

Some of you have been receiving calls from dairy producers regarding the extension of payments under the Milk Income Loss Contract program (MILC). President Bush did sign the extension of MILC retroactive to October 1, 2005 and extended through August 31, 2007.

The formula was changed for calculating the payments from 45% of the difference between the target price and a lower actual milk price to 34% of the difference. The Target Price is still the \$16.94 per hundredweight Class I price. The Boston Class I price is the announced Class I mover plus \$3.25. The Class I mover is the higher of an advanced Class IV price (milk used for butter and nonfat dry milk) or the Class III price (milk used for cheese). So the Boston Class I price of \$16.94 is the same as a Class I mover of \$13.69. The advanced Class III has been the mover and with cheese prices falling, MILC payments will be significant. The payments thus far will be:

December 2005, \$0.0408 per hundredweight  
January 2006, \$0.1054  
February 2006, \$0.1054  
March 2006 \$0.4080

Questions: I visited with Ben Brancel, State Director of FSA, and asked the following questions and this is his response.

1) When will dairy farmers get these payments? Don't know for sure, but it will probably be late March or early April before Washington informs the FSA offices as to how to proceed on payments.

2) Since the dairy farmer contracts under MILC expired September 30, 2005, will new contracts need to be entered into with this MILC extension. Ben says the legal counsel says yes. New contracts will be needed.

3) Under MILC there is a maximum payment on 2.4 million pounds of milk produced during the 12 month period of October 1st through September 30th. Dairy farmers with production over 2.4 million pounds could choose not to start payments on October 1st, but to choose another month to start payments. Will these dairy farmers be able to choose the starting date under this extension? Ben thinks probably so, but has received no information from Washington.

So the bottom line is that dairy farmers will be receiving MILC payments for the months of December 2005 through March of 2006, and the way the cheese market is and the outlook for future milk prices, probably payments for most months in 2006. But, we will have to wait to hear from FSA as to when to expect the payments, the procedure for new MILC contracts, and whether or not dairy producers with more than 2.4 million pounds of milk can choose a starting date.