



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

INFORMATIONAL MEMORANDUM

TO: All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Kenneth D. Ackerman /s/ Ken Ackerman 11-9-00
Administrator

SUBJECT: Dairy Options Pilot Program Round III Counties and Program Changes

ISSUE:

Announcing the selection of the States and counties for Round III of the Dairy Options Pilot Program (DOPP) and the selected changes in the pilot, as recommended by the Risk Management Agency (RMA).

BACKGROUND:

Milk prices are more volatile than ever and many dairy producers feel they have few alternatives when it comes to risk management. To address those concerns, RMA launched an innovative cost-share program in selected States and counties in 1999 that provided dairy farmers an opportunity to learn about hedging milk prices through hands-on options trading called the Dairy Options Pilot Program (DOPP). Section 191 of the Federal Agriculture Improvement and Reform (FAIR) Act of 1996 limited the operation of option pilot programs to not more than 100 counties. Round I of DOPP was operated in thirty-eight counties in seven States. Round II was operated in sixty-one counties in thirty-two States.

Section 134 of the Agricultural Risk Protection Act of 2000 (the 2000 Act) amended Section 191 of FAIR. In doing so, an expansion of eligible pilot counties in an options pilot program to a maximum of 300 is now authorized, except that no more than 25 counties may be in any one State. The 2000 Act also authorized funds of the Commodity Credit Corporation (CCC) up to \$9 million in Fiscal Year (FY) 2001; \$15 million in FY 2002; and \$2 million in FY 2003 for options pilot programs. Moreover, Congress in the Senate Appropriations Committee Report Language directed RMA to offer DOPP in selected counties for more than one year, and to allow producers in these counties to participate multiple times.



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All Programs Authorized Under the Federal Crop Insurance Corporation

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Recent developments that affect DOPP include:

- Continued low milk prices
- Federal Milk Marketing Order Reform
 - Discontinued use of the Basic Formula Price (BFP) in Federal Milk Marketing Orders.
 - Use of the higher of Class III or Class IV prices in pricing other classes in Federal Milk Marketing Orders.
- Passage and signing of the 2000 Act.
- A vote by the New York Board of Trade (NYBOT) at its June 14, 2000, Board meeting to phase out trading in its dairy futures and options markets.
- Decisions of the Chicago Mercantile Exchange (CME) to:
 - Replace BFP futures and options contracts with contracts based on Class III milk.
 - Offer Class IV milk futures and options.
- Liquidity in the markets for Class III futures and options and Class IV futures and options contracts on the CME has increased dramatically.

DISCUSSION:

A listing of the 275 counties and 39 States selected as pilot counties for DOPP Round III by RMA, as authorized by the 2000 Act, is attached as Exhibit 1. An additional 25 counties will be chosen by the Secretary of Agriculture for implementation during fiscal year (FY) 2002. Counties from Rounds I and II are included in the total because DOPP will continue to operate in these counties, as directed by Congress. Recommendations of States and counties came from analyses by RMA's Regional Office (RO) personnel and University extension specialists. The major factors considered in these recommendations were:

- Number of dairy producers,
- Pounds of milk produced, and
- County-level extension support.

RMA will also make several changes to DOPP based on feedback from Round II. These include:

- Allow additional time for the producer to return the completed application to RMA.
- Allow producers the flexibility of using either Class III or Class IV markets.
- Allow producers in the selected counties the ability to participate more than one time in DOPP. This would permit RMA to offer DOPP up to three times in a county, including those counties selected for Rounds I and II.

DISPOSAL DATE:

This informational memorandum does not change existing policy or procedure and is for the purpose of transmitting information. The expiration date is December 31, 2001.

