



Dairy Indemnity Payment Program

Overview

Under the Dairy Indemnity Payment Program, payments are made to dairy producers when a public regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated by pesticides, nuclear radiation or fallout, or toxic substances and chemical residues other than pesticides. Payments are made to manufacturers of dairy products only for products removed from the market because of pesticide contamination.

Statutory Authority

The Dairy Indemnity Program was originally authorized by Public Law 90-484, the Act of August 13, 1968 (7 U.S.C. 4501), and has been extended numerous times. Most recently, the Farm Security and Rural Investment Act of 2002, Public Law 107-171, extended the program through 2007.

Eligibility

The county committee determines the affected farmer's normal marketings, which are based on the average daily production during the base period.

The indemnity payment to manufacturers of dairy products is calculated by multiplying the fair market value of the product times the amount of product removed from

the market minus any salvage value of the product.

The indemnity payment to dairy producers is calculated by multiplying the number of cows milked times the number of days milk is off the market times base production in terms of pounds per cow per day times the farm price for milk less hauling and promotion fees received by the producer.

Base and Claim Periods

The base period used to establish base production is the calendar month immediately before the month the milk is removed from the commercial market.

The claim period is the 28- to 32-day period in which the milk was removed from the market. A claim period may cross over into the next month, depending on when the milk would have been marketed. Claim periods do not depend on when the milk would have been produced.

Application Deadline Period

Affected producers and manufacturers should apply for indemnity payments at their USDA Service Centers or Farm Service Agency (FSA) offices. Applications must be filed no later than December 31 following the fiscal year in which the loss occurred.

The application period for Notice FSA-373 begins on the date the milk was officially removed from the market by public agency and ends on the date the milk was officially reinstated to the market by public agency. The application period may not extend past the end of a FY if the producer's milk is still quarantined from the market and losses from more than one FY cannot be included on one FSA-373.

No Double Payments

Producers who receive indemnity payments and then file a successful claim for damages against the party responsible for the contamination must return to FSA within 14 days the lesser of:

- The amount received in indemnity payment, OR
- The amount received in a claim against the party responsible for the contamination.

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