

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

**Milk Income Loss Contract Program**  
**11-LD (Revision 2)**

**Amendment 4**

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



**Amendment Transmittal**

Subparagraph 20 E has been amended to clarify MILC software entry dates that trigger prompt payment interest.

Subparagraph 37 H has been amended to clarify how second party reviews will be documented on CCC-770 MILC.

Subparagraph 42 A has been amended to provide additional and updated dairy product conversion factors.

Paragraph 45 has been amended to:

- remove the CCC-770 MILC checklist requirement
- clarify when CCC-770 MILC is to be used.

Paragraph 46 has been withdrawn to remove information about CCC-770 MILC spot checks.

Subparagraph 83 A has been amended to clarify the date to be entered in the “Production Evidence Received” field when updating production in the MILC software.

| <b>Page Control Chart</b> |   |                |
|---------------------------|---|----------------|
| <b>TC</b>                 | <b>Text</b>   | <b>Exhibit</b> |
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**20 Program Payments (Continued)****E Prompt Payment Provisions**

Prompt payment interest will apply to program payments issued by CCC later than 60 calendar days after:

- all production evidence and supporting documentation for the month is provided to the County FSA Office
- \*--all eligibility requirements are met, including receipt by the County Office of **all** eligibility documentation, including CCC-926, AD-1026, CCC-580's, CCC-902, etc.
- the National Average Dairy Feed Cost Ration for the applicable month is announced.

See 61-FI for prompt payment interest provisions.

To avoid erroneous PPI being applied in instances when the County Office receives production evidence for a month before all documentation pertaining to eligibility is received, County Offices must enter in the "Production Evidence Received" field in the MILC software, the latter of either the date:

- production evidence for the applicable month is received in the County Office
- all eligibility documentation, including CCC-926, AD-1026, CCC-580's, CCC-902, etc., is received in the County Office.

**Note:** The MILC software passes the latter of the date entered in the "Production Evidence Received" field and the date the National Average Dairy Feed Cost Ration for the applicable month is announced to NPS to calculate PPI.--\*

**F Assignments and Offsets**

MILC payments are subject to assignment (see 63-FI) and offset (see 58-FI).

**G Advance Payments**

Advance payments will **not** be issued for the MILC program.

**H Direct Deposit Requirement**

The Debt Collection Improvement Act of 1996 requires any recipient of Federal payments who becomes eligible for that payment after July 25, 1996, to receive the payment by electronic funds transfer. All producers receiving benefits under the MILC program **must** file SF-1199A, according to 1-FI, Part 3.

**20 Program Payments (Continued)****I Accounting Program Codes**

Accounting program codes for MILC are provided in the following table.

| <b>FY</b> | <b>Program Accounting Code</b> |
|-----------|--------------------------------|
| 2008      | 08MILCII                       |
| 2009      | 09MILCII                       |
| 2010      | 10MILCII                       |
| 2011      | 11MILCII                       |
| 2012      | 12MILCII                       |

**J eFC Allotments**

The National Office will allot program funds to the State Office level through the eFC system for payment processing. Allocations to the State Office level will be based on funds dispersed by each State during previous FY's of the program. State Offices shall:

- re-allocate funds from the State Office level to the County Office level, as necessary
- determine County Office level allocation amounts from eFC allotments from previous FY's
- contact the National Office to request additional funds over the initial allotment.

Applicable eFC account codes are as follows.

| <b>eFC Code</b> | <b>Payment Type</b>                        |
|-----------------|--|
| 8010            | MILC monthly contract payments - Sys36     |
| 8011            | MILC monthly contract payments – NPS beta  |
| 8015            | MILC transition period payments – Sys36    |
| 8016            | MILC transition period payments – NPS beta |
| 8020            | MILC – all web-based payments              |

**K Requests for eFC Allotments**

State Offices shall direct requests for additional funds by e-mail to Stacy Carroll at [stacy.carroll@wdc.usda.gov](mailto:stacy.carroll@wdc.usda.gov), with CC's to the following:

- Dani Cooke at [danielle.cooke@wdc.usda.gov](mailto:danielle.cooke@wdc.usda.gov)
- Toni Williams at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov)
- Asime Atuboyedia at [asime.atuboyedia@wdc.usda.gov](mailto:asime.atuboyedia@wdc.usda.gov).

