

For: State and County Offices

Milk Income Loss Contract (MILC) Approval Provisions

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

Signup for the MILC program began on August 13, 2002. Notice LD-528 instructed County Offices to:

- **not** approve MILC applications containing questionable statements written by the producer on CCC-580 MILC application, until the Office of General Counsel (OGC) reviewed those contracts for legal sufficiency
- await further instructions and authorization before approving MILC applications containing questionable statements or references.

Publication of the regulations at 7 CFR Part 1430 changed some of the terms and conditions of CCC-580-Appendix. The changes to CCC-580-Appendix and the regulations published on October 18, 2002, do **not** materially affect the MILC program. Producers will be advised of changes to the terms and conditions of CCC-580-Appendix by a MILC addendum that must be signed by the producers in the dairy operation and returned to the appropriate County FSA Office to verify receipt of the notification of the appendix changes.

B

Purpose

This notice provides State and County Offices with the following:

- procedure for approving MILC applications with questionable statements
- instructions for completing CCC-580-Addendum-1
- additional guidance for MILC production evidence.

<p>Disposal Date</p> <p>December 1, 2003</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
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Notice LD-530

2 Milk Income Loss Contract Policies

A

Questionable Statements on MILC

Many producers submitted MILC applications containing questionable statements handwritten by the producer on CCC-580 MILC application, such as:

- under protest
- I select August and September.

Notice LD-528, subparagraph 2 E instructed County Offices **not** to approve MILC applications containing these questionable statements until OGC reviewed the contracts for legal sufficiency. OGC has concluded that for MILC applications containing these questionable statements, the producer must:

- strike through their added verbiage
- in the margin of the contract enter:
 - signature
 - date.

If more than 1 producer is a party to CCC-580 MILC application, all producers involved in the dairy operation must sign and date by the stricken language in the margin of the contract before the County Office approves the contract.

B

Authorization to Approve

County Offices are authorized to approve MILC applications containing questionable statements provided the producer has made the necessary adjustments to CCC-580 according to subparagraph A.

Continued on the next page

Notice LD-530

2 Milk Income Loss Contract Policies (Continued)

C

Changes to CCC-580- Appendix

There have been some changes to the MILC program since the signup began on August 13, 2002, and the regulations were filed with the Office of the Federal Register (FR) on October 18, 2002. The changes do **not** materially affect the MILC program, however, some of the terms and conditions of CCC-580-Appendix differ from that of the regulations at 7 CFR Part 1430. At the time the dairy operation signed up for MILC benefits, the producer agreed according to paragraph 17 of CCC-580-Appendix, that in the event of conflict between the regulations and the terms of the Appendix, the provisions of the regulations would prevail.

All modifications to CCC-580-Appendix have been included in CCC-580-Addendum-1. The most significant change to CCC-580-Appendix is the provision that requires the dairy operation to make their selection of the month for CCC to begin issuing payments to the producers in the dairy operation on or before the 15th of the month before the month in which payment is sought rather than the 23rd of the month, as previously prescribed.

Dairy operations with an approved CCC-580 MILC Application must return to the appropriate FSA Servicing Office a completed CCC-580-Addendum-1, by **COB March 14, 2003**. After this date, each dairy operation with an approved CCC-580 MILC Application must have a CCC-580-Addendum-1 on file in the appropriate FSA Servicing Office **before any** further payments will be issued to the producers in the dairy operation. For each eligible dairy operation receiving benefits, the County Office must:

- notify the producer of the requirement to complete and submit CCC-580-Addendum-1 to the appropriate FSA Servicing Office by COB March 14, 2003
- **not** issue any further payments to a dairy operation after COB March 14, 2003 until the operation has returned a completed CCC-580-Addendum-1 to the appropriate FSA Servicing Office.

Note: New dairy operations must complete CCC-580-Addendum-1 at the time of signup for MILC benefits.

Continued on the next page

Notice LD-530

2 Milk Income Loss Contract Policies (Continued)

D

**Submitting
CCC-580-
Addendum-1**

Producers in a dairy operation may submit CCC-580-Addendum-1, as follows:

- in person
- by mail
- by FAX.

Note: If the operation is returning CCC-580-Addendum-1 by FAX, the producer must have FSA-237 on file in the County Office according to 1-CM.

Continued on the next page

Notice LD-530

2 Milk Income Loss Contract Policies (Continued)

E

**Completing
CCC-580-
Addendum-1**

Dairy producers shall complete CCC-580-Addendum-1 to certify that they understand and agree to the modified terms and conditions of CCC-580-Appendix. If a producer requests CCC-580-Addendum-1, County Offices shall:

- complete items 1 through 4, and 9
- **not** complete item 8 until the completed form has been submitted to the County Office
- provide to the dairy operation the following instructions for completing items 5 through 7 of CCC-580-Addendum-1, according to the following table.

