in 2018 and 2019); Further Consolidated Appropriations Act, 2020 (P.L. 116-94; covered losses 2018 and 2019); Disaster Relief Supplemental Appropriations Act, 2022 (P.L. 117-43, Division B; covered losses in 2020 and 2021); and Disaster Relief Supplemental Appropriations Act, 2023 (P.L. 117-328, Division N; covered losses in 2022).[97] The American Relief Act, 2025, included supplemental appropriations of $21 billion for agricultural disaster assistance including milk losses in 2023 and 2024.[98]

Organic Dairy Marketing Assistance Program

USDA established ODMAP to partially compensated certified organic dairy operations for their projected marketing costs. According to USDA, certified organic dairies faced challenges that increased projected marketing costs (e.g., higher input, transportation costs, and unstable feed supply) in 2023 and 2024, and the program helped to "expand the market for organic dairy and increase the consumption of organic dairy."[99] USDA administered two versions of this program; the first in 2023 and the second in 2024. In 2023, ODMAP provided a one-time payment based on the marketing costs of pounds of organic milk marketed in 2022.[100] In 2024, ODMAP provided a one-time payment based on the marketing costs of pounds of organic milk marketed in 2023 or the estimated 2024 marketing costs for organic dairy operations that had increased milk production or had entered the organic dairy market.[101] Under ODMAP 2024, USDA increased the payment rate to $1.68 per hundredweight compared to the previous $1.10 per hundredweight and increased the production level eligible for marketing cost-share assistance to nine million pounds from the previous five million pounds.[102]

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[96] 7 C.F.R. §760, Subpart Q.

[97] Supplemental appropriations totaled over $19 billion from FY2018 through FY2023. Dairy producers may have been eligible to receive some of these funds. For more information about supplemental appropriations and ad hoc programs for natural disaster assistance, see CRS Report RS21212, *Agricultural Disaster Assistance*.

[98] For more information on USDA's plans for distributing the $21 billion of supplementally appropriated disaster assistance funds, see FSA, "2023/2024 Supplemental Disaster Assistance," https://www.fsa.usda.gov/resources/programs/20232024-supplemental-disaster-assistance, accessed May 30, 2025.

[99] FSA, "USDA Offers $58 Million in Available Assistance to Help Organic Dairy Producers," press release, September 26, 2024, https://www.fsa.usda.gov/news-events/news/09-26-2024/usda-offers-58-million-available-assistance-help-organic-dairy; see also FSA, "USDA Offers Assistance to Help Organic Dairy Producers Cover Increased Costs," press release, May 19, 2023, https://www.fsa.usda.gov/news-events/news/05-19-2023/usda-offers-assistance-help-organic-dairy-producers-cover-increased.

[100] CCC and FSA, "Notice of Funds Availability (NOFA) for the Organic Dairy Marketing Assistance Program," 88 *Federal Register* 33562, May 24, 2023, https://www.federalregister.gov/documents/2023/05/24/2023-11030/notice-of-funds-availability-nofa-for-the-organic-dairy-marketing-assistance-program.

[101] CCC and FSA, "Notice of Funds Availability (NOFA); Organic Dairy Marketing Assistance Program 2024 (ODMAP 2024)," 89 *Federal Register* 79505, September 30, 2024, https://www.federalregister.gov/documents/2024/09/30/2024-22346/notice-of-funds-availability-nofa-organic-dairy-marketing-assistance-program-2024-odmap-2024.

[102] 89 *Federal Register* 79505.

