UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington DC 20250

Notice LD-563

For: FSA Offices

Signup for the Extension of the Milk Income Loss Contract (MILC) Program

Approved by: Acting Deputy Administrator, Farm Programs

1 Overview

A Background

Section 1101 of the Agricultural Reconciliation Act of 2005 (the 2005 Act) authorized the extension of the Milk Income Loss Contract (MILC) Program for the period beginning October 1, 2005, and ending on September 30, 2007, with some minor changes to the MILC program provisions. The re-authorization of the MILC 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.

Notice LD-562 informed State and County Offices of the following:

- legislative changes to MILC program provisions
- up-to-date information about the status of the MILC extension (MILCX) program implementation
- that further details and instructions on the MILCX sign-up period would be provided in a future notice.

B Purpose

This notice informs State and County Offices of the following:

- general information about the MILCX program
- signup information for the MILCX program
- procedures for applying for benefits
- instructions for completing CCC-580X (see Exhibit 1).

Disposal Date	Distribution
December 1, 2006	All FSA Offices; State Offices relay to County Offices.

2 MILCX Program Signup

A Application Period

The MILCX program signup will be conducted in the following 2 phases:

- initial signup, according to subparagraph B
- extended signup, according to subparagraph C.

Eligible producers may file an application for benefits anytime during the established timeframes for each respective signup period. Only one MILCX for benefits should be submitted for the dairy operation during either signup. Producers shall file applications for benefits in the county where the dairy operation is physically located.

B Initial Signup Phase

The initial signup for the MILCX program will begin on March 13, 2006, and end on April 14, 2006. Producers that submit a MILCX for benefits:

- **during** the initial signup period must select the MILCX production start month for their dairy operation according to paragraph 3 B

- **after** the initial signup period will be considered a MILCX submission during the extended signup period as provided by subparagraph 3 C.

C Extended Signup Phase

Extended signup begins on April 15, 2006, the day after the initial signup ends. The extended signup will continue throughout the duration of the MILCX program, ending on September 30, 2007. Producers that submit a MILCX for benefits during the extended signup must select the MILCX production start month for their dairy operation according to paragraph 3 D.

3 Start Month Selection Provisions

A MILCX Production Start Month Selection

During FY 2006 through FY 2007, producers in a dairy operation participating in the MILCX program **must** select a month of commercially marketed production for which CCC shall begin issuing payments to the dairy operation. Beginning with the month selected by the dairy operation, MILC payments will be issued based on the selected months' production and for each consecutive month's production thereafter, with a payment rate in effect, until the earlier of the following:

- maximum payment quantity of 2.4 million pounds is reached
- the applicable FY ends.

3 Start Month Selection Provisions (Continued)

B MILCX Production Start Month Selection During Initial Signup Phase

Producers that submit a MILCX for benefits during the initial signup phase established in subparagraph 2 B, can select the MILCX production start month for the dairy operation from **either** of the following:

- any month beginning December 2005 through April 2006, in which there was a payment rate in effect

- any month beginning May 2006 through September 2006, for which the payment rate is not known according to the MILCX production start month selection provisions provided in subparagraph 3 D.

C MILCX Production Start Month Selection during Extended Signup Phase

Producers that submit a MILCX for benefits during the extended signup phase can only select the MILCX production start month for the dairy operation:

- from the remaining months in FY in which MILCX is submitted for which the payment rate is not known

- according to MILCX production start month selection provisions provided in subparagraph D.

D MILCX Production Start Month Selection Rules

The MILCX production start month selected by the dairy operation **must** be designated on CCC-580X according to Exhibit 1, and submitted to the County Office:

- 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 dairy operation MILCX production start month selection must be made on the last business day preceding the weekend.

- 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 dairy operation cannot select a MILCX production start month for any month that:

- has already begun
- has already passed
- no milk production was produced by the dairy operation.

3 Start Month Selection Provisions (Continued)

E Changing MILCX Production Start Month Selection

Changes to the MILCX production start month selected by the dairy operation 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 be made in advance of 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 done either of the following:

- already begun
- already passed.

Any changes to the retroactive production start month selection (December 2005 through April 2006) made during the initial signup phase must be made by **COB April 14, 2006**.

Note: CCC-580M is being revised to encompass MILCX production start month changes. A forthcoming LD notice will provide the revised CCC-580M for producers to elect changes to their MILCX production start month.

F Perpetual Designation

If the MILCX production start month is never modified by the producers in the dairy operation, then that production start month designated on CCC-580X and on file with the County Office will remain the same for succeeding FY's throughout the duration of the MILC program unless it is changed by the dairy operation according to subparagraph E.

