

**For:** State and County Offices

**Additional Dairy Disaster Assistance Payment (DDAP-III)  
Program Clarifications and Questions and Answers (Q&A's)**

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



**1 Overview**

**A Background**

DDAP-III provides benefits to eligible dairy producers for dairy production losses that occurred between January 1, 2005, and December 31, 2007, because of natural disasters. Notice LD-593 provided policy and procedure for implementing the DDAP-III program. Signup for DDAP-III began on March 5, 2008. Since signup began, many questions have been asked about the program administration that requires clarification.

**B Purpose**

This notice provides State and County Offices with the following:

- clarification of policy and procedure for implementing the DDAP-III program
- additional guidelines for the DDAP-III program
- Q&A's about DDAP-III administration in Exhibit 1.

**C Contact**

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

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<b>Disposal Date</b>	<b>Distribution</b>
January 1, 2009	State Offices; State Offices relay to County Offices

## Notice LD-599

### 2 Cow Number Clarification

#### A Reporting Cow Numbers

Entries on FSA-747, items 6A and 7B require the producer to provide the average number of cows in the dairy herd during the following:

- each year of the base period
- applicable disaster years for which benefits are being requested.

**Note:** These entries should represent both milking and dry cows in the dairy herd, **not** only those cows milked during the year.

For the average number of cows in the dairy herd during the applicable disaster years entered on FSA-747, item 7B, the average must be determined from the number of dairy cows in the herd each month during the calendar year divided by 12. However, disaster-related cow losses or sales that result in herd decreases should **not** be factored into the average number of cows in the dairy herd during the year.

#### B Policy Change

Notice LD-593, subparagraph 8 B provided that loss adjustments may be calculated for cow losses because of deaths or sales unrelated to the applicable natural disaster. Notice LD-597, subparagraph 3 B provided an example of how to decrease production losses when cows were sold for a nondisaster-related reason. This methodology would require several production loss adjustments to be made to calculated production losses for the dairy operation.

Therefore, to minimize the potential number of loss adjustments for cow losses and sales unrelated to the disaster event, these cow losses will be counted and factored into the average number of cows in the dairy herd during the year. As a result, an adjustment for cow sales and cow death losses unrelated to the disaster condition will **not** be required.

## Notice LD-599

### 2 Cow Number Clarification (Continued)

#### C Example of Reporting Cow Numbers

ABC Dairy Operation reported an average of 108 dairy cows in the herd during the 2005 disaster year on FSA-747, item 7B. The dairy operation calculated the average based on the following.

2005 Disaster Year											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
100	100	100	100	100	120	120	120	120	105	105	105

Diagram illustrating the calculation of the average number of dairy cows in the herd during the 2005 disaster year. The table shows the number of cows for each month. Three callout boxes provide explanations for the values:

- February:** In February, 20 cows died for a disaster-related reason, but 100 cows should be factored in the average rather than 80.
- June:** A partner joined the operation in June resulting in 20 cows being added to the dairy herd.
- October:** In October, 15 cows were sold for a nondisaster-related reason. Therefore, 105 cows will be factored into the average for the remainder of the calendar year.

**Note:** Normal rounding procedure is applicable.

### 3 New Dairy Operations

#### A Determining New Dairy Operation

Notice LD-593, subparagraph 8 C provides for alternative base period production to be used when a dairy operation was **not** operating during either or both of the base period calendar years of 2003 and 2004. Dairy operations are **not** considered a new operation when the following in the dairy operation remain unchanged:

- cows
- facilities
- producers.

**Note:** The addition or reduction of cows and/or producers to the dairy operation since the base period also does **not** constitute a new dairy operation.

Alternative base period production may be used for new dairy operations when **both** of the following occurs:

- operation was **not** in existence during either or both of the base period calendar years of 2003 and 2004
- operation never affiliated or is no longer affiliated with a dairy operation (including facilities, producers, etc.) in business during the base period calendar years of 2003 and 2004.

## Notice LD-599

### 3 New Dairy Operations (Continued)

#### B Example of When Dairy Operation Is Considered the Same Operation

Producer A solely operated ABC Dairy Operation, consisting of 100 cows from 2000 through 2005. Producer B joined ABC Dairy Operation in 2006 bringing in 25 more cows to the dairy herd. This is considered the same dairy operation. The average annual production per cow used to compute the base production for each applicable disaster year for the dairy operation will be based on the base period information for ABC Dairy Operation during the 2003 and 2004 calendar years in which the dairy was solely operated by Producer A.

