



Milk Income Loss Contract Program

OVERVIEW

USDA's Milk Income Loss Contract Program (MILC) compensates dairy producers when domestic milk prices fall below a specified level. The MILC program is extended through Sept. 1, 2014, or until a new Margin Protection Program for dairy producers (MPP), established by the 2014 Farm Bill, is in place. The program has no set funding level.

ELIGIBLE DAIRY PRODUCERS

Eligible dairy producers are those who:

- Commercially produce and market cow milk in the United States or;
- Produce milk in the United States and commercially market the milk outside the United States.

Dairy producers must be in compliance with Highly Erodible Land and Wetland conservation provisions. Dairy producers are not subject to the Adjusted Gross Income (AGI) limitation for FY 2014.

SIGN-UP

Sign-up for MILC extends through the termination of the program.

Dairy producers who are currently enrolled in MILC do not need to re-apply.

PAYMENTS

USDA makes MILC payments on a monthly basis when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt) as adjusted by the dairy feed ration adjustment. The monthly Boston price is posted online at http://www.fmmone.com/Price_Announcements.htm.

When the Boston milk price exceeds \$16.94 as adjusted by the dairy feed ration adjustment:

- USDA will make no MILC payments to the dairy operation and;
- Production for that month will not count toward the operation's maximum eligible production.

PAYMENT RATE CALCULATION

USDA determines the per hundredweight payment rate for the applicable month by subtracting the Boston Class I price for that month from the \$16.94 baseline price, and multiplying the difference by:

- 45 percent during the period Oct. 1, 2008 through Aug. 31, 2013 and during the period of Feb. 1, 2014, through the termination of the program or;
- 34 percent during the period beginning Sept. 2013 through Jan. 31, 2014.

FEED COST ADJUSTED PAYMENT RATE ADJUSTMENT

The baseline price of \$16.94/cwt is adjusted upward when the National Average Dairy Feed Ration Adjustment (NADFR) is greater than the following established levels:

Jan. 1, 2008 - Aug. 31, 2013 and Feb. 1, 2014 through the termination of the program - \$7.35
Sept. 1, 2013 through Jan. 31, 2014 - \$9.50

The NADFR is calculated each month from the price of feed ingredients used to create a 16 percent protein dairy feed. The feed ingredient prices used to calculate the NADFR are posted monthly by the National Agricultural Statistics Service (NASS) and can be obtained at the following website: usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1002

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If the triggering feed ration amount is exceeded, the benchmark \$16.94 figure for the MILC payment calculation will be increased by the percentage amount, which is 45 percent (or 34 percent for certain periods as indicated above) of the percentage amount by which the feed ration cost exceeded its own benchmark for the period Oct. 1, 2008 through Aug. 31, 2013, and for the period Feb. 1, 2014, through the termination of the program.

Example:

When the NADFR exceeds these established levels the trigger price is calculated as illustrated in the following example. This hypothetical example assumes the NADFR is \$10.05/cwt for a month falling from Feb. 1, 2014 through Sept. 1, 2014.

$$\text{\$10.05 (NADFR) - \$7.35} = \text{\$2.70}$$

$$\text{\$2.70/\$7.35} = .3673$$

$$.3673 \times 45 \text{ percent} = .1653$$

$$.1653 \times \text{\$16.94} = \text{\$2.80}$$

$$\text{\$16.94} + \text{\$2.80} = \text{\$19.74}$$

If the Boston Class I price is \$18.00/cwt, the payment rate will be calculated as follows:

$$\text{\$19.74} - \text{\$18.00} = \text{\$1.74/cwt}$$

$$\text{\$1.74/cwt} \times 45 \text{ percent} = \text{\$.7830/cwt}$$

USDA issues payments no later than 60 calendar days after USDA receives production evidence for the applicable month or the entire month's NADFR is posted for the applicable month, whichever is later.

ELIGIBLE POUNDS OF PRODUCTION

USDA issues payments up to the maximum eligible pounds of milk produced and marketed by each operation per fiscal year.

The annual maximum eligible pound limit per dairy operation per fiscal year is as follows:

Oct 1, 2007 - Sept. 30, 2008: 2,400,000 lbs

Oct 1, 2008 - Aug. 31, 2013: 2,985,000 lbs

Sept. 1, 2013 – Jan. 31, 2014: 2,400,000 lbs

Feb. 1, 2014 – termination of the program:

2,985,000 lbs

PAYMENT RATES

USDA posts monthly MILC payment rates online at:
www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=mpp-mi.

PRODUCTION START-MONTH SELECTION

MILC participants must select a month of commercially marketed production for which FSA will begin issuing the operation's payments for each fiscal year.

Starting with the dairy operation's selected month, USDA will issue MILC payments based on the month's production and each consecutive month's production thereafter at the payment rate applicable to each month with a rate in effect, until the earlier of the following:

- The operation reaches the maximum payment quantity or;
- The applicable fiscal year ends.