G No Payment Rate in Effect

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

4 Calculating MILCX Payments

A Payment Calculation

When the BCI milk price is below $16.94 per hundredweight (cwt), the payment rate is determined for the applicable month according to the following:

- subtracting the BCI milk price per cwt from $16.94
- multiplying the difference times 34 percent during the period beginning October 1, 2005, through August 31, 2007
- multiplying the difference times 0 percent during the period beginning September 1, 2007, through September 30, 2007.

B Calculation Example

The following is an example of the MILCX payment rate calculation.

The BCI price announced in February 2006 is $16.63.

$16.94 - $16.63 = $0.31
$0.31 x 34 percent = $0.1054000
Payment rate for February 2006 is $0.1054000.

C Measurement Conversion

Payment for each dairy operation will be calculated by converting whole pounds of milk to cwt and multiplying the applicable month's payment rate times the quantity of eligible production for that month.

D Maximum Quantity for Payment

The maximum quantity of eligible production for which dairy operations are eligible for payment per FY is 2.4 million pounds, which is equivalent to 24,000 cwt per dairy operation per FY.

Note: Monthly milk production may **not** be apportioned to circumvent the maximum quantity for payment.

E MILCX Payment Rates

Notice LD-562 provided FY 2006 MILCX payment rates from October 2005, through March 2006. Monthly MILCX payment rates will be maintained on the PSD web site located at **http://www.fsa.usda.gov/dafp/psd**.

5 Applying for MILCX Benefits

A Eligibility Requirements

Eligibility requirements provided in 11-LD, paragraphs 10 through 13 remain the same during the MILCX program period, except that the dairy operation must have produced milk in the U.S. and commercially marketed the milk produced anytime during the period of October 1, 2005, through September 30, 2007. Eligible applicants must provide verifiable production evidence of the dairy operation's eligible marketings during the months of each FY designated on CCC-580X during the extended program period according to 11-LD, paragraph 38.

B CCC-580X

Eligible applicants 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 total pounds of milk marketed under the dairy operation during each applicable month of FY, for all producers receiving a share of the milk marketed must be included on one CCC-580X to complete the contract for approval by CCC. More than 1 contract for a dairy operation is **not** acceptable for the MILCX program, unless it has been determined separate and distinct according to the State's interpretation for a separate and distinct dairy operation where the dairy operation is physically located, as provided in 11-LD, paragraph 52. See Exhibit 1 for an example of CCC-580X.

C Availability of CCC-580X

CCC-580X is available electronically for download on the following websites:

- eForms web site at **http://www.sc.egov.usda.gov**
- FSA web site at **http://intranet.fsa.usda.gov/dam/ffasforms/forms.html**
- PSD web site at **http://www.fsa.usda.gov.dafp.psd**.

D Requesting CCC-580X

Eligible dairy operations can obtain CCC-580X to request MILCX benefits from the County Office where the dairy operation is physically located as follows:

- in person
- by mail
- by telephone
- by FAX.

If CCC-580X is requested by mail, telephone, FAX, or downloaded from the Internet, then CCC-580X must be completed correctly, signed, and returned to the applicable County Office by COB on the deadlines provided in paragraph 2, to be considered eligible for MILCX benefits.

5 Applying for MILCX Benefits (Continued)

F Signature Requirements

All producers who share in the risk of a dairy operation's total production must certify to the information on CCC-580X before the contract will be considered complete or approved by CCC.

County Offices shall follow 1-CM for producers' signature and authorization provisions and for persons signing CCC-580X in a representative or fiduciary capacity.

G Approving CCC-580X

COC, or designee shall:

- be satisfied that all eligibility requirements of this notice and 11-LD, Part 2 have been met before approving CCC-580X
- ensure that adequate production evidence for the applicable months have been received
- provide CCC-580X Appendix to the producer (see Exhibit 2)
- not approve any CCC-580X that does not have a MILCX production start month designated on the CCC-580X contract application.
- not approve any CCC-580X that was requested or received after the established signup deadlines provided in paragraph 2
- not approve MILCX contracts for a joint venture or joint operation unless all members of the joint venture or joint operation who share in the milk marketed commercially form the dairy operation have singed CCC-580X.

H Other Applicable Forms

HELC/WC provisions do apply to MILCX. Therefore, AD-1026 is required to obtain MILCX benefits. However, if the producers in the dairy operation already have AD-1026 on file from the previous MILC program, then it is **not** necessary to obtain a new AD-1026 for MILCX program purposes.