#### C Example of When Dairy Operation Is Considered a New Operation

Producer A and Producer B jointly operated XYZ Dairy Operation, consisting of 500 cows from 2000 through 2006. In 2007, Producer B bought a new facility and formed a sole proprietorship with his 250 cows from XYZ Dairy Operation. This is considered a new dairy operation. Producer B would be required to complete and submit two FSA-747's according to Notice LD-593, subparagraph 4 B, as follows:

- FSA-747 with Producer A and Producer B for XYZ Dairy Operation for eligible losses during the disaster years of 2005 and 2006
- FSA-747 with only Producer B for the newly formed dairy operation for losses claimed during the 2007 disaster year.

The County Office must use alternative base period production for the newly formed operation according to Notice LD-593, subparagraph 8 C. In this scenario, cow averages and average production from XYZ Dairy Operation may be used as 1 of the 3 similar dairy operations used to determine the alternative base period production for the newly formed dairy operation.

### 4 Additional DDAP-III Guidelines

#### A Documenting 3 Similar Dairy Operations

Notice LD-593, subparagraph 8 C provides that COC must record in both the COC minutes and FSA-747 specific information about the 3 similar dairy operations used to establish alternative base period production when production and cow averages are **not** available for a dairy operation. However, because of the new requirements about personal identifiable information, only the names of the farming operations used to establish the alternative base period production should be entered on FSA-747, item 21. All other pertinent information about the 3 similar farming operations, as required by Notice LD-593, subparagraph 8 C, must be documented in the COC Executive minutes.

## Notice LD-599

### 4 Additional DDAP-III Guidelines (Continued)

#### B Calculator Tools

As provided by Notice LD-597, all calculations will be computed by the eDDAP-III worksheet and automated software application, except for when manual calculations are necessary to convert cow numbers to pounds of production for a COC adjustment to eligible losses or to calculate production adjustments for entry on FSA-747, Part D. To assist County Offices with these manual calculations, calculator tools have been developed to remove the possibilities of errors and reduce the work hours necessary in performing these computations. The calculator tools are located on the PSD web site at

**[http://www.fsa.usda.gov/Internet/FSA\\_File/calculator-tools.xls](http://www.fsa.usda.gov/Internet/FSA_File/calculator-tools.xls)**.

When converting cow numbers to production pounds or computing COC production adjustments, County Offices shall:

- use the calculator tools instead of manually calculating the adjustment
- print the calculator tool used and attach to applicable FSA-747.

#### C 2007 Payment Rates

Payment rates are based on the annual average mailbox milk price for the marketing order, applicable to the State where the eligible disaster occurred. Data used to compute payment rates for 2007 have been obtained from AMS. The maximum DDAP-III payment rates in Exhibit 2 have been updated to reflect the current 2007 payment rates.

**Note:** In some cases, payment rates were assigned based on mailbox prices in similar or nearby States when the State was **not** regulated by a marketing order.

#### D Eligible Counties Updated

The eligible counties list used for DDAP-III was recently updated. The most current list of eligible counties is located on the Disaster Assistance Programs web site at

**[http://www.fsa.usda.gov/Internet/FSA\\_File/2005-2007\\_elig\\_co\\_031208.xls](http://www.fsa.usda.gov/Internet/FSA_File/2005-2007_elig_co_031208.xls)**.

**4 Additional DDAP-III Guidelines (Continued)**

**E Organic Dairies**

Several dairies operating as a normal conventional dairy operation during the base period have converted to an organic dairy operation during the eligible period, significantly reducing production for management-related reasons rather than a disaster-related reason. For these dairies that have converted from a conventional operation to an organic operation since the base period, County Offices shall do either of the following:

- use the base period information of 3 similar organic dairy operations to determine the average annual pounds produced per cow
- reduce base period production by factoring the average annual production from the base period of when the dairy operated as a conventional dairy operation by **76 percent**, as determined by the USDA APHIS production practices survey, when 3 organic dairies in operation during the base period cannot be located.

**Example:** Based on the information in the following table, the average annual production of 2,200,000 pounds is factored by 76 percent ( $2,200,000 \times 76\% = 1,672,000$ ). The new average annual production is 1,672,000 pounds.