**L Direct Attribution**

Direct attribution will apply to MILC effective FY 2009, but **not** for payment limitation purposes. MILC program payments will be tracked through 4 levels to individuals and entities in the same manner as other programs.

37 Filing CCC-580's (Continued)

**F Other Applicable Forms**

AD-1026 is required for program benefits. HELC and WC rules **apply**. See 6-CP for guidance on HELC and WC provisions.

AGI requirements apply to MILC; therefore, CCC-926 is required to be completed for each FY to qualify for that FY MILC payment. See 4-PL for guidance on AGI provisions.

**G Delegation of Authority**

The authority to approve all CCC-580's, and all other program documents, **must** be re-delegated, **in writing**, to the next authority. Follow this table for exceptions to re-delegate authority for CCC-580 approval.

| <b>IF the producer is...</b>                             | <b>THEN the approval authority shall be...</b> |
|--|--|
| a State or Federal or non-Federal County Office employee | CED.   |
| COC member   |  |
| DD   |  |
| SED  |  |
| STC member   |  |
| CED  | COC.   |

Questionable cases may be referred to the next higher authority for determination.

**H Second Party Review**

A second party review of eligibility requirements and production evidence shall be performed **before** issuing a monthly contract payment. The reviewer **must**:

- \*--initial CCC-770 MILC, page 2, items 9F and 9G only, according to subparagraph 45 D, when each payment review is complete
- attach CCC-770 MILC, page 2 to CCC-580 for applicable dairy operation.--\*

**Note:** The production evidence **must** be reviewed against data entered in MILC application and payment processing software.

38 Completing CCC-580's

A CCC-580 Instructions

Complete CCC-580's according to the following table.

| Item  | Instructions  |
|---|---|
| 1   | COC designee shall enter applicable State code.   |
| 2   | COC designee shall enter applicable county code.  |
| 3   | COC designee shall enter name and address of dairy operation.   |
| 4   | COC designee shall enter contract number assigned to CCC-580 from the MILC web-based software.  |
| 5   | Enter date CCC-580 is submitted by the dairy operation.   |
| 6A through 6C   | If different from the information in item 3, enter name, address, telephone number, and cell phone number of the contact producer for the operation.  |
| <b>Part A – FY 2009 – FY 2012 MILC Production Start Month</b> |   |
| 7, 9, 11, and 13  | <p>Dairy operation <b>must</b> CHECK (✓) appropriate box to designate which month in each applicable FY the dairy operation would like to begin receiving payments from CCC, based on the selected start months' production.</p> <p><b>Note:</b> CCC-580's submitted <b>within 30 calendar days</b> of the time CCC begins accepting CCC-580's, the dairy operation can select any month preceding the month CCC-580 is submitted or any month; *--thereafter, on or before the 14th of the month before the month the dairy operation wants to select, as the FY 2009 production start month. The month CCC-580 is submitted is also an option during this period. Dairy operations that submit CCC-580's <b>30 calendar days after</b> CCC begins accepting CCC-580's can select either of the following:--*</p> <ul style="list-style-type: none"> <li>• the month CCC-580 is submitted</li> <li>• any month that follows the month CCC-580 is submitted in FY that has <b>not</b> begun or has <b>not</b> passed. That selection <b>must</b> be made on or before the 14<sup>th</sup> of the month before the month the dairy operation wants to select.</li> </ul> |
| 8, 10, 12, and 14   | Enter pounds of production for the applicable months for each applicable FY 2009 through 2012 in the appropriate block.   |

**41 Supporting Documentation (Continued)****I Refunding Payments**

For dairy operations that **must** refund payments because the dairy operation has been determined out of compliance, interest will accrue at the CCC borrowing interest rate from the date of payment through the date the refund is received. Inform the producer of any amounts due according to 58-FI. If refunds are **not** paid by the due date, establish a claim according to 58-FI.

