



## Milk Income Loss Contract Program

### Overview

USDA Farm Service Agency's (FSA) Milk Income Loss Contract Program (MILC) compensates dairy producers when domestic milk prices fall below a specified level. The 2002 Farm Bill authorized MILC through Sept. 30, 2005. The Agricultural Reconciliation Act of 2005 reauthorized the program through Sept. 30, 2007. The extended program period is called MILCX. The program has no set funding level.

### Eligible Dairy Producers

Eligible dairy producers are those who, beginning Dec. 1, 2001, through Sept. 30, 2007:

- Commercially produce and market cow milk in the United States; or
- Produce milk in the United States and commercially market the milk outside the United States.

Dairy producers from a foreign country who have a working visa or other valid taxpayer identification number are eligible for MILC benefits.

### Sign-up

Sign-up for the fiscal years 2006-2007 MILCX extension is conducted in the following two phases:

- Initial sign-up phase from March 13 through May 17, 2006; and
- Extended sign-up phase from May 18, 2006, throughout the duration of the program ending on Sept. 30, 2007.

Eligible dairy producers can apply for program benefits anytime during either sign-up phase according to the production start-month selection rules applicable for each sign-up phase.

### Payments

FSA makes MILC payments on a monthly basis when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt). The monthly Boston price is posted online at: [http://www.fmmone.com/Northeast\\_Order\\_Prices/NE\\_Prices\\_main\\_new.htm#Advance](http://www.fmmone.com/Northeast_Order_Prices/NE_Prices_main_new.htm#Advance)

When the Boston milk price exceeds \$16.94:

- FSA will make no MILC payments to the dairy operation; and
- Production for that month will not count towards the operation's maximum eligible production.

FSA issues payments up to a maximum of 2.4 million pounds of milk produced and marketed by each operation per fiscal year. FSA issues payments no later

than 60 calendar days after FSA receives production evidence for the applicable month.

### Payment Rate Calculation

FSA determines the per hundredweight payment rate for the applicable month by subtracting the Boston Class I price for that month from the \$16.94 baseline, and multiplying the difference by:

- 45 percent during the period Dec. 1, 2001, through Sept. 30, 2005; or
- 34 percent during the period Oct. 1, 2005, through Sept. 30, 2007.

For example:

|                                   |               |
|-----------------------------------|---------------|
| BC I price announced in Feb. 2006 | = \$16.63     |
| \$16.94 - \$16.63                 | = \$.31       |
| \$0.31 x 34 percent               | = \$0.1054000 |
| Payment rate for Feb. 2006        | = \$0.1054    |

### Payment Rates

FSA posts monthly MILC payment rates online at: <http://www.fsa.usda.gov/daftp/psd/MILC.htm>

### Production Start-month Selection

For fiscal years 2006-2007, MILCX participants must select a month of commercially marketed

production for which FSA will begin issuing the operation's payments.

Starting with the dairy operation's selected month, FSA will issue MILCX payments based on the month's production and each consecutive month's production thereafter at the payment rate applicable to each month with a rate in effect, until the earlier of the following:

- The operation reaches the maximum payment quantity of 2.4 million pounds; or
- The applicable fiscal year ends.

**Production Start-month Selection Rules**

The dairy operation's selected production start-month must be designated on form CCC-580X, "Milk Income Loss Contract Program Extension (MILCX)," and submitted to the FSA county office:

- On or before the 14th of the month before the selected MILCX production start-month, except as otherwise provided during the applicable sign-up phase; and
- Before the selected month's Boston Class I fluid price is announced to the public.

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

- Has already begun, except as otherwise provided;
- Has already passed; or
- No milk production was produced by the dairy operation.

**Selecting and Changing Production Start-months**

Dairy operations can change the start-month an unlimited number of times as long as the change is made:

- On or before day 14 of the month prior to the new MILCX production start-month (unless that day falls on a weekend, then the date falls to the previous business day);
- Before payment is sought; and
- Before the original selected MILCX production start-month has passed.

If the dairy operation never changes the selected start-month, the start-month will remain the same throughout the MILCX contract's duration.

**Selecting Production Start-month During Initial Sign-up Phase**

During the March 13 through May 17, 2006, sign-up period only, MILCX applicants have the following fiscal year 2006 MILCX production start-month selection options:

**Option 1**

Select one of the following fiscal year 2006 retroactive months in which a payment rate was in effect:

- December 2005;
- January 2006;
- February 2006;
- March 2006;
- April 2006; or
- May 2006.

**Option 2**

According to selection rules, select one of the following months remaining in fiscal year 2006 for which the payment rate is unknown:

- June 2006;
- July 2006;
- August 2006; or
- September 2006.

