

For: State and County Offices

Calculating Production Loss Adjustments for Dairy Disaster Assistance Payment (DDAP-III)

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Notice LD-593, subparagraph 8 B, provides that calculated production losses eligible for DDAP-III benefits may be adjusted by COC or designee, to do either of the following:

- increase calculated pounds of production losses
- decrease calculated pounds of production losses.

As determined by COC or designee, adjustments to a dairy operation’s calculated production loss may include, but are not limited to, the following:

- production dumped for reasons unrelated to the applicable disaster condition
- dairy cows added to offset production losses
- dairy operations that go out of business
- cow deaths unrelated to the applicable natural disaster.

Note: Normal fluctuations in cow numbers because of cows being culled or heifers entering the milking herd do **not** require an adjustment.

B Purpose

This notice:

- informs State and County Offices of the following:
 - provisions for calculating production loss adjustments for DDAP-III
 - recording production loss adjustments on FSA-747
 - additional guidelines for the DDAP-III program
- obsoletes Notice LD-594.

Disposal Date	Distribution
October 1, 2008	State Offices; State Offices relay to County Offices

Notice LD-596

1 Overview (Continued)

C Contact

State Offices shall direct questions about this notice to the following.

Name	Telephone Number	E-Mail Address
Dani Cooke	202-720-1919	danielle.cooke@wdc.usda.gov
Elizabeth Miller	202-690-8038	Elizabeth.miller@wdc.usda.gov

2 Production Loss Adjustments

A Converting Cows to Production Pounds

COC adjustments must be entered in pounds in both of the following, when made available for use:

- FSA-747
- DDAP-III worksheet calculator.

When only the number of cows applicable to the adjustment are known, the average annual production per cow determined from the base period shall be used to determine the applicable pounds of production for the loss adjustment. County Offices shall convert cow numbers to pounds of production according to the following.

Step	Action	Example
1	Determine the average production during base period.	$2,000,000$ (2003 production) + $2,400,000$ (2004 production) = $4,400,000$ lbs. $4,400,000$ lbs. \div 2 = $2,200,000$ lbs.
2	Determine the average number of cows during base period.	$\frac{100$ (2003 average # of cows) + 120 (2004 average # of cows) = 110 2
3	Determine the average production per cow during base period.	$\frac{2,200,000}{110}$ = 20,000 lbs./cow/year
4	Determine monthly average base production.	$\frac{20,000$ (average yearly production/cow during base) = 1,667 lbs./cow/mo. 12 mo./year
5	Determine the decrease in production loss the cows represent for the months the cows were no longer in the herd.	20 cows sold for nondisaster-related reason. $20 \times 1,667$ lbs./cow/mo. \times 5 mo. = 166,700 lbs.

Note: Circumstances that can be quantified by the number of pounds lost for nondisaster reasons require no additional calculation.

Notice LD-596

2 Production Loss Adjustments (Continued)

B Exhibit 1

Exhibit 1 will provide the outcome of all examples provided in this notice. The paragraph reference applicable to the example will be indicated in parentheses next to the entry.

3 Production Loss Adjustment Decreases

A Decreases in Production Loss

Decreases are made to calculated production losses when conditions unrelated to a disaster event affect disaster year production. Decreases in production loss will be subtracted from calculated production loss for the dairy operation.

B Production Loss Decrease Example 1

Flint Hill Farm is applying for disaster benefits. A copy of their completed FSA-747 is in Exhibit 1. Calculated losses for the dairy operation in 2005 total 520,000 pounds. However, in 2005 Flint Hill Farm sold 20 cows for a nondisaster-related reason in July. This will require the County Office to calculate a decrease in production loss that will account for the production that was decreased because of the sale of these cows.

To calculate the adjustment:

- convert the number of cows sold to pounds according to subparagraph 2 A
- multiply the expected pounds of production per cow by the number of full months that the cows were not in the herd

Note: In this case, the cows were sold in July, so they were not in the herd for 5 months.

- subtract the converted pounds of 166,700 pounds from the eligible loss of 520,000 pounds calculated by the eDDAP-III automated software application.

The production loss eligible for DDAP-III benefits after production loss adjustments total 353,300 pounds.

Enter the following on FSA-747:

- “166,700” in item 8 A
- “20 cows sold - nondisaster” in item 8 B.

Note: The only manual calculation will be the conversion of cow numbers to production, as provided by subparagraph 2 A. All other calculations will be computed by the eDDAP-III automated software application.