Exhibit 1

275 DOPP Round III Counties:

State County

Arizona

Maricopa **

Arkansas

Van Buren
Washington

California

Fresno
Glenn
Humboldt
Kings *
Madera
Marin **
Merced *
Riverside
Sacramento
San Bernardino*
San Joaquin *
Sonoma **
Stanislaus *
Tulare *

Colorado

Weld **

Delaware

Kent

Florida

Gilchrist **
Okeechobee **

Georgia

Morgan **
Putnam **

Idaho

Bingham
Canyon
Franklin
Gooding **
Jerome **
Twin Falls **

Illinois

Clinton **
Effingham
Jo Daviess
McHenry
Stephenson
Washington **

Indiana

Allen
Elkhart **
Lagrange
Marshall **
Noble

Iowa

Allamakee
Bremer
Buchanan
Chickasaw
Clayton **
Delaware
Dubuque **
Fayette
Howard
Jackson
Sioux
Winneshiek **

Kansas

Nemaha **
Reno

Kentucky

Adair **
Barren **
Fleming
Green
Hart
Lincoln
Marion
Mason
Metcalfe
Nelson
Pulaski
Shelby

Louisiana

Tangipahoa
Washington

Maryland

Carroll **
Frederick **
Garrett
Washington

Massachusetts

Franklin **

Michigan

Allegan **
Barry
Clinton **
Gratiot
Huron
Ingham
Ionia
Isabella
Kent
Lapeer
Mecosta
Missaukee
Montcalm
Newaygo
Osceola
Ottawa
Sanilac **
Shiawassee
Tuscola

Minnesota

Becker
Benton
Brown
Carver
Douglas
Fillmore **
Goodhue *
Houston
Kandiyohi
McLeod
Meeker
Mille Lacs
Morrison *

Minnesota (Cont.)

Olmsted
Otter Tail *
Pine
Pope
Rice
Scott
Sibley
Stearns *
Todd *
Wabasha **
Winona
Wright

Mississippi

Walthall

Missouri

Barry
Douglas
Greene
Howell
Laclede
Lawrence
Newton
Ozark
Polk
Texas
Webster **
Wright **

Nebraska

Cedar
Gage **

Nevada

Churchill

New Jersey

Salem
Warren

New Mexico

Chaves **
Lea **
Roosevelt **

275 DOPP Round III Counties:

Exhibit 1

State County

New York

Allegany
 Cattaraugus
 Cayuga
 Chautauqua *
 Chenango
 Clinton
 Cortland
 Delaware
 Franklin
 Herkimer
 Jefferson *
 Lewis *
 Madison **
 Montgomery
 Oneida *
 Onondaga
 Oswego
 Otsego
 Schoharie
 St. Lawrence *
 Steuben *
 Washington
 Wyoming **
 Yates

North Carolina

Iredell *

North Dakota

Emmons
 Morton

Ohio

Ashland
 Ashtabula **
 Auglaize
 Carroll
 Columbiana
 Coshocton
 Darke
 Holmes
 Knox
 Logan
 Mahoning
 Medina
 Mercer **
 Richland

Ohio (Cont.)

Shelby
 Stark
 Trumbull
 Tuscarawas
 Wayne **

Oklahoma

Adair **
 Mayes **

Oregon

Marion **
 Washington **

Pennsylvania

Bedford
 Berks *
 Blair
 Bradford *
 Butler
 Centre
 Chester *
 Crawford *
 Cumberland
 Erie
 Fayette
 Franklin *
 Huntingdon
 Juniata
 Lancaster *
 Lawrence
 Lebanon **
 Mercer
 Perry
 Somerset
 Susquehanna
 Tioga **
 Union
 Westmoreland
 York

South Dakota

Brookings
 Codington
 Day
 Deuel **
 Grant **
 Turner

Tennessee

Greene
 Marshall
 McMinn **
 Washington

Texas

Archer **
 Comanche
 Erath
 Hopkins *
 Johnson *
 Van Zandt
 Wood *

Utah

Box Elder
 Cache **
 Millard
 Utah **
 Weber

Vermont

Addison *
 Caledonia *
 Franklin *
 Orange *
 Orleans
 Rutland *
 Washington **

Virginia

Augusta
 Franklin **
 Rockingham **

Washington

King
 Skagit **
 Snohomish **
 Whatcom **
 Yakima

Wisconsin

Barron **
 Brown
 Buffalo
 Chippewa *
 Clark *

Wisconsin (Cont.)

Dane *
 Dodge
 Dunn
 Fond du Lac
 Grant *
 Green
 Iowa
 Kewaunee
 Lafayette
 Manitowoc
 Marathon *
 Monroe
 Outagamie
 Sauk
 Shawano **
 Taylor
 Trempealeau
 Vernon *
 Waupaca
 Wood

* Round I County

** Round II County