5 Applying for MILCX Benefits (Continued)

I Manual Applications

eMILC web-based application software will **not** be in the State and County Offices by the beginning of the initial phase of signup. Therefore, County Offices shall take manual CCC-580X contract applications for MILCX benefits. A future PS notice will be issued to provide instructions for recording and processing MILCX contract applications, payments, and collections through the web-based eMILC application and payment processing software.

The projected field delivery date for eMILC application and payment software is scheduled for an April 2006 release. However, this date is tentative and subject to change without notice.

6 Action

A State Office Action

SED's and STC's shall:

- issue a Statewide directive to County Offices setting forth the criteria required to establish separate and distinct dairy operations for MILCX program purposes within the respective State
- ensure that County Offices immediately notify producers of the contents of this notice using all available sources
- supervise and monitor MILCX to ensure that policies and procedures in this notice and 11-LD are being uniformly followed by County Offices.
- direct questions about this notice to the National Office according to subparagraph D.

B County Office Action

County Offices shall:

- inform all dairy operations of MILCX requirements and signup information through:
  - over-the-counter discussion
  - newsletters
  - other methods of communication, as applicable
- make CCC-580X available to dairy producers beginning March 13, 2006
- accept CCC-580X according to paragraph 5
- forward questions about the contents of this notice through the State Office specialist.

6 Action (Continued)

C Update to 11-LD

A forthcoming amendment to 11-LD will reflect the contents of this notice.

D National Office Contact Information

For questions about:

- **policy and procedure**, contact Dani Cooke by either of the following:
  - telephone at 202-720-1919
  - e-mail at **Danielle.Cooke@wdc.usda.gov**
- **eMILC web-based software**, contact Asime Atuboyedia by either of the following:
  - telephone at 202-720-8223
  - e-mail at **Asime.Atuboyedia@wdc.usda.gov**.

Completing CCC-580X

A Instructions for Completing CCC-580X

Complete CCC-580X according to the following.

Item	Instructions
1	COC designee shall enter the applicable State code.
2	COC designee shall enter the applicable county code.
3A	Enter the name and address of the dairy operation.
3B	Enter the farm number of the dairy operation.
4	COC designee shall enter the contract number assigned from the eMILC web-based software.
5	Enter the date the contract is submitted by the dairy operation.
6A through 6 C	Enter the name, address, telephone number, and cell phone number of the contact producer for the operation.
Part A – FY 2006 MILCX Production Start Month	
7	The dairy operation must enter a check (✓) in the appropriate box to designate which month in FY 2006 the dairy operation would like to begin receiving payments from CCC based on the selected start months' production. **Note:** For all CCC-580X's submitted **before April 14, 2006**, the dairy operation may select any month during FY 2006 as the MILCX production start month for the dairy operation. For all CCC-580X's submitted **after April 14, 2006**, the production start month must be selected on or before the 14th of the month before the month the dairy operation wants to select, and that month must not have already begun or must not have already passed.
8	Enter the pounds of production for the applicable months for FY 2006 in the appropriate block.
9	COC designee shall enter applicable payment rate for each applicable month.
10	COC designee shall enter the applicable calculated payment amount for each applicable month in the appropriate block.
Part B – FY 2007 MILC Production Start Month	
11	The dairy operation must enter a check (✓) in the appropriate box to designate which month in FY 2007 the dairy operation would like to begin receiving payments from CCC based on the selected start months' production. **Note:** The dairy operation can select any month that follows the month CCC-580X is submitted in FY that has not begun or has not passed, and that selection must be made on or before the 14th of the month before the month the dairy operation wants to select.
12	Enter the pounds of production for the applicable months for FY 2006 in the appropriate block.
13	COC designee shall enter applicable payment rate for each applicable month.
14	COC designee shall enter the applicable calculated payment amount for each applicable month in the appropriate block.

Completing CCC-580X (Continued)

A Instructions for Completing CCC-580X (Continued)

Item	Instructions
Part C – Participants Signature(s)	
15 through 18	After thoroughly reading the participation statement in Part C and CCC580X Appendix (Exhibit 1), sign, provide ID number, date, and indicate share, as applicable. All producer's who share in the dairy operation must also sign, date, indicate shares, and provide ID numbers, as applicable.
Part D – CCC Acceptance and Approval	
19A through 19C	COC designee shall enter the signature of COC designee, title, and date of signature.
20	COC designee shall enter a check (✓) in the appropriate box to approve or disapprove CCC-580X contract application.
21A through 21B	COC designee shall enter the name, address, and telephone number of the County Office.
22	Enter any noteworthy remarks or remarks regarding disapproval of the contract application.