**J Production Evidence Submitted by Cooperatives**

County Offices may accept monthly production evidence from dairy cooperatives or handlers provided the producers of the eligible dairy operation select the appropriate authorization statement in CCC-580, Part D, authorizing the County Office to receive the production evidence directly from the dairy marketing cooperative or handler.

Production evidence received from the dairy cooperative or handler is subject to further verification, if necessary, and may be provided to the County Office by the following:

- FAX transmission
- electronic mail
- mail delivery.

The authorization will remain in effect until either of the following:

- end of the contract period
- authorization is terminated, in writing, by the producer.

If during the MILC program the operation needs to change the authorization to accept production evidence from the dairy cooperative listed in CCC-580, the producer **must** submit a written statement to the County Office, terminating the authorization for the cooperative listed in CCC-580, item 20A, and indicate the new cooperative for which the new authorization is being provided.

When a dairy cooperative is being changed, COC designee shall:

- line through the previously authorized cooperative listed in CCC-580, item 20A
- write-in the newly authorized cooperative in CCC-580, item 20A, initial, and date
- enter in CCC-580, item 24 that a new authorization is attached.

**K Production Evidence Deadlines**

Final production evidence for program payments **must** be received in the applicable County Office by COB, November 1, 2012.

42 Conversion Factors

A Dairy Product Conversion Factors

Producers **must** report the dairy operations eligible production during each applicable month in lbs. Use the weight measurement indicated on the production evidence as the same unit of measure (lbs., gallons, etc.) in the conversion. Lbs. will be converted to fluid milk lbs. according to subparagraph B and gallons will be converted to gallons in the same manner. Convert dairy products according to the following table.

| Dairy Product<br>(1 Unit of Measure) | Conversion Factor<br>(Equals x Unit of Measure of Milk) |
|--------------------------------------|---|
| Cheese                               | *--10.5   |
| Butter                               | 8.5   |
| Non-Fat Dry Milk (NDM)               | 8   |
| Light Cream                          | 2.5   |
| Half and Half                        | 1.8   |
| Ice Cream                            | 3   |
| Yogurt                               | 1.2   |
| Heavy Cream (Whipping Cream)         | 4.2   |
| *--Sour Cream                        | 2.5   |
| Buttermilk                           | 0.8   |
| 2 Percent Milkfat Fluid Milk         | .83   |
| 1 Percent Milkfat Fluid Milk--*      | .73--*  |

B Conversion From Lbs. to Fluid Milk Lbs.

To convert lbs. of a dairy product to the equivalent fluid milk lbs., multiply the lbs. of the dairy product reported by the conversion factor for the applicable dairy product provided in subparagraph A.

**Example:** A dairy operation provides the County Office with production evidence of 300 lbs. of commercially marketed cheese during any given month. Multiply 300 by 10.5 to get a total of 3,150 lbs. of eligible production for that applicable month.

44 Completing CCC-580M's (Continued)

B Example CCC-580M (Continued)

The following is an example of CCC-580M, page 3.