<b>Year</b>	<b>Average Number of Cows</b>	<b>Annual Production</b>
2003	140	2,400,000
2004	125	2,000,000
<b>Average</b>	<b>133</b>	<b>2,200,000</b>

**DDAP-III Frequently Asked Q&A's**

- Q1: When averaging cow numbers or pounds of production, how many decimal places are used?**
- A1:** Normal rounding procedures to the nearest whole number are applicable.
- Q2: Can the producer certify to the number of cows in the operation?**
- A2:** Yes, however, COC may request additional documentation so that they are satisfied with the certification. See Notice LD-593, subparagraph 6 A.
- Q3: Who determines the normal percentage for culling a herd?**
- A3:** The dairy operation can determine the normal percentage of culling, and COC can:
- determine whether it is reasonable
  - request supporting documents, as necessary, to their satisfaction.
- Q4: Why are spot checks necessary since we require production evidence? Are farm visits required?**
- A4:** Spot checks shall be performed to determine the accuracy of reported production losses. All documentation should be checked. A farm visit is **not** required. See Notice LD-593, subparagraph 9 I for County Office action.
- Q5: What is a legal resident alien?**
- A5:** A legal resident alien is a non-U.S. citizen possessing a valid Alien Registration Receipt Card (Form I-551 or I-151). See 1-PL for foreign individual identification guidelines.
- Q6: A producer has an average of 140 cows in the dairy herd during 2006. The producer provides that 20 cows were sold in June for a nondisaster-related reason. What, if any, adjustments are necessary?**
- A6:** No adjustment is necessary. The loss of the 20 cows will be factored into the cow average.
- Q7: If cows were sold during a disaster year because of an eligible disaster, how does the sale of those cows figure into the loss calculation?**
- A7:** The losses from the sale of the cows for the disaster-related reasons will be seen in the decreased annual marketings for the dairy operation when compared to the base production for the disaster year.

**DDAP-III Frequently Asked Q&A's (Continued)**

**Q8: Is crop insurance or NAP coverage required to obtain benefits under the DDAP-III program?**

**A8:** No, unlike other disaster programs authorized by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, neither crop insurance nor NAP coverage is required to obtain benefits under the DDAP-III program.

**Q9: How are share percentages entered on FSA-747, item 13 for producers whose shares fluctuate throughout the year?**

**A9:** Each producer's share of the production should be totaled for the year and the percentage of the total production determined. Shares are determined based on the individual producer's total share of the production for the entire year, by dividing the producer's share of the production by the total pounds produced by the dairy operation during the year. For example:

Month	Pounds Produced	Producer A	Producer B	Producer C
January	200,000	(50%) 100,000	(50%) 100,000	(0%)
February	200,000	(50%) 100,000	(50%) 100,000	(0%)
March	200,000	(0%)	(100%) 200,000	(0%)
April	200,000	(0%)	(100%) 200,000	(0%)
May	200,000	(0%)	(100%) 200,000	(0%)
June	300,000	(0%)	(80%) 240,000	(20%) 60,000
July	300,000	(0%)	(80%) 240,000	(20%) 60,000
August	300,000	(0%)	(80%) 240,000	(20%) 60,000
September	300,000	(0%)	(80%) 240,000	(20%) 60,000
October	300,000	(0%)	(80%) 240,000	(20%) 60,000
November	300,000	(0%)	(80%) 240,000	(20%) 60,000
December	300,000	(0%)	(80%) 240,000	(20%) 60,000
<b>Totals</b>	<b>3,100,000</b>	<b>(6%) 200,000</b>	<b>(80%) 2,480,000</b>	<b>(14%) 420,000</b>

**Note:** Calculator tools have been added to the PSD web site to compute producer shares according to percentage or pounds of production.

**Q10: Producer A operated a dairy for many years. In 2006, Producer B joined bringing additional cows to the operation. Should COC be establishing the base production using 3 similar dairy operations?**

**A10:** No, the facilities and cows are the same, therefore, the operation is the same. The only difference is that another producer and more cows were added to the operation. Therefore, Producer A's base period information from 2003 and 2004 should be used to establish the pounds produced per cow used to compute the base production based on the number of cows in the dairy operation during the disaster period. See Notice LD-599, paragraph 3.

**DDAP-III Frequently Asked Q&A's (Continued)**

**Q11: What is a dairy cow?**

**A11:** A dairy cow for DDAP-III program purposes is a cow that has calved and, therefore, produces milk.

**Q12: If a county had 3 eligible declared disasters throughout the calendar year and the dairy's marketed production is less than the calculated base production, would the dairy be eligible without attempting to determine exactly when the loss of production occurred within the year and attempting to relate it to a specific disaster?**

**A12:** No, not necessarily. Production losses must be directly associated to the loss conditions identified in the declaration or designation to qualify as an eligible loss. See Notice LD-593, subparagraph 3 A.

