

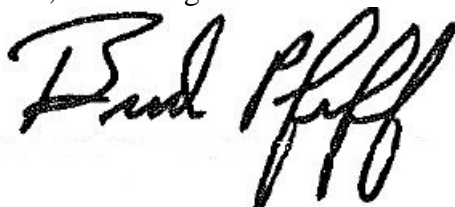
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Dairy Indemnity Payment Program
3-LD (Revision 7)**

Amendment 3

Approved by: Deputy Administrator, Farm Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 3 A has been amended to update the:

- source of authority for DIPP to the Agricultural Act of 2014
- funding authorization to the Consolidated Appropriations Act of 2016.

Subparagraph 3 B has been amended to revise DIPP's authorized duration.

Subparagraph 6 B has been amended to add a note that:

- promotional fees must be equivalent to the industry standard rate of 0.1500 percent
- stop charges and mileage fees must not be excluded in the base hauling fee.

Subparagraph 17 C has been amended to provide updated dates in the example of the final filing date.

Subparagraph 41 E has been amended to update instructions for accessing the spreadsheet calculator on the PSD web site.

Subparagraph 42 B has been amended to update the example DIPP calculator.

Subparagraph 42 D has been amended to update the example DIPP net payment price calculator.

Subparagraph 43 G has been amended to provide sequestration authority.

Subparagraph 44 B has been amended to update prompt payment provisions.

Subparagraph 45 C has been amended to update contact information for eFMS allotment requests.

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibits
	1-3, 1-4 1-11, 1-12 3-3, 3-4 5-3 through 5-12	

3 Sources of Authority and Related References

A Legislative History

*--The current source of authority for DIPP is the Agricultural Act of 2014 (Pub. L. 113-279) that authorizes DIPP through 2018.

Note: FY 2016 funding is authorized by the Consolidated Appropriations Act of 2016, (Pub. L. 114-113).

B DIPP Duration

DIPP is authorized through September 30, 2018.--*

C Federal Regulations

Regulations governing administering DIPP are provided in 7 CFR Part 760, Subpart A.

D Related Handbooks

Handbooks related to DIPP include the following.

Subject	Handbook
Appeals	1-APP
Signatures, estates, trusts, minors, or powers of attorney	1-CM
Misaction, misinformation, or equitable relief	7-CP
Scheme, device, or failure to fully comply	7-CP
HELC/WC provisions	6-CP
Issuing payments	1-FI
Deposits	3-FI
Interest rates	50-FI
Offsets	58-FI
Assignments and joint payments	63-FI
Prompt payment provisions or foreign person tax withholding	61-FI
Reporting to IRS	62-FI
Foreign person provisions	4-PL

4 Administration and Responsibilities

A DIPP Administration

DIPP is administered under DAFP general supervision, through PSD, with STC's and COC's having the primary responsibilities.

B STC Responsibilities

STC's shall:

- supervise and monitor DIPP to ensure that policies and procedures authorized in this handbook are uniformly followed by County Offices
- review FSA-373's/memorandums/letters received from County Offices for completeness and accuracy
- take any action required by this handbook that has not been taken by COC
- send FSA-373/memorandum/letter to PSD, through State Office, for approval or disapproval
- correct, or require COC to correct, any action taken by COC that is **not** authorized according to this handbook.

C COC Responsibilities

COC's shall:

- administer DIPP at the county level through CED under STC supervision
- inform producers and manufacturers about the eligibility requirements for DIPP payments
- determine, to the extent possible, the source of the contamination in each case
- determine whether the submitted documentation provides the required information needed for the base and claim periods
- complete and review applicable DIPP forms and documentation for completeness and accuracy
- send FSA-373/memorandum/letter to PSD through the State Office for approval.

Note: FSA-373/memorandum/letter may be disapproved by COC if all eligibility requirements and conditions for payment are not met by the applicant.

5 Determining Dairy Indemnity (Continued)

F Removal From Commercial Market

The commercial market is the market to which the DIPP applicant normally delivers whole milk produced by their dairy operation.