\*--

| CCC-580M (05-12-09)  |  | Page 3 of 3                        |   |   |
|--|--|------------------------------------|---|---|
| <b>PART G - CCC ACCEPTANCE AND APPROVAL</b>  |  |                                    |   |   |
| 37. Modification Changes (Check appropriate box): <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED  |  |                                    |   |   |
| 38. Remarks<br>Lily Farmer joined the partnership Milktime Dairy with father and brother. The new dairy operation is called Milkshake Dairy. Production from Milktime Dairy for FY 2011 for Oct, Nov, and Dec., totals 590,000 lbs. Production from Lilly Dairy for FY 2011 for Oct, Nov, and Dec., was 300,000 lbs. The total production for the combining entities is 890,000 lbs. |  |                                    |   |   |
| 39A. Signature of COC Or Designee  | 39B. Title<br>County Executive Director                    | 39C. Date (MM-DD-YYYY)<br>1/5/2011 |   |   |
| <b>PART H - MANUAL PRODUCTION TRACKER (FOR CCC USE ONLY)</b>   |  |                                    |   |   |
| 40. Total pounds of combined production paid to the dairy operation identified in Item 1 and all operations listed in Item 36, from their original contracts, as of the effective date in Item 33?: <u>890,000</u>   |  |                                    |   |   |
| A.<br>Month  | B.<br>Total Pounds of Marketed Production in New Operation | C.<br>Share in % in New Operation  | D.<br>Prorated Share of Production in New Operation | E.<br>Total<br><small>(Add Items 40 plus 40B, and 40B plus previous 40E thereafter)</small> |
| Jan  |  |                                    |   | No payment rate   |
| Feb  | 296,000  | 33%                                | 97,680  | 1,186,000   |
| Mar  | 301,000  | 33%                                | 99,330  | 1,285,330   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |
|  |  |                                    |   |   |

--\*

## 45 Using CCC-770 MILC's

**A Background**

The Improper Payments Information Act of 2002 required each agency to:

- identify programs and activities susceptible to significant improper payments
- report to Congress an estimate of the annual amount of improper payments made
- report actions taken to reduce improper payments, including possible causes and a description of the steps in place to ensure accountability for reducing improper payments.

Because of the Improper Payments Information Act of 2002 mandate, CCC-770 MILC will \*--be used as a management tool to help:

- address deficiencies identified by a review or spot check of whether program policies or procedures are being followed before issuing MILC payments--\*
- minimize the number of improper payments.

**B General Information**

It is **not** the intent for CCC-770 MILC to supersede or replace procedure. County Offices shall use CCC-770 MILC as a reminder of the most frequently “erred” actions when issuing MILC payments.

County Offices should recognize that the questions asked on CCC-770 MILC are very general in nature. For CCC-770 MILC to address every conceivable situation, as it pertains to eligibility, would **not** be practical. \* \* \*

**C Using CCC-770 MILC**

CCC-770 MILC, developed by the National Office, is the **only** authorized checklist for the MILC program. County Offices shall **not** use State or locally generated checklists for the MILC program.

\* \* \*

\*--SED, STC or designee, DD, or CED shall determine:

- when County Offices are to complete CCC-770 if apparent internal control deficiencies are found during CED, STC representative, or DD reviews
- whether CCC-770 MILC is necessary to avoid findings indicated by CORP reviews
- when additional internal controls are necessary to reduce improper payments.

**Note:** CCC-770 MILC, page 2, items 9F and 9G are required to be completed and attached to CCC-580 to document the second party review of MILC payments according to subparagraph 37 H.--\*

45 Using CCC-770 MILC's (Continued)

E Example CCC-770 MILC (Continued)

The following is an example of CCC-770 MILC, page 2.