**Q13: To relate production losses to a specific disaster event, what do we use as a comparison?**

**A13:** What is used will vary and depend on the disaster occurrence. Therefore, it is at COC's discretion to determine the basis for comparison to verify qualifying losses. Documentation to verify losses must be provided to the County Office with any other supporting documentation available to assist in verifying and calculating production losses for the dairy operation. If adequate proof is **not** provided to COC's satisfaction, the request for benefits will **not** be approved. See Notice LD-593, subparagraph 6 A.

**Q14: If a disaster declaration for a county had a December 19, 2006, start date and a January 1, 2007, end date, are losses resulting from this disaster event eligible in 2006 and 2007?**

**A14:** Yes, DDAP-III applicants are eligible for each applicable calendar year that covers the designated period in the disaster designation for the applicable county. See Notice LD-593, subparagraph 7 K.

**Q15: Are minors eligible for a DDAP-III program payment?**

**A15:** Yes, minors that meet the definition of a producer, as defined in Notice LD-593, subparagraph 2 E, are eligible for their share of the DDAP-III payment. Provisions in 1-CM about signature requirements for minors are applicable.

**Q16: Should 3 similar dairy operations be used to determine base production for a dairy operation that completely changed the herd breed it used during the base period to a different herd breed during the eligible period?**

**A16:** Yes, 3 similar dairy operations with the same herd breed should be used to determine base production for the dairy operation.

**Maximum DDAP-III Payment Rates**

Payment rates and calculations are rounded to 7 decimal places. The following table provides maximum payment rates per pound for production losses for dairy operations located in specific States applicable to each claim period.

<b>State</b>	<b>Mailbox Price 2005</b>	<b>Mailbox Price 2006</b>	<b>Mailbox Price 2007</b>
Alabama	0.1596	0.1443	0.2025
Alaska	0.2040	0.2010	0.2064
Arizona	0.1388	0.1128	0.1756
Arkansas	0.1596	0.1443	0.2025
California	0.1388	0.1128	0.1756
Colorado	0.1403	0.1214	0.1825
Connecticut	0.1539	0.1344	0.2012
Delaware	0.1539	0.1344	0.2012
Florida	0.1758	0.1603	0.2150
Georgia	0.1596	0.1443	0.2025
Hawaii	0.2700	0.2600	0.2779
Idaho	0.1402	0.1215	0.1926
Illinois	0.1514	0.1283	0.1904
Indiana	0.1503	0.1294	0.1933
Iowa	0.1507	0.1285	0.1884
Kansas	0.1403	0.1214	0.1825
Kentucky	0.1527	0.1349	0.1983
Louisiana	0.1596	0.1443	0.2025
Maine	0.1539	0.1344	0.2012
Maryland	0.1539	0.1344	0.2012
Massachusetts	0.1539	0.1344	0.2012
Michigan	0.1478	0.1264	0.1855
Minnesota	0.1512	0.1277	0.1926
Mississippi	0.1596	0.1443	0.2025
Missouri (Northern)	0.1403	0.1214	0.1825
Missouri (Southern)	0.1467	0.1254	0.1867
Montana	0.1512	0.1277	0.1926

## Maximum DDAP-III Payment Rates (Continued)

State	Mailbox Price 2005	Mailbox Price 2006	Mailbox Price 2007
Nebraska	0.1403	0.1214	0.1825
Nevada	0.1388	0.1128	0.1756
New Hampshire	0.1539	0.1344	0.2012
New Jersey	0.1539	0.1344	0.2012
New Mexico	0.1323	0.1108	0.1758
New York	0.1539	0.1303	0.1938
North Carolina	0.1527	0.1349	0.1983
North Dakota	0.1512	0.1277	0.1926
Ohio	0.1506	0.1302	0.1933
Oklahoma	0.1596	0.1443	0.2025
Oregon	0.1402	0.1215	0.1926
Pennsylvania (Eastern)	0.1539	0.1340	0.1990
Pennsylvania (Western)	0.1539	0.1302	0.1939
Puerto Rico	0.2550	0.2570	0.2606
Rhode Island	0.1539	0.1344	0.2012
South Carolina	0.1527	0.1349	0.1983
South Dakota	0.1512	0.1277	0.1926
Tennessee	0.1527	0.1349	0.1983
Texas	0.1405	0.1194	0.1828
Utah	0.1403	0.1214	0.1825
Vermont	0.1539	0.1344	0.2012
Virginia	0.1527	0.1349	0.1983
Washington	0.1402	0.1215	0.1926
West Virginia	0.1506	0.1302	0.1933
Wisconsin	0.1535	0.1305	0.1912
Wyoming	0.1403	0.1214	0.1825