

# Milk Income Loss Contract Program (MILC)



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## BACKGROUND / SIGN-UP

The purpose of MILC is to allow continued 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.

**The ongoing Sign-up for MILC is December 22, 2008 through September 30, 2012.**

## MONTHLY COST AND MARKET VARIABLES

MILC is subject to monthly cost and market variables and payment cannot be guaranteed in any given month. Variables that determine payment include the monthly Boston Class I Price of milk defined by the Boston Federal milk marketing order and the National Average Dairy Feed Ration Cost calculated by the National Agricultural Statistics Service (NASS.)

## ELIGIBLE PRODUCERS

Eligible producers for MILC must be commercially producing milk in the United States, enter into a contract with the Commodity Credit Corporation (CCC) by completing an application at the local FSA office or Service Center and agree to provide monthly marketing data.

## Producers Select Start-up Month

Producers select start-up month for MILC payments during the sign-up application period. Producers submitting a new contract application within 30 days of the beginning of the application period (by January 21, 2009) can select any preceding month as the start month.

Beginning on January 22, 2009, start month selection rules apply as follows: Start month selected may be the month the contract is submitted or a later start month may be selected so long as the designation is made by the 14<sup>th</sup> of the month preceding the new start

month. Changes in start month from year to year are also subject to this 14<sup>th</sup> of the month prior provision.

## PAYMENT CALCULATION

MILC payments are based on three factors: the Target (or Trigger) Price of milk, the monthly Boston Class I Price of milk and the monthly Feed Cost Adjuster.

### Target Price vs. Boston Class I Price of Milk

FSA makes MILC payments when the Boston Class I milk price falls below the Target Price of \$16.94 per hundredweight (cwt), modified by the Feed Cost Adjuster.

The monthly Boston Class I fluid milk price is announced on the Friday that occurs on or before the 23<sup>rd</sup> of each month (and the announced price applies to the following month.)

### Feed Cost Adjuster

The new Farm Bill adds a modifier to the Target Price with a Feed Cost Adjuster designed to adjust the Target Price upward, as the cost of feed rations increase.

The Feed Cost Adjustment takes effect when the monthly National Average Dairy Feed Ration (NADFR) calculated monthly by the National Agricultural Statistics Service (NASS) is greater than \$7.35 per cwt. The NADFR is announced on the last day of the month and applies to the previous month's feed cost.

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## Final MILC Payment Rate

From 10/1/08 to 8/31/12, payment will be 45% of adjusted price difference. From 10/1/07 to 9/30/08 and in the month of 9/12, payment will be 34% of adjusted price difference.

On the last day of each month, a final MILC payment rate (applicable for the prior month) will be posted at : [www.fsa.usda.gov/FSA/webapp.area=home&subject=prsu&topic=mp-p-mi](http://www.fsa.usda.gov/FSA/webapp.area=home&subject=prsu&topic=mp-p-mi)

## PAYMENT / POUNDAGE LIMITATIONS

Payment / poundage limitation for MILC is reached when payments have been made for 2.4 million pounds of milk (about 120 cows) produced and marketed by an operation for the period of October 1, 2007 through September 30, 2008. The limit increases to 2.985 million pounds (about 145 cows) for each fiscal year from October 1, 2008 through August 31, 2012. After September 1, 2012, the limit reverts back to the original 2.4 million pounds per fiscal year.

## ADJUSTED GROSS INCOME (AGI)

Adjusted Gross Income (AGI) limitations for producers determine eligibility for MILC. Producers or entities with non-farm AGI for the relevant base period greater than \$500,000 are not eligible.

## FOR MORE INFORMATION

To view a more detailed Fact Sheet, visit [www.fsa.usda.gov](http://www.fsa.usda.gov) and click on **Find FSA Fact Sheets**. Then enter **Income Support** in the **Topic** section.

To locate your nearest FSA office and schedule an appointment to go over details of your own situation, visit [www.fsa.usda.gov/ca](http://www.fsa.usda.gov/ca).