Notice LD-596

3 Production Loss Adjustment Decreases (Continued)

C Production Loss Decrease Example 2

In 2005, Flint Hill Farm was affected by a hurricane that occurred in September and resulted in decreased production. A copy of their completed FSA-747 is in Exhibit 1. On April 1, 2005, the farm dumped 10,000 pounds of milk because of contamination unrelated to the hurricane. The following will be entered on FSA-747:

- “10,000” in item 8 A
- “milk dumped on April 1, 2005” in item 8 B.

A total of 10,000 pounds will be deducted from the production losses of 520,000 pounds calculated for 2005.

D Production Loss Decrease Example 3

Dairy operations that go out of business during a disaster-affected year will only be compensated for losses through the last full month of the year in which the dairy operation marketed milk. For example, Flint Hill Farm suffered losses as the result of a freeze in January and February 2007. A copy of their completed FSA-747 is in Exhibit 1. On July 10, 2007, they sold their cows and ceased to market milk. Their milk marketings for 140 cows through June 30, 2007, were 1,330,000 pounds. County Offices shall use the following table to determine the amount of production loss decrease necessary to adjust for the months in which the dairy operation did not market milk.

The County Office shall calculate production loss decrease as follows.

Step	Action	Example
1	Determine monthly average base production.	$\frac{20,000 \text{ (average yearly production/cow during base)}}{12 \text{ mo./year}} = 1,667 \text{ lbs./cow/mo.}$
2	Determine the herd's monthly expected production.	$1,667 \text{ (monthly average base production)} \times 140 \text{ (2007 average \# of cows)} = 233,380 \text{ lbs./mo.}$
3	Determine production loss decrease based on number of months out of business.	$233,380 \text{ (expected production/mo.)} \times 6 \text{ (number of months out of business)} = 1,400,280 \text{ lb. loss adjustment decrease}$

Notice LD-596

3 Production Loss Adjustment Decreases (Continued)

D Production Loss Decrease Example 3 (Continued)

The following will be entered on FSA-747:

- “1,330,000” in item 7 C
- “1,330,000 pounds represents milk marketings for January 1 through June 30, 2007” in item 22
- “1,400,280” in item 8 A
- “Operation gone out of business on July 10, 2007” in item 8 B.

A total of 1,400,280 pounds will be deducted from the production losses of 1,470,000 pounds calculated for 2007.

4 Production Loss Adjustment Increases

A Increases in Production Loss

Increases in production losses are used to account for production not included in eligible losses calculated for the dairy operation. Increases to production losses will be added to production losses calculated for the dairy operation to increase their total eligible loss.

B Production Loss Increase Example 1

Flint Hill Farm is applying for disaster benefits for 2006 as a result of the excessive heat. A copy of their completed FSA-747 is in Exhibit 1. The dairy operation lost 10 cows and immediately purchased 10 cows in the same month to offset production losses.

Note: The loss of the 10 deceased cows should **not** be factored into the average number of cows in the dairy herd during the disaster year entered in FSA-747, item 7 B, because cow losses resulting from the natural disaster occurrence are **not** included in the average.

Example: If on average the dairy operation maintained 100 cows in the dairy herd during the year, 100 cows, **not** 90, should still be the entry in 7B, even though 10 cows were lost.

Production attributed to the deceased cows must be determined according to subparagraph 2 A. The result is as follows:

$$10 \text{ (purchased cows)} \times 20,000 \text{ lbs./cow/year} = 200,000 \text{ lbs. increase to production loss}$$

Notice LD-596

4 Production Loss Adjustment Increases (Continued)

B Production Loss Increase Example 1 (Continued)

The following will be entered on FSA-747:

- “200,000” in item 8 C
- “10 cows purchased to offset production loss from deceased cows” in item 8 D.

5 Additional Information

A Payment Limitation

Gross revenue and per person payment limitations do **not** apply. However, no DDAP-III program participant may receive benefits that, in combination with the value of production not lost, would result in an amount that exceeds 95 percent of the value of the expected production for the disaster period if there had been no loss.

Ninety-five percent of the value of production in the absence of the loss is calculated by multiplying:

- base production, times
- applicable mailbox price, times
- 95 percent.

The total value is determined by adding the calculated DDAP-III payment plus the value of the production not lost.

Note: The 95 percent cap will be computed and validated through eDDAP-III payment software.