USDA announced $104 million from CCC funds available for ODMAP 2023.[103] In 2024, USDA announced an additional $58 million in program funding.[104] According to USDA, funding for ODMAP 2023 and ODMAP 2024 came from unobligated CCC funds that had previously been made available for other pandemic assistance programs.[105]

Federal Spending on Selected Dairy Programs

The amount the federal government spent on selected dairy programs varies each year (**Table 4**).[106] Between 2019 and 2024, spending ranged from about $207 million in 2024 to over $1.4 billion in 2023. Spending varied each year based on the amount of participation in the programs and/or the extent of program payments that were triggered. Of the selected dairy programs included in **Table 4**, DMC had the largest costs in program years 2019, 2020, 2021, and 2023.[107] In 2022 and 2024, Dairy-RP had the largest costs. In contrast, MDP typically had the smallest costs each year. Between 2019 and 2024, farm bill dairy programs generally accounted for over 98% of total federal spending on dairy programs, and ad hoc dairy programs accounted for less than 2% of spending.

Table 4. Federal Spending for Selected Dairy Programs in 2019-2024

In thousands of U.S. dollars (nominal)

	Program Years[a]					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
DMC[b]	450,877	233,919	1,185,908	83,674	1,291,464	36,668

[103] FSA, "USDA Offers Assistance to Help Organic Dairy Producers Cover Increased Costs," press release, May 19, 2023, https://www.fsa.usda.gov/news-events/news/05-19-2023/usda-offers-assistance-help-organic-dairy-producers-cover-increased.

[104] FSA, "USDA Offers $58 Million in Available Assistance to Help Organic Dairy Producers," press release, September 26, 2024, https://www.fsa.usda.gov/news-events/news/09-26-2024/usda-offers-58-million-available-assistance-help-organic-dairy.

[105] FSA, "USDA Offers Assistance to Help Organic Dairy Producers Cover Increased Costs," press release, May 19, 2023, https://www.fsa.usda.gov/news-events/news/05-19-2023/usda-offers-assistance-help-organic-dairy-producers-cover-increased, and FSA, "USDA Offers $58 Million in Available Assistance to Help Organic Dairy Producers," press release, September 26, 2024, https://www.fsa.usda.gov/news-events/news/09-26-2024/usda-offers-58-million-available-assistance-help-organic-dairy.

[106] DMC values include supplemental DMC payments authorized by the Consolidated Appropriations Act, 2021 (P.L. 116-260, Division N, §761). DMC premiums and fees are the expenses that dairy farmers incur to enroll in DMC. This table does not include all dairy programs discussed in this report that are included in CRS calculations of federal spending on dairy farmers. Additionally, not all costs are included in this CRS calculation. Examples of costs not included are administrative or staffing costs associated with administering or overseeing the dairy programs included in this report. As such, The Dairy Forward Pricing Program, Promotion and Research Programs, and Federal Milk Marketing Orders are excluded from the table because outlays for these programs do not go to dairy producers but are for administrative costs associated with administering/overseeing the programs. For MDP and DDP, all payments have gone to dairy cooperatives or dairy processors. USDA does not know how payments to dairy cooperatives are distributed within the cooperative. The amount provided to dairy farmers from the permanent disaster assistance programs is not publicly available. Dairy-RP and LGM-Dairy are the premium subsidies paid by USDA in a crop year. The dairy crop year is January 1-December 31 (i.e., a calendar year). In addition to outlays for premium subsidies, USDA incurs other costs from selling crop insurance policies for dairies, including costs for private sector delivery of the policies and reinsuring a portion of all policies sold. For all livestock policies—including policies other than dairy—these costs averaged $184 million and $94.6 million, respectively, for 2020-2024 (not adjusted for inflation). For additional background on these costs, see CRS Report R46686, *Federal Crop Insurance: A Primer*. USDA does not report projections for Dairy-RP and LGM-Dairy, therefore 2025 is not available.

[107] All program years are January 1 to December 31 (i.e., calendar years) unless otherwise specified.

