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Dairy Prices to Trigger MILC Payments

Changes to the program will slow payments to producers

(Jackson, MS) Feb 17, 2009 – Ricky Carnegie, Acting State Executive Director for USDA's Farm Service Agency in Mississippi announced that due to low milk prices FSA will be making payments in April to producers through the FSA's Milk Income Loss Contract, or MILC, program. The 2008 Farm Bill made changes to the MILC program, most notably the addition of a dairy feed ration cost adjustment in addition to changes to the payment rate and modifications to the per-operation poundage limit, depending on when the milk is produced.

"We will be making MILC payments as a result of the low prices but because of the changes to the program ordered in the 2008 Farm Bill, the payments may be higher but will take a bit longer to gather the required data before payments can be made," Carnegie explained.

FSA makes MILC payments on a monthly basis when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt) as adjusted for feed costs. The monthly Boston price is posted online at: http://www.fmmone.com/Northeast_Order_Prices/NE_Prices_main_new.htm#Advance. FSA determines the per hundredweight payment rate for the applicable month by subtracting the Boston Class I price for that month from the \$16.94 MILC payment trigger price as adjusted for feed costs, and multiplying the difference by 45 percent. The payment factor of 45 percent will decline to 34 percent on September 1, 2012.

The MILC payment trigger price of \$16.94 is adjusted upward when the National Average Dairy Feed Ration Cost for a month is greater than \$7.35 per cwt. This rate will change to \$9.50 on September 1, 2012.

The dairy feed ration cost is calculated each month from the price of feed ingredients used to create a 16 percent protein dairy feed as reported by the National Agricultural Statistics Service (NASS).

"While the dairy feed ration cost adjustment benefits producers when feed costs are high, it also means we must wait until that month's National Average Dairy Feed Ration Cost is known before the MILC payment rate can be calculated," explained Carnegie. "For example, while the Boston Class I price for February is \$13.97 and below \$16.94, we still won't know the actual MILC payment rate until late March when we receive final figures from NASS for determining the National Average Dairy Feed Ration Cost. That means the MILC payment for February cannot be made until April."

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FSA issues payments not later than 60 calendar days after FSA receives production evidence for the applicable month or the entire month's National Average Dairy Feed Ration Cost is posted for the applicable month, whichever is later.

FSA makes payments on 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 is 2,985,000 pounds per fiscal year. The amount drops to 2.4 million pounds per fiscal year on September, 1, 2012.

MILC participants must select a month for which FSA will begin issuing payments for each fiscal year. Starting with the dairy operation's selected month, FSA will issue MILC payments based on that month's milk production and the milk production for each consecutive month thereafter with an effective payment rate until the operation reaches the production cap or the fiscal year ends.

Dairy producers must select a start month on, or before, the 14th of the month before the month which they want to receive payments and before the selected month's Boston Class I fluid price is announced to the public. Or the dairy producer has the option to select the month in which the contract application is submitted as their start month. For subsequent years or if they wish to change a previously selected start month the producer must select a start month prior to the 14th of the month before the month which they want to receive payments and before the selected month's Boston Class I milk price is announced to the public. In addition, if changing a start month selection, the change has to be made by the 14th of the month before the month originally selected. Producers may contact their local FSA office to sign up for the MILC program.

The 2008 Farm Bill also excludes producers whose non-farm average adjusted gross income (AGI) exceeds \$500,000 from receiving MILC payments. Producers will have to sign an AGI statement when signing up for the program. More information about the MILC program can be found on the FSA website <http://www.fsa.usda.gov>.