



National Milk Producers Federation

National Milk Producers Federation • 2101 Wilson Blvd., Arlington, VA 22201 • 703-243-6111; FAX 703-841-9328

January 9, 2009

Agri-Mark, Inc.
Arkansas Dairy Cooperative Association
Associated Milk Producers, Inc.
Continental Dairy Products, Inc.
Cooperative Milk Producers Assn.
Dairy Farmers of America, Inc.
Dairymen's Marketing Cooperative, Inc.
Dairylea Cooperative Inc.
Ellsworth Cooperative Creamery
Farmers Cooperative Creamery
First District Association
Foremost Farms USA
Humboldt Creamery
Just Jersey Cooperative, Inc.
Land O'Lakes, Inc.
Lone Star Milk Producers, Inc.
Manitowoc Milk Producers Coop.
MD & VA Milk Producers Cooperative Association, Inc.
Michigan Milk Producers Assn.
Mid-West Dairymen's Company
Northwest Dairy Association
Prairie Farms Dairy, Inc.
St. Albans Cooperative Creamery, Inc.
Scioto County Co-op Milk Producers' Assn.
Select Milk Producers, Inc.
Southeast Milk, Inc.
Swiss Valley Farms, Co.
Tillamook County Creamery Assn.
United Dairymen of Arizona
Upstate Niagara Cooperative, Inc.
Zia Milk Producers

Teresa Lasseter, Administrator
Farm Service Agency, USDA
1400 Independence Ave., S.W.
Room 3086-S
Washington, DC 20250

Re: Administration of the MILC Sign-up

Dear Ms. Lasseter,

We at National Milk have been receiving many calls and e-mails from farmers and their cooperative staff expressing confusion and frustration with the sign-up process for the latest round of the Milk Income Loss Contract (MILC) program. This seems to reflect confusion among FSA's field offices about the rules for the MILC program.

The National Milk Producers Federation represents some 40,000 dairy farmers through their membership in our 31 cooperative members; this is about three fifths of U.S. milk producers.

Let me say on their behalf that the effective operation of this program right now is crucial. Milk prices are dropping rapidly, while feed prices remain high. Dairy producers will lose a lot of money in 2009, and cannot afford to miss a month of MILC payments or have their payments reduced because they responded to a false deadline or received inaccurate information about the program.

The following key points of the MILC rule are not well understood by FSA state and county offices, and we urge you to clarify them as quickly as possible:

- For FY 2009, producers can choose as their payment start date the same month during which they submit their contract. For example, a producer who submits his contract any time in February can choose February as his start date. This is clear from 1430.205(c)(1) in the recent MILC rule. (Some state and county FSA offices are telling producers they must sign up by January 21st or by February 14th for February payments.)
- Although the MILC eligibility is subject to a \$500,000 limit on non-farm Adjusted Gross Income (AGI), there is no eligibility limit on total or farm-based AGI. (Some offices are saying otherwise.)

We urge you to effectively communicate these points immediately to FSA field staff and to producers.

Jerry Kozak, President/Chief Executive Officer

Randy Mooney, Chairman

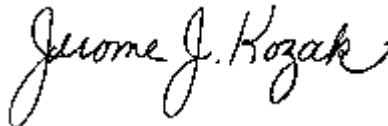
We also urge FSA to facilitate producers' timely applications: we have heard reports of some offices being unnecessarily rigid in their enforcement of paperwork requirements, including unjustified denial of MILC contracts to producers whose farm proprietors who do business under the name of their farm (such as "Maple View Farms"). These sorts of problems did not arise in previous years, and they could easily cause a producer to miss a deadline and lose payments.

In addition, there may be MILC contract submissions that were made contrary to the producers' interests on the advice of FSA staff. We urge FSA to allow any producers that might have been so advised to correct their submissions without penalty.

Let me also say the MILC rule itself is a well-crafted and effective expression of Congress' intent in 2008 Farm Bill. We appreciate the care and judgment that went into that document. We also recognize that injuries to a key employee may have hampered effective communication between Washington and the states.

However, as milk prices crash, it is paramount that the MILC program not short-change any producer due to errors in implementation. Feel free to call me or Roger Cryan in our office if you have any questions, and please let us know how we can help you in the effort.

Sincerely,

A handwritten signature in cursive script that reads "Jerome J. Kozak".

Jerome J. Kozak, President & CEO
National Milk Producers Federation

cc: John Johnson, Deputy Administrator for Farm Programs
Candy Thompson, Director, Price Support Division
Raellen Erickson, Deputy Director, Price Support Division