		Program Years[a]					
		2019	**2020**	**2021**	**2022**	**2023**	**2024**
Farm Bill Programs	DMC premiums and fees[c]	not reported	-10,000	-9,996	-5,554	-61,616	-56,543
	MDP	N/A	712	202	46	179	184
	DIPP	4,136	5,661	2,460	4,753	558	2,011
	DBI	N/A	19,998	1,769	22,076	23,053	25,911
	Dairy-RP[d]	41,828	128,659	175,039	211,817	149,379	167,343
	LGM-Dairy	809	2,189	7,560	10,577	9,625	9,827
Ad Hoc Programs	DDP	N/A	N/A	491	4,889	3,136	N/A
	MLP	188	191	N/A	N/A	2,069	196
	ODMAP	N/A	N/A	N/A	N/A	20,364	31,017

Source: CRS calculations using data provided by USDA, Agricultural Marketing Service (AMS) and Farm Service Agency (FSA); AMS, Commodity Credit Corporation, and FSA Congressional Budget Justifications; USDA, Risk Management Agency, *Summary of Business Database*, downloaded April 9, 2025; and FSA, "Dairy Margin Coverage Program Enrollment Information," updated March 3, 2025, https://www.fsa.usda.gov/resources/programs/dairy-margin-coverage-program-dmc/enrollment.

Notes: DMC = Dairy Margin Coverage, MDP = Milk Donation Program, DIPP = Dairy Indemnity Payment Program, DBI = Dairy Business Innovation, Dairy-RP = Dairy Revenue Protection Insurance, LGM-Dairy = Livestock Gross Margin for Dairy Cattle Insurance, DDP = Dairy Donation Program, MLP = Milk Loss Program, ODMAP = Organic Dairy Marketing Assistance Program, and N/A = not applicable. This table does not include all dairy programs discussed in the report. The amount provided to dairy farmers from the permanent disaster assistance programs are not publicly available. Additionally, not all costs are included in this CRS calculation. Examples of costs not included are administrative or staffing costs associated with administered or overseeing the dairy programs included in this report. The Dairy Forward Pricing Program, Promotion and Research Programs, and Federal Milk Marketing Orders are excluded from the table because outlays for these programs do not go to the dairy industry but are for administrative costs associated with administering/overseeing the programs. For MDP and DDP, all payments have gone to dairy cooperatives or dairy processors that may be distributed to dairy producers. USDA does not know how payments to dairy cooperatives are distributed within the cooperative. The amounts provided to dairy farmers from the permanent disaster assistance programs are not publicly available.

a. All program years are January 1 to December 31 (i.e., calendar years) unless otherwise specified.

b. DMC values include supplemental DMC payments authorized by the Consolidated Appropriations Act, 2021 (P.L. 116-260, Division N, §761).

c. DMC premiums and fees are by fiscal year.

d. The Dairy-RP and LGM-Dairy are the premium subsidies paid by USDA. In addition to outlays for premium subsidies, USDA incurs other costs from selling crop insurance policies for dairies, including costs for private sector delivery of the policies and reinsuring a portion of all policies sold. For all livestock policies—including policies other than dairy—these costs averaged $184 million and $94.6 million, respectively, for 2020-2024 (not adjusted for inflation). For additional background on these costs, see CRS Report R46686, *Federal Crop Insurance: A Primer*. USDA does not report projections for Dairy-RP and LGM-dairy data; therefore, 2025 is not available.

Issues for Congress

Federal Spending on Dairy Programs Transparency

The 2018 farm bill included 10 programs available to support the U.S. dairy industry. In addition, Congress and USDA have provided supplemental assistance that has included direct payments to dairy producers for financial losses caused by poor dairy market conditions and natural disasters since 2018. These supplemental funds resulted in USDA creating three ad hoc dairy programs. Current USDA reporting practices make measuring the total costs of federal support to the dairy industry difficult. Incomplete cost data complicate dairy policymaking. Policymakers may be better prepared to evaluate proposed changes to current policy by fully understanding the total costs of current policy. Policy options of potential interest to Congress include requiring USDA to gather consistent data across its dairy programs and publicly report program costs by program, product, and farm size distribution. Enhanced data reporting also can have associated costs.

