

**For:** FSA Offices

**Milk Income Loss Contract Extension (MILCX) Program Clarifications**

**Approved by:** Acting Deputy Administrator, Farm Programs



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**1 Overview**

**A Background**

Section 1101 of the Agricultural Reconciliation Act of 2005 authorized the extension of the Milk Income Loss Contract (MILC) Program. MILCX signup information and program provisions were provided in Notice LD-565. In addition, Notice LD-565:

- extended the initial signup phase to May 17, 2006
- reissued corrected versions of CCC-580X and CCC-580X Appendix, dated “**3-15-06**”
- changed policy to allow for producers in eligible dairy operations that submitted contracts during the extended signup period the option to select the month the contract is submitted
- made Notice LD-564 obsolete.

State and County Offices had many questions about MILCX signup provisions.

**B Purpose**

This notice provides State and County Offices with the following:

- clarification of some of the MILCX signup provisions
- additional information about MILCX signup procedures.

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<b>Disposal Date</b>	<b>Distribution</b>
December 1, 2006 3-24-06	All FSA Offices; State Offices relay to County Offices

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## Notice LD-566

### 2 MILCX Signup Clarifications

#### A CCC-580X and CCC-580X Appendix Revisions

Revisions to CCC-580X and CCC-580X Appendix were necessary to allow:

- the end date of the initial signup phase to be extended from April 14, 2004, to May 17, 2006
- applicants during the extended signup period the option to select the month the contract is submitted as the production start month for the dairy operation.

Notice LD-565 instructed County Offices to only accept revised CCC-580X dated “**3-15-06**” from the issuance date of the notice forth and mail a copy of the revised CCC-580X Appendix dated “**3-15-06**” to producers who applied for benefits on MILCX forms dated “3-13-06”. Many County Offices reproduced and mailed producers version CCC-580X dated “3-13-06”. However, because CCC-580X and CCC-580X Appendix changes were substantial and potentially impact material decisions made by the dairy operation about program signup, County Offices **must**:

- provide a copy of both the revised CCC-580X and CCC-580X Appendix dated “**3-15-06**” to producers
- immediately notify applicants of the changes to CCC-580X and CCC-580X Appendix allowing producers that have already submitted CCC-580X dated “3-13-06” the opportunity to withdraw their contract in writing or change a previously designated retroactive start month to an alternative month using a letter similar to the example provided in Exhibit 1
- request that producers who have already submitted CCC-580X and CCC-580X Appendix dated “3-13-06”, complete and submit a revised CCC-580X dated “**3-15-06**” to the County Office, within 30 calendar days of the date of the notification letter provided in Exhibit 1, **if** they would like to make a change to the previously designated month
- make only the revised CCC-580X and CCC-580X Appendix dated “**3-15-06**” available to producers.

#### B Production Start Month Selections for Fiscal Years (FY's) 2006 and 2007

A dairy operation can select the production start month for both FY's 2006 and 2007 at the same time when MILCX is submitted. As provided by Notice LD-565, subparagraph 3 F, if a production start month is not selected for FY 2007, then by perpetual designation, the production start month for FY 2007 will be the production start month designated for FY 2006.

## Notice LD-566

### 2 MILCX Signup Clarifications (Continued)

#### B Production Start Month Selections for FY's 2006 and 2007 (Continued)

Notice LD-565, subparagraph 3 B, further provides that during the initial signup phase a dairy operation can select any month beginning December 2005 through May 2006 in which there was a payment rate in effect. This policy has been expanded to also include the months of October and November 2005. Therefore, a producer can select October 2005 as the production start month for the dairy operation. 11-LD, subparagraph 25 E, provides that if no payment rate is in effect for the selected month, the start month for the dairy operation would be the next consecutive month following the selected month for which there is an effective payment rate.

#### C Extended Signup Phase Production Start Month Selection Options

Notice LD-565, subparagraph 3 C, provided 2 production start month selection options for producers that submitted a MILCX for benefits during the extended signup phase. Producers could select **either**:

- the month the MILCX is submitted
- a month remaining in FY in which MILCX is submitted for which the payment rate for that month is not known according to production start month selection rules.

See subparagraphs D and E for an example of each option.

#### D Example of Option to Select the Month MILCX is Submitted

A producer submits CCC-580X to the County Office on June 25, 2006, during the extended signup phase, and selects the month MILCX is submitted as the production start month for the dairy operation. Therefore, CCC payments to the dairy operation will be based on June's production and continue with production for each consecutive month 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.

The start month selection rule that requires selection of the production start month be made on or before the 14<sup>th</sup> of the month before the month selected by the producers in the dairy operation **does not apply if** the producers in the dairy operation choose the option to select the month MILCX is submitted as the production start month for the dairy operation.

