



# MARKETING SERVICE

## BULLETIN

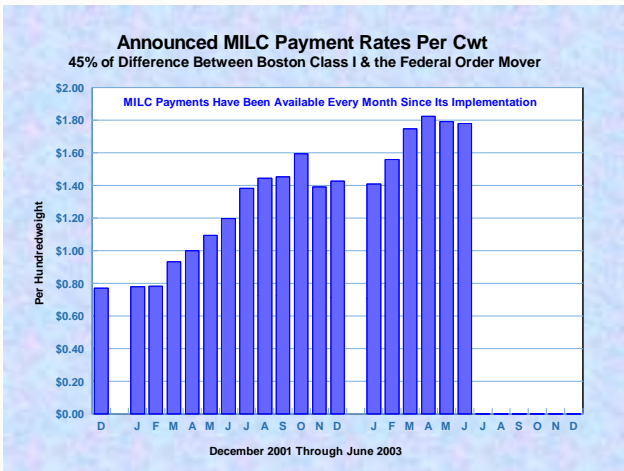
### Central Order MILC Payments Who & How Much ???



The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) authorized a new program to compensate dairy producers with monthly payments on eligible milk production when domestic milk prices fall below a specified level. This program named the Milk Income Loss Contract (MILC) is available to all U.S. dairy producers who commercially market milk during the period of December 1, 2001, through September 30, 2005. MILC payments are made on a monthly basis when the Boston federal milk order Class I price falls below \$16.94 per hundredweight. The rate is 45 percent of the difference between \$16.94 and the Boston Class I price.

Payments are issued for up to a maximum of 2.4 million pounds of milk produced and marketed by a dairy operation per fiscal year. Detailed information on the MILC Program may be found on the Farm Service Agency website at [www.fsa.usda.gov/daftp/psd/MILC.htm](http://www.fsa.usda.gov/daftp/psd/MILC.htm).

MILC Program payments are made directly to current dairy farmers. Unlike past “dairy assistance” programs, there are no stipulations for decreasing marketings and no provisions for producer assessments. Milk marketings pooled on the Central federal milk order were analyzed to determine the possible impact of MILC Program payments on Central order dairy producers. This attempt to grasp a “local” perspective is outlined in the following graphics, table, and map.



#### Methodology

1) Given perfect hindsight, calculations were made which provided the most benefit to producers. When signups began on August 13, 2002, a producer could take transition payments on milk produced at known payment rates from December 2001 **or** take payments for September 2002 only. The most profitable choice was calculated for each producer on the Central order and assumed all eligible farms would receive a payment.

2) During October 2002-September 2003, a producer had the option to choose which month to start payments. At the time, many believed that October 2002 would be the highest MILC Program payment for the fiscal year. We used this “conventional wisdom.” Calculations were made where all producers received payments in October 2002 and continued until meeting the 2.4 million pound limit.

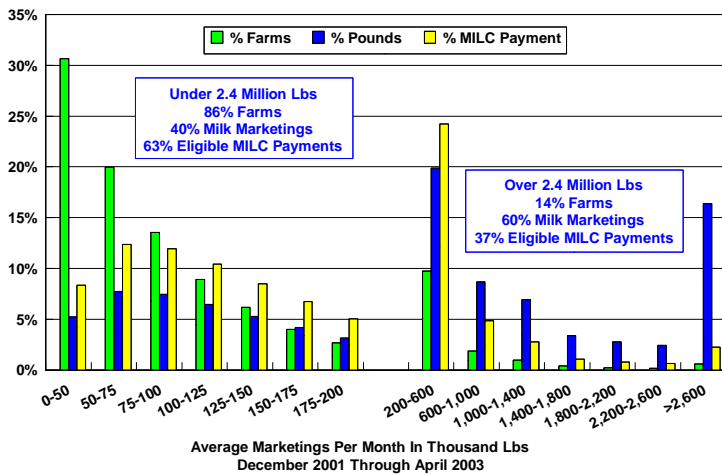
3) Only producer milk pooled on the Central order was included. A producer could have milk pooled on more than one order or not pooled at all which could have resulted in calculated payments being understated. Calculated payments would be overstated if eligible producers chose not to sign a contract. Producers who chose a different start month than used in the methodology would also overstate or understate payments.

4) Dairy producers monthly marketings were averaged over the 17-month period for placement in a size category and the assigned size category did not change. However, calculated payments were based on actual monthly marketings.