Item	Instructions
1	Enter the applicable State code.
2	Enter the applicable County code.
3	Enter the contract number assigned to the applicable dairy operation.
4	Enter the name and mailing address of the dairy operation.
5	Thoroughly read the modified terms and conditions affecting CCC-580-Appendix.
6A - 6H	After reading the modified terms and conditions affecting CCC-580-Appendix, enter your initials and the date if you understand and agree to the modified terms and conditions. Note: All producers assigned to the contract number indicated in item 3 must initial and date CCC-580-Addendum-1.
7A - 7H	After reading the modified terms and conditions affecting CCC-580-Appendix in item 6, enter your signature and the date if you understand and agree to the modified terms and conditions. Note: All producers assigned to the contract number indicated in item 3 must sign and date the CCC-580-Addendum-1.
8A - 8B	Enter the County Office representative's signature and date of signature.
9A - 9B	Enter the County Office name, address, and telephone number.

Continued on the next page

Notice LD-530

2 Milk Income Loss Contract Policies (Continued)

F
Example of
CCC-580-
Addendum-1

This is an example of CCC-580-Addendum-1.

This form is available electronically.

CCC-580 Addendum 1 (12-06-02) ADDENDUM FOR MODIFICATIONS TO THE CCC-580 APPENDIX, MILK INCOME LOSS CONTRACT (MILC) <i>See Page 2 for Privacy Act Statement.</i>	USDA-CCC	1. STATE CODE	2. COUNTY CODE	3. CONTRACT NUMBER
	4. DAIRY OPERATION'S NAME AND ADDRESS <i>(Including Zip Code)</i>			
		TELEPHONE NUMBER <i>(Area Code)</i> :		

NOTE: The authority for collecting the following information is Pub. L. 107-171. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995.

5. This contract modification is entered into by the Commodity Credit Corporation (CCC) and the undersigned participant(s) of the Milk Income Loss Contract (MILC) in Item 3 above. Modifications to the MILC CCC-580 Appendix are being made in accordance with the following paragraphs contained in the CCC-580 Appendix: (1) Paragraph 17, which states: "The regulations in 7 CFR Part 1430 for the Milk Income Loss Contract Program are incorporated herein. In the event of a conflict between these regulations and the terms of this Appendix, the provisions of the regulations will prevail," and (2) Paragraph 19A (11), which states that the participant agrees: "To comply with all terms and conditions contained in this Appendix and the prescribed regulations at 7 CFR Part 1430."

By signing this Addendum, the participant(s) confirms that they have been notified of modifications to the following Paragraphs of the CCC-580 Appendix in accordance with the regulations at 7 CFR Part 1430, as referenced below:

1S United States means the 50 States of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico, and any other territory or possession of the United States. *(7 CFR 1430.202).*

1X Participating State means each of the 50 States in the United States of America, including the District of Columbia, and the Commonwealth of Puerto Rico, or any other territory or possession of the United States. *(7 CFR 1430.202).*

2A By signing the MILC, the participant certifies that such participant produced milk commercially in the United States and marketed such production anytime during the period of December 1, 2001, through September 30, 2005. The participant agrees to provide monthly milk production and evidence of such production commercially marketed by all persons in the dairy operation during the Contract Application period indicated in Item 5 of the MILC, to determine the total pounds of milk that will be converted to hundredweight (cwt), and subsequently used for payment. Such production evidence must be provided before CCC will issue a payment to the dairy operation. *(7 CFR 1430.205).*

4A With the exception of the transition period, beginning with the 2003 fiscal year, a dairy operation that enters into a MILC with CCC, and does not want its payments to begin with the first month of the fiscal year, must designate in the contract the month that CCC shall begin making payments to the dairy operation.

The starting month selected by the dairy operation must be made on or before the 15th of the month before the month for which payment is sought. *(7 CFR 1430.205(a)).*

4C Dairy operations cannot change the selected starting month unless the change is made with CCC on or before the 15th of the month before the month selected. Otherwise, the starting month selected by the dairy operation cannot be changed in the MILC until the next fiscal year. If the starting month selected by the dairy operation is never modified from the initial selection, the selected month will remain the same for each fiscal year throughout the duration of the contract. *(7 CFR 1430.205(b)).*

4E Dairy operations that do not designate the month to begin receiving payments from CCC, will be issued payments consecutively starting with the first month of the fiscal year, unless FSA is otherwise notified that the selection by the dairy operation will be made at a later date, and is noted as such on the MILC. Such payments will be issued on a consecutive monthly basis until the earlier of the following: (1) Maximum payment quantity is reached; (2) End of the applicable fiscal year. *(7 CFR 1430.205(d)).*

5C During the 2002 fiscal year only, the dairy operation may elect to forgo their transition payment and choose to begin receiving payments in September, 2002, in accordance with Section 4(B). Otherwise, transition payments will be made for the months preceding the month the dairy operation enters into a MILC with CCC according to this Section. *(7 CFR 1430.206(c)).*

6A. PARTICIPANT'S INITIALS	6B. DATE (MM-DD-YYYY)	6C. PARTICIPANT'S INITIALS	6D. DATE (MM-DD-YYYY)
6E. PARTICIPANT'S INITIALS	6F. DATE (MM-DD-YYYY)	6G. PARTICIPANT'S INITIALS	6H. DATE (MM-DD-YYYY)

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Original - County Office Copy Dairy Operation's Copy

Notice LD-530

2 Milk Income Loss Contract Policies (Continued)

F
**Example of
 CCC-580-
 Addendum-1
 (Continued)**

CCC-580 Addendum 1 (12-06-02) Page 2

By signing this MILC Addendum, the participant(s) further agrees:

- a. To comply with all other terms and conditions of the cited contract as contained in the corresponding MILC (CCC-580), MILC Appendix (CCC-580 Appendix), and any addendum thereto.
- b. That this contract modification became effective and irrevocable upon the date of filing of the regulations at 7 CFR Part 1430 at the Office of the Federal Register.

