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DEPARTMENT OF AGRICULTURE

Risk Management Agency

RIN 0563–AB77

Dairy Options Pilot Program

AGENCY: Risk Management Agency, USDA.

ACTION: Notice of availability.

SUMMARY: This notice supersedes the Notice of Availability published on November 6, 1998 (63FR 59930–59936), which announced the availability of a new Dairy Options Pilot Program (DOPP) to be administered by the Risk Management Agency (RMA) in conjunction with the private sector. This notice extends the program to new states and counties and changes several of its provisions to enhance the educational benefits of the program to producers. The objective of DOPP is to ascertain whether put options can provide dairy producers with an effective risk management tool by providing reasonable protection from volatile dairy prices.

EFFECTIVE DATE: February 23, 2000.

FOR FURTHER INFORMATION CONTACT: For further information contact Craig Witt, Director, Risk Management Education Division, Risk Management Agency, United States Department of Agriculture, 1400 Independence Avenue, S.W., Stop 0805, Room 6749–S, Washington, DC 20250–0805.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

The Office of Management and Budget (OMB) has determined this notice to be significant for the purposes of Executive Order 12866 and, therefore, has been reviewed by OMB.

Civil Rights Impact Analysis

RMA does not collect civil rights data on the farmers/ranchers who participate in the programs, therefore, we cannot determine if this pilot program will negatively or disproportionately affect minorities, women or persons with disabilities who are program beneficiaries or applicants for program benefits in RMA assisted programs. If DOPP becomes a permanent program, a proposed and final rule with a complete civil rights impact analysis will be submitted. For specific information on the Civil Rights Impact Analysis, contact William Buchanan, Director, USDA/RMA, Office of Civil Rights, Room 3059, South Building, Washington, D.C. 20250–0801, telephone (202) 690–6068, e-mail address—William.Buchanan@wdc.usda.gov.

Cost-Benefit Analysis

The program is designed to increase the level of understanding of options contracts as risk management tools among dairy producers and to explore their specific applicability to the dairy industry. The costs to the Government of option premiums under the program are estimated to be about $10 million annually. If successful, the program will help create liquid markets in basic formula price (BFP) futures and options contracts which would be sustained, in part, by the on-going hedging of output price risk by dairy producers who have benefitted from the educational aspects of the program. Under that scenario, the benefits of the program would include furnishing producers with a viable price risk management alternative, exerting a stabilizing influence on the dairy industry, and contributing to the Department's goal of supporting market oriented reforms in the agricultural sector.

Paperwork Reduction Act of 1995

In accordance with section 3507(j) of the Paperwork Reduction Act of 1995 (44 U.S. C. 3501 *et seq.*), the information collection and recordkeeping requirements included in this notice of availability have been submitted for emergency approval to the Office of Management and Budget (OMB). OMB has assigned control number 0563–0058 to the information collection and recordkeeping requirements. Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with a collection of information, subject to the requirements of the Paperwork Reduction Act, unless that collection of information displays a currently valid OMB Control Number. Please send written comments to the Office of Information and Regulatory Affairs, OMB, Attention: Desk Officer for RMA, Washington, DC 20503. Please state that your comments refer to the Dairy Options Pilot Program (DOPP), Round 2.

The paperwork associated with the Dairy Options Pilot Program will include information to be used by RMA in: (a) establishing producer eligibility by requiring their certification and documentation of the minimum level of milk production; (b) verifying compliance of participating producers and brokers, and (c) evaluating the effectiveness of dairy put options as a risk management tool for dairy farmers. In addition, the response to voluntary surveys will allow RMA to obtain the participants' perspective on the program, and valuable information from producers who attended information presentations but elected not to participate as to why the program did not fit their needs. We are soliciting comments from the public (as well as affected agencies) concerning the program's information collection and recordkeeping requirements. We need this outside input to help us accomplish the following:

(1) Evaluate whether the collection of information is necessary for the proper performance of our agency's functions, including whether the information will have practical utility;

(2) Evaluate the accuracy of our estimate of the burden of the collection of information, including the validity of the methodology and assumptions used;

(3) Enhance the quality, utility, and clarity of the information to be collected; and

(4) Minimize the burden of the information collection on those who are to respond (such as through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission responses).