Note: Once the eMILC web-based software is functional, the COC designee may substitute entries in Part A, items 8, 9, and 10 and part B, items 12, 13, and 14 with the production/payment summary reports generated form the eMILC software.

Completing CCC-580X (Continued)

B Example of CCC-580X

The following is an example of CCC-580X.

This form is available electronically.

CCC-580X
(03-10-06)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

MILK INCOME LOSS CONTRACT EXTENSION (MILCX)

(See Privacy Act and Public Burden Statements on Page 2.)

1. State Code	2. County Code

3A. Name and Address of Dairy Operation *(Including Zip Code)*	3B. Farm Number	4. Contract Number	5. Date Contract Submitted *(MM-DD-YYYY)*

6A. Contact Producer's Name and Address *(Including Zip Code)*	6B. Telephone Number *(Including Area Code)*	6C. Cell Telephone Number *(Including Area Code)*

PART A - FY 2006 MILC PRODUCTION START MONTH

If this contract is submitted BEFORE April 14, 2006, the dairy operation may select as the milk production start month, any month in fiscal year 2006, that the dairy operation would like to begin receiving payments from CCC based on the selected start months' production. All contracts submitted by dairy operations AFTER April 14, 2006, the starting production month must be selected on or before the 14th of the month before the month the dairy operation wants to select, and that month must not have already begun or must not have already passed.

7. Check Start Month	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06
8. Production												
9. Payment Rate/cwt	$ 0.00	$ 0.00	$ 0.04	$ 0.10	$ 0.10	$ 0.40	$	$	$	$	$	$
10. Payment Amount												

PART B - FY 2007 MILC PRODUCTION START MONTH

Dairy operations may select any month after the contract is submitted remaining in the fiscal year that has not begun or has not passed, as their FY 2007 milk production start month that they would like to begin receiving payments from CCC based on the selected start months' production. In addition, the starting production month must be selected on or before the 14th of the month before the month the dairy operation wants to select.

11. Check Start Month	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06
12. Production											
13. Payment Rate/cwt	$	$	$	$	$	$	$	$	$	$	$
14. Payment Amount											

PART C - PARTICIPANTS SIGNATURE(S)

This Contract to Participate in the extension of the Milk Income Loss Contract Program is entered into between the Commodity Credit Corporation (referred to as "CCC") and the undersigned producers in the dairy operation identified above. The undersigned producer or producers may hereafter collectively be referred to as "the Participant." The Participant agrees to comply with the terms and conditions contained in this Contract including the Appendix to this Contract, CCC-580X Appendix, entitled "Appendix to Form CCC-580X Milk Income Loss Contract Extension" (referred to as "Appendix"). By signing this contract the Participant agrees to participate in the extension of the Milk Income Loss Contract program for the stipulated contract period from the date the Contract is executed by the CCC. By signing below, the Participant (1) acknowledges receipt of the CCC-580 Appendix, and agrees to abide by the terms and conditions contained therein; and (2) agrees to comply with the regulations governing the applicable program eligibility and maximum eligible production provisions per dairy operation. This program or activity will be conducted on a nondiscriminatory basis without regard to race, color, religion national origin, age, sex, marital status, or disability. The terms and conditions of this contract are contained in this Form CCC-580X and in the CCC-580X Appendix and any addendum thereto. BY SIGNING THIS CONTRACT, PRODUCERS ACKNOWLEDGE RECEIPT OF THE FOLLOWING FORMS: CCC-580X Appendix and any addendum thereto.

15. Producer's Signature	16. Producer's Identification Number	17. Date *(MM-DD-YYYY)*	18. Share %

Completing CCC-580X (Continued)

B Example of CCC-580X (Continued)

CCC-580X (03-10-06) Page 2

PART D - CCC ACCEPTANCE AND APPROVAL

19A. Signature of COC Designee	19B. Title	19C. Date *(MM-DD-YYYY)*

20. Contract Status:

☐ Approved ☐ Disapproved

21A. Name and Address of County FSA Office *(Including Zip Code)*	21B. Telephone Number *(Including Area Code)*

22. Remarks:

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. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a). The authority for requesting the following information is the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171 and the Agriculture Reconciliation Act of 2005 (Pub. L. 109-171). The information requested is necessary for CCC to consider and process the offer to enter into a Milk Income Loss Contract, to assist in determining eligibility, and to determine the correct parties to the contract. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in a determination of ineligibility for certain program benefit 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 714; and 31 USC 3729, may be applicable to the information provided.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

Example of CCC-580X Appendix

The following is an example of CCC-580X Appendix.

