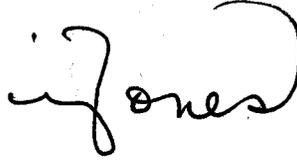


UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Milk Income Loss Contract Program 11-LD (Revision 2)	Amendment 6
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Approved by: Acting Deputy Administrator, Farm Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 10 B has been revised to correct a subparagraph reference.

Subparagraph 22 B has been revised to correct the Price Support Division web site address.

Subparagraph 27 A has been revised to clarify that a timely filed CCC-580M will change the perpetual designation month of the initially designated production start month to the newly designated production start month on CCC-580M for subsequent FY's with no production start month selected.

Subparagraph 28 E has been amended to:

- clarify that the new production start month designated on a timely filed CCC-580M becomes the perpetual designation for subsequent FY's when no production start month has been selected
- provide an example of when a modification of the production start month changes the perpetual designation of production start months for subsequent FY's.

Subparagraph 37 I has been added to instruct County Offices to disapprove CCC-580's when documents required for program compliance are not timely provided.

Subparagraph 42 A has been amended to add dairy product conversion factors for skim milk and egg nog.

Subparagraph 43 A has been amended to include transfers to the administrative County Office as an allowable change to CCC-580.

Page Control Chart		
TC	Text	Exhibit
	2-1, 2-2 3-7, 3-8 4-5, 4-6 4-15, 4-16 5-9, 5-10 5-31 through 5-34	1, pages 1, 2

Part 2 MILC Program Eligibility Requirements

10 Dairy Operation Eligibility

A Eligible Dairy Operation Definition

An eligible dairy operation, for MILC program purposes, is any person or group of persons who, as a single unit as determined by CCC, produce and market milk commercially produced from cows and whose production facilities are located in the U.S.

Note: Each State and County Office shall strictly adhere to and apply this definition to the MILC program in the **exact** same manner applied for the DMLA-III program in your State with **no** variation, according to paragraph 52.

B Dairy Operation Eligibility for Payment

To be eligible to receive MILC payments, a dairy operation **must**:

- have produced milk in the U.S. and commercially marketed the milk produced anytime during the period of October 1, 2007, through September 30, 2012
- enter into CCC-580 with CCC agreeing to the prescribed terms and conditions during the sign-up period
- provide production evidence of monthly milk marketings to the local FSA County Office
- include milk marketings from **all** persons that were involved in the dairy operation during the contract period
- actively be in the business of producing and marketing agricultural products at the time ***--CCC-580 is signed, except as provided by subparagraph G--***
- certify compliance with HELC and WC provisions on AD-1026
- certify compliance with AGI requirements on CCC-926
- for any FY or month for which payment is sought, submit CCC-580 before the end of that FY or month, **except** FY 2009, and according to production start month selection provisions in Part 4
- submit CCC-580 for FY 2009 payments by the month for which payment is first sought, **except** as provided in Part 4.

10 Dairy Operation Eligibility (Continued)

C Eligible Entities

An eligible dairy operation may include any of the following entities that are engaged in an operation that markets milk commercially in the U.S.:

- an individual that has a beneficial interest in a dairy operation, has a financial risk in the dairy operation, and is a citizen of, or legal resident alien in, the U.S.
- a corporation, partnership, joint operation, estate, association, cooperative, other business enterprise, or other legal entity * * * whose members are a citizen of, or legal resident alien in, the U.S.
- Indian tribe of the Indian Self-Determination and Education Assistance Act
- Indian organization or entity chartered under the Indian Reorganization Act
- economic enterprise under the Indian Financing Act of 1974.

D Foreign Entities

A corporation or other entity shall be ineligible to receive MILC program benefits if more than 10 percent of the beneficial ownership of the entity is held by persons who are **not** *--citizens of the U.S., or lawful resident aliens possessing a valid I-551, unless each foreign individual who is a stockholder or other type of member provides a substantial amount of active personal labor in producing milk in the dairy operation that is owned or operated by such an entity.

The following foreign person/entity provisions apply to MILC program benefits:

- 7 CFR Part 1400, subpart E
- 4-PL, Part 3
- 4-PL, subparagraph 75 B for rules on significant contributions.

Each foreign person who is a stockholder or other type of member in the foreign entity **must** make a significant contribution of active personal labor to be considered eligible for MILC benefits. Foreign stockholders or other types of members in the foreign entity that:

- do **not** contribute active personal labor are **not** eligible to receive MILC benefits
- do contribute active personal labor may receive his or her share of the payment earned by the operation, less the share percentage held by the interest holder that made no active labor contribution

Note: This share **cannot** be increased because of the ineligibility of another member.--*

21 **Calculating Program Payments (Continued)**

E Measurement Conversion

Payment for each dairy operation will be calculated by converting whole lbs. of milk to cwt and multiplying the payment rate by the quantity of eligible production.