Estimate of burden: 31,701 hours.

Respondents: 6,150.

Estimated number of responses: 42,825.

Estimated number of responses per respondent: 1.1.

Estimated total annual burden on respondents: $285,607.76.

Copies of this information collection can be obtained from: Information Collection Clearance Officer, OCIO, USDA, Stop 7602, 1400 Independence Avenue SW, Washington, DC 20250.

Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. This notice contains no Federal mandates (under the regulatory provisions of title II of UMRA) for State, local, and tribal governments or the private sector. Therefore, this notice is not subject to the requirements of sections 202 and 205 of UMRA.

Executive Order 13132

It has been determined under section 1(a) of Executive Order 13132, Federalism, that this rule does not have sufficient implications to warrant consultation with the states. The provisions contained in this rule will not have a substantial direct effect on States, or on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.

Regulatory Flexibility Act

This notice will not have a significant impact on a substantial number of small entities. The provisions included in this notice will not impact small entities to a greater extent than large entities. The amount of work required of brokers will only increase slightly because the information to determine the eligibility of producers and trading activities is already collected by brokers specializing in hedge positions and the only additional burden is the electronic transmittal of this information. Therefore, this action is determined to be exempt from the provisions of the Regulatory Flexibility Act (5 U.S.C. 605) and no Regulatory Flexibility Analysis was prepared.

Federal Assistance Program

This program is listed in the Catalog of Federal Domestic Assistance under No. 10.450.

Executive Order 12372

This program is not subject to the provisions of Executive Order 12372 which require intergovernmental consultation with State and local officials. See the Notice related to 7 CFR part 3015, subpart V, published at 48 FR 29115, June 24, 1983.

Executive Order 12988

This notice has been reviewed in accordance with Executive Order 12988 on civil justice reform. The provisions of this notice will not have a retroactive effect. The provisions of this notice will not preempt State and local laws. The administrative appeal provisions published at 7 CFR part 11 must be exhausted before any action for judicial review of any determination made by RMA may be brought.

Environmental Evaluation

This action is not expected to have any significant impact on the quality of the human environment, health, and safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

Background

Section 191 of the Federal Agriculture Improvement and Reform Act of 1996 authorizes the Secretary of Agriculture (Secretary) to conduct a pilot program for one or more agricultural commodities to determine the feasibility of the use of futures and options as risk management tools to protect producers from fluctuations in price, yield and income. Accordingly, the Secretary directed RMA to develop DOPP.

The purpose of this notice is to announce the availability of DOPP in new States and counties and provide the new terms and conditions of the program.

DOPP is intended to offer an educational experience to dairy producers whose need for risk management tools has risen sharply as a result of unprecedented price volatility, the elimination of price supports, and the current unavailability of production insurance.

The program represents a joint initiative between RMA and the private sector. DOPP procedures were first proposed to RMA by the Coffee, Sugar & Cocoa Exchange (CSCE), now the New York Board of Trade (NYBOT). During the development of this program, the Chicago Mercantile Exchange (CME) provided additional recommendations. If successful, the educational benefits of DOPP will prepare producers to manage their price risk independently through the milk futures and options markets.

In the November 6, 1998, Notice of Availability (63 FR 59930–59936), DOPP was offered in 42 counties. However, DOPP did not operate in Orleans County of Vermont; and Commanche, Erath, and Van Zandt counties of Texas because no producer in those counties elected to participate by purchasing put options. DOPP will no longer be available in any of the 42 counties included in the notice of November 6, 1998.