| CCC-770 MILC (12-01-08)   |                             |   |  |      |                  |     |     |     |     |  |     |     | Page 2 |     |                  |  |
|---|-----------------------------|---|--|------|------------------|-----|-----|-----|-----|--|-----|-----|--------|-----|------------------|--|
| INSTRUCTIONS: For each Production Evidence and Payment Processing Item, check "YES", or "NO", as it applies for the applicable month.                                 |                             |   |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| 9. PRODUCTION EVIDENCE AND PAYMENT PROCESSING:  |                             | Handbook or Other Applicable References |  | Oct. | Nov              | Dec | Jan | Feb | Mar | Apr  | May | Jun | Jul    | Aug | Sep              |  |
| A. Does the production evidence meet the requirements found in procedure?   | 11-LD, paragraphs 13 and 41 | YES                                     |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | NO                                      |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| B. Were the submitted supporting documents date-stamped?  | 11-LD, subparagraph 41D     | YES                                     |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | NO                                      |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| C. Were payments issued within 60 days of receiving required production evidence; required documentation, or the posting of the MILC feed-cost-adjusted payment rate? | 11-LD, subparagraph 20E     | YES                                     |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | NO                                      |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| D. Was production evidence reviewed against data entered in eMILC software?   | 11-LD subparagraph 37H      | YES                                     |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | NO                                      |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| E. Preparer.  | 11-LD subparagraph 45D      | Initial                                 |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | DATE COMPLETED                          |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| F. Was a second party review completed before payment was signed in NPS?  | 11-LD subparagraph 37H      | YES                                     |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | NO                                      |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| G. Second party reviewer.   | 11-LD subparagraph 45D      | Initial                                 |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
|   |                             | DATE COMPLETED                          |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| 10. Remarks:  |                             |   |  |      |                  |     |     |     |     |  |     |     |        |     |                  |  |
| 11A. Signature of Preparer<br><i>Elise Miner</i>  |                             |   |  |      |                  |     |     |     |     | 11B. Date (MM-DD-YYYY)<br>11/3/2009  |     |     |        |     |                  |  |
| 12. CED Signature and Certification of concurrence/non-concurrence that the above items have been verified and updated accordingly.                                   |                             |   |  |      |                  |     |     |     |     | 13. DD Signature or STC Designee Certification of concurrence/non-concurrence that the above items have been verified and updated accordingly. |     |     |        |     |                  |  |
| 12A. Concurrence Status<br><input type="checkbox"/> Concur <input type="checkbox"/> Do not concur   |                             |   |  |      |                  |     |     |     |     | 13A. Concurrence Status<br><input type="checkbox"/> Concur <input type="checkbox"/> Do not concur  |     |     |        |     |                  |  |
| 12B. Signature for Spot Check (CED)   |                             |   |  |      | 12C. Date Signed |     |     |     |     | 13B. Signature for Spot Check (DD or STC)  |     |     |        |     | 13C. Date Signed |  |

46 (Withdrawn—Amend.4)

47-49 (Reserved)



**52 Dairy Operation Interpretation (Continued)****D New Operations**

County Offices shall determine an eligible new dairy operation as any dairy operation purchased or formed by a producer **not** affiliated with any dairy operation:

- that received a DMLA-III payment
- that received a MILC payment
- with an approved CCC-580 with CCC.

Eligible new dairy operations may enter into CCC-580 with CCC anytime during the duration of the MILC program application period.

**E Additional Dairy Operations**

Beginning with FY 2008, any additional dairy operation purchased or formed, because of the dissolution or expansion of a dairy operation that participated in the MILC program, by a producer affiliated with a dairy operation that has an approved CCC-580:

- is subject to review by FSA to determine legitimacy
- will exist in the MILC program according to State interpretation of a dairy operation used during the previous DMLA programs and criteria established according to subparagraph B in the State where the dairy operation is located.

If after FSA review the additional dairy is determined to be a legitimate acquisition, the additional dairy purchased may be considered an eligible new dairy operation.

**Note:** If the expansion of an operation did not involve purchasing new cows, but rather the transfer of cows from an existing operation participating in the MILC program, this reorganization or restructure would be considered a reconstituted dairy operation, according to paragraph 53.

## 53 Dairy Operation Reconstitutions

### A Reconstituted Dairy Operations

A dairy operation that reorganizes or restructures the constitution or makeup of their operation into another organizational framework **must**:

- **not** reorganize for the sole purpose of receiving multiple payments
- notify the County Office immediately of the reconstitution on CCC-580M, Parts E and F.