This form is available electronically.

See Page 7 for Privacy Act Statement.

CCC-580X Appendix
(03-10-06)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

APPENDIX TO FORM CCC-580X, MILK INCOME LOSS CONTRACT EXTENSION

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.

1 DEFINITIONS

The following definitions are applicable to the extension of the Milk Income Loss Contract (MILCX) Program:

A **Administrator** means the FSA Administrator.

B **Contract application** means Form CCC-580X, the Milk Income Loss Contract Extension.

C **Contract application period** means the date established by the Deputy Administrator for producers to apply for program benefits.

D **CCC** means the Commodity Credit Corporation.

E **Class I Milk** means milk, including milk components, classified as Class I milk under a Federal milk marketing order.

F **County Committee** means the FSA county committee.

G **County Office** means the local FSA office.

H **Dairy Operation** means any person or group of persons who as a single unit as determined by CCC, produce and market milk commercially produced from cows and whose production facilities are located in the United States.

I **Department or USDA** means the United States Department of Agriculture.

J **Deputy Administrator** means the Deputy Administrator for Farm Programs **(DAFP), Farm Service Agency (FSA) or a designee.**

K **Eligible Production** means milk that was produced by cows in the United States and marketed commercially anytime during the period of October 1, 2005, through September 30, 2007, up to a maximum of 2,400,000 pounds per dairy operation per fiscal year.

L **Farm Service Agency or FSA** means the Farm Service Agency of the Department.

M **Federal Milk Marketing Order** means an order issued under section 8c of the Agricultural Adjustment Act (7 U.S.C. 608c), reenacted with amendments by the Agricultural Marketing Agreement Act of 1937.

N **Fiscal Year** means the year beginning October 1 and ending the following September 30th. For example, the 2006 fiscal year begins October 1, 2005, and ends on September 30, 2006.

O **Marketed commercially** means sold to the market to which the dairy operation normally delivers whole milk and receives a monetary amount.

P **Milk handler** means the marketing agency to or through which the producer commercially markets whole milk.

Q **Milk Income Loss Contract Extension or CCC-580X** means the program documents including the applicable contract appendix, entered into between CCC and the participant. Such contract shall set forth the terms and conditions for participation in the MILC program and receipt of MILC payments.

R **Milk Marketing** means a marketing of milk for which there is a verifiable sales or delivery record of milk marketed for commercial use.

Example of CCC-580X Appendix (Continued)

S **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)*.

T **Payment Pounds** means the pounds of milk production for which an operation is eligible to be paid up to a maximum of 2.4 million pounds per dairy operation per fiscal year.

U **Producer** means any individual, group of individuals, partnership, corporation, estate, trust association, cooperative, or other business enterprise or other legal entity who is, or whose members are, a citizen of, or legal resident alien or aliens in the United States, and who directly or indirectly, as determined by the Secretary, shares in the risk of producing milk, and makes contributions (including land, labor, management, equipment, or capital to the dairy farming operation of the individual or entity that are at least commensurate with the share of the individual or entity of the proceeds of this operation.

V **Secretary** means the Secretary of the United States Department of Agriculture or any other officer or employee of the Department who has been delegated the authority to act in the Secretary's stead with respect to the program established in the part.

W **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)*.

X **Verifiable Production Records** means evidence that is used to substantiate the amount of production reported and that can be verified by CCC through an independent source.

Y All other words and phrases, unless the context of subject matter otherwise requires, shall have the meanings assigned to them in the regulations governing the Milk Income Loss Contract Program which are found at 7 CFR Part 1430.

2 ELIGIBILITY REQUIREMENTS FOR MILCX PROGRAM

A By signing the MILCX, the participant certifies that such participant produced milk commercially in the United States and marketed such production anytime during the period of October 1, 2005, through September 30, 2007. The participant agrees to provide monthly milk production and evidence of such production commercially marketed by all persons in the dairy operation during the program period, 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 1430.203)*.

B The Dairy operation must comply with highly erodible land and wetland conservation provisions provided at 7 CFR Part 12 and all other provisions prescribed in the Milk Income Loss Contract Program Regulations at 7 CFR Part 1430.

3 RESTRICTIONS ON PAYMENTS TO FOREIGN PERSONS

A Any producer who enters into this Milk Income Loss Contract Extension or participates in such contract at any time who is not a citizen of the United States or an alien lawfully admitted into the United States for permanent residence under the Immigration and Nationality Act (8 U.S.C. 1101 et. seq.) shall be ineligible to receive monthly payments under this contract unless such person meets the requirements of 7 CFR Part 1400 which shall be applicable to this contract, or unless such foreign person has a working visa or other valid taxpayer identification number.

