



Proposed Rules for the Dairy Disaster Assistance Program III

Overview

This fact sheet outlines proposed rules governing implementation of the Dairy Disaster Assistance Program III (DDAP-III) by the U.S. Department of Agriculture Farm Service Agency (FSA). Following the public comment period on the proposed regulations, FSA will publish final DDAP-III rules in the Federal Register and produce a new DDAP-III fact sheet. The rules detailed in this fact sheet are only proposals.

FSA will conduct sign-up for DDAP-III before the agency publishes final regulations. FSA developed this fact sheet as an aid to dairy producers so they understand how DDAP-III may operate and how the agency may calculate benefits.

The "U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007" (2007 Act) authorizes DDAP-III. President Bush signed the 2007 Act into law on May 25, 2007. The 2007 Act charges U.S. Department of Agriculture (USDA) with implementing DDAP-III. The 2007 Act provides \$16 million in DDAP-III benefits.

Under the proposed rules, DDAP-III will provide \$16 million in financial assistance to producers who suffered dairy production losses because of natural disas-

ters. A producer's operation must be in a county designated a major disaster or emergency area by the president or declared a natural disaster area by the secretary of agriculture between Jan. 1, 2005, and Feb. 28, 2007. Counties contiguous to such counties will also be eligible. Producers in counties declared disasters by the president may be eligible, even though agricultural loss was not covered by the declaration, if there has been a FSA Administrator's Physical Loss Notice covering such losses.

When and Where to Apply

Dairy producers may apply to receive DDAP-III benefits beginning Dec. 3, 2007, at local FSA service centers.

Eligibility Requirements

Under proposed DDAP-III regulations, the following are some of the eligibility requirements producers must meet to receive benefits:

- producers must have produced and marketed milk any time between Jan. 1, 2005, and Feb. 28, 2007;
- producers must have suffered dairy production losses attributed to the declared natural disaster during the eligible period in an approved area; and
- producers must provide proof of monthly milk production

commercially marketed by all persons in the eligible dairy operation during the applicable milk marketing calendar year and claim period (Jan. 2, 2005 - Feb. 27, 2007).

Producers may be involved in more than one operation under proposed DDAP-III rules.

Also, FSA may make payments for losses suffered by an eligible producer who is deceased or is a dissolved entity. A representative who has authority to enter into a contract for the producer or the producer's estate must sign the application for payment. The representative must provide proof of authority to sign for the estate or dissolved entity. If a producer is a dissolved general partnership or joint venture, all members of the general partnership or joint venture at the time of dissolution or their duly-authorized representatives must sign the application for payment.

Producers must have been in compliance with the Highly Erodible Land Conservation and Wetland Conservation provisions for the calendar year that apply to the natural disaster declaration and loss claim period. Also, producers must not be barred from receiving benefits under 7 Code of Federal Regulations part 12 or any other law or regulation.

Proof of Production and Losses

Under the proposed rules for DDAP-III, producers must provide satisfactory production evidence for the claim period (Jan. 2, 2005 - Feb. 27, 2007). This will enable FSA to determine commercial marketing and production history of the dairy operation. FSA will use this information to compute losses and calculate benefits.

A dairy producer must provide dairy herd inventory records (the number of cows) for the operation during the calendar year in which the disaster declaration was issued. A producer must prove that losses occurred in an eligible county during the eligible claim period. FSA may request additional documentation to verify production losses.

Producers must provide a history of commercial production marketing, including production marketed during the claim period. Producers must base proof of the dairy operation's production history on milk marketing statements obtained from the dairy operation's milk handler or marketing cooperative. Supporting documents may include, but are not limited to: tank records, milk handler records, daily milk marketings, copies of any payments received from other sources for production losses, or any other documents available to confirm or adjust the production history losses.

Spoiled or dumped milk must be counted as production during the relevant claim period. FSA may

adjust production losses during the disaster period if the agency determines that the disaster did not cause the losses.

If a producer presents unsatisfactory production evidence, FSA may deny benefits. In addition, FSA county committees will determine production losses that are not disaster related and adjust calculated losses accordingly.

Calculating Benefits

Under proposed DDAP-III rules, FSA will calculate payments by multiplying a producer's total production losses in whole pounds of milk by the payment rate. The payment rate is a state's annual average mailbox milk price for the marketing order, as reported by USDA's Agricultural Marketing Service, that applies to the state of the disaster county during the relevant year. FSA will base payment rates for states not regulated under a milk order on a contiguous or nearby state's mailbox price. The chart on page 4 of this fact sheet lists milk prices for each state by calendar year.