Note: Cwt is 100 lbs.

F Maximum Quantity for Payment

The maximum quantity of eligible production for which dairy operations are eligible for payment per FY, are as follows:

- 2.4 million lbs. for the period of October 1, 2007, through September 30, 2008
- 2.985 million lbs. for the period of October 1, 2008, through August 31, 2012
- 2.4 million lbs. for the period of September 1, 2012, and thereafter.

Note: Monthly milk production may **not** be apportioned to circumvent the maximum quantity for payment.

22 Price Announcements and Postings

A Class I Milk Definition

Class I milk is milk, including milk components, classified as Class I milk under a Federal milk marketing order issued by AMS.

Note: Only the Boston Federal milk marketing order is applicable to the MILC program.

B Boston Class I Price Announcement

Boston Class I milk prices are announced monthly and posted to the:

- AMS web site at
www.fmmone.com/Northeast_Order_Prices/NE_Prices_main_new.htm#Component
- PSD web site at
[*--www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=landing.--*](http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=landing)

The Boston Class I fluid milk price is announced on the Friday on or before the 23rd of each month.

C National Average Dairy Feed Cost Price Announcement

The entire month National Average Dairy Feed Cost Price is announced at the end of the month following the applicable month. For example, the entire month National Average Dairy Feed Cost price for the month of May is **not** known until June 30.

The National Average Dairy Feed Cost price is obtained from the USDA Agricultural Prices publication released by NASS. The USDA Agricultural Prices publication can be obtained at <http://usda.mannlib.cornell.edu/usda/current/AgriPric>.

Note: Only entire month prices will be used to calculate the feed-cost-adjusted payment rate, **not** preliminary price estimates.

23, 24 (Reserved)

27 Production Start Month Provisions

A Production Start Month Designation

During FY 2008 through FY 2012, producers in a dairy operation participating in the MILC program **must** select a month of commercially marketed production for which CCC shall begin issuing payments to the dairy operation. The production start month selected by the producers in the dairy operation **must** be designated on CCC-580, according to paragraph 38.

Note: A dairy operation can select the production start month for all FY's at the same time when CCC-580 is submitted to the County Office.

If after making a production start month selection during any FY, the producers in the dairy operation fail to select the production start month for all other subsequent FY's, by perpetual designation as provided in subparagraph 28 E, the production start month for all other subsequent FY's for which a production start month is **not** selected will be the production *--start month initially designated. However, if a timely filed CCC-580M is submitted to the County Office to change the initially designated production start month for a FY, the new production start month designated on CCC-580M becomes the production start month for all other subsequent FY's for which a production start month is not selected.--*

B Production Start Month Selection Deadline

The production start month selection made by the dairy operation and designated on CCC-580 **must** be received in the County Office:

- on or before the 14th of the month before the production start month selected by the producers in the dairy operation, except as otherwise provided by subparagraph C

Note: If the 14th of the month falls on a weekend, the dairy operation production start month selection **must** be made on the last business day preceding the weekend.

- before the Boston Class I fluid milk price of the month selected by the producers in the dairy operation is announced to the public.

C FY 2008 Production Start Month Selection

During FY 2008 **only**, a dairy operation can select a production start month from any month beginning October 2007, through September 2008, in which there was or was **not** a payment rate in effect.

If a production start month is selected without a payment rate in effect, a dairy operation will receive a payment for the first consecutive month following the production start month select that has an effective MILC payment rate.

Note: Because there was no payment rate in effect during FY 2008, this selection option for FY 2008 will **not** be available on CCC-580.

27 Production Start Month Provisions (Continued)**D FY 2009 through FY 2012 Production Start Month Selection**

The production start month selection options available to MILC program participants are dependent on which phase of the signup CCC-580 for the dairy operation is submitted to the County Office. The signup phases are as follows:

- initial
- extended.

See paragraph 35 for signup provisions and deadlines applicable to each signup phase.

E Production Start Month Selection During the Initial Signup Phase

Producers that submitted CCC-580 for benefits during the initial signup phase established in subparagraph 35 can select the production start month for the dairy operation from either of the following:

- any month that precedes the month CCC-580 is submitted, including the month CCC-580 is submitted
- any month remaining in FY 2009, according to normal start month selection provisions provided in paragraphs 25 and 27.

Producers may also make FY 2010 through 2012 production start month selections according to normal start month selection provisions provided in paragraphs 25 and 27, during the initial signup phase.