B Persons succeeding to a Milk Income Loss Contract must notify CCC immediately of succession and modify the contract accordingly.

4 SELECTION OF STARTING MONTH PROVISIONS

A A dairy operation that enters into a MILCX with CCC, must designate in the contract the month that CCC shall begin making payments to the dairy operation for the selected months commercial milk marketings.

The starting month selected by the dairy operation must be made on or before the 14th of the month before the month for which payment is sought. *(7 CFR 1430.205(a))*.

Example of CCC-580X Appendix (Continued)

Beginning with the month selected by the dairy operation, MILCX payments will be issued based on the selected month's production and production for each consecutive month thereafter with a payment rate in effect until the earlier of the following:

(1) the maximum payment quantity of 2.4 million pounds is reached;
(2) the applicable fiscal year ends.

B Except as provided in subparagraph G of this section, a dairy operation cannot select a month for payment for which the following has occurred:

(1) The month has already begun;
(2) The month has already passed; or
(3) No milk production was produced by the dairy operation.

C Dairy operations cannot change the selected starting month unless the change is made with CCC on or before the 14th 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(e)).*

D Payments will be made consecutively to the dairy operation on a monthly basis after the starting month has been designated in the Milk Income Loss Contract Extension until the earlier of the following:

(1) Payment quantity is reached;
(2) End of fiscal year.

E All producers involved in the dairy operation must agree to the month designated in the Milk Income Loss Contract Extension that CCC will issue payments. The dairy operation assumes the risk of not reaching the maximum payment quantity based on the month selected by the dairy operation. Payments will not be issued for past months for the sole purpose of reaching the maximum payment quantity, when the starting month was erroneously or otherwise selected by the dairy operation.

F During fiscal year 2006 only, during the initial signup phase beginning March 13, 2006, and ending April 14, 2006, a dairy operation can select from either of the following options:

(1) any month beginning December 2005 through April 2006, in which there was a payment rate in effect; or
(2) any month beginning May 2006 through September 2006, for which the payment rate is not known and in accordance with (b) of this section.

G Dairy operations that submit a MILCX after the initial signup phase ends on April 14, 2006, but before September 30, 2007, can select the MILC production start month from the months remaining in the fiscal year in which the MILCX is submitted for which the payment rate is not known in accordance with subparagraphs a and b of this section.

H If there is no payment rate in effect for the MILC production start month selected by the dairy operation, the dairy operations' payment will begin with the production from the next consecutive month in which there is a rate in effect following the selected MILC production start month.

5 DAIRY OPERATION PAYMENT QUANTITY

A The applicant's payment quantity of milk will be determined by CCC, based on the quantity of milk that was produced and commercially marketed by each dairy operation each month per fiscal year.

Example of CCC-580X Appendix (Continued)

B The maximum quantity of eligible production for which dairy operations are eligible for payment per fiscal year under the Milk Income Loss Contract Program Regulations shall be 2,400,000 pounds or 24,000 hundredweight per separate and distinct operation. The Deputy Administrator shall determine what may be considered a separate and distinct operation and that decision shall be final.

6 PAYMENT RATE AND DAIRY OPERATION PAYMENT

A Payments under the Milk Income Loss Contract Extension may be made to dairy operations when the Boston Class I milk price under the applicable Federal milk marketing order is below $16.94 per hundredweight. No payments will be made to dairy operations during the months that the Boston Class I milk price under the applicable milk marketing order equals or exceeds $16.94.

B A per hundredweight (cwt) payment rate will be determined for the applicable month by:

(1) Subtracting from $16.94 the Class I milk price per hundredweight in Boston;
(2) Multiplying the difference by 34 percent during the period beginning on October 1, 2005, and ending on August 31, 2007;
(3) Multiplying the difference by 0 percent during the period beginning on September 1, 2007, and ending on September 30, 2007.

C Each eligible dairy operation payment will be calculated, as determined by the Secretary, by:

(1) Converting whole pounds of milk to hundredweight (cwt); and
(2) Multiplying the payment rate determined in paragraph (B) of this section by the quantity of eligible production marketed by the operation during the applicable month as determined.

D Payments under the Milk Income Loss Contract Program Regulations may be made to a dairy operation only up to the first 2,400,000 pounds of eligible production per applicable fiscal year.