FSA will calculate a producer's total dairy production losses using the base year production minus commercially marketed production during the disaster period. FSA will calculate base year production by multiplying the USDA National Agricultural Statistics Service (NASS) average of milk produced per cow in a state by the number of cows in a producer's operation. If NASS data is unavailable for the state where the eligible disaster

occurred, the FSA deputy administrator for farm programs may develop an alternative method.

Producers may have a claim for more than one year, but FSA will reduce benefits by the amount paid under DDAP-II or other disaster programs.

Under the proposed rules, FSA will not reduce payments as a result of payments from a milk buyer or marketing cooperative for dumped or spoiled milk.

Payments Exceeding \$16 Million

The 2007 Act provided \$16 million in DDAP-III benefits for eligible dairy producers.

If the total value of losses claimed nationwide exceeds the \$16 million available in DDAP-III benefits, FSA will pay dairy operations with total eligible losses exceeding 20 percent of the total base year production at the maximum rate that funding allows. A loss of more than 20 percent in only one or two months during the applicable claim period does not qualify a producer for the maximum per-pound payment. A dairy producer's losses must reach the priority level over the whole claim period for each relevant calendar year.

If dairy producers suffer total eligible losses of less than or equal to 20 percent during the eligible claim period, then FSA will calculate benefits by dividing the eligible losses of less than 20 percent by the funds remaining

after making payments for all eligible losses above the 20-percent threshold.

FSA will not make payments exceeding the value determined by multiplying the producer's total eligible loss times the average price received for commercial milk production in the producer's area. No participant will receive DDAP-III benefits that exceed 95 percent of the value of the expected production for the relevant period as estimated by the Secretary of Agriculture. The sum of the value of the production not lost (if any) and the DDAP-III payment received cannot exceed 95 percent of what the production's value would have been if there had been no loss. FSA may set aside a reserve of DDAP-III funds to handle pending or disputed claims.

More Information

Find more information about FSA and its disaster assistance programs on the FSA Web site at: <http://www.fsa.usda.gov>.

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State	Mailbox Price 2005	Mailbox Price 2006	Mailbox Price Jan-Feb 2007
Alabama	0.1596	0.1443	0.1615
Alaska	0.2040	0.2010	0.0000
Arizona	0.1388	0.1128	0.1282
Arkansas	0.1596	0.1443	0.1615
California	0.1388	0.1128	0.1282
Connecticut	0.1539	0.1344	0.1538
Delaware	0.1539	0.1344	0.1538
Florida	0.1758	0.1603	0.1739
Georgia	0.1596	0.1443	0.1615
Idaho	0.1402	0.1215	0.1388
Illinois	0.1514	0.1283	0.1476
Indiana	0.1503	0.1294	0.1460
Iowa	0.1507	0.1285	0.1479
Kansas	0.1403	0.1214	0.1407
Kentucky	0.1527	0.1349	0.1545
Louisiana	0.1596	0.1443	0.1615
Maine	0.1539	0.1344	0.1538
Maryland	0.1539	0.1344	0.1538
Massachusetts	0.1539	0.1344	0.1538
Michigan	0.1478	0.1264	0.1438
Minnesota	0.1512	0.1277	0.1502
Mississippi	0.1596	0.1443	0.1615
Missouri (Northern)	0.1403	0.1214	0.1407
Missouri (Southern)	0.1467	0.1254	0.1445
Montana	0.1512	0.1277	0.1502
Nebraska	0.1403	0.1214	0.1407
Nevada	0.1388	0.1128	0.1282
New Hampshire	0.1539	0.1344	0.1538
New Jersey	0.1539	0.1344	0.1538
New Mexico	0.1323	0.1108	0.1324
New York	0.1539	0.1303	0.1489
North Carolina	0.1527	0.1349	0.1545
North Dakota	0.1512	0.1277	0.1502
Ohio	0.1506	0.1302	0.1496
Oregon	0.1402	0.1215	0.1388
Pennsylvania (Eastern)	0.1539	0.1340	0.1538
Pennsylvania (Western)	0.1539	0.1302	0.1487
Puerto Rico	0.2550	0.2570	0.0000
Rhode Island	0.1539	0.1344	0.1538
South Carolina	0.1527	0.1349	0.1545
South Dakota	0.1512	0.1277	0.1502
Tennessee	0.1527	0.1349	0.1545
Texas	0.1405	0.1194	0.1398
Vermont	0.1539	0.1344	0.1538
Virginia	0.1527	0.1349	0.1545
Washington	0.1402	0.1215	0.1388
West Virginia	0.1506	0.1302	0.1496
Wisconsin	0.1535	0.1305	0.1505

NOTE: Calculations are rounded to 7 decimal places.