The program will be available in the following States and counties: Maricopa County, Arizona; Marin and Sonoma counties, California; Weld County, Colorado; Gilchrist and Okeechobee counties, Florida; Morgan and Putnam counties, Georgia; Gooding, Jerome, and Twin Falls counties, Idaho; Clinton and Washington counties, Illinois; Elkhart and Marshall counties, Indiana; Clayton, Dubuque, and Winneshiek counties, Iowa; Nemaha County, Kansas; Adair and Barren counties, Kentucky; Carroll and Frederick counties, Maryland; Franklin County, Massachusetts; Allegan, Clinton, and Sanilac counties, Michigan; Fillmore and Wabasha counties, Minnesota; Webster and Wright counties, Missouri; Gage County, Nebraska; Chaves, Lea, and Roosevelt counties, New Mexico; Madison and Wyoming counties, New York; Iredell County, North Carolina; Ashtabula, Mercer, and Wayne counties, Ohio; Adair and Mayes counties, Oklahoma; Marion and Washington counties, Oregon; Lebanon and Tioga counties, Pennsylvania; Deuel and Grant counties, South Dakota; McMinn County, Tennessee; Archer County, Texas; Cache and Utah counties, Utah; Washington County, Vermont; Franklin and Rockingham counties, Virginia; Skagit, Snohomish, and Whatcom counties, Washington; Barron and Shawano counties, Wisconsin. At the discretion of the Secretary, States and counties are subject to change throughout the duration of this pilot program.

The participation limit per county is set at 100 producers, subject to adjustments as described below. Counties with a higher number of participants signing-up will have participants selected through a lottery. When a county has fewer than the maximum number of participants, the excess program vacancies will be pooled and distributed among counties where more than the maximum number has signed up. Producers wishing to participate in the program must fill out and sign an application (Form CCC–320) and a release of information from their broker to RMA (CCC–321).

The program will last a maximum of 12 months for each participating producer , commencing at the date of training through the close-out of DOPP options positions. After registration and training, producers will have up to 4 months to purchase DOPP options and all DOPP options must expire within 12 months from the month the producer attends the training session. Producers are required to buy ''put options'' at least two months in the future in order to allow time for the educational benefits of the program to be realized. For the same reason, producers will be required to hold their options until the four week period immediately prior to the expiration date.

In order to introduce the new trading volume onto the markets slowly, each round of participants will commence trading at different times by state. The two exchanges where the BFP futures and put options are currently available are NYBOT and CME. The contracts on the two exchanges differ with regard to quantity. Under the program, a participating producer will be permitted to purchase contracts to hedge between 100,000 and 600,000 pounds of milk over a period extending from a minimum of 2 months to a maximum of 12 months following the date the producer attends DOPP training. Producers will be required to submit documentation supporting their farm's production of at least 100,000 pounds of milk over a six-month period.

On November 6, 1998, RMA published a Notice of Availability in the **Federal Register** at 63 FR 215 in which DOPP was offered as a pilot in selected counties in the states of California, Minnesota, New York, Pennsylvania, Texas, Wisconsin, and Vermont. A total of 428 dairy producers from 38 counties participated in the program by buying a total of 1,701 put options.

An assessment of the first round of the program revealed that some changes were warranted. In addition to minor reformatting and word changes for clarity, RMA has made the following changes to DOPP:

1. In section 1 of the producer contract and section 1 of the broker contract, RMA added a definition for ''abandonment'' to recognize this alternative which is available to a buyer of an option for resolving contractual rights and obligations associated with an option that will expire worthless; added a definition for ''contract month'' and deleted the definition for ''strike month'' to conform to the more common terminology used by brokers and hedgers; changed the definition of ''futures contract'' to avoid confusion regarding contract markets, wherein obligations of performance are created, and cash commodity markets, wherein the actual commodity is transferred; added a definition for ''NYBOT'' (the New York Board of Trade) and changed the definition of the ''CSCE'' to reflect the name change by that futures exchange (also, all references to the CSCE were changed to the NYBOT in both the producer and broker contracts); changed the definition of ''expiration date'' to reflect the possibility of selling before expiration; changed the definition for ''premium'' to eliminate possible confusion between the value of the option and strike price for an option; changed the definition of ''round turn'' to reflect the alternative of abandonment as a method of liquidating a put position and also to clarify RMA's responsibilities in the event a put buyer under DOPP wishes to exercise a put; and changed the definition of ''sale'' to avoid confusion between option contract markets, wherein obligations of performance are created, and asset markets, wherein titles of property are transferred.