Notice LD-596

5 Additional Information (Continued)

B Deceased Producers and Dissolved Entities

Notice LD-593, subparagraph 3 G provided guidelines for accepting applications for deceased producers and dissolved entities. The procedure in Notice LD-593 requires proof of authority to sign for the deceased producer or dissolved entity. State Offices shall consult with the OGC Regional Attorney on the following types of cases:

- documentation submitted does not clearly establish authority to enter into a contract or application for the deceased individual, closed estate, or dissolved entity
- application from and request for issuing payments to heirs of a deceased individual without documentation provided that establishes authority to enter into a contract or application for the deceased individual.

For additional guidelines, the County Office shall follow the procedure in 4-DAP (Rev. 2), Amendment 3.

C Program Checklists

FSA-770 DDAP-III's will be required for DDAP-III for each of the first 5 applications processed at the beginning of the application period. Multiple FSA-770 DDAP-III's for each applicable disaster year will **not** be required. A forthcoming notice will provide more information on FSA-770 DDAP-III.

County Offices shall:

- ensure that eligibility has been updated according to CCC-770 Eligibility, as applicable, before payments are issued to eligible participants
- follow Notice CM-588 for CCC-770 Eligibility checklist policy for FY 2008.

5 Additional Information (Continued)

D Dumped Milk During Base Period

To provide an accurate account of milk produced during the base period, milk that is dumped during either or both of the base years (2003 and 2004) shall be included in the base production entered in FSA-747, item 6 B. Record in FSA-747, item 22, the reason the base production for the applicable year was increased, and record the type of supporting documentation used for verification.

Note: The dairy operation must provide evidence or a certification to the amount of milk dumped and the reason.

Example: Using the example in Exhibit 1, if Flint Hill Farm dumped 5,000 pounds in 2003 that did not appear on their production records, it would be necessary to make an entry of “2,005,000” in item 6 B for 2003.

Note: If the dumped milk is included in the producer’s production as provided by the milk marketing records, it is **not** necessary to increase production totals.

E Missing Members of Dairy Operations

In some cases, the members of dairy operations have changed since the year of the eligible disaster. The members of the dairy operation and their appropriate share for the disaster-affected year must be entered in FSA-747, Part E. If a member is no longer available or refuses to sign FSA-747:

- their corresponding information shall be included in Part E
- item 13 will be checked “Yes” to indicate that their share percentage was refused.

Note: The reason for not obtaining the signatures of all members of the dairy operation shall be included in item 21.

FSA-747, Dairy Disaster Assistance Payment Program (DDAP-III) Application

Note: The paragraph reference applicable to the example will be indicated in parentheses next to the entry.

This form is available electronically.			Form Approved - OMB No. 0560-0252		
FSA-747 (03-04-08)		U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency			
DAIRY DISASTER ASSISTANCE PAYMENT PROGRAM (DDAP-III) APPLICATION					
1. State Code	2. County Code	3. Application Date (MM-DD-YYYY)	4. Application Number		
00	000	04-01-2008	A. 2005 01	B. 2006 02	C. 2007 03
<p><small>NOTE: The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting information is the U. S. Troop Readiness, Veterans' care, Katrina, Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. 110-28. The information will be used to establish eligibility of losses and determine payment amounts for dairy operations located in an eligible county declared a natural disaster, and counties contiguous, when requesting benefits under the Dairy Disaster Assistance Payment Program III (DDAP-III). Furnishing the requested information is voluntary; however, failure to furnish the requested information will result in a determination of ineligibility for DDAP-III Program benefits unless this report is completed and filed as required by existing law and regulations provided at 7 CFR Part 786. 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 or to other request for information. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001, 1004 and 31 USC 3729, may be applicable to the information provided.</small></p> <p><small>Under the Paperwork Reduction Act of 1995, where applicable, an agency generally may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0252. The time required to complete this information collection is estimated to average 15 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. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</small></p>					
PART A - PRODUCER INFORMATION					
5A. Name of Dairy Operation (Prepare 1 application per dairy operation)			5B. Contact Producer's Name and Address (Including Zip Code)		
Flint Hill Farm			Joe Flint Rt. 1 Anywhere, USA 00000		
5C. Email Address (Optional)			5D. Telephone Number (Including Area Code)		
			(555) 555-5555		
PART B - BASE PERIOD INFORMATION					
6. Enter the average number of cows in the dairy herd (wet and dry) during the year and the total annual marketed production for each calendar year 2003 and 2004.					
Year		2003		2004	
A. Average Number of Cows in the Dairy Herd During Year		100		120	
B. Marketed Production (pounds)		2,000,000		2,400,000	
PART C - PRODUCTION INFORMATION					
7. Enter total commercially marketed production (pounds) and number of cows in the dairy herd (wet and dry) during the relevant year(s). Applicant must check the appropriate box for each applicable disaster year(s) for which benefits are being requested.					
A. Disaster Year		<input checked="" type="checkbox"/> 2005	<input checked="" type="checkbox"/> 2006	<input checked="" type="checkbox"/> 2007	
B. Average Number of Cows in the Dairy Herd During Year		130	200	140	
C. Marketed Production (pounds)		2,080,000	3,600,000	1,330,000	
PART D - DISASTER YEAR PRODUCTION LOSS ADJUSTMENTS - (For County Office Use Only)					
8. County Office will record applicable production adjustments and corresponding justification to increase and/or decrease production losses when applicable. Enter pounds of production that need to be adjusted by applicable year. Use Item 21 for additional space.					
Year	A. Decrease (-) Production Loss Downward	B. Justification for Adjustment	C. Increase (+) Production Loss Upward	D. Justification for Adjustment	
2005	166,700 (3B) 10,000 (3C) lbs.	20 cows sold (3B) milk dumped 4/1/05 (3C)	lbs.		
2006	lbs.		200,000 (4B) lbs.	10 cows purchased to offset production loss from deceased cows (4B)	
2007	1,400,280 (3D) lbs.	Operation gone out of business 7/10/07 (3D)	lbs.		
<p><small>The U.S. Department of Agriculture (USDA) prohibits discrimination in all its program 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, SW., Washington, DC 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.</small></p>					