Note: CCC-580's submitted after the initial signup phase will be considered a submission during the extended signup phase as provided in subparagraph F.

28 Production Start Month Change Provisions

A Changing the MILC Production Start Month Selection

Changes to the MILC production start month selected by the dairy operation **must** be made on or before the 14th of the month before the:

- month originally selected by the dairy operation as their MILC production start month
- newly selected MILC production start month for the dairy operation.

Changes **must** be made in advance of payment rates being known by the public for both the original production start month that the dairy operation is changing from and the production start month that the dairy operation is changing to. Otherwise, the MILC production start month can **only** be changed for the following FY.

Note: For FY 2008 and during the initial signup phase, no changes may be made to the retroactive production start month selection after payment has been issued for the originally selected production start month.

***--Examples:** Producer A submitted CCC-580 on January 28, 2009, and selected March 2009 as the production start month. Producer A submitted CCC-580M on February 12, and selected April 2009 as the new production start month to receive MILC payments. CCC-580M was considered filed correctly. CCC-580M would be approved, because CCC-580M was submitted **before** the 14th of the preceding month according to normal start month selection provisions.

Producer B submitted CCC-580 on January 28, 2009, and selected March 2009 as the production start month. Producer B submitted CCC-580M on March 16, and selected April 2009 as the new production start month to receive MILC payments. CCC-580M would be **disapproved**, since CCC-580M was **not** submitted before the 14th of the preceding month according to normal start month selection provisions.--*

B MILC Production Start Month Change Request

MILC program participants may elect to change their production start month for a given FY. A change to a dairy operation's MILC production start month **must**:

- be made according to start month selection provisions provided in paragraphs 27 and 28 and selection rules applicable to MILC
- occur **before** payment has been issued for the previous month selected on CCC-580
- be designated on CCC-580M, Part B, according to instructions provided in paragraph 44.

28 Production Start Month Change Provisions (Continued)

C When the Production Start Month Cannot be Changed

The production start month designated on CCC-580 **cannot** be changed if:

- the new month being selected has done either of the following:
 - already begun
 - already passed
- payment has already been issued for the previously selected month.

D Changing Limitations

There is **no** limit to the number of times the production start month may be changed, as long as the change is made according to applicable Part 4 program provisions.

E Perpetual Designation

If the production start month is never modified by the producers in the dairy operation, the production start month designated on CCC-580 and on file with the County Office will ~~remain~~ remain the same for succeeding FY's throughout the duration of the MILC program. If the production start month is modified, the newly designated start month on CCC-580M becomes the perpetual designation month for all subsequent FY's for which a production start month is not selected.

Note: Approved CCC-580M changes to the production start month must be recorded in MILC software according to subparagraph 81 B.--*

Example: Producer C submitted CCC-580 on January 28, 2009, and selected January as the production start month for FY 2009. Producer C did **not** designate a production start month for each FY 2010 through 2012 on CCC-580; therefore, by perpetual designation, the same originally selected start month of January will remain the same for succeeding FY's throughout the duration of the MILC Program, **unless** CCC-580M is submitted requesting a change.

~~Producer C~~ Producer C submitted CCC-580M on September 14, 2010, and selected October as the production start month for FY 2011. Producer C still did not designate a production start month for FY 2012; therefore, by perpetual designation, the production start month for FY 2012 will be October.--*

29-34 (Reserved)

37 Filing CCC-580's (Continued)

F Other Applicable Forms

AD-1026 is required for program benefits. HELC and WC rules **apply**. See 6-CP for guidance on HELC and WC provisions.

AGI requirements apply to MILC; therefore, CCC-926 is required to be completed for each FY to qualify for that FY MILC payment. See 4-PL for guidance on AGI provisions.

G Delegation of Authority

The authority to approve all CCC-580's, and all other program documents, **must** be re-delegated, **in writing**, to the next authority. Follow this table for exceptions to re-delegate authority for CCC-580 approval.

IF the producer is...	THEN the approval authority shall be...
a State or Federal or non-Federal County Office employee	CED.
COC member	
DD	
SED	
STC member	
CED	COC.

Questionable cases may be referred to the next higher authority for determination.

H Second Party Review

A second party review of eligibility requirements and production evidence shall be performed **before** issuing a monthly contract payment. The reviewer **must**:

- initial CCC-770 MILC, page 2, items 9F and 9G only, according to subparagraph 45 D, when each payment review is complete
- attach CCC-770 MILC, page 2 to CCC-580 for applicable dairy operation.

Note: The production evidence **must** be reviewed against data entered in MILC application and payment processing software.