2. In section 3(a)(1) of the producer contract and section 3(a)(1) of the broker contract, the time in which producer has to buy options in the program was changed from 2 to 4 months from the date the producer attends the training and information session. In the first round of the program, many participants indicated that 2 months did not provide sufficient time to observe the market and to implement a sound buying strategy.

3. In section 3(a)(1) of the producer contract, a phrase was added that allows producers to not fulfill their obligation to buy put options in the program if market conditions fail to provide price protection that exceeds production costs. This provision was added to ensure that producers will not be required to buy puts during periods when that strategy may not be in the producer's economic interest.

4. In section 3(a)(8) of the producer contract and section 3(a)(7) of the broker contract, the requirement that all options purchased in the program will expire no more than 6 months after the month of purchase was changed to 12 months from the month the producer attended the DOPP training session. Some participants in the first round of the program indicated that the 6 month forward limitation prevented producers from considering more favorable opportunities in contract months more than 6 months forward.

5. Section 3(a)(9) was added to the producer contract to ensure that producers are aware of their financial responsibility for any losses and brokerage commissions if they choose to exercise any put options before expiration.

6. In section 3(c) of the producer contract, the deadline for submitting a properly completed and executed application was changed from within 14 days after receiving notification and application materials from RMA through the mail to within 14 calendar days after attending a DOPP training session. An application postmarked within the deadline will be considered valid. Participants in the first round of the program indicated that requiring producers to execute the application before having the opportunity to learn about the program in the training session discouraged many prospective participants.

7. In section 6(d) of the producer contract and 5(b) of the broker contract, the description of possible program changes was revised to reflect current information regarding Federal Milk Marketing Order reform.

8. In section 3(b)(3) of the broker contract, the requirement to report the strike price, contract type, and exchange was added. This change was made to reflect that this additional information is needed to assess the program and that this information was collected during the first round of the program.

9. Section 4(d) of the broker contract was added. This change makes the financial responsibilities of the producer for futures transactions explicit, in the event a put option is exercised.

Notice: The terms and provisions for the DOPP Producer Contract are as follows: United States Department of Agriculture, Risk Management Agency, Dairy Options Pilot Program Contract.

Participation in the Dairy Options Pilot Program is voluntary. Neither the United States, the Commodity Credit Corporation, the Federal Crop Insurance Corporation, the Risk Management Agency, the Department of Agriculture, nor any other Federal agency is authorized to guarantee that participants in this pilot program will be better or worse off financially as a result of participation in the pilot program than the producer would have been if the producer had not participated in the pilot program.

1. Definitions

Abandonment. The surrender of the right possessed by an option buyer, an alternative available to an option buyer whose option is to expire worthless.

Application. Form CCC–320 that is required to be completed and signed by the producer before the producer is eligible to participate in this program.

Basic formula price (BFP). The price established by USDA, and provided to the USDA marketing order administrators to be used to set regional minimum prices.

Broker. A broker or brokerage firm registered under the Commodities Exchange Act that has entered into an agreement with RMA to participate in the program.

Contract Month. A month designated in an eligible market for which futures and options contracts are quoted for trading.

CME. Chicago Mercantile Exchange.

CSCE. Coffee, Sugar, and Cocoa Exchange (now known as the NYBOT).

DOPP. Dairy Options Pilot Program.

