



## Milk Income Loss Contract Payments

On April 1, the Secretary of the United State Department of Agriculture announced that Milk Income Loss Contract (MILC) payments would be made to producers due to low dairy prices across the country. USDA makes payments when the Boston Class I milk price falls below \$16.94 per hundredweight, adjusted for feed costs. These payments are based on milk production for the producer and are capped at an annual total production level of 2.985 million pounds. Since the target or trigger price of \$16.94 is adjusted for monthly changes in feed costs, the trigger or target price can and often does change each month. The latest values for the Boston Class I Milk Price, feed costs, and the adjusted trigger price as provided by the Farm Service Agency are:

### MILC Payment Rate Information (Source: Farm Service Agency)

Month	MILC				
	Boston Class I Milk Price <sup>A</sup>	MILC Payment Rate Before Adjusting For Feed Costs <sup>B</sup>	National Average Dairy Feed Ration Cost <sup>A</sup>	MILC Program Target/Trigger Price <sup>C</sup>	Final MILC Payment Rate Adjusted For Feed Costs <sup>D</sup>
	----- Dollars Per Hundredweight -----				
Oct 08	\$18.78	\$0.0000	\$8.83	\$18.48	\$0.0000
Nov 08	\$20.58	\$0.0000	\$8.47	\$18.10	\$0.0000
Dec 08	\$18.68	\$0.0000	\$8.14	\$17.76	\$0.0000
Jan 09	\$18.99	\$0.0000	\$8.35	\$17.98	\$0.0000
Feb 09	\$13.97	\$1.3365	\$7.73	\$17.33	\$1.5135
Mar 09	\$12.68	\$1.9170	N/A	N/A	N/A
Apr 09	\$13.61	\$1.4985	N/A	N/A	N/A

<sup>A</sup> Both the Boston Class I Milk price and the National Average Dairy Feed Ration Cost are provided by the Farm Service Agency.

<sup>B</sup> The unadjusted MILC payment rate is 45 percent of the difference between the Boston Class I Milk price and the base target/trigger price of \$16.94 per hundredweight. This payment rate is then adjusted by changes in feed costs to determine the final payment rate.

<sup>C</sup> The MILC target/trigger price (adjusted for feed costs) is determined by first taking the percent change in monthly feed ration costs from the base feed ration cost of \$7.35 per hundredweight. The base target/trigger price of \$16.94 per hundredweight is then adjusted upward by 45 percent of the percent change in the feed ration costs. Therefore, for example, if feed ration cost for a month increased by 30 percent above the base cost, the MILC program takes 45 percent of that increase or 13.5 percent (30 % \* 45% = 13.5%). The base trigger price would then be increased by 13.5 percent.

<sup>D</sup> The final MILC payment rate is 45 percent of the difference between the Boston Class I Milk price and the MILC program trigger price.

The payments for February milk production should be coming soon to producers. Those payments will be based on a payment rate of \$1.5135 per hundredweight of milk produced. As Table 1 indicates, the USDA has announced a Boston Class I Milk price for both March and April that are below the base target/trigger price of \$16.94 per hundredweight. Therefore, MILC payments will be also available for both months. These payments must still be adjusted by changes in feed costs. The USDA anticipates that MILC payments for March production will be issued in early May and those for April production will be issued in early June.

## **USDA Announces Plans to Benefit Nutrition Programs and Dairy Farmers**

In late March 2009, the Secretary of the Department of Agriculture announced that approximately 200 million pounds of nonfat milk will be transferred from the Commodity Credit Corporation (CCC) to USDA's Food and Nutrition Service for use in domestic feeding programs. The nonfat milk held by the CCC is a result of purchases made under the Dairy Product Price Support Program. The Dairy Product Price Support Program requires the CCC to purchase nonfat dry milk, butter and cheddar cheese to help support market prices for these commodities. The goal of this transfer is to help support both low-income families and dairy farmers who have been challenged by high feed costs and low dairy prices.

In addition to the 200 million pounds mentioned above, the USDA also plans to make nonfat dry milk available as follows:

- 1 million pounds, on a competitive basis, for casein production
- 500,000 pounds for the McGovern-Dole International Food for Education and Child Nutrition Program
- 1 million pounds for use by the US Agency for International Development

These products should be moving through the supply chain starting in the spring of 2009 and continuing through the remainder of 2009. This will hopefully help support prices received by dairy producers.

## **USDA Announces Reinstates Base Acreage on Federally-Owned Land**

On April 2, 2009, the Secretary of the US Department of Agriculture announced that it would rescind a rule included in the 2008 Farm Bill that would remove base acres from federally-owned. A provision in the 2009 Farm Bill would have removed base acres from federally-owned land, therefore, leaving producers who rented that land unable to receive the direct or counter-cyclical payments associated with the land. According to the state Farm Service Agency, had this rule been enforced, roughly 15,000 acres would have been impacted in Louisiana. With the rule being eliminated, those producers who rent federal land will continue to be able to receive direct and counter cyclical payments associated with the land.

## **USDA Announces New Loan Repayment Rate Methods**

On April 10, 2009, the Secretary of the US Department of Agriculture announced that USDA will make changes in the manner in which it sets marketing assistance loan repayment rates and loan deficiency payment rates for several commodities including wheat, feed grains, and oilseeds. Historically, daily repayment rates for these commodities have been based on the previous day's market price, adjusted by applicable county differentials and terminal adjustments. However, starting on April 15, 2009, the USDA will calculate two separate daily repayment rates. One will be based on a 30 day moving average of **all terminal market prices** for the crop, adjusted by the difference between the applicable national loan rate and the county loan rate. The second rate will be based on a 5 day moving average of an applicable terminal market's prices adjusted by the applicable county differential and terminal adjustments. The effective repayment rate will be the lower of the either the 30 day method or the 5 day method.

These changes are only applicable to wheat, feed grains, pulse crops, oilseeds, wool, mohair, and honey. The loan repayment system for cotton, peanuts and rice will remain as they have been in the past.

## **USDA Announces Enrollment Period for ACRE Program**

On April 9, 2009, the Secretary of the US Department of Agriculture announced that it will open the enrollment period for the Average Crop Revenue Election (ACRE) program starting on April 27, 2009. The enrollment period will run through August 14, 2009. In an earlier release, the USDA had indicated that it would extend the enrollment period from the initial deadline of June 1, 2009 to August 14, 2009 to give producers more time to make this important decision. By enrolling in the ACRE program, the producer (and landowner) forgoes any counter-cyclical payments and will receive a 20 percent reduction on direct payments and a 30 percent reduction in loan rates for all commodities produced on the farm. This election is made on a farm by farm basis. Therefore, a producer with several farm numbers can elect to enroll one and not the other. However, for a farm that is enrolled, all base acres on that farm must be enrolled. For example, a producer can not enroll only the corn base acres under a farm in the ACRE program and not enroll all of the cotton base acres under that same farm. As with most programs, all producers and all landowners tied to the farm must agree to enroll in the ACRE program.

## **More Information**

Producers interested in participating in any of the programs mentioned or interested in obtaining more information about any of these programs are encouraged to contact their local Farm Service Agency office.