***--I Failure to Provide Information**

County Offices shall disapprove CCC-580's when documents required to establish compliance with program requirements, i.e., CCC-580S, CCC-926, AD-1026, etc., are not timely provided. All required program documents must be submitted to the County Office before approving CCC-580 and issuing payment to the dairy operation.

If requested documents are not timely provided:

- notify the program participant of the ineligibility and disapproval of MILC payments
- include appeal rights according to 1-APP.--*

38 Completing CCC-580's

A CCC-580 Instructions

Complete CCC-580's according to the following table.

Item	Instructions
1	COC designee shall enter applicable State code.
2	COC designee shall enter applicable county code.
3	COC designee shall enter name and address of dairy operation.
4	COC designee shall enter contract number assigned to CCC-580 from the MILC web-based software.
5	Enter date CCC-580 is submitted by the dairy operation.
6A through 6C	If different from the information in item 3, enter name, address, telephone number, and cell phone number of the contact producer for the operation.
Part A – FY 2009 – FY 2012 MILC Production Start Month	
7, 9, 11, and 13	<p>Dairy operation must CHECK (✓) appropriate box to designate which month in each applicable FY the dairy operation would like to begin receiving payments from CCC, based on the selected start months' production.</p> <p>Note: CCC-580's submitted within 30 calendar days of the time CCC begins accepting CCC-580's, the dairy operation can select any month preceding the month CCC-580 is submitted or any month; *-thereafter, on or before the 14th of the month before the month the dairy operation wants to select, as the FY 2009 production start month. The month CCC-580 is submitted is also an option during this period. Dairy operations that submit CCC-580's 30 calendar days after CCC begins accepting CCC-580's can select either of the following:--*</p> <ul style="list-style-type: none"> • the month CCC-580 is submitted • any month that follows the month CCC-580 is submitted in FY that has not begun or has not passed. That selection must be made on or before the 14th of the month before the month the dairy operation wants to select.
8, 10, 12, and 14	Enter pounds of production for the applicable months for each applicable FY 2009 through 2012 in the appropriate block.

41 Supporting Documentation (Continued)**I Refunding Payments**

For dairy operations that **must** refund payments because the dairy operation has been determined out of compliance, interest will accrue at the CCC borrowing interest rate from the date of payment through the date the refund is received. Inform the producer of any amounts due according to 58-FI. If refunds are **not** paid by the due date, establish a claim according to 58-FI.

J Production Evidence Submitted by Cooperatives

County Offices may accept monthly production evidence from dairy cooperatives or handlers provided the producers of the eligible dairy operation select the appropriate authorization statement in CCC-580, Part D, authorizing the County Office to receive the production evidence directly from the dairy marketing cooperative or handler.

Production evidence received from the dairy cooperative or handler is subject to further verification, if necessary, and may be provided to the County Office by the following:

- FAX transmission
- electronic mail
- mail delivery.

The authorization will remain in effect until either of the following:

- end of the contract period
- authorization is terminated, in writing, by the producer.

If during the MILC program the operation needs to change the authorization to accept production evidence from the dairy cooperative listed in CCC-580, the producer **must** submit a written statement to the County Office, terminating the authorization for the cooperative listed in CCC-580, item 20A, and indicate the new cooperative for which the new authorization is being provided.

When a dairy cooperative is being changed, COC designee shall:

- line through the previously authorized cooperative listed in CCC-580, item 20A
- write-in the newly authorized cooperative in CCC-580, item 20A, initial, and date
- enter in CCC-580, item 24 that a new authorization is attached.

K Production Evidence Deadlines

Final production evidence for program payments **must** be received in the applicable County Office by COB, November 1, 2012.

42 Conversion Factors

A Dairy Product Conversion Factors

Producers **must** report the dairy operations eligible production during each applicable month in lbs. Use the weight measurement indicated on the production evidence as the same unit of measure (lbs., gallons, etc.) in the conversion. Lbs. will be converted to fluid milk lbs. according to subparagraph B and gallons will be converted to gallons in the same manner. Convert dairy products according to the following.

Dairy Product (1 Unit of Measure)	Conversion Factor (Equals x Unit of Measure of Milk)
Cheese	10.5
Butter	8.5
Non-Fat Dry Milk (NDM)	8
Light Cream	2.5
Half and Half	1.8
Ice Cream	3
Yogurt	1.2
Heavy Cream (Whipping Cream)	4.2
Sour Cream	2.5
Buttermilk	0.8
2 Percent Milkfat Fluid Milk	.83
1 Percent Milkfat Fluid Milk	.73
*--Skim Milk	.62
Egg Nog	1.33--*

B Conversion From Lbs. to Fluid Milk Lbs.