Eligible markets. Commodity futures and options markets designated as contract markets under the Commodity Exchange Act (7 U.S.C. 1 *et seq.*).

Exercise. The action taken by the holders of a put option on a futures contract if they wish to sell the underlying futures contract.

Expiration Date. The last date on which a put option may be exercised or sold.

Futures contract. A standardized contract to make or take delivery of a commodity traded on an eligible market at some point in the future.

Hedge. To take compensatory measures to counter a possible loss.

NYBOT. The New York Board of Trade (formerly known as the CSCE).

Open outcry. Method of public auction required to make bids and offers in the trading pits, or rings, of commodity exchanges.

Out-of-the-money. Put option with a strike price that is less than the underlying futures contract price.

Premium. The value of a put option determined by open outcry. The premium does not include related brokerage commission fees.

Producer. An individual, entity, or joint operation, which as owner, operator, landlord, tenant, or sharecropper, is entitled to share in the production available for marketing from the farm, or share in the proceeds thereof.

Program. The Dairy Options Pilot Program.

Put Option. A contract traded on eligible markets that gives the buyer the right, but not the obligation, to sell the underlying futures contract at the strike price on or before the expiration date.

RMA. Risk Management Agency, an agency of the United States Department of Agriculture.

Round turn. The broker's service in transacting a single put option consisting of consultation services and the purchase and liquidation (sale, exercise, or abandonment) of a put option.

Sale. An alternative available to the purchaser of an option by which the option is liquidated through an offer in an eligible market.

Secretary. The Secretary of Agriculture.

Settlement price. The price established at the end of each day's trading for a specific put option as published by the exchange on which that contract trades.

Strike price. The price at which the holder of a put option has the right, but not the obligation, to sell the underlying futures contract.

USDA. The United States Department of Agriculture.

2. Eligibility

(a) To be eligible for any benefits under this contract, a producer must:

(1) Be eligible for a production flexibility contract, a loan deficiency payment, a non-recourse marketing assistance loan or any other assistance under title I of the Federal Agriculture Improvement and Reform Act of 1996;

(2) Operate a dairy farm located in a county selected for the pilot program;

(3) Have documented production history of at least 100,000 pounds of milk production over any consecutive six month period during the most recent 12 months; and

(4) Execute this contract and comply with its terms and conditions.

(b) This program is available to milk producers in states and counties designated.

3. Responsibilities

(a) Producers who elect to participate in the program agree:

(1) To attend not less than one training session conducted by RMA to receive training on the use of put options and the program's operations;

(2) To purchase put options on a minimum of 100,000 pounds of milk on an eligible market, through an eligible broker, within 4 months after the date the producer attends the required training session, unless market conditions fail to provide an opportunity to establish price protection that exceeds production costs;

(3) To purchase put options on no more than 200,000 pounds of milk for any one contract month;

(4) To purchase put options on no more than the producer's total production over the consecutive 6-month period used to establish the producer's eligibility. (For example, if a producer has provided copies of marketing receipts for 245,000 pounds of total milk production for a consecutive 6 month period to meet the eligibility criteria of the program, only 200,000 pounds can be hedged under the program because there are no contracts equal to or less than 45,000 pounds currently available on an eligible market);

(5) To purchase only those put options that expire at least two months after the purchase date (For example, assume the producer wants to hedge September 1999 production with BFP put options. The last date on which the producer shall be able to purchase a September put option under the program would be Tuesday, August 3, because September options expire exactly two months later, on October 4. On August 4, the producer could purchase only October or more distant options;

(6) To purchase only those put options with a strike price that is at least 10 cents out of the money;

(7) That no put option will be sold or exercised before four weeks prior to the expiration date (For example, assume the producer owns September, 1999 put options which expire on October 4, 1999. The producer would not be allowed to sell or exercise September options under the program prior to September 6);

(8) To purchase only those put That all options purchased shall expire during the month that is not more than 6 with contract months less than 12 months after the month of purchase from the month of training (For example, assume a producer is trained on June 7, 1999, and makes all purchases in the months of June and July. The most distant option contract the producer is permitted to buy is the May 2000 contract); and

(9) To assume any losses from the underlying futures contract if the producer chooses to exercise any put option rather sell the option or abandon it.

