



Milk Income Loss Contract Program

Background

Farm Service Agency's (FSA) Milk Income Loss Contract (MILC) Program financially compensates dairy producers when domestic milk prices fall below a specified level. The program is authorized by the 2002 Farm Bill and has no set funding level.

Eligible Dairy Producers

Eligible dairy producers are those who, beginning December 1, 2001, through September 30, 2005:

- 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 MILC program began August 13, 2002, and ends September 30, 2005. Eligible dairy producers can apply for program benefits anytime during this sign-up period.

Payments

MILC payments are made 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

When the Boston milk price exceeds \$16.94:

- no payments will be made to the dairy operation; and
- production for that month will not count towards the operation's maximum eligible production.

Payments are issued up to a maximum of 2.4 million pounds of milk produced and marketed by the operation per fiscal year. Payments are issued no later than 60 calendar days after FSA receives production evidence for the applicable month.

Payment Rate Calculation

Payment rates will be determined by multiplying 45 percent of the difference between \$16.94 and the Boston Class I price for that month. For example:

$$\begin{aligned} \text{BC I price announced in Oct. 2002} &= \$13.40 \\ \$16.94 - \$13.40 &= \$3.54 \\ \$3.54 \times 45 \text{ percent} &= \$1.593 \\ \text{Payment rate for Oct. 2002} &= \$1.593 \end{aligned}$$

Payment Rates

Payment rates for December 2001 through October 2002 are as follows:

December 2001	\$0.7695000
January 2002	\$0.7785000
February 2002	\$0.7830000
March 2002	\$0.9315000
April 2002	\$0.9990000
May 2002	\$1.0935000
June 2002	\$1.1970000
July 2002	\$1.3815000
August 2002	\$1.4445000
September 2002	\$1.4535000
October 2002	\$1.5930000
November 2002	\$1.3905000

FSA will post additional monthly MILC payment rates on FSA's Web site at <http://www.fsa.usda.gov/dafp/psd/MILC.htm>

Selecting Payment Start Month

Beginning with the 2003 fiscal year, dairy producers who do not want their payments to begin with the first month of the fiscal year must select the month they want to start receiving payments. Producers will be eligible for the payment rate in the month they select, plus payment rates for the consecutive months that follow. All producers involved in a single dairy operation must agree to the starting month. The dairy operation assumes the risk of not reaching the maximum payment quantity based on the month selected by its producers.

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The Boston Class I fluid milk price is announced to the public the Friday on or before the 23rd of each month. Because of this, producers must make their payment start-month selection on or before the 15th of the month before the month for which payment is sought. For example, if a dairy selects December 2002 as their payment start month, they must make their selection by November 15, 2002.

Producers in a dairy operation who choose not to select a starting month at the time they sign up must inform their local FSA office that they will make a start month selection at a later time. Producers who do not select a start month or make this notification will receive their payments beginning with the first month of the fiscal year.

Producers in a dairy operation cannot select a month for payment if any of the following occurs:

- the month has already begun;
- the month has already passed; or
- the dairy operation produced no milk in that month.

Changing Payment Start Month

Operators can change a previously selected start month either:

- on or before the 15th of the month before the month selected; or
- at the start of the next fiscal year.

If the selected starting month is never changed, the starting month will remain the same throughout the duration of the MILC contract.

Transition Payments

Dairy producers may receive payments on milk marketed from December 1, 2001, through the last day of the month preceding the month the operation's MILC contract is submitted. The transition period lasts from December 1, 2001, until the time the operation enters into the contract. For example:

- a dairy operation signs contract on November 15, 2002;
- FSA approves and signs contract on November 30, 2002;
- the transition period for dairy operation is December 1, 2001, through October 31, 2002.

Transition payments are paid in a lump sum. Dairy operations that go out of business after December 1, 2001, may receive transition payments on the first 2.4 million pounds of eligible production commercially marketed during the transition period.

Forgoing Transition Payments

During fiscal year 2002 only, dairy operators may have elected to forgo their transition payments and instead receive a fiscal year 2002 payment for the month of September (the only month remaining in the fiscal year). Operations that chose this option must, by August 30, 2002, have selected September as the starting month to begin receiving payments for fiscal year 2002.

Once dairy operation producers selected this option, fiscal year 2002 payments were made at the

September 2002 payment rate and were based on production during that month. These dairy operations were not paid for August 2002 (the month the operator made a contract offer).

