

VIRGINIA DEPARTMENT
OF AGRICULTURE AND
CONSUMER SERVICES

Dairy Producer Margin Coverage Premium Assistance Program Annual Report

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December 1, 2026

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PUBLICATION YEAR 2026

Document Title
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Legislative Mandate
Section 3.2-3306 of the Code of Virginia

Executive Summary
In fiscal year 2026, 136 dairy farms applied to the Dairy Producer Margin Coverage Premium Assistance Program (Program) and were reimbursed a total of $566,190. The Virginia Department of Agriculture and Consumer Services found that the Program encouraged participation among dairy producers who may have otherwise hesitated to enroll in the federal Dairy Margin Coverage program administered by the U.S. Department of Agriculture's Farm Service Agency. The Program also incentivized dairy producers to develop, update, or initiate the development of a nutrient management plan.

Overview

The U.S. Department of Agriculture Farm Service Agency Dairy Margin Coverage (DMC) program is a voluntary risk management program for dairy producers. It provides financial assistance to producers when the all-milk price and average feed cost falls below the margin coverage level chosen by program participants.

Participating producers can select dairy margin coverage levels between $4.00 and $9.50 per hundredweight (cwt) for the first 6 million pounds of production history (Tier 1). Production above 6 million pounds (Tier 2) is subject to a lower maximum coverage rate of $8.00 per cwt.

Producers are required to pay annual premiums based on their selected coverage level and percentage of production history. The Virginia Dairy Producer Margin Coverage Premium Assistance Program (Program) (Va. Code § 3.2-3304 et seq.) reimburses dairy producers for their DMC program Tier 1 premium payments.

Chapters 330 and 331 of the 2021 Acts of Assembly, Special Session I, require the Commissioner of Agriculture and Consumer Services (Commissioner) to establish the Program to assist dairy producers, from July 1, 2021, through July 1, 2023, who participate in the federal margin coverage program for dairy producers as contained in the federal Agriculture Improve Act of 2018, P.L. 115-334. Chapter 147 of the 2023 Acts of Assembly extended the Program through June 30, 2028, and allows dairy producers to participate in federal margin coverage programs contained in subsequent federal farm program authorizing language.

Section 3.2-3306 of the Code of Virginia requires the Commissioner to submit an annual report assessing the effectiveness of the Program in preserving and assisting with the continued operation of dairy products in the Commonwealth to the House Committee on Agriculture, Chesapeake and Natural Resources and the Senate Committee on Agriculture, Conservation and Natural Resources by December 1.

To be eligible for the Program, dairy producers must meet the following criteria:

- (i) Have a resource management plan and have been certified as having implemented such plan by, or be in the process of having such plan reviewed by, the Virginia Department of Conservation and Recreation (DCR) or a local soil and water conservation district; (ii) have an approved Natural Resource Conservation Service nutrient management or soil health plan developed by an approved planner; or (iii) have a nutrient management plan that has been approved by, or is currently being reviewed by, DCR.
- Participate in the federal Dairy Margin Coverage program at the Tier I level, as contained in the federal Agriculture Improvement Act of 2018 or subsequent federal farm program authorizing legislation.

Open enrollment for the federal DMC program began on January 11, 2026. Application packets for the Program were sent to all permitted Grade A dairies, state and county FSA offices, and certified nutrient management planners on January 15, 2026. Program reimbursements to eligible dairy farms were provided on a first-come, first-served basis and were limited to the availability of funds, with $632,328 available for fiscal year (FY) 2026.

Program Activities

In FY 2026, 136 dairy farms applied and received $566,190 in reimbursements. Based on active dates of nutrient management plans received, the Program may have prompted as many as 34 farms to either initiate a conversation with a certified planner or recertify an expiring plan. Of those farms, three applied to the Program for the first time during the 2026 application period.

State Farm Service Agency (FSA) offices were receptive to the Program, and VDACS and FSA found that the Program encouraged enrollment in the federal DMC program among some dairy farmers who would ordinarily hesitate to enroll in the federal program. Factors limiting the number of applications received included the inability to cover upfront premium costs, difficulty scheduling nutrient management plan reviews, and religious concerns. Industry efforts to encourage farms to develop nutrient management practices and the Program have successfully incentivized dairies to increase efforts to protect water quality. Additionally, the Program has proven to be a useful tool in promoting the stability of Virginia's dairy industry.

Funding for the Program has adequately met demand for all dairy farms that applied to receive reimbursement each year. Changes to the DMC program in 2026 increased the Tier 1 production history maximum, which increased the premiums eligible for reimbursement under the Program. The DMC program also offered farmers the opportunity to lock in their coverage rate until 2031 in exchange for a discounted premium price. Many Virginia dairy farms took advantage of this opportunity, discounting their premium price. Without these premium savings, Program funding would have been exhausted before serving all eligible producers in FY 2026.