E Participants will receive payments on a monthly basis according to the Milk Income Loss Contract Extension, not later than 60 days after the production evidence for the applicable month is received by the FSA county Office.

7 PROOF OF PRODUCTION

A Dairy operations entering into a Milk Income Loss Contract Extension with CCC must, in accordance with instructions issued by the Deputy Administrator, provide adequate proof of the dairy operation's eligible production during the applicable months of each fiscal year designated in the contract. The dairy operation must also provide proof that the eligible production was commercially marketed during applicable months beginning October 1, 2005, and ending September 30, 2007. The documentary evidence of milk production claimed for payment shall be reported to CCC together with any supporting documentation to verify claim.

B CCC will issue a payment to the dairy operation no later than 60 days after the last day of the month that the production evidence is provided to the county FSA office.

C Dairy operations must provide their final production evidence by November 1, 2007.

8 MILC AGENT PROVISIONS

A Milk Income Loss Contract payments may be disbursed by a cooperative marketing association that serves the Amish community or other special groups. Producers in such groups in a dairy operation may authorize an agent of a cooperative marketing association or milk handler affiliated with a cooperative marketing association to obtain and disburse MILC payments to the operation.

Example of CCC-580X Appendix (Continued)

B The authorized Milk Income Loss Contract agent must on behalf of the dairy operation do the following:

(1) Obtain a power of attorney for the producers of the dairy operation that authorizes the agent to enter into a Milk Income Loss Contract;
(2) File form prescribed by CCC, for approval by CCC, to act as a MILC agent;
(3) Provide the dairy operation's monthly production evidence to the applicable county FSA office;
(4) Disburse payment to the dairy operation in the producers monthly milk check.

9 EFFECTIVE DATE AND CHANGES TO CONTRACT

A The Milk Income Loss Contract is effective when, as determined by CCC, it has been signed by the participants, and an authorized representative of CCC. Except as otherwise determined by CCC, as permitted by regulations or other law, the Milk Income Loss Contract Extension may not be revoked or revised unless by mutual agreement between parties. If, after the effective date of this contract, CCC determines that certified production was erroneously provided or any provision prescribed in the regulations at 7 CFR Part 1430 was violated, CCC may terminate the contract according to such regulations.

B Except as provided in Section 6, contracts entered into by producers in a dairy operation shall cover eligible production marketed by the producers in a dairy operation during the period beginning with the first day of the month the producers in the dairy operation enter into contract and ending on September 30, 2007.

C In the event that a statute is enacted during the period of this Milk Income Loss Contract which would materially change the terms and conditions of this contract, the CCC may require the participants to elect between acceptance of modifications in the contract consistent with the provisions of such statute or termination of this contract.

10 CONTRACT MODIFICATIONS

A Producers in dairy operations are required to notify their local FSA Office immediately of any changes that potentially affect the terms, conditions, or participants under the Milk Income Loss Contract. Changes include, but are not limited to changes to the starting month to receive payment for the next fiscal year, death of producer on the contract, new member joining the operation, member exiting the operation, transfer of shares by sale or other transfer action, or reconstitutions.

B CCC may modify a Milk Income Loss Contract if it is determined that such modifications are desirable to carry out purposes of the program or to facilitate the program's practical administration.

11 NOTIFICATION OF CHANGES TO TERMS AND CONDITIONS OF THE CONTRACT

CCC agrees that, if any changes of any terms and conditions of this contract become necessary prior to the date that this contract is approved on behalf of CCC, CCC will notify the producers signing the Milk Income Loss Contract of such change and such producer will be given 10 days from the date of notification in which to agree to the revised terms and conditions or to withdraw from the offer. The participant agrees to notify the CCC of an intention to withdraw from the offer within 10 days from the date of the issuance of such notice and further agrees that failure to notify the CCC will constitute agreement to the revised terms and conditions.

12 TERMINATION OF CONTRACT

If a participant fails to carry out the terms and conditions of this contract but CCC determines that such failure does not warrant termination of this contract, CCC may require such participant to refund, with interest, payments received under this contract, or require the participant to accept such adjustments in the subsequent payment as are determined to be appropriate by CCC.

13 CORRECTIONS

CCC reserves the right to correct all errors in entering data or the results of computations in the contract.

Example of CCC-580X Appendix (Continued)

14 LIQUIDATED DAMAGES

It is mutually agreed that in the event the Milk Income Loss Contract is breached by the participant, the CCC will suffer substantial damages which may not be possible to quantify with certainty. Therefore, in addition to the refund of payments received plus interest due, for breach of contract prescribed in this contract, the participant agrees to pay an amount equal to the product obtained by multiplying: (1) 25 percent of the payment rate per pound on CCC-580X by, (2) the number of pounds that are the subject of the Milk Income Loss Contract. Such amount shall be due as liquidated damages in addition to such other damages or amounts as may be due, and not as a penalty.