Removed from the commercial market includes milk produced and:

- destroyed or fed to livestock
- delivered to a handler who destroyed it or disposed of it as salvage (such as separating whole milk, destroying the fat, and drying the skim milk)
- otherwise diverted to other than the commercial market.

G Duration of Indemnity Payments

Indemnity payments shall continue until the earliest of the following:

- producer has been reinstated and is again allowed to sell milk in commercial markets
- manufacturer has removed all the contaminated products from commercial markets
- appropriated funds for making DIPP payments have been expended.

6 Determining Fair Market Value of Milk

A Fair Market Value

The fair market value of a DIPP applicant's normal milk marketings is determined from the sum of the net proceeds the DIPP applicant would have received for their normal marketings during the pay period for the claim period. Once the fair market value of the milk is determined, the net proceeds the DIPP applicant would have received for the pay period for the milk removed from the commercial market can be calculated.

B Net Payment Price

The net payment price is determined by deducting the following from the gross payment price:

- transportation or hauling fees

***--Note:** The base hauling fee is the only charge allowed to be claimed. Stop charges and mileage costs must **not** be included in the allowable hauling fee.

- promotional fees.

Note: Promotional fees must be equivalent to the industry standard rate of 0.1500 percent.--*

Note: The net payment price provided on the applicant's milk marketing statement (subparagraph C) may be used to calculate the final payment to the DIPP applicant using the appropriate spreadsheet calculator, according to subparagraph 41 D.

Payment pricing is based on component pricing rather than a butterfat base to reflect the dairy industry change in the formula used to calculate the payment price producers receive.

17 Filing FSA-373's**A Where to File**

Producers may file FSA-373's in either of the following:

- the County Office where the dairy operation affected by the contamination is physically located
- the producers' administrative County Office.

Note: If a producer sustains a loss more than once during FY at the same dairy operation, all subsequent FSA-373's must be filed in the same County Office as the initial FSA-373.

B Final Filing Date

FSA-373's must be filed by December 31 following the FY-end in which the loss occurred.

C Example of Final Filing Date

The following table provides an example of the final filing date.

IF the loss occurred on or after ...	THEN the final filing date to apply is...
*--October 1, 2014, but by September 30, 2015	December 31, 2015.
October 1, 2015, but by September 30, 2016	December 31, 2016.--*

17 Filing FSA-373's (Continued)

D Signature Requirements

All producers who share in the risk of a dairy operation's total production must certify to the information on FSA-373 before FSA-373 will be considered complete or approved by CCC.

County Offices shall follow 1-CM for the following:

- producer signatures and authorization provisions
- persons signing FSA-373 in a representative or fiduciary capacity
- paying amounts due persons who have died, disappeared, or have been declared incompetent.

Example: ABC Dairy Operation has 4 partners and:

- does **not** have a signature authority on file in the County Office; therefore, all producers who share in the risk of the dairy operation's total production must certify to the information on FSA-373
- has a signature authority on file the County Office; therefore, shall follow 1-CM.

41 Calculating DIPP Payments (Continued)**D Spreadsheet Calculator**

The following electronic spreadsheet calculators have been developed to compute DIPP payments:

- DIPP Calculator, used according to subparagraph 42 A to perform the full calculation
- Net Payment Price Calculator, used according to subparagraph 42 C when the net payment price is known.

When completed FSA-373's are received, County Offices shall access the appropriate spreadsheet calculator, according to this subparagraph, and enter applicable data from FSA-373 and applicants supporting documentation to compute the DIPP payment.

Note: County Offices must attach a printout of the completed spreadsheet calculator for **each** applicant to the DIPP case file.

Manual calculation of the DIPP payment must **only** be used when the spreadsheet calculators are unavailable or for circumstances the spreadsheet calculators do not address.

E Accessing the Spreadsheet Calculators

The spreadsheet calculators can be accessed from the PSD web site at www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=landing under *--“Additional Resources”. Click either of the following:--*

- “DIPP Calculator”
- “Net Payment Price Calculator”.