The option to forgo the transition period payment is not available during fiscal years 2003-2005.

Fiscal Year 2002 Post Transition Period

If a MILC contract was entered into during fiscal year 2002 and the operation reached the production cap during the transition period, no additional fiscal year 2002 payments were earned.

If the operation did not reach the maximum eligible production cap by the end of the transition period, payments continued for the month the contract was submitted to FSA (August 2002) and subsequent months thereafter until the earlier of:

- the 2.4 million maximum eligible production cap was reached; or
- the end of the 2002 fiscal year.

Fiscal Years 2003-2005 Post Transition Period

Transition period payments may carry over into multiple fiscal years (2003-2005) depending on the date the dairy operation producers sign a MILC contract. If the transition period carries over and a start month is not designated, then a payment is issued for the month a contract was submitted. For example:

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- Dairy A submits a contract to FSA on December 11, 2002. Therefore:
 - the transition period is December 1, 2001, through November 30, 2002;
 - Dairy A will receive a fiscal year 2002 transition payment for December 1, 2001, through the earlier of the date the maximum eligible quantity is reached or the end of fiscal year 2002.
- The transition period carries over to another fiscal year. Therefore:
 - the transition period payment will continue in fiscal year 2003;
 - Dairy A will continue receiving transition payments in fiscal year 2003 for the months of October and November.
- Dairy A chooses not to designate a start month. Therefore:
 - Dairy A's payment will start in December (the month Dairy A submitted a contract) and continue through the earlier of the date the maximum payment quantity is reached or the end of fiscal year.
- Dairy B also submits a contract to FSA on December 11, 2002, and the transition period carries over to another fiscal year.
- Dairy B then designates March 2003 as the month to begin receiving payments. Therefore:
 - after transition payments are received for October and November, fiscal year 2003 payments will cease and resume in March 2003;
 - payments will be issued consecutively thereafter until the earlier of the date the maximum payment quantity is reached or the end of fiscal year.

How to Apply

To apply for the MILC program, dairy operation producers must submit form CCC-580, "Milk Income Loss Contract," to the FSA county office where the dairy operation is located. The CCC-580 form is available from FSA offices or online at <http://forms.sc.egov.usda.gov/eforms/mainservlet>

The CCC-580 must show the total pounds of all milk produced and marketed during each month for all persons receiving a share of the marketed milk. Monthly milk production may not be apportioned to circumvent the maximum payment quantity. All persons who share in the risk of a dairy operation's total production must certify the information on the CCC-580. FSA will accept only one CCC-580 per operation.

An operation can also designate a month to start receiving payments. For example:

When applying for a MILC contract, operators must also have on file:

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

These forms are available from FSA offices or online at: <http://forms.sc.egov.usda.gov/eforms/mainservlet>

Production Evidence

Before MILC payments are issued, all persons involved in a single dairy operation must provide evidence of eligible marketings. Verifiable production evidence can include:

- milk marketing payment stubs;
- tank records;
- milk handler records;
- daily milk marketings; and
- 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.

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Ineligible Milk Production

The following are not considered commercially marketed milk and are ineligible production for the MILC program:

- dumped milk that causes the contamination of a bulk load for which an insurance indemnity is paid to the producer for the contaminated milk; and
- milk dumped on the farm by a state or health department order.

Reconstitutions

Dairy operators must immediately notify FSA of any changes that may affect an operation's MILC contract. If a reconstitution occurs during the contract period, changes to the MILC contract will take effect the first day of the fiscal year following the month the local FSA office received 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 the structure of a dairy operation for the sole purpose of receiving multiple payments.

MILC Agents

MILC benefits may be disbursed by a dairy marketing cooperative that serves special groups or communities, such as an Amish or Mennonite community. Such producers may authorize an agent of the cooperative or milk handler affiliated

with a dairy marketing cooperative to obtain and disburse MILC benefits to the operation. Qualified agents must be approved by FSA.

The dairy operation must grant MILC agents power of attorney authority to act on the operation's 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 from FSA offices or online at: <http://forms.sc.egov.usda.gov/eforms/mainservlet>

For More Information

More information on the MILC program is available from local FSA offices or on FSA's Web site at: <http://www.fsa.usda.gov/dafp/psd/MILC.htm>

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