(b) The producer must open an account with an eligible broker in order to participate in the program and must do so before making any purchases.

(c) The producer must submit to RMA within 14 calendar days after attending a DOPP training session a properly completed and executed application and a copy of the marketing receipts for 6 consecutive months in the previous 12 months showing production in excess of 100,000. An application postmarked within the deadline will be considered valid.

4. Costs

(a) The producer will pay to the broker 20 percent of the premium for each put option purchased.

(b) RMA will pay 80 percent of the premium to the broker on behalf of the producer and will pay transaction costs not to exceed $30 per round turn for each option purchased. The producer is free to deal with brokers who charge more than $30 per round turn, but will be financially responsible for amounts that exceed $30.

(c) The producer is solely responsible for any commission cost associated with futures contracts created when put options are exercised.

5. Restrictions and Limitations

(a) Except as stated herein, total program participation will be limited to 100 producers per county. If more participants are enrolled than the county limit, a lottery will be held by RMA to determine participants within a county. If fewer than 100 participants are enrolled in a county, the number of unfilled participation slots will be pooled and redistributed over counties where enrollment exceeds 100.

(b) A producer will be able to place orders for put options with a broker under DOPP only after the broker has obtained verification from RMA of the producer's selection as a program participant and the date the producer received training. RMA will notify eligible brokers electronically after their selection by a producer.

(c) No producer may participate in the program more than once.

(d) If a producer who has participated in the program is not in compliance with the provisions of this contract, the producer will be required to repay any cost sharing of option premiums and broker fees paid by RMA on behalf of the producer.

(e) The agreement is not effective until the producer executes and returns the forms CCC–320, with supporting documentation of milk marketing, and CCC–321, and the producer receives written notice from RMA that the producer has been accepted into the program.

6. Other

(a) The National Futures Association, on behalf of the Commodity Futures Trading Commission, maintains a current listing of brokers and brokerage firms who are licensed to conduct futures-related business. However, only those brokers who have entered into an agreement with RMA will be eligible to execute orders on behalf of DOPP participants.

(b) To assist in the evaluation of the program, participating producers may be asked to complete entry and exit surveys by RMA. Producers are encouraged to complete these surveys to assess this program's effectiveness.

(c) There may be tax consequences with respect to participation in this program. Producers interested in the program who have questions regarding related tax issues should seek the advice of a competent tax advisor.

(d) Because of likely implementation of Federal Milk Marketing Order reform, the NYBOT or CME could replace existing BFP options contracts with options derived from other milk price indexes. DOPP will permit the trading of put option contracts on a milk price index which replaces the BFP under a new Federal Milk Marketing Order.

Notice: The terms and conditions for the DOPP broker agreement are as follows: United States Department of Agriculture, Risk Management Agency, Broker Agreement for the Dairy Options Pilot Program

1. Definitions

Abandonment. The surrender of the right possessed by an option buyer, an alternative available to an option buyer whose option is to expire worthless.

Application. Form CCC–320 that is required to be completed and signed by the producer before the producer is eligible to participate in this program.

Basic formula price (BFP). The price established by USDA, and provided to the USDA marketing order administrators to be used to set regional minimum prices.

Broker. A broker or brokerage firm registered under the Commodities Exchange Act that has entered into an agreement with RMA to participate in the program.

Contract Month. A month designated in an eligible market for which futures and options contracts are quoted for trading.

CME. Chicago Mercantile Exchange.

CSCE. Coffee, Sugar, and Cocoa Exchange (now known as the NYBOT).

DOPP. Dairy Options Pilot Program.

Eligible markets. Commodity futures and options markets designated as contract markets under the Commodity Exchange Act (7 U.S.C. 1 *et seq*).