42 Calculating DIPP Payments Using Spreadsheet Calculator**A Using the DIPP Calculator**

Using the DIPP Calculator, County Offices must enter the following required data in the applicable white, unshaded fields:

- number of cows milked during the base period
- number of pounds marketed during the base period
- number of days milk was commercially marketed during the base period
- number of cows milked during the claim period
- number of pounds commercially marketed during the claim period
- gross payment price from handler sheet
- promotional fees from handler sheet
- hauling fees from handler sheet
- normal milkings per day
- date of last pickup before removal from the commercial market
- date of first pickup after reinstatement to the commercial market
- total pounds of production marketed on last day of pickup
- total pounds of production marketed on first day after reinstatement
- additional milkings not included in total number of missed milkings
- number of milkings that need to be subtracted from total number of missed milkings.

42 Calculating DIPP Payments Using Spreadsheet Calculator (Continued)

B Example of DIPP Calculator

The following is an example of the DIPP Calculator.

*--

DIPP Calculator			
Dairy Operation			
Part A - Completed by Milk Producer (Base & Claim Period)			
Base Period Information			
Number of Cows Milked		33	
Pounds Marketed (not cwt.)		33,354	
Days Marketed		31	
Claim Period Information			
Number of Cows Milked		33	
Claim Period Pounds (not cwt.)		23,878	
Part B - County Office Use Only (Claim Period)			
Gross Payment Price (from handler sheet)		11.68787	
Promotional Fees (from handler sheet)		0.1500	
Enter Here:	\$35.82		
Hauling Fees (from handler sheet)		0.8480	
Enter Here:	\$202.49		
Net Payment Price		10.68984	
Part C - Calculations - County Office Use Only			
Days Off Market		9.50	
Cows Milked (from Claim Period in 5 (B))		33	
Average Production (lbs./cows/day)		32.60	
Calculated Production Loss		10,220	
Rounded Net Payment Price		0.10690	
Payment		\$1,092.52	
Non-Refundable Payment			
Off-Set			
Insurance or Payment from Other than Handler			
Payment Due Producer before Sequestration		\$1,092.52	
Balance Due after Sequestration Reduction			\$1,018.23

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42 Calculating DIPP Payments Using Spreadsheet Calculator (Continued)**C Using the Net Payment Price Calculator**

Using the Net Payment Price Calculator, County Offices must enter the following required data in the applicable white, unshaded fields:

- number of cows milked during the base period
- number of pounds marketed during the base period
- number of days milk was commercially marketed during the base period
- number of cows milked during the claim period
- number of pounds commercially marketed during the claim period
- net payment price from the handler sheet
- normal milkings per day
- date of last pickup before removal from the commercial market
- date of first pickup after reinstatement to the commercial market
- additional milkings not included in total number of missed milkings
- number of milkings that need to be subtracted from total number of missed milkings.

42 Calculating DIPP Payments Using Spreadsheet Calculator (Continued)

D Example of Net Payment Price Calculator

The following is an example of the Net Payment Price Calculator.

*--

Net Payment Price Calculator			
Dairy Operation			
Part A - Completed by Milk Producer (Base & Claim Period)			
Base Period Information			
Number of Cows Milked		650	
Pounds Marketed (not cwt.)		701,112	
Days Marketed		32	
Claim Period Information			
Number of Cows Milked		650	
Claim Period Pounds (not cwt.)		807,833	
Part B - County Office Use Only (Claim Period)			
Net Payment Price		18.70063	
Part C - Calculations - County Office Use Only			
Days Off Market		4.00	
Cows Milked (from Claim Period in 5 (B))		650	
Average Production (lbs./cows/day)		33.71	
Calculated Production Loss		87,646	
Rounded Net Payment Price		0.18701	
Payment		\$16,390.68	
Non-Refundable Payment		\$4,503.00	
Off-Set			
Insurance or Payment from Other than Handler			
Balance Due Producer		\$11,887.68	
		Balance Due after Sequestration Reduction	\$11,079.32

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43 DIPP Payment Provisions**A Assignments**

DIPP payments may **not** be assigned.

B Offsets

DIPP payments are subject to offset (58-FI). The balance due the applicant after offset, if applicable, must be entered on FSA-373, item 46, according to paragraph 18.

C Payments Subject to Refund

If an applicant receives an indemnity payment and is later compensated for the same loss by the party responsible for the loss, the applicant **must** refund to FSA within 14 calendar days, the lesser of the following:

- amount of the payment for the loss
- amount of compensation from the other source.