## Notice LD-566

### 2 MILCX Signup Clarifications (Continued)

#### E Example of Option to Select from Remaining FY Months

A producer submits CCC-580X to the County Office on June 25, 2006, during the extended signup phase, and chooses the option to select from the remaining months in FY in which MILCX is submitted for which the payment rate is not known. Based on the date MILCX was submitted (June 25, 2006), the only months remaining in FY 2006 that the producers in the dairy operation can select from are August and September.

Because start month selection rules apply to this option, producers in the dairy operation could **not** select July 2005 as the production start month because MILCX was submitted after June 14, 2006, and the rate for July would already be known to the producer.

### 3 Additional MILCX Information

#### A Production Evidence Submitted by Co-ops

11-LD, subparagraph 38 G, provides that County Offices may accept monthly production evidence from dairy cooperatives or handlers provided the producers of the eligible dairy operation submit to their local County Office a written statement authorizing the County Office to receive the production evidence directly from the dairy marketing cooperative. Existing authorizations currently on file in the County Office used during the MILC Program may be used during the MILCX Program, unless the producer provides a written statement terminating that authorization.

County Offices shall:

- detach the authorization from CCC-580 on file in the County Office
- re-attach the authorization to CCC-580X when submitted by the dairy operation
- maintain all program documents for MILC and MILCX in the same file folder.

#### B eFunds Control (eFC)

eFC is applicable to MILCX. As soon as program funds are made available, funds will be allotted to the State Office level by the National Office through the eFC system for MILCX payment processing. Allocations to the State Office level will be based on funds dispersed by each State during previous FY's of the MILC Program.

State Offices shall:

- re-allocate funds from the State Office level to the County Office level as necessary
- determine County Office level allocations amounts from eFC allotments from previous FY's
- contact the National Office to request additional funds over the initial allotment.

**Notice LD-566**

**3 Additional MILCX Information (Continued)**

**C FY 2006 Payment Rates for Retroactive Months**

Rounded rates were provided in Notice LD-562, subparagraph 2 E, and on CCC-580X as a general guide. Actual rates will be rounded 7 places to the right of the decimal as provided by 11-LD, subparagraph 20 A. To avoid confusion in calculated payment amounts, County Offices are instructed **not** to enter the applicable calculated payment amount in CCC-580X, item 10, as provided by the instructions in Notice LD-565, Exhibit 1. Calculated payment amounts at the actual payment rate will be computed by the eMILC software and provided in the producer's payment summary sheet.

The following table provides actual payment rates for FY 2006, rounded 7 places to the right of the decimal.

<b>Month</b>	<b>Payment Rate</b>
October 2005	\$0.0000000
November 2005	\$0.0000000
December 2005	\$0.0408000
January 2006	\$0.1054000
February 2006	\$0.1054000
March 2006	\$0.4080000
April 2006	\$0.8398000

**Note:** County Offices may line through the payment rates on CCC-580X, enter the actual 7-digit payment rate and have the producer initial where the actual payment rate has been entered.

## Letter Informing Producers of Programmatic Changes

The following is an example of the informational letter for use in notifying producers that previously signed-up for MILCX of program changes and requirement to submit a revised CCC-580X dated “3-15-06”, if a change is being made to the previously submitted CCC-580X given the current selection options available to the dairy operation.

United States Department of Agriculture  
Farm Service Agency  
(County Office Address)

(Date)

Mr. John Producer  
123 Main Street  
Anytown USA

Dear MILCX Program Participant:

Thank you for submission of your contract application (CCC-580X) for MILCX program benefits. Since you applied, changes have been made to the program and unavoidably to the CCC-580X and CCC-580X Appendix. The changes are as follows:

- the end date of the initial signup phase has been extended from April 14, 2006, to May 17, 2006, thereby allowing the rate for the month of May to be a known rate included in the retroactive payment months
- producers that signup after May 17, 2006, during the extended signup phase now have the option to select the month the CCC-580X is submitted OR select from the remaining months in the FY in which the CCC-580X is submitted for which the payment rate for those months are not known in accordance with established production start month selection provisions
- the CCC-580X and CCC-580X Appendix have been revised to incorporate program changes.

We wanted to make you aware of the aforementioned changes which could materially affect your production start month decision for your dairy operation. Therefore, we are requiring that you retain the enclosed revised CCC-580X Appendix dated “3-15-06” for your records and complete the enclosed revised CCC-580X dated “3-15-06” if you would like to make a change to the production start month you previously selected for your dairy operation. If a change is made to your previously submitted CCC-580X, the completed revised version of the CCC-580X dated “3-15-06” must be returned to your local County FSA Office within 30 calendar days from the date of this letter. If you do not submit a change on the enclosed CCC-580X dated “3-15-06”, within 30 days of the receipt of this letter, we will honor the CCC-580X previously submitted after the initial signup phase began on March 13, 2006, and no further action is required. You may also withdraw your original CCC-580X by notifying your local County Office in writing within 30 calendar days from the date of this letter.

We apologize for any inconvenience this may have caused.

Sincerely,

County Executive Director

Enclosures