15 ERRONEOUS REPRESENTATION AND SCHEME AND DEVICE

A A participant who is determined to have erroneously represented any fact affecting a determination with respect to this Milk Income Loss Contract and regulations applicable to this contract, adopted any scheme or device which tends to defeat the purposes of this contract, or made any fraudulent representation with respect to this contract will not be entitled to payments or any other benefits made in accordance with this MILC and the participant must refund to CCC all payments received by such participant, plus interest and liquidated damages thereon, with respect to the MILC. Such liquidated damages will be determined in accordance with Section 15 of this Appendix.

B Unless CCC regulations provide otherwise, refunds determined to be due and owing to CCC in accordance with this Milk Income Loss Contract will bear interest at the rate which CCC was required to pay for its borrowing from the United States Treasury on the date of disbursement by CCC of the monies to be refunded. Interest will accrue from the date of such disbursement by CCC.

C The remedies provided under Section 16 of this Appendix shall be applicable in addition to any remedies under criminal and civil fraud statues, including 18 U.S.C. 268, 287, 371, 641, 1001; 15 U.S.C. 714m; and 31 U.S.C. 3729, or any other remedy available under law.

16 REGULATIONS TO PREVAIL

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.

17 RECONSTITUTIONS

A A dairy operation entering into a Milk Income Loss Contract shall not after December 1, 2001, reorganize the dairy operation for the sole purpose of receiving more than one payment.

B Dairy operations that reorganize or restructure the operation for legitimate purposes after December 1, 2001, are subject to review by the applicable FSA County Committee.

C If it is determined by the FSA County Committee that a dairy operation has reorganized for the sole purpose of receiving additional payments under the Milk Income Loss Contract Program, the operation will be considered in violation of their Milk Income Loss Contract and subject to termination according to Section 13.

D If during the contract period a reconstitution occurs, the modification to the Milk Income Loss Contract will not take effect until the first day of the fiscal year following the month the county FSA office received notification of the changes.

AGREEMENT

A The participant agrees:

(1) That the applicable CCC-580X and any addendum thereto shall be considered an offer to enter into the Milk Income Loss Contract Program Extension on the terms specified on Form CCC-580X and any addendum thereto. The offer, until revoked, may be accepted by CCC provided further, that, liquidated damages may apply in the case of a revocation as specified elsewhere in this Appendix;

Example of CCC-580X Appendix (Continued)

(2) To provide monthly milk production commercially marketed by all producers in the dairy operation throughout the duration of the program period, to determine the total pounds of milk that will be converted to hundredweight (cwt) used for payment;

(3) To submit adequate evidence of production of the dairy operations eligible marketings during the months of each fiscal year designated in the contract;

(4) To have all producers involved in the dairy operation, marketing milk during the period specified in the Milk Income Loss Contract Extension to sign the contract and indicate shares in the operation;

(5) To designate the start month the dairy operation wants CCC to begin issuing payments to the operation;

(6) To comply with highly erodible land and wetland conservation provisions and complete Form AD-1026 accordingly;

(7) Not to undertake any action which tends to defeat the purposes of this contract, as determined by CCC;

(8) Not to reconstitute the dairy operation for the sole purpose of receiving additional Milk Income Loss Contract payments;

(9) Notify CCC immediately of any changes that affect the organizational structure of the dairy operation.

(10) Any payment or portion thereof due any participant will be made by CCC without regard to any question of title under State law, and without regard to any claim or lien which may be asserted by a creditor, except agencies of the U.S. Government. Offsets for debts owed to agencies of the U.S. Government shall be made prior to making any payments to participants or their assigns.

(11) To comply with all terms and conditions contained in this Appendix and the prescribed regulations at 7 CFR Part 1430.

B CCC agrees, subject to the availability of funds, to pay to the participant, to the extent required by the applicable CCC regulations, the agreed upon monthly payment, based upon the shares to which the parties have agreed as set forth on Form CCC-580X for a period of years not in excess of the contract period.

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a). The authority for requesting the following information is the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171) and 7 CFR Part 1430. The information requested is necessary for CCC to consider and process the offer to enter into an Extension of Milk Income Loss Contract, to assist in determining eligibility, and to determine the correct parties to the contract. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in a determination of ineligibility for certain 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.*

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