

MEMORANDUM OF UNDERSTANDING

Between

THE COMMODITY CREDIT CORPORATION

And

THE STATE OF (*insert State Name*)

Regarding

SALES OF NONFAT DRY MILK

The purpose of this Memorandum of Understanding (Memorandum) is to set forth the actions to be undertaken by the State of (*insert State Name*) (State) and the Commodity Credit Corporation (CCC) in order that assistance may be provided to livestock producers in the State who are in need of assistance in maintaining their foundation livestock herds as the result of extreme drought conditions. In order to help provide assistance to these livestock producers, CCC has determined to sell, through feed dealers in the State, a portion of its Nonfat Dry Milk (NDM) inventory as livestock feed under section 165 of the Federal Agriculture Improvement and Reform Act of 1996. For purposes of this Memorandum, such sales are referred to as the 2004 NDM Livestock Feed Assistance Initiative (2004 NDM Livestock Feed Initiative). The State will assist CCC in the conduct of these sales.

1. Actions and Responsibilities of CCC:

- A. CCC will determine the availability and quantity of NDM to make available in the State using the U.S. National Drought Monitor and availability of CCC-owned NDM. The quantity of NDM allocated for sales in the State shall be based on the size of foundation herds in counties in the State that meet either of these eligibility criteria:
 - I. In the previous six months, all or a portion of the county was included in D4 - exceptional determination, and at the time of determining the quantity of potential sale under Form CCC-334, Nonfat Dry Milk Restricted Use Sales Agreement (Agreement), all or a portion of the county is included in a D3-extreme or D4-exceptional determination; or
 - II. At the time of evaluation for determining eligibility, all or a portion of the county is included in a D-4 exceptional determination.
- B. CCC will determine the quantity of NDM made available based upon 75 percent of the size of foundation livestock herds of beef cattle, sheep, goats, and bison in such counties. A 30-day supply of NDM will be calculated at the rate of two pounds of NDM per eligible cow and bison per day, and one-half pound NDM per sheep and goat per day. CCC may make adjustments to these quantities as it determines appropriate.

- C. CCC will provide under its sales agreements that NDM sold by CCC under the 2004 NDM Livestock Feed Initiative will be denatured, rendering it unfit for human consumption, and may only be used for feeding foundation livestock herds or feeder livestock. CCC will pay transportation costs for delivery of the NDM to the feed dealers' distribution points. The sales agreement will provide that the NDM shall not be:
 - I. Processed for or used for human consumption;
 - II. Fed to dairy cattle, veal, poultry, swine, or fish;
 - III. Exported from the United States;
 - IV. Sold or otherwise provided to any person for use in a state other than a State allocated NDM under the 2004 NDM Livestock Feed Initiative.
 - D. Under the 2004 NDM Livestock Feed Initiative, except as may be required by statute; CCC will provide that a livestock producer's allocation of CCC-owned NDM will not affect the level of assistance under any CCC or Department of Agriculture program.
 - E. Under the 2004 NDM Livestock Feed Initiative, with the exception of livestock normally housed in-state and temporarily housed elsewhere, the ultimate consumption of the NDM must be in a State allocated the NDM under this Memorandum.
 - F. Under the 2004 NDM Livestock Feed Initiative, CCC will allow:
 - I. The NDM to be bartered, exchanged, or sold;
 - II. The NDM to be processed outside the State allocated the NDM, provided the processed feed is returned from the processor to one of the states allocated NDM under the 2004 NDM Livestock Feed Initiative for consumption; and,
 - III. Consumption of the NDM by eligible livestock normally housed in-state even though the herd is temporarily quartered elsewhere.
2. Actions and Responsibilities of the State.
- A. States shall only provide NDM released under this Memorandum to producers with eligible livestock in eligible counties, as determined under the 2004 NDM Livestock Feed Initiative, and shall be responsible for producer eligibility.

- B. The State shall notify CCC of those feed dealers in the State that are eligible to receive NDM under this Memorandum and the quantity of NDM they may receive. It will be the responsibility of the State that the feed dealers are capable of unloading from trailers, moving into storage, storing, and distributing NDM to eligible livestock producers.
- C. The State shall notify CCC immediately of any known noncompliance action taken by any livestock producer or feed dealer. Failure to notify CCC of any noncompliance action taken by any livestock producer or feed dealer may result in termination of this Memorandum.

3. Termination.

This Memorandum may be terminated by either party with 30 days written notice to the other party, but in any event will terminate December 31, 2004.

FOR THE COMMODITY CREDIT CORPORATION

James R. Little
Executive Vice President, CCC

Date

FOR THE STATE OF *(insert State Name)*

Name and Title

Date