FSA-747, Dairy Disaster Assistance Payment Program (DDAP-III) Application (Continued)

FSA-747 (03-04-08)		Page 2 of 2																																																																													
PART E - PRODUCER CERTIFICATION																																																																															
<p>I certify that all the information entered on this application is true and correct and all persons in this operation have submitted adequate production and herd evidence to verify the claim made by this document for production, cow numbers, and production losses suffered by the dairy operation as a result of a natural disaster occurring in a disaster county covered by a natural disaster declaration, or contiguous county, between January 1, 2005, and December 31, 2007. I hereby apply for payment to the extent that the County FSA Committee determines I am eligible to receive benefits and I understand that if funding is insufficient to compensate eligible producers for eligible losses, then the FSA will pay losses at two levels according to 7 CFR Part 786, in an effort to more equitably distribute the limited funds and maximize the effectiveness of the program. Further, I understand if a national factor is applied, the benefit payment to be otherwise calculated is subject to reduction. In addition, I understand that proper documentation of commercially marketed milk, the number of cows in the herd, and natural disaster losses suffered by the dairy operation are required to the satisfaction of the County FSA Committee. I further understand that this program is subject to the rules found in 7 CFR Part 786. I understand that I can be denied payments based on any inaccuracy in this certification and application and that the payment issued to the dairy operation may be reduced by the percentage of the member's share of the production or share in the quantity, whichever is higher. I understand that payments are subject to conditions and limits imposed by regulation and FSA and that this is an application only. Providing a false certification to the Government is punishable by imprisonment, fines, or other penalties. All information provided herein is subject to verification by FSA. The criminal and civil fraud statutes that apply to this certification, may include 15 USC 714m, 18 USC 286, 297, 371, 641, 651, and 1001; and 31 USC. Other authorities may apply.</p> <p>Regulations at 7 CFR Part 786 require that the amount of any payment received from DDAP-III shall be reduced from any disaster payments previously received for the loss including any made under a previous dairy disaster assistance payment program for 2005 (DDAP-I). Accordingly, I certify to the following concerning 2005 Dairy Disaster Assistance Payments (DDAP-II):</p>																																																																															
9. Was a Payment Received for 2005 DDAP-II Program?			COC Use Only (Payment Amount)																																																																												
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10. Producer's Signature	11. Last 4-digits of Producer's ID (TIN/SSN/EIN)	12. Date Signed (MM-DD-YYYY)	13. Share Percentage of Production % and Refusal of Payment																																																																												
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PART F - COC DETERMINATION (For County Office Use Only)																																																																															
14. Name of COC Designee		15. Title of COC Designee																																																																													
16. Signature of COC Designee		17. Date Signed (MM-DD-YYYY)																																																																													
18. Application Status: <input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED																																																																															
19. County FSA Office Name and Address (Including Zip Code)		20. County FSA Office Telephone Number (Including Area Code)																																																																													
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