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IN FOCUS

Farm Bill Primer: Selected Title I and Title XII Dairy Provisions

November 17, 2026

The U.S. Department of Agriculture (USDA) administers a collection of programs that may provide dairy farmers with risk protection and income support in response to certain natural disasters, adverse dairy production conditions, market prices, and feed costs. These programs are generally authorized in farm bill legislation. 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 (i.e., dairy checkoff program). Title XII—Miscellaneous, included a provision creating the Dairy Business Innovation (DBI) Initiative.

Since the 2018 farm bill, Congress has provided additional support to dairy producers in supplemental appropriations legislation. USDA also created and administered additional financial support for certain dairy-related losses using its Commodity Credit Corporation (CCC) authorities. Additionally, in the FY2025 budget reconciliation law (P.L. 119-21), Congress amended and reauthorized the DMC program through FY2031 and provided $9 million for USDA to implement a survey of dairy product manufacturers' production costs and yield information and publish the results biennially. Congress authorized Federal Milk Marketing Orders (FMMOs) in nonfarm bill legislation and has amended FMMOs in farm bill legislation. Other dairy programs authorized in nonfarm bill legislation include promotion and research programs (i.e., checkoff programs) and ad hoc assistance programs. These ad hoc programs covered financial losses caused by dairy market conditions and natural disasters. For more information about dairy support authorized outside of farm bill legislation, see CRS Report R48573, *U.S. Dairy Policy*.

This In Focus summarizes selected dairy programs that are generally authorized in farm bill legislation and discusses policy options of potential congressional interest. It does not summarize dairy programs authorized outside of farm bill legislation or dairy-related nutrition programs, which may provide indirect support to dairy producers. For information on nutrition programs, see CRS In Focus IF12255, *Farm Bill Primer: SNAP and Nutrition Title Programs*. Additionally, it does not summarize programs that support more than the dairy industry (e.g., crop insurance and USDA natural disaster assistance programs). For more information, see CRS Report RS21212, *Agricultural Disaster Assistance*.

Dairy Margin Coverage

DMC is a voluntary risk management program for dairy producers. It is administered by USDA's Farm Service Agency (FSA) and receives funding from the CCC. DMC allows participating milk producers to buy coverage to receive payments based on the *national average margin*, their milk production levels, and their selected plan. The program pays participating dairy producers each month that 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 the national average feed cost (published by FSA).

Under DMC, producers may select margin coverage based on their annual milk production. For producers with 6 million pounds or less of annual milk production (Tier 1), coverage levels range from $4.00 per hundredweight (or cwt, which equals 100 pounds) up to $9.50 per hundredweight. For milk production over 6 million pounds (Tier II), the margin coverage levels range from $4.00 per hundredweight to $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 enroll from 5% to 95% of their milk production history. In general, the statute requires a DMC production history based on the highest annual milk marketings (i.e., milk sold) in 2021, 2022, or 2023.

Producers enrolling in DMC 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, pay only the $100 administrative fee and their premium cost is $0. The total premium amount that producers pay for margin coverage above $4.00 per hundredweight is the product of the margin-level premium that is set in statute and the share of production history that the producer selects. Producers who enrolled in DMC in 2026 for six years (i.e., 2026-2031) are eligible to receive a 25% premium discount.

Dairy Indemnity Payment Program

DIPP is administered by FSA and indemnifies dairy farmers and manufacturers of dairy products for certain types of losses. Specifically, it provides payments to dairy farmers for milk or cows producing milk if the farmers have been directed to remove their milk from commercial markets because of the presence of certain chemical or toxic residue (e.g., pesticides) or nuclear radiation or fallout. Dairy manufacturers are eligible for loss compensation caused by the presence of certain pesticide residues. DIPP is authorized to receive appropriations of such sums as necessary, to remain available until expended. USDA executes outlays for DIPP through the CCC.

Milk Donation Program

MDP is administered by USDA's Agricultural Marketing Service (AMS). Under MDP, dairy farmers, cooperatives, or processors who pool milk in the FMMO system may donate

fluid milk to public or private nonprofit organizations and receive reimbursement for a portion of the value of the donated milk. 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

DFPP is administered by AMS and 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, dry and evaporated or sweetened condensed milk products) that may be pooled under the FMMOs. Statute (7 U.S.C. §8772(c)(1)) prevents Class I fluid milk from being forward-contracted under DFPP. Under DFPP, 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.

Dairy Promotion and Research Program Provision

The farm bill legislation has authorized a provision in the Dairy Promotion and Research Program (known as the "dairy checkoff program"). This provision authorizes the dairy checkoff program to engage in activities to strengthen the U.S. dairy industry's position in the marketplace and to maintain and expand foreign markets. The dairy checkoff is a national producer and importer program for dairy product promotion, research, and nutrition education.

Dairy Business Innovation Initiatives

The DBI is administered by AMS. Under the DBI, AMS provides grants to eligible entities so they can provide technical assistance, training, and sub-grants to support the dairy industry modernization, specialization, grazing projects, value chain innovation, product development, packaging, and marketing of dairy products. USDA has established regional dairy initiatives at California State University, Fresno; University of Tennessee; University of Wisconsin; and Vermont Agency of Agriculture, Food & Markets. As set in statute (7 U.S.C. §1632d(g)(2)), these regional initiatives receive grants from USDA and are responsible for administering 50% of their funds as sub-grants. Eligible applicants for subawards include state agencies of agriculture or other state entities, cooperative extension services, institutions of higher education, and nonprofit organizations. The DBI has an authorization of discretionary appropriations for $20 million for each fiscal year.

According to an FY2026 Notice of Funding Opportunity, USDA is requiring the regional dairy initiatives to fund their projects, in part, with cost-sharing funds from nonfederal sources equal to 25% of the amount of federal funds being requested.

Discussion of Selected Dairy Provisions in H.R. 7567 and S. 5526

In the 119th Congress, the House passed a farm bill—the Farm, Food, and National Security Act of 2026 (H.R. 7567)—and the Senate Committee on Agriculture, Nutrition, and Forestry reported the Agricultural Act of 2026 (S. 5526).

H.R. 7567 and S. 5526 would mandate that dairy product manufacturers report production costs and yield information to USDA. This information would be used to update factors that represent the costs of manufacturing a dairy product for the FMMO system. Both bills would clarify the timeline for USDA to submit certain dairy reports to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry. Both bills would make the DFPP permanent and reauthorize DIPP and the dairy checkoff provision through FY2031.

H.R. 7567 would increase the number of eligible entities for the DBI. S. 5526 would increase the program's authorized appropriations. Additionally, S. 5526 would remove the administrative fee for all dairy producers participating in DMC, and producers would pay only a premium for the first 6 million pounds of milk enrolled in the program.

Considerations for Congress

P.L. 119-21 increased mandatory funding for certain dairy support activities. The reconciliation process was limited to changes to mandatory spending that resulted in budgetary effects and excluded policy changes to discretionary spending programs.

When crafting future farm bill legislation, Congress may consider a number of policy issues. These could include the provisions of H.R. 7567 and S. 5526 previously described. Congress may also consider policy issues such as whether to require the DBI regional initiatives to match a portion of their funding from nonfederal sources. A match requirement might incentivize nonfederal entities to submit proposals for projects with higher returns but may also prevent entities from submitting projects because of a lack of capital to fulfill the match requirement. Congress may also consider whether to amend the premiums and the coverage levels of the DMC program and whether to amend the national average margin formula (for example, by including additional input cost factors such as labor or fuel).

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IF13352

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