Issues for Dairy Programs

Over the past four decades, the dairy industry has seen rapid changes in the price of milk, increased milk production, a decline in the number of dairy operations, and changing consumer dairy product preference. In response, Congress has expanded support mechanisms for dairy production through farm bills and other legislation. Since 2018, Congress and USDA have also provided supplemental assistance that has included direct payments to dairy producers for financial losses caused by poor dairy market conditions (via DDP and ODMAP) and natural disasters (via MLP). The losses covered by the ad hoc programs are not covered by farm bill programs or legislation authorizing permanent programs outside of the farm bill. On one hand, Congress may consider evaluating the dairy industries' needs for additional insurance policies, permanent disaster programs, or other mechanisms to reduce their reliance on supplemental or ad hoc support programs. On the other hand, some stakeholders have proposed eliminating the dairy promotion and research programs, eliminating the FMMO system, and reducing the premium subsidies for dairy insurance policies.[108] As part of a potential farm bill reauthorization, Congress may consider what level of support is appropriate and whether the dairy programs are sufficiently flexible to address changing market conditions. In contrast, Congress may consider if the dairy programs are overly flexible and provide too many benefits. The following are some potential program-specific options that may be of interest to Congress. Previous Congresses considered but did not enact some of these policy options.

Dairy Margin Coverage Program

In the 118th Congress, the Farm, Food, and National Security Act of 2024 (H.R. 8467) and the Rural Prosperity and Food Security Act of 2024 (S. 5335) would have allowed dairy producers to update their milk production history, which may be based on the milk marketings (i.e., milk sold) in either 2011, 2012, or 2013 to the highest level of milk marketed in either 2021, 2022, or 2023.[109] Also, the bills would have increased the level of Tier I-covered milk production history

[108] Daren Bakst, "Department of Agriculture," in *Mandate for Leadership: The Conservative Promise*, ed. Paul Dans and Steven Grove (Heritage Foundation, 2024), https://static.project2025.org/2025_MandateForLeadership_CHAPTER-10.pdf.

[109] DMC allows participating milk producers to buy a guaranteed margin based on their established production history.

from 5 million to 6 million pounds.[110] Similar provisions and the authorization of the program until December 2031 appear in the House-passed version of H.R. 1, the One Big Beautiful Bill Act, in the 119th Congress. These options would increase payments to farmers and increase the cost of the program.

Milk Donation Program

In the 118th Congress, S. 5335 included provisions that would have expanded MDP to include dairy products eligible under DDP. On the one hand, potential benefits of expanding MDP may include reducing retail-packaged dairy products waste by establishing a market when there is an oversupply of certain dairy products and providing nutrition assistance to low-income individuals. On the other hand, expanding MDP may provide an incentive for dairy producers to continue increasing their milk production instead of responding to market signals. The provisions to expand MDP would have increased the cost of the program, if enacted.

Dairy Business Innovation Initiatives

S. 5335 in the 118th Congress included a provision that would have increased the authorization of appropriations for each fiscal year from $20 million to $36 million for DBI initiatives. For FY2026, the Trump Administration requested no funds be appropriated for the DBI initiatives.[111]

Emergency Assistance for Livestock, Honey Bees, Farm-Raised Fish Program

Through ELAP, USDA, as authorized by the 2018 farm bill, partially compensated eligible dairy producers for milk losses due to an infection of a strain (H5N1) of highly pathogenic avian influenza (HPAI) in their dairy herds. In addition to maintaining the status quo, Congress may consider amending ELAP payment trigger conditions to adjust future program outlays. For example, Congress may consider directing USDA to partially compensate dairy producers for eligible milk losses caused by natural disasters such that the milk losses covered by the ad hoc MLP (e.g., milk that was dumped or removed without compensation from the commercial milk market due to qualifying weather events) would be covered by the permanently authorized ELAP. Such provision would increase the cost of the program, if enacted. Conversely, another option would be to explicitly exclude milk losses as an eligible loss or otherwise make programmatic changes to reduce total outlays for milk losses from ELAP.

