

Dairy Keeper News & Information Notice 2009

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News & Information Notice Subject: - Milk Income Loss Contract

WASHINGTON, Dec. 19, 2008 - USDA's Farm Service Agency (FSA) announced that signup for the Milk Income Loss Contract Program (MILC) begins Dec 22 and will continue through the program's expiration date, Sept 30, 2012.

The 2008 Farm Bill reauthorizes the MILC Program, which operates similarly to the counter-cyclical payment program for crops, and makes three key changes in program operation. Under the 2008 Act, the MILC payment rate and the per-operation poundage limit are modified, depending on when the milk is produced. In addition, a "feed cost adjuster," is introduced over the life of the 2008 Act, which adjusts the \$16.94 per hundredweight (cwt.) benchmark price upward depending on the cost of feed rations. When available, MILC payments are based on a payment rate percentage that is multiplied by the difference between a now-flexible target (\$16.94 per cwt. or higher) and the specific month's Boston Class I price of milk.

USDA's Commodity Credit Corporation (CCC) issues MILC payments on an operation-by-operation basis up to a maximum of 2.4 million pounds of milk produced and marketed (about 120 cows) from Oct. 1, 2007, through Sept. 30, 2008. The production limit per operation increases to 2.985 million pounds (about 145 cows) for each fiscal year from Oct. 1, 2008, through Aug. 31, 2012. The production limitation reverts back to the original limit of 2.4 million pounds per fiscal year in Sept. 2012.

The 2008 Act adjusts the trigger price of \$16.94 cwt., depending on the extent to which feed costs increase. The feed cost adjustment takes effect when the monthly National Average Dairy Feed Ration Cost (calculated from the "entire month" prices published by the National Agricultural Statistics Service) is greater than \$7.35 per cwt. beginning Jan. 1, 2008, through Aug. 31, 2012. Calculations from Jan. 1, 2008, through Aug. 31, 2012, will be made at 45 percent of the percentage that the National Average Dairy Feed Ration Cost exceeds \$7.35 per cwt.

Beginning with Fiscal Year 2009 marketing, which started Oct. 1, 2008, the 2008 Act made changes to the provisions for payment eligibility to add an adjusted gross income (AGI) limit. If the individual or entity has annual non-farm AGI for the relevant base period greater than \$500,000, the individual or entity is not eligible for MILC benefits. The base period will be set pursuant to AGI regulations yet to be issued. That rule will also define what is considered to be non-farm income.

During the signup application period, participating dairy operations must select the month of the fiscal year to start receiving payments for eligible production. Producers submitting a contract application within 30 days of the beginning of the application period can select any preceding month as the start month. Producers submitting contract applications after Jan. 21, 2009, will not have the option of selecting an earlier month as the payment start month for the dairy operation for a fiscal year; and will be limited to applicable start month selection rules. Those general rules are that the start month must either be the month the contract is submitted or

some later month. Changes in the month may be made from year to year so long as the designation is made by the fourteenth of the month proceeding the new start month. Pound limits run from the start month and all pounds for which payment is received count against the limit for that fiscal year.

Eligible dairy producers are those who commercially produce milk in the United States. To receive program approval, producers must enter into a MILC contract with CCC and provide monthly milk marketing data. Dairy producers can apply for MILC at local FSA offices.

All payments in the program are subject to limits in the contract, regulations, and to changes in statutory provisions for payment.

Resource: U.S. Department of Agriculture