

**For:** State and County Offices

**FSFL Requirements for Milk Bulk Tanks Storage and Handling**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

State and County Offices have received several inquiries from dairy producers about milk bulk tank eligibility for FSFL. The Food, Conservation, and Energy Act of 2008 gave the Secretary the discretionary authority to add other commodities for FSFL eligibility. Using this authority, the Secretary added milk as an eligible commodity for FSFL on August 17, 2015.

All FSFL eligible borrower requirements apply to dairy producers. See Notice:

- FSFL-121 for the complete list of new eligible FSFL commodities
- FSFL-125 for general eligibility requirements
- FSFL-126 for CCC-185, CCC-185-1, and CCC-185-D.

Policies and procedures included in this notice are effective immediately.

**B Purpose**

This notice provides:

- policies and procedures for milk bulk tank FSFL's
- authorization to State and County Offices to accept CCC-185's (dated 1-11-16)
- eligible components, equipment, and structures.

**C Contact**

State specialists with questions about this notice shall contact Toni Williams by either of the following:

- e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov)
- telephone at 202-720-2270.

<b>Disposal Date</b>	<b>Distribution</b>
September 1, 2016 1-20-16	State Offices; State Offices relay to County Offices

## Notice FSFL-132

### 2 General Information on FSFL's for Milk Bulk Tanks

#### A Eligible Species for Milk Production

For a producer to be considered eligible for a milk FSFL, COC **must** determine the producer owned the eligible species for at least 30 calendar days.

The following are eligible species for a milk FSFL:

- cow
- goat
- sheep
- buffalo.

#### B Species Not Listed as Eligible for FSFL

For species **not** currently identified as eligible for FSFL's and the need has been determined by STC, the State Office shall prepare a written document to justify the addition of the species and send to Toni Williams by e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov).

The justification document should, at a minimum, provide the following:

- general information about the species and milk production
- storage need
- market for the requested species milk.

### 3 Storage Need Requirements for Milk Bulk Tanks

#### A Determining the Milk Bulk Tank Storage Need

Applicants must show a need for the milk bulk tank capacity as determined by the following formula. Producers may be required to provide verifiable records for COC to determine milk production for the requested storage. See Exhibit 1 for additional guidance.

Step	Action
1	The producer may provide milk quantity from the highest milk shipment receipt within the past 24 months.
2	COC will determine if the milk pick up is daily or intermittent.
3	COC will determine the milk produced on an individual day and multiply results by 3.
4	Subtract the existing milk storage from the result of Step 3 to determine additional milk storage needed.  <b>Note:</b> If the producer has existing milk bulk tank storage, the storage must be subtracted from the milk storage need unless the new bulk tank is being purchased to replace the existing milk bulk tank.

**3 Storage Need Requirements for Milk Bulk Tanks (Continued)**

**B Determining Reasonable Commodity Production/Yield**

COC's may:

- determine if the applicant's production/yield for milk is reasonable using guidance in subparagraph A
- use practical knowledge of the producer's dairy business when determining a reasonable yield.

**C Determining the Capacity of the Milk Bulk Tank**

The capacity of the milk bulk tank can be obtained from the manufacturer of the bulk tank. The applicant shall provide this information to the County Office, if requested.

When necessary, the milk bulk tank can be upgraded to the next available tank size from the manufacturer.

**Example:** The producer provides a milk shipment receipt indicating he needs a bulk milk tank for 20,000 lbs. of milk production, or 2,325 gallons of milk. The next available bulk milk tank size is 2,500 gallons, or 21,500 lbs. Therefore, the upgrade for the bulk milk tank size of 2,500 gallons is eligible.

**Note:** The above example provides the industry average conversion of 8.6 lbs. per gallon.

In most instances, using the producer's actual yield and production records provides better information for calculating the producer's cold storage needs.

A COC determined reasonable yield based on the daily milk production per animal and the average number of animals milked per day may be used to determine the average for any of the following:

- newly acquired farms
- eligible milk being produced for the first time
- cases where disasters adversely affect the average production.

For questionable situations, State Offices shall contact Toni Williams by e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov).

## 4 Types of Structures and Equipment Eligible for Milk Bulk Tank Storage

### A Eligible Structures

FSFL-financed milk bulk tanks must be used for the purpose for which the milk bulk tank was constructed, assembled, or installed for the entire term of the loan. This requirement is applicable to all FSFL storage structures.

Milk bulk tank facilities, with a useful life of at least 15 years, may be approved for financing, including new facilities, or additions and/or modifications to an existing storage facility, if CCC determines there is a need for the capacity of the structure.

FSFL eligible bulk tanks for milk must be:

- new and built:
  - of such quality that the structure can be insured
  - to protect the milk from contaminants
  - to support local climate conditions for the area
- properly drained.

Milk bulk tanks must be built according to acceptable design guidelines from the manufacturer, NIFA, or land-grant universities. The applicant shall provide this information to the County Office, if requested.

### B Eligible Components

The following are eligible permanently affixed bulk milk tank components:

- bulk tanks
- plate coolers
- compressor
- washing equipment
- automation equipment
- water lines
- affixed tank washers
- hot water tanks necessary for milk house use
- hot air recovery systems
- vats for storage of milk for further processing
- milk house structure
- condenser
- safety equipment meeting OSHA requirements
- equipment to maintain and monitor the quality of stored milk

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### 4 Types of Structures and Equipment Eligible for Milk Bulk Tank Storage (Continued)

#### B Eligible Components (Continued)

- electrical equipment
- concrete aprons and floors essential to proper facility operation
- flooring:
  - suitable for the region where the facility is located
  - designed according to acceptable guidelines from NIFA or land-grant universities
  - made to avert water and drainage so the floor does not retain moisture.

**Notes:** If there are components and/or equipment not listed, contact Toni Williams according to subparagraph 1 C for further guidance.

All eligible components financed with FSFL funds must be insured.

**Example Worksheet for Determining Capacity of Milk Bulk Tank**

The following are optional worksheets for determining the estimated capacity of a bulk milk tank. The worksheet is available in a fillable format from the FSA Intranet at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site”, then CLICK “Find Current Forms Using Our Form Number Search”, and ENTER “FSFL-132 Exhibit 1” in the “Form Number” box.

<b>Notice FSFL-132, Exhibit 1</b>					
<b>WORKSHEET FOR DETERMINING CAPACITY OF MILK BULK TANK</b>					
Once a Day Milk Pick-up					
A	B = A x 3	C = B/8.6	<b>COF USE</b>		
Quantity on Milk Pick-up Slip	1 Day Pick-up Times 3	Gallons	Existing Capacity of Milk Storage	Requested Tank Size or Next Size Available (if requested)	Approved Tank Size for Milk Storage
4,957	14,871	1,729			
Every Other Day Milk Pick-up					
A	B = A x 1.5	C = B/8.6	<b>COF USE</b>		
Quantity on Milk Pick-up Slip	Every Other Day Pick-up Times 1.3	Gallons	Existing Capacity of Milk Storage	Requested Tank Size or Next Size Available (if requested)	Approved Tank Size for Milk Storage
50,000	75,000	8,721			