Exercise. The action taken by the holders of a put option on a futures contract if they wish to sell the underlying futures contract.

Expiration Date. The last date on which a put option may be exercised or sold.

Futures contract. A standardized contract to make or take delivery of a commodity traded on an eligible market at some point in the future.

Hedge. To take compensatory measures to counter a possible loss.

NYBOT. The New York Board of Trade (formerly known as the CSCE).

Open outcry. Method of public auction required to make bids and offers in the trading pits, or rings, of commodity exchanges.

Out-of-the-money. Put option with a strike price that is less than the underlying futures contract price.

Premium. The value of a put option determined by open outcry. The premium does not include related brokerage commission fees.

Producer. An individual, entity, or joint operation, which as owner, operator, landlord, tenant, or sharecropper, is entitled to share in the production available for marketing from the farm, or share in the proceeds thereof.

Program. The Dairy Options Pilot Program.

Put Option. A contract traded on eligible markets that gives the buyer the right, but not the obligation, to sell the underlying futures contract at the strike price on or before the expiration date.

RMA. Risk Management Agency, an agency of the United States Department of Agriculture.

Round turn. The broker's service in transacting a single put option consisting of consultation services and the purchase and liquidation (sale, exercise, or abandonment) of a put option.

Sale. An alternative available to the purchaser of an option by which the option is liquidated through an offer in an eligible market.

Secretary. The Secretary of Agriculture.

Settlement price. The price established at the end of each day's trading for a specific put option as published by the exchange on which that contract trades.

Strike price. The price at which the holder of a put option has the right, but not the obligation, to sell the underlying futures contract.

USDA. The United States Department of Agriculture

2. Eligibility

(a) To be eligible to execute option orders on behalf of DOPP participants under this agreement, a broker must:

(1) Be properly licensed; and in good standing with the National Futures Association;

(2) Not be suspended or debarred by any U.S. Government Agency;

(3) Attend at least one DOPP training session;

(4) Have the following hardware and software and service in order to operate the DOPP communications software: Internet Service Provider; Internet E-mail address; a Windows 95 PC; Internet Browser, either Microsoft Internet Explorer or Netscape; minimum 28.8 modem; minimum 8 meg RAM. (16 meg recommended); and

(5) Execute this agreement and comply with all its terms and conditions.

3. Responsibilities

(a) Brokers who participate in the program agree to enforce the following program requirements with respect to any DOPP participant who elects to purchase options and who uses the broker's services:

(1) To buy put options on a minimum of 100,000 pounds of milk on an eligible market, through an eligible broker, within 4 months after the date the producer attends the required training session, unless market conditions fail to provide an opportunity to establish price protection above production costs;

(2) To purchase put options on no more than 200,000 pounds of milk for any one contract month;

(3) To purchase put options on no more than the producer's total production over the consecutive 6-month period used to establish the producer's. (For example, if a producer has provided copies of marketing receipts for 245,000 pounds of total milk production for a consecutive 6 month period to meet the eligibility criteria of the program, only 200,000 pounds can be hedged under the program because there are no contracts equal to or less than 45,000 pounds currently available on an eligible market);

(4) To only those put options that expire at least two months after the purchase date (For example, assume the producer wants to hedge September 1999 production with BFP put options. The last date on which the producer shall be able to purchase a September put option under the program would be Tuesday, August 3, because September options expire exactly two months later, on October 4. On August, the producer could purchase only October or more distant options;

(5) To purchase only those put options with a strike price that is at least 10 cents out of the money;

(6) That no put option will be sold or exercised before four weeks prior to the expiration date. (For example, assume the producer owns September, 1999 put options which expire on October 4, 1999. The producer would not be allowed to sell or exercise September options under the program prior to September 6); and

(7) To purchase only those put options with contract months less than 12 months from the month of training. (For example, assume a producer is trained on June 7, 1999. The most distant option contract the producer is permitted to buy is the May 2000 contract).