Dairy operations must make Option 2 selections according to the following table:

| Dairy operation selects by: | To select the MILCX production start-month of: |
|-----------------------------|--|
| June 14                     | July 2006                                      |
| July 14                     | August 2006                                    |
| August 14                   | September 2006                                 |

**Selecting Production Start-month During Extended Sign-up Phase**

Dairy operations submitting a fiscal year 2006 contract after the March 13 through May 17, 2006, initial sign-up phase can select as the production start-month either:

- The month the operation submits a MILCX contract; or
- Any month after the contract is submitted in the fiscal year that has not begun or has not passed.

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The selection must be made on or before the 14th of the month before the month the operation wants to select as their production start-month.

During fiscal year 2007, dairy operations may select production start-months according to the following table:

| Dairy operation selects by:                 | To select the MILCX production start-month of: |
|---|--|
| September 14, 2006                          | October 2006                                   |
| October 13 (October 14 is a Saturday)       | November 2006                                  |
| November 14                                 | December 2006                                  |
| December 14                                 | January 2007                                   |
| January 12, 2007 (January 14 is a Saturday) | February 2007                                  |
| February 14                                 | March 2007                                     |
| March 14                                    | April 2007                                     |
| April 13 (April 14 is a Saturday)           | May 2007                                       |
| May 14                                      | June 2007                                      |
| June 14                                     | July 2007                                      |
| July 13 (July 14 is a Saturday)             | August 2007                                    |
| August 14                                   | September 2007                                 |

A dairy's operation's fiscal year 2006 and 2007 MILCX production start-months are the same, unless the operation:

- Changes the fiscal year 2007 start-month according to selection rules; or
- Specifically designates a fiscal year 2007 start-month by Sept. 14, 2006.

**How to Apply**

To apply for MILCX, dairy operations must submit form CCC-580X, "Milk Income Loss Contract Program Extension (MILCX)," to the FSA county office where the

operation is located. The form is available at FSA county offices and online at: <http://forms.sc.egov.usda.gov/eforms/mainervlet>

The production start-month for each fiscal year must be designated on the CCC-580X. The form must also show the total pounds of all milk produced and marketed during each applicable month for all persons receiving a share of the marketed milk. Monthly milk production cannot be apportioned to circumvent the maximum payment quantity. All persons sharing in the risk of a dairy operation's total production must certify the information on the CCC-580X. FSA will accept only one CCC-580X per operation.

When applying for MILCX benefits, operators must also have on file:

- Form AD-1026, "Highly Erodible Land Conservation and Wetland Conservation Certification," used to certify understanding of USDA conservation compliance requirements; and
- Form SF-1199A, "Direct Deposit Sign Up Form," used to sign up for the direct deposit of payments into the payee's account.

Dairy operations can obtain these forms at FSA county offices and online at: <http://forms.sc.egov.usda.gov/eforms/mainervlet>

**Production Evidence**

Before FSA can issue MILC payments, all persons involved in a single dairy operation must provide verifiable production evidence, which can include:

- Milk marketing payment stubs;
- Tank records;
- Milk handler records;
- Daily milk marketings; or
- Copies of any payments received as compensation from other sources.

FSA county offices have 60 calendar days from receiving the production evidence to issue payments.

**Ineligible Milk Production**

The following is not considered commercially marketed milk and is ineligible as MILC production:

- Dumped milk that causes bulk load contamination for which a producer receives an insurance indemnity; and
- Milk dumped on a farm by order of a state or health department.

**Reconstitutions**

Dairy operators must immediately notify FSA of any changes affecting an operation's MILC contract. If a reconstitution occurs during the contract period, MILC contract changes will take effect the first day of the fiscal year following the month FSA receives notification of the changes. However, changes

resulting in the reduction of shareholders or producers will take effect immediately upon notification to FSA.

Dairy operators cannot reorganize a dairy operation's structure for the sole purpose of receiving multiple payments.

### **MILC Agents**

MILC benefits may be disbursed by a dairy marketing cooperative serving special groups or communities, such as Amish or Mennonite communities. Such producers may authorize a cooperative agent or milk handler affiliated with a dairy marketing cooperative to obtain and disburse MILC benefits to the operation. FSA must approve qualified agents.

Dairy operations must grant MILC agents power of attorney authority to act on their behalf. The operator must complete Form FSA-211, "Power of Attorney," and submit the form to the FSA office where the dairy operation is located. The form is available at FSA county offices and online at: <http://forms.sc.egov.usda.gov/eforms/mainservlet>

### **For More Information**

Dairy operations can obtain more information on MILC at FSA county offices and online at: <http://www.fsa.usda.gov>; click on Price Support.

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