Dairy Promotion and Research Programs

USDA has not always met the reporting deadlines required by law (see "Checkoff Program Reporting Requirements"). According to industry stakeholders, USDA did not meet the required deadlines for presenting the 2020, 2021, and 2022 annual dairy reports to Congress and have not published a report since the 2022 report. Congress may consider additional oversight mechanisms to ensure USDA and the dairy checkoff board members are held accountable for the roles and responsibilities assigned to them in the policies related to ensuring compliance with all applicable federal laws and regulations.

[110] Under DMC, producers may select margin coverage from $4.00 per hundredweight (or cwt, which equals 100 pounds) up to $9.50 per hundredweight for annual milk production of 5 million pounds or less (Tier I). For milk production over 5 million pounds (Tier II), the margin coverage tops out at $8.00 per hundredweight.

[111] Office of Management and Budget, *Technical Supplement to the 2026 Budget: Appendix*, May 30 2025, https://www.govinfo.gov/content/pkg/BUDGET-2026-APP/pdf/BUDGET-2026-APP.pdf.

Federal Milk Marketing Orders System

Some stakeholders have suggested that Congress direct USDA to conduct mandatory periodic plant-cost studies to enable regular updates of *make-allowance values* (i.e., values in the uniform-pricing formula that represent the costs to manufacture dairy products).[112] The FMMO hearing process cannot mandate USDA to administer such a study. S. 5335 of the 118th Congress included a provision that would have directed USDA to conduct mandatory plant-cost studies every two years. These provisions are repeated in the House-passed version of H.R. 1 in the 119th Congress.

When voting on amendments to the FMMO, a dairy cooperative can cast a single vote that represents all of their eligible voting members. Given that dairy cooperatives have consolidated over the past century and may now serve a more diverse group of dairy producers, some dairy producers have stated that the use of such cooperative bloc voting may not reflect the interests of all voting members. Changes to FMMO voting requirements would require congressional action. In previous sessions of Congress, some Members introduced the Democracy for Dairy Producers Act to change how dairy cooperatives vote on referendums to the FMMO system.[113] If enacted, the legislation would have required dairy cooperatives electing to use bloc voting to inform dairy producer members of the cooperatives' voting position before casting a vote on the members' behalf. In addition, dairy producers would have been allowed to individually vote on an FMMO referendum. If an individual dairy producer elected not to vote, the dairy cooperative could vote on the producer's behalf. This proposed system of voting on an FMMO referendum is commonly referred to as "modified bloc voting."

Handlers of certified organic milk who operate in an FMMO are obligated to participate in the FMMO pool for fluid milk. Under the FMMO, organic and conventional milk producers receive the same price. During the 2023/2024 FMMO hearings, USDA limited the scope of the FMMO amendments to proposals directly impacting the uniform pricing formulas. Congress may consider evaluating how organic milk is priced under the FMMO system and/or other support mechanisms for the organic milk industry. S. 5335 in the 118th Congress included a provision that would have directed USDA to increase collection of organic dairy market data that could support such decisions in the future.

[112] National Milk Producers Federation, "Federal Milk Marketing Order," https://www.nmpf.org/issues/milk-pricing-economics/federal-milk-marketing-order/.

[113] The seven versions of the introduced legislation are Democracy for Dairy Producers Act of 1999 (S. 1416, 106th Congress); Democracy for Dairy Producers Act of 2001 (S. 107, 107th Congress); Democracy for Dairy Producers Act of 2003 (S. 43, 108th Congress); Democracy for Dairy Producers Act of 2005 (S. 838, 109th Congress); Democracy for Dairy Producers Act of 2007 (S. 529, 110th Congress); Democracy for Dairy Producers Act of 2009 (S. 665, 111th Congress); and Democracy for Dairy Producers Act of 2011 (S. 457, 112th Congress). None of these proposals were enacted.

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