To convert lbs. of a dairy product to the equivalent fluid milk lbs., multiply the lbs. of the dairy product reported by the conversion factor for the applicable dairy product provided in subparagraph A.

Example: A dairy operation provides the County Office with production evidence of 300 lbs. of commercially marketed cheese during any given month. Multiply 300 by 10.5 to get a total of 3,150 lbs. of eligible production for that applicable month.

42 Conversion Factors (Continued)**C Conversion from Gallons to Gallons**

To convert gallons of a dairy product to the equivalent fluid milk gallons, multiply the gallons of the dairy product reported by the conversion factor for the applicable dairy product provided in subparagraph A.

Example: A dairy operation provides the County Office with production evidence of 100 gallons of commercially marketed half and half during any given month. Multiply 100 by 1.8 to get a total of 180 gallons of milk.

Conversions from gallons to gallons **must** be further converted to lbs. of eligible production according to subparagraph D.

D Conversion From Gallons to Eligible Lbs. of Production

Production evidence received from producers that indicate gallons **must** be converted to lbs. A conversion rate of 8.6 lbs. is equivalent to 1 gallon of milk.

After applying the conversion factor for gallons according to subparagraph C, multiply the converted gallons by 8.6 to get the total lbs. of eligible production.

Using the example in subparagraph C, after the 100 gallons of half and half are converted to 180 gallons of milk, multiply the 180 gallons times 8.6 to get a total of 1,548 lbs. of eligible production.

43 Using CCC-580M's**A Allowable Changes to CCC-580**

Producers of a dairy operation who have an approved CCC-580 on file with the County Office may make the following types of changes to CCC-580 using CCC-580M:

- adding a new producer or shareholder
- removing a producer or shareholder that no longer participates or shares in the risk of production
- changing the share percentages of any producer
- replacing a deceased producer with a spouse or child
- changing the MILC production start month selected by the dairy operation
- *--transferring CCC-580 to another State and county when a dairy operation relocates or changes to administrative County Office--*
- modifying producer/shareholder information when either:
 - adding a producer
 - removing a producer
 - changing a producers share percentage
- modify the organizational structure, including TIN and name of the dairy operation, when applicable.

Note: County Offices **must** notify the producers in the dairy operation of the requirement to notify the County Office if there is any change to the daily operation at the time of signup.

Reports, Forms, Abbreviations, and Delegations of Authority

Reports

None.

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		10, 37, 62
CCC-36	Assignment of Payment		60, 62
CCC-580	Milk Income Loss Contract (MILC)	38	Text
CCC-580 Appendix	Appendix to Form CCC-580, Milk Income Loss Contract	Ex. 5	37, 38, 43, 70
CCC-580M	Milk Income Loss Contract (MILC) Modification	44	11, 27, 28, 43, 50, 51, 53, 54
CCC-580S	Milk Income Loss Contract (MILC) Supplemental	39	11, 37, 39, 41
CCC-582	Milk Income Loss Contract (MILC) Agent Application Agreement	61	60, 62
CCC-770 Eligibility	Eligibility Checklist		2, 37, 46
CCC-770 MILC	Milk Income Loss Contract Program (MILC) Checklist	45	37, 46
CCC-901	Member's Information		11, 37
CCC-902E	Farm Operating Plan for an Entity for 2009 and Subsequent Program Years		11, 37
CCC-902I	Farm Operating Plan for an Individual for 2009 and Subsequent Program Years		11, 37
CCC-926	Eligibility Average Adjusted Gross Income Certification Statement		10, 37
FSA-211	Power of Attorney		60-62
FSA-325	Application for Payment of Amounts Due Persons Who Have Died, Disappeared, or Have Been Declared Incompetent		11
I-551	Alien Registration Receipt Card		10, 39
SF-1199A	Direct Deposit Signup Form		20

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not in 1-CM

Approved Abbreviation	Term	Reference
AGI	adjusted gross income	2, 10, 12, 37
DMLA	Dairy Marketing Loss Adjustment	10, 52, 53
EIN	employer identification number	39
MILC	Milk Income Loss Contract	Text
NPS	National Payment Service	20, 82, 84

Redelegations of Authority

Redelegation	Reference
Except for CCC-580's and any other program documents that CED has a monetary interest, COC may delegate the authority to approve or disapprove CCC-580's and any other program documents to CED.	3
Except for CCC-580's and any other program documents that the Federal and non-Federal County Office employee approving has a monetary interest, CED may delegate the authority to approve or disapprove CCC-580's and any other program documents to Federal and non-Federal County Office employees.	3