FACT SHEET

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY

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Milk Income Loss Contract (MILC) Program

Overview

USDA's Milk Income Loss Contract Program (MILC), administered by the Farm Service Agency's (FSA), compensates dairy producers when domestic milk prices fall below a specified level. The 2008 Farm Bill authorized MILC through Sept. 30, 2012. The program has no set funding level.

Eligible Dairy Producers

Eligible dairy producers are those who, beginning Oct. 1, 2007, through Sept. 30, 2012:

- 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 subject to the Adjusted Gross Income (AGI) limitation. If non-farm income exceeds $500,000 the dairy operation and the dairy producer are not eligible for MILC benefits.

Sign-up

Sign-up for the program begins on Dec. 22, 2008, and extends through the conclusion of the program on Sept. 30, 2012. Eligible dairy producers can apply for program benefits anytime during sign-up.

Payments

FSA 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/Northeast_Order_Prices/NE_Prices_main_new.htm.

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

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

Payment Rate Calculation

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 baseline price, and multiplying the difference by:

- 45 percent during the period Oct. 1, 2008, through Aug. 31, 2012; or
- 34 percent during the period Oct. 1, 2007, through Sept. 30, 2008, and during Sept. 2012.

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, 2012 $7.35
Sept. 1 - 30, 2012 $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 Agricultureal Statistics Service (NASS) and can be obtained at the following website: http://usda.mannlib.cornell.edu/usda/current/AgriPric/

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, 2012.

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 Oct. 1, 2008 through Aug. 31, 2012.
$10.05 (NADFR) - $7.35 = $2.70
$2.70/$7.35 = .3673
.3673 x 45% = .1653
.1653 x $16.94 = $2.80
$16.94 + $2.80 = $19.74
If the Boston Class I price is $18.00/cwt, the payment rate will be calculated as follows:
$19.74 - $18.00 = $1.74/cwt
$1.74/cwt x 45% = $.7830/cwt
FSA issues payments not later than 60 calendar days after FSA 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

FSA 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, 2012 – 2,985,000 lbs
(Except that for fiscal year 2012, the fiscal year cap to qualify Sept. 2012 production only will be reduced to 2.4 million pounds).

Payment Rates

FSA posts monthly MILC payment rates online at: http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=mpp-mi. There are no payment rates effective for the 2008 fiscal year.

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, FSA 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 the FSA county office:

- On or before the 14th 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;
- Has already ended; or
- Milk was not produced by the dairy operation.

Exception: If the contract is submitted within 30 days of the time at which CCC begins accepting contracts, the dairy operation can select any month preceding the month the contract is submitted or any month thereafter in accordance with the "Selecting and Changing Production Start-month" paragraph below, as the 2009 production start month, including the month the contract is submitted.

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 day 14 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.

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: http://forms.sc.egov.usda.gov/eforms/mainservlet

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;
- Form CCC-526 or CCC-926, Adjusted Gross Income (AGI) Statement; and
- Form CCC-901, "Members Information," or Forms CCC-902E/CCC-902P, "Farm Operating Plan," or Form CCC-580S, "MILC Supplemental," used to determine payment eligibility.

Dairy operations can obtain these forms at FSA county offices and online at: http://forms.sc.egov.usda.gov/eforms/mainservlet

Production Evidence

Before FSA 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; or
- 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:

- 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 FSA 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 FSA receives notification of the changes. However, changes resulting in the reduction of

shareholders or producers will take effect immediately upon notification to FSA.

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. FSA 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 FSA 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: http://forms.sc.egov.usda.gov/eforms/mainservlet

For More Information

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

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