

February 2007

Fact Sheet
Milk Income Loss Contract
Program Extension

Montana State
Producer Handbook



Background

Farm Service Agency's (FSA) Milk Income Loss Contract (MILC) Program has been extended for the period beginning October 1, 2005 and ending September 30, 2007. The extension, called the MILCX program, allows the continuation of financial assistance on a monthly basis to dairy operations in connection with production sold in the commercial market when domestic prices fall below a specified level. The program was originally authorized by the 2002 Farm Bill.

Eligible Dairy Producers

Eligible dairy producers are those who, beginning October 1, 2005, through September 30, 2007:

- Produce and commercially market cow milk in the United States; and
- Provide verifiable production evidence to the local county FSA office. Production evidence must be provided before payment may be made on a MILCX contract.

Dairy producers from a foreign country who have a working visa or other valid taxpayer identification number are eligible for MILCX benefits.

Sign-up

A signup period will continue through September 30, 2007. Eligible dairy producers can apply for program benefits anytime during this signup period.

Selecting Production Start-month During Extended Signup Phase

Producers signing up during the extended signup period can only select the production start month for the dairy operation:

- From the remaining months in the fiscal year in which MILCX is submitted for which the payment rate is not known; or
- According to the production start month selected on form CCC-580X.
- The selection must be made on or before the 14th of the month before the month the operation wants to select as their production start-month.

During fiscal year 2007, dairy operations may select production start-months according to the following table:

Dairy operation selects by:	To select the MILCX production start-month of:
December 14	January 2007
January 12, 2007 (January 14 is a Saturday)	February 2007
February 14	March 2007
March 14	April 2007
April 13 (April 14 is a Saturday)	May 2007
May 14	June 2007
June 14	July 2007
July 13 (July 14 is a Saturday)	August 2007
August 14	September

(September selection not allowed since payment is factored by 0%)	2007
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How to Apply

Eligible applications must use CCC-580X to apply for MILCX benefits. A separate CCC-580X must be filed for each dairy operation that produced and commercially marketed milk during the authorized program period. The CCC-580X must show the total pounds of all milk produced and marketed during each month for all persons receiving a share of the marketed milk. All producers who share in the risk of a dairy operation's total production must sign and certify to the information on the CCC-580X before the contract will be considered complete or approved. CCC-580X may be found by logging on to the Montana FSA website at <http://www.fsa.usda.gov/mt> and clicking on the "find e-forms" link or available at any FSA county office.

When applying for a MILCX contract, applicants must also have on file:

- Form AD-1026, "Highly Erodible Land Conservation and Wetland Conservation Certification," used to certify understanding of the conservation compliance requirements under USDA programs; and

- Form SF-1199A, "Direct Deposit Sign Up Form," used to sign up for the direct deposit of payments into the payee's account. AD-1026 and SF-1199A are also available on the Montana FSA website and clicking on the "find e-forms" link or available at any FSA office.

MILCX Production Start Month Selection

During fiscal year (FY) 2007, beginning October 1, 2006 and ending September 30, 2007, producers in a dairy operation participating in the MILCX program must select a month of commercially marketed production so payments may be issued to the dairy operation.

Beginning with the selected month, MILCX payments will be issued based on the selected months' production and for each consecutive month's production thereafter for which there is a payment rate in effect until either:

- The maximum payment quantity of 2.4 million pounds is reached; or
- The applicable FY ends.

The MILCX production start month selected by the dairy operation must be designated on CCC-580X and submitted to the local FSA county office: 1) on or before the 14th of the month before the MILCX production start month selected by the producers in the dairy operation (**Note: if the 14th of the month falls on a weekend, the start month selection must be made on the last business day preceding the weekend**); and 2) before the Boston Class I (BCI) fluid milk price for the month selected by the producers in the dairy operation is announced to the public.

A MILCX production start month may not be selected for any month that:

- Has already begun
- Has already passed
- No milk production was produced by the dairy operation

Changing the MILCX Production Start Month Selection

If the dairy operation chooses to change the MILCX production start month, the selection must be made on or before the 14th of the month before the:

- Month originally selected by the dairy operation as their MILCX production start month
- Newly selected MILCX production start month for the dairy operation.
- Changes must also be made in advance of the payment rates being known by the public for both the original production start month that the dairy operation is changing from and the production start month that the dairy operation is changing to. Otherwise, the MILCX production start month can only be changed for the following FY.
- The MILCX production start month designated on CCC-580X cannot be changed if the new month being selected has either already begun or has already passed.

No Payment Rate In Effect

If no payment rate is in effect for the MILCX production start month selected by the dairy operation and designated on CCC-580X, the payment will begin with the production from the next consecutive month in which there is a rate in effect following the selected MILCX production start month.

Payments

MILCX payments are made on a monthly basis when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt). Monthly MILCX payment rates are available by logging on to the Montana FSA website at: <http://www.fsa.usda.gov/mt> and under the "Programs" section click on the "Milk Income Loss Contract Extension Program" link.

Payments are issued up to a maximum of 2.4 million pounds, which is equivalent to 24,000 cwt per dairy operation per FY.

Payment Rate Calculation

Payment rates will be determined by multiplying 34 percent of the difference between \$16.94 and the Boston Class I price for that

BC I price announced in Feb. 2006 = \$16.63
 $\$16.94 - \$16.63 = \$0.31$
 $\$0.31 \times 34 \text{ percent} = \0.1054000
 Payment rate for Feb. 2006 = \$0.1054000

month. For example:

Production Evidence

Before MILCX payments are issued, 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 marketing's; and
- copies of any payments received as compensation from other sources.

Montana FSA county offices have 60 calendar days from receiving the production evidence to issue payments.

Ineligible Milk Production

The following is not considered commercially marketed milk and is ineligible as MILCX 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 the local FSA county office of any changes affecting an operation's MILCX contract. If a reconstitution occurs during the contract period, MILCX 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.

MILCX Agents

MILCX benefits may be disbursed by a dairy marketing cooperative that serves special groups or communities, such as an Amish or Mennonite community. Such producers may authorize an agent of the cooperative or milk handler affiliated with a dairy marketing cooperative to obtain and disburse MILCX benefits to the operation. Qualified agents must be approved by FSA.

The dairy operation must grant MILCX agents power of attorney authority to act on the operation's behalf. The operator must complete Form FSA-211, "Power of Attorney," and submit the form to the FSA office where the dairy operation is located. The form is

also available from local county FSA offices or by logging on to the Montana FSA website at: <http://www.fsa.usda.gov/mt> and clicking on the "find e-forms" link.

For More Information

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at <http://www.fsa.usda.gov/mt>

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