It is so agreed and understood.

7A. PARTICIPANT'S SIGNATURE	7B. DATE (MM-DD-YYYY)
7C. PARTICIPANT'S SIGNATURE	7D. DATE (MM-DD-YYYY)
7E. PARTICIPANT'S SIGNATURE	7F. DATE (MM-DD-YYYY)
7G. PARTICIPANT'S SIGNATURE	7H. DATE (MM-DD-YYYY)
8A. COUNTY OFFICE REPRESENTATIVE'S SIGNATURE	8B. DATE (MM-DD-YYYY)
9A. COUNTY FSA OFFICE NAME AND ADDRESS (Including Zip Code)	9B. COUNTY FSA OFFICE TELEPHONE NUMBER (Including Area Code)

NOTE: The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a). The authority for requesting the above information is the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171). The information requested is necessary for CCC to confirm producer notification of Milk Income Loss Contract modifications made in accordance with prevailing regulations provided at 7 CFR Part 1430. Furnishing the requested information is voluntary. Failure to furnish a signed addendum will result in a determination of ineligibility for further MILC program benefits and other financial assistance administered by USDA. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal Law enforcement agencies, and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001; 15 USC 714m; and 31 USC 3729, may be applicable to the information provided. **RETURN THIS SIGNED FORM TO YOUR COUNTY FSA SERVICE CENTER.**

Notice LD-530

3 Production Evidence

A

Production Evidence Submitted by Co-ops

Many dairy cooperatives have expressed an interest in providing monthly production evidence directly to FSA on behalf of their producers. To accommodate this request, FSA will accept monthly production evidence from dairy cooperatives or handlers provided the producers of the eligible dairy operation submit to their local FSA Servicing Office a written statement authorizing the FSA Servicing 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 FSA Servicing Office by the following:

- FAX transmission
- electronic mail
- mail delivery.

Attach the authorized statements received from producers to their applicable MILC application with the date stamped production evidence received in the County Office thereafter. The authorization will remain in effect until the end of the contract period or the authorization is terminated in writing by the producer. For acceptable forms of production evidence, refer to Notice LD-524 subparagraph 8 B.

For future years of the MILC program, FSA will develop an automated process to receive production evidence directly from the dairy cooperative or milk handler.

B

Example of Authorization Statement

The following is an example of a statement authorizing the FSA Servicing Office to receive production evidence directly from a dairy cooperative or milk handler:

I, (Enter contact producer's name) of (Enter the name of the dairy operation), located in (Enter name of county where dairy operation is located), County, in the State of (Enter name of State where dairy operation is located), authorize (Enter the name of dairy cooperative or handler) to release evidence of my monthly milk marketings directly to my County FSA Servicing Office, for purposes of the MILC program.

Note: All producers involved in the dairy operation must sign the authorization and enter the contract number on the authorization.

Continued on the next page

3 Production Evidence (Continued)

C

Dairy Product Conversion Factors

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

Dairy Product (1 unit of measure)	Conversion Factor (equals x unit of measure of milk)
Cheese	10
Butter	8.4
Non-fat Dry Milk (NDM)	7.3
Light Cream	2.5
Half and Half	1.8
Ice Cream	1.9
Yogurt	0.9
Heavy Cream (whipping cream)	4.2

D

Conversion From Pounds to Fluid Milk Pounds

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

Example: A dairy operation provides the County Office with production evidence of 300 pounds of commercially marketed cheese during any given month. Multiply 300 by 10 to get a total of 3,000 pounds of eligible production for that applicable month.

Continued on the next page

3 Production Evidence (Continued)

E

Conversion From Gallons to Gallons

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

Example: A dairy operation provides the County Office with production evidence of 100 gallons of commercially marketed half and half during any given month. Multiply 100 by 1.8 to get a total of 180 gallons of milk.

Conversions from gallons to gallons must be further converted to pounds of eligible production according to subparagraph F.

F

Conversion From Gallons to Eligible Pounds of Production

Production evidence received from producers that indicate gallons must be converted to pounds. A conversion rate of 8.6 pounds is equivalent to 1 gallon of milk.

After applying the conversion factor for gallons according to subparagraph E, multiply the converted gallons by 8.6 to get the total pounds of eligible production.

Using the example in subparagraph E, after the 100 gallons of half and half are converted to 180 gallons of milk, multiply the 180 gallons times 8.6 to get a total of 1,548 pounds of eligible production.