PRODUCTION START-MONTH SELECTION RULES

The dairy operation's selected production start month must be designated on Form CCC-580, "Milk Income Loss Contract Program (MILC)" and submitted to a Farm Service Agency (FSA) county office:

- On or before the 14th day of the month before the selected MILC production start month, except as otherwise provided during the applicable sign-up phase and;
- Before the selected month's Boston Class I fluid price is announced to the public or;
- The dairy operation has the option to select the month in which the contract application is submitted as a production start month.

A dairy operation cannot select a MILC production start month for any month that:

- Has already begun, except as otherwise provided;

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- Has already ended or;
- Milk was not produced by the dairy operation.

SELECTING AND CHANGING PRODUCTION START-MONTHS

Dairy operations can change the start-month an unlimited number of times as long as the change is made:

- On or before the 14th day of the month prior to the MILC production start month (unless that day falls on a weekend, then the date falls to the previous business day);
- Before payment is sought and;
- Before the original selected MILC production start month has passed.

If the dairy operation never changes the selected start month, the start month will remain the same throughout the MILC contract's duration.

RELIEF PERIOD

During the period beginning Apr. 14, 2014, through COB May 30, 2014, FY 2014 production start month selection changes on CCC-580M will be accepted. CCC-580's may also be accepted during the relief period for producers with new dairy operations that began operation before April 14, 2014. During the authorized relief period the production start month selected may be any month in FY 2014 (beginning October 2013) and start month selection provisions do not apply. After the authorized relief period for FY 2014, beginning June 2, 2014, all production start month changes must be made according to normal start month selection provisions.

HOW TO APPLY

To apply for MILC, dairy operations must submit Form CCC-580, "Milk Income Loss Contract Program (MILC)" to the FSA county office where

the operation is located. The form is available at FSA county offices and online at: forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home

The production start-month for each fiscal year

must be designated on the Form CCC-580. As milk is marketed, the operation must report the total pounds of all milk produced and marketed during each month for all persons receiving a share of the marketed milk. Monthly milk production cannot be apportioned to circumvent the maximum payment quantity. All persons sharing in the risk of a dairy operation's total production must certify the information on the CCC-580. FSA will accept only one Form CCC-580 per dairy operation.

When applying for MILC benefits, operators must also have on file:

- Form AD-1026, "Highly Erodible Land Conservation and Wetland Conservation Certification," used to certify understanding of USDA conservation compliance requirements;
- Form SF-1199A, "Direct Deposit Sign-Up Form," used to sign up for the direct deposit of payments into the payee's account; and
- Form CCC-901, "Members Information," or Forms CCC-902E/CCC-902P, "Farm Operating Plan."

PRODUCTION EVIDENCE

Before USDA can issue MILC payments, all persons involved in a single dairy operation must provide verifiable production evidence, which can include:

- Milk marketing payment stubs;
- Tank records;
- Milk handler records;
- Daily milk marketings;
- Copies of any payments received as compensation from other sources.

FSA county offices have 60 calendar days after receiving the production evidence and all supporting documents for the applicable month or the entire month NADFR cost is made available by USDA to issue payments to dairy operations.

INELIGIBLE MILK PRODUCTION

The following is not considered commercially marketed milk and is ineligible as MILC production:

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- Dumped milk that causes bulk load contamination for which a producer receives an insurance indemnity; and
- Milk dumped on a farm by order of a state or health department.

RECONSTITUTIONS

Dairy operators must immediately notify the FSA county office of any changes affecting an operation's MILC contract. If a reconstitution occurs during the contract period, MILC contract changes will take effect the first day of the fiscal year following the month USDA receives notification of the changes. However, changes resulting in the reduction of shareholders or producers will take effect immediately upon notification to USDA.

Dairy operators cannot reorganize a dairy operation's structure for the sole purpose of receiving multiple payments.

Eligible pounds of production that received MILC payments will be applied to the pounds of production eligible for payment for reconstituted dairy operations.

MILC AGENTS

MILC benefits may be disbursed by a dairy marketing cooperative serving special groups or communities, such as Amish or Mennonite communities. Such producers may authorize a cooperative agent or milk handler affiliated with a dairy marketing cooperative to obtain and disburse MILC benefits to the operation. USDA must approve qualified agents.

Dairy operations must grant MILC agents power of attorney authority to act on their behalf by submitting Form CCC-582 "MILC Agent Application Agreement" to USDA for approval. The operator must also complete Form FSA-211, "Power of Attorney," and submit the form to the FSA office where the dairy operation is located. The form is available at FSA county offices and online at: forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home

FOR MORE INFORMATION

Dairy operations can obtain more information on MILC at FSA county offices and online at: www.fsa.usda.gov; click on Price Support.

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