D Advance Payments

Advance payments will **not** be issued for DIPP.

E Direct Deposit Requirement

DCIA requires any recipient of Federal payments who becomes eligible for that payment after July 25, 1996, to receive the payment by EFT. All producers receiving benefits under DIPP **must** file SF-3881 or retain SF-1199A according to 1-FI, Part 7.

Note: New ACH/direct deposit information shall be obtained on SF-3881 only. County Offices may retain prior SF-1199A.

F Other Legal Recourse

County Offices must **not** make an indemnity payment for contamination resulting from chemicals or toxic substances, if DAFFP determines within 30 calendar days after the date of FSA-373, that other legal recourse is available to the DIPP applicant.

***--G Sequestration**

Payments under DIPP may be reduced by a certain percentage because of a sequester order required by Congress and issues pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011. Should a payment reduction be necessary, FSA will reduce the payment by the required amount. The sequester rate for FY 2016 DIPP is 6.8 percent.--*

44 Issuing DIPP Payments

A Accounting Program Code

DIPP payments must be issued according to 1-FI, using program code “**XXMIPP**” through the Online Payment web-based application; “XX” is the last 2-digits of FY in which the payment is made, regardless of when the claim occurred.

B Prompt Payment Provisions

Prompt payment interest will begin * * * 30 calendar days after the date that the County Office receives notification from DAFP that eligibility is established and the payment is properly computed.

* * *

C Nonresident Alien Income Tax

Payments due nonresident aliens are subject to a withholding of the nonresident alien income tax.

The withholding tax:

- takes precedence over debts on FSA-604
- applies to applicants who are **not** U.S. citizens and who live outside the U.S., its territories, or possessions
- applies even if FSA-373/memorandum/letter is filed by an agent whose address is in the U.S.

Withhold nonresident alien income tax according to 62-FI, Part 5, and enter:

- as an offset on FSA-373
- the balance due the applicant on FSA-373 according to paragraph 18.

44 Issuing DIPP Payments (Continued)**D National Office Clearance**

County Offices shall submit a photocopy of the complete DIPP file, including required documentation through the State Office, to PSD for review and approval **before** issuing any DIPP payment to an applicant. If FSA-373/memorandum/letter is approved by the National Office, appropriate funds will be allocated to the State Office according to paragraph 45.

Note: County Offices shall **not** issue payment to an applicant that exceeds the payment amount approved by the National Office.

E Record of Payments

County Offices shall send 1 copy of each paid FSA-373/memorandum/letter, marked “PAID”, to the State Office immediately after issuing the DIPP payment as a record of payment.

45 Allocating Funds**A eFMS Allotments**

The National Office will allot DIPP funds to the State Office level through eFMS for payment processing. Allocations to the State Office level will be based on FSA-373's/memorandums/letters approved for payment by the National Office.

State Offices shall:

- re-allocate funds from the State Office level to the County Office level
- request unallocated funds necessary for paying DIPP claims from the National Office.

B eFMS Commodity Code

The eFMS commodity code for DIPP is "7900".

C Requests for eFMS Allotments

State Offices shall direct requests for unallocated funds by e-mail to Stacy Carroll at **stacy.carroll@wdc.usda.gov**, with cc's to all of the following:

- Dani Cooke at **danielle.cooke@wdc.usda.gov**
 - *--Angela Payton at **angela.payton@wdc.usda.gov**.--*
- * * *

45 Allocating Funds (Continued)**D Unobligated Balances**

Funds allocated for DIPP are available until September 30 of the applicable FY. Any FY unobligated balances that will not be used by FY-end must be returned to the National Office.

State Offices shall release FY unobligated balances, by memorandum, to PSD, by COB September 20.

Note: If September 20 falls on a weekend or holiday, send the memorandum by the next workday.

States with unobligated balances will receive FSA-357 from BUD reducing the balance to zero for the applicable FY.

E Allocation Control Ledger

State Offices shall maintain a ledger of allocations made to County Offices.

Note: Prepare one FSA-373-A for the State according to paragraph 46.