(b) The broker must keep detailed records on each transaction and transmit all transaction information to RMA electronically. RMA will provide the broker with communications software for this purpose. Records required to be submitted by the broker to RMA include:

(1) The purchase date, time, premium, strike price, contract type, and exchange for each put option;

(2) The expiration date and contract month for each put option;

(3) Whether the options are sold, exercised, or abandoned, and the date, time, and price of the futures contract transaction, in the event of exercise.

(c) Brokers certify that systems used to transmit data will be year 2000 compliant, i.e. be able to accurately process date and time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the years 1999 and 2000 and leap year calculations, and to properly exchange date and time data with other information technology. Data transmission requirements and year 2000 compliance guidelines are available upon request.

(d) The broker cannot permit a producer to purchase a DOPP option until RMA has electronically notified the broker that the producer has been accepted into the program, the amount of milk for which the producer has provided production records, and the date on which the producer fulfilled the training requirement.

(e) If a broker participating in the program through this agreement is not in compliance with the provisions of this agreement, the broker will be required to repay any broker fees and premiums paid by RMA on options contracts traded by the broker under the program.

4. Costs

(a) Up to $30 per round turn in broker fees will be paid by RMA for each put option purchased on behalf of a producer. Any transactions costs agreed upon between the broker and a producer in excess of $30 will be the sole responsibility of the producer and not of RMA.

(b) The broker will charge the producer's account for 20 percent of the premium of each put option purchased. This 20 percent of the put option premium is the sole responsibility of the producer and not of RMA.

(c) The broker will bill transaction costs not to exceed $30 and the balance of the put option premium, 80 percent, to RMA. RMA will pay these amounts via the automated clearing house (ACH) payments process within three banking days after RMA's acceptance of the transaction. Transactions will be considered accepted after RMA systems verify that the broker and participant have been selected for participation in the program, and that the transaction does not violate the trading limitations of the program itemized in Section 3 above.

(d) The producer is solely responsible for any broker commissions or other costs associated with futures contracts when put options are exercised.

5. Program Changes

(a) The broker acknowledges that, due to the pilot nature of this program, on-going modifications may be necessary. The broker agrees to abide by reasonable changes in the program by RMA.

(d) Because of likely implementation of Federal Milk Marketing Order reform, the NYBOT or CME could replace existing BFP options contracts with options derived from other milk price indexes. DOPP will permit the trading of put option contracts on a milk price index which replaces the BFP under a new Federal Milk Marketing Order.

Signed in Washington, D.C., on February 18, 2000.

Kenneth D. Ackerman,

Administrator, Risk Management Agency.

[FR Doc. 00–4376 Filed 2–23–00; 8:45 am]

BILLING CODE 3410–08–P

BARRY GOLDWATER SCHOLARSHIP AND EXCELLENCE IN EDUCATION FOUNDATION.

Sunshine Act Notice; BOAC #473891

AGENCY: Barry Goldwater Scholarship and Excellence in Education Foundation.

TIME AND DATE: 2:00 pm, Wednesday, March 15, 2000.

PLACE: U.S. Cannon House Office Building, Washington, DC 20510.

STATUS: The meeting will be open to the public.

MATTERS TO BE CONSIDERED:

1. Review and approval of the minutes of the March 24th, 1999 Board of Trustees meeting.

2. Report on financial status of the Foundation fund.

A. Review of investment policy and current portfolio.

3. Report on results of Scholarship Review Panel.

A. Discussion and consideration of scholarship candidates.

B. Selection of Goldwater Scholars.

4. Other Business brought before the Board of Trustees.

CONTACT PERSON FOR MORE INFORMATION: Gerald J. Smith, President, Telephone: (703) 756–6012.

Gerald J. Smith,

President

[FR Doc. 00–4529 Filed 2–22–00; 3:45 pm]

BILLING CODE 4738–91–M