Changes to a dairy operation that result in the reconstitution of the dairy operation are subject to review by FSA to determine legitimacy if reorganized after:

- receiving a DMLA-III payment
- MILC payment
- October 1, 2007.

Producers will remain on their original CCC-580 until the new CCC-580 becomes effective the following FY, when the following occurs:

- producer exits an existing operation to form a new operation because of a reconstitution of a dairy operation
- producer forms a new operation with another producer with an approved CCC-580.

**Note:** Payments will continue to be issued to all producers on the original CCC-580 subject to the applicable maximum production limitation for the operation for that FY. Shares may be adjusted, as appropriate. County Offices **must** manually track production limitation on CCC-580M, Part H, based on the combined production paid a MILC benefit from each operation with CCC-580 on file. The new operation **must** complete a new CCC-580, subject to approval, and will begin to receive payments on October 1 of the following FY.

### B Reconstitution Effective Date

Producers on eligible dairy operations participating in the MILC program **must** notify FSA immediately of **any** changes that may affect their CCC-580. If during the contract period a reconstitution occurs, the modification to CCC-580 will **not** take effect until the first day of the FY following the month the County Office received notification of the changes.

However, changes resulting in the reduction of shareholders or producers and their corresponding share amounts in the dairy operation will take effect **immediately** upon notification to CCC on CCC-580M.

\*--83 Production (Continued)

A Updating Production (Continued)

The following are examples of the Update Production Screen:

- unpopulated

**Update Production**

State: Arkansas County: Crawford ? Help

---

Dairy Operation: JJC Dairy  
Contract No.: 1

All required fields are denoted by an asterisk (\*).

\* Fiscal Year: 2009  \* Month: Select Month

\* Pounds:  \* Date Received (mm/dd/yyyy):

FY Total Production: 2008: 0 2009: 0 2010: 0  
2011: 0 2012: 0

| Fiscal Year | Month | Production - Pounds | Production - CWT | Date Received | Action |
|-------------|-------|---------------------|------------------|---------------|--------|
|             |       |                     |                  |               |        |

- populated.

**Update Production**

State: Arkansas County: Crawford ? Help

---

Dairy Operation: JJC Dairy  
Contract No.: 1

All required fields are denoted by an asterisk (\*).

\* Fiscal Year: 2009  \* Month: Select Month

\* Pounds:  \* Date Received (mm/dd/yyyy):

FY Total Production: 2008: 289,756 2009: 258,800 2010: 0  
2011: 0 2012: 0

| Fiscal Year | Month    | Production - Pounds | Production - CWT | Date Received | Action                                      |
|-------------|----------|---------------------|------------------|---------------|---|
| 2009        | January  | 258,800             | 2,588.00         | 01/05/2009    | <a href="#">Edit</a> <a href="#">Delete</a> |
| 2008        | December | 289,756             | 2,897.56         | 01/02/2009    | <a href="#">Edit</a> <a href="#">Delete</a> |

--\*

## 83 Production (Continued)

## A Updating Production (Continued)

On the Update Production Screen:

- from the Fiscal Year drop-down menu, select FY
- from the Month drop-down menu, select the month
- enter production, in pounds
- \*--enter the latter of the date production evidence was received or the date all supporting documentation, including required forms used to determine eligibility for payment was received in the County Office (mm/dd/yyyy)--\*
- CLICK any of the following:
  - “Add” to display this data in the table
  - “Reset” to clear the data entry fields
  - “Edit” to:
    - change **unpaid** production entries
    - display the data of the selected row in the data entry fields; **only** the pounds and date received may be edited

**Note:** When users click “Edit”, “Save” will be displayed. Always **CLICK “Save” to save updated production information.**

- “Delete” to:
  - remove **unpaid** production entries
  - display the data of the selected row in the data entry fields; **after** verifying the data to be deleted, CLICK “Remove” to confirm the deletion.

After adding, editing, or deleting entries, CLICK “Next”. The Update Production Summary Screen will be displayed.