2026 is forecasted to be a low milk price-to-feed cost margin year, in which case the federal DMC program and the Program are extremely beneficial for providing a safety net to the Commonwealth's dairy farms. Since the Program's inception in 2022, it has reimbursed $3.1 million for Tier 1 premium payments, which has resulted in $36.6 million of federal DMC funds being returned to Virginia dairy farms through 2025.

Appendix A - 2026 Forecasted DMC payment for an average-sized Virginia dairy farm

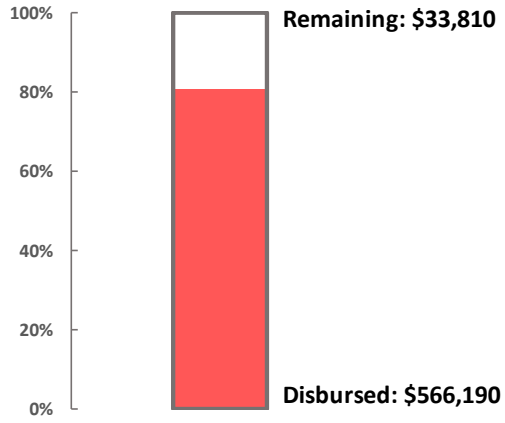
Month	Margin	History (lb)	Est. Payment per cwt	Total Payment
Jan	$7.81	308,750	$1.69	$5,231.00
Feb	$8.46	308,750	$1.04	$3,219.00
Mar	$9.57	308,750	$0.00	$0.00
Apr	$10.54	308,750	$0.00	$0.00
May	$10.62	308,750	$0.00	$0.00
Jun	$10.88	308,750	$0.00	$0.00
Jul	$9.93	308,750	$0.00	$0.00
Aug	$9.57	308,750	$0.00	$0.00
Sep	$7.81	308,750	$1.69	$5,214.00
Oct	$7.98	308,750	$1.52	$4,701.00
Nov	$8.49	308,750	$1.01	$3,119.00
Dec	$8.43	308,750	$1.07	$3,297.00
2026	**$9.17**	**3,705,000**	**$0.67**	**$24,781.00**

Table 1: 2026 Forecasted DMC payment for an average-sized Virginia dairy farm. Assumes annual milk production of 3.9M pounds with Tier 1 coverage of $9.50. More current forecasts can be estimated at: https://dmc.bozic.io/#/net-benefit-estimator

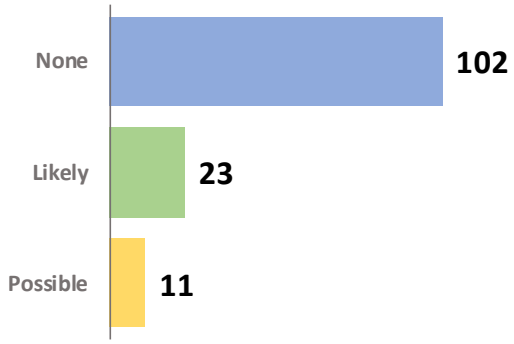
Appendix B – 2026 Program Year, Dairy Producer Margin Coverage Premium Assistance Program

2026 Program Year
Dairy Producer Margin Coverage Premium Assistance Program

317	136	--
Applications Sent	Applications Received	Virginia Participation - USDA DMC
43%	**31**	**$4,163**
Response Rate	Application Processing Time (days)	Average Reimbursement Amount



Fund Availability



Program Influence on Adoption of Nutrient Management Plan

County Statistics*

Location	Application	Dairies	Rate	Prod (lb)	Prod Rank	DPMC ($)	DPMC (avg)
Rockingham County	41	160	26%	586 M	1	$156,098	$3,807
Pittsylvania County	3	5	60%	167 M	2	$20,350	$6,783
Franklin County	20	30	67%	118 M	3	$76,932	$3,847
Augusta County	9	19	47%	81 M	4	$38,920	$4,324
Waynesboro (City)	4	5	80%	54 M	5	$27,000	$6,750
Amelia County	4	4	100%	41 M	6	$22,783	$5,696
Fauquier County	4	9	44%	41 M	7	$13,768	$3,442
Wythe County	6	10	60%	26 M	9	$22,338	$3,723
Shenandoah County	6	8	75%	22 M	10	$21,906	$3,651
Floyd County	4	5	80%	11 M	17	$9,954	$2,488
Montgomery County	3	5	60%	5 M	26	$4,725	$1,575
Remaining Locations	33	57	58%	230 M	--	$151,416	$4,588
Total	**137**	**317**	**43%**	**1.381 B**		**$566,190**	**$4,163**

*Counties / locations with three farms or less are aggregated in "Remaining Locations" category.