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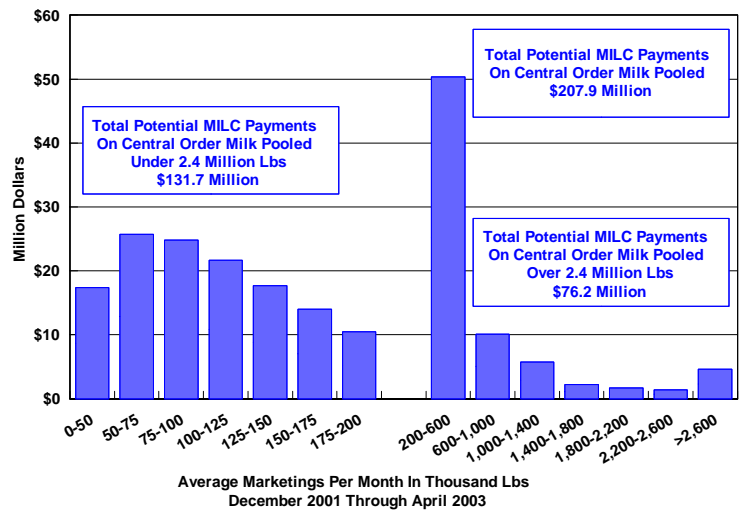


### Central Federal Order Percent Of Farms, Pounds, & Potential MILC Payments By Marketing Size Category



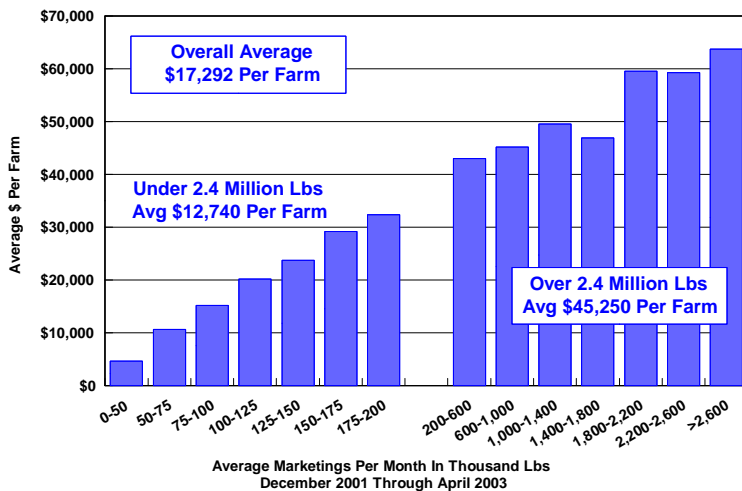
Eighty-six percent of the total farms (12,020 over the 17 months) eligible to receive payments had marketings less than the 2.4 million pound (200,000 lbs per month) limit. These producers accounted for 40% of the Central order pounds (26.4 billion lbs) and could have received 63% of the potential payments (\$207.9 million). The other 14% of the farms fell within the “larger” size range. They accounted for 60% of the Central order pounds pooled and 37% of the potential payments.

### Central Federal Order Total Potential MILC Payments By Marketing Size Category



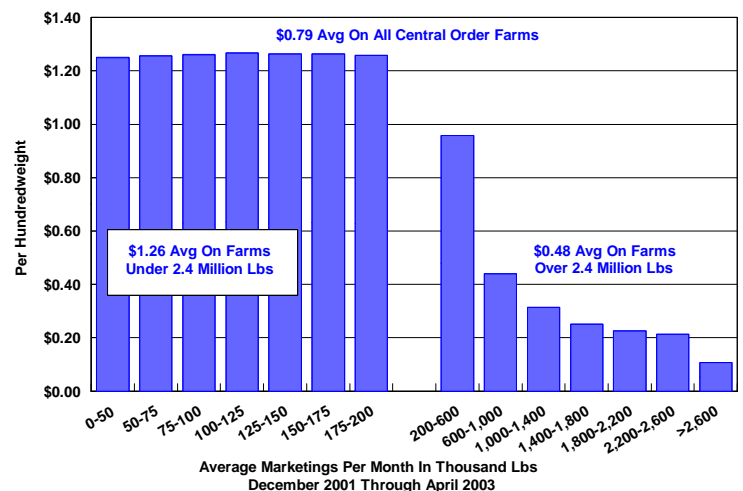
Estimated eligible payments to Central order producers during December 2001 to April 2003 totaled \$207.9 million. Producers marketing less than the 2.4 million pound limit were eligible to receive \$131.7 million. Producers whose marketings exceeded the 2.4 million pound limit were eligible to receive \$76.2 million during the 17-month period.

### Central Federal Order Avg Potential MILC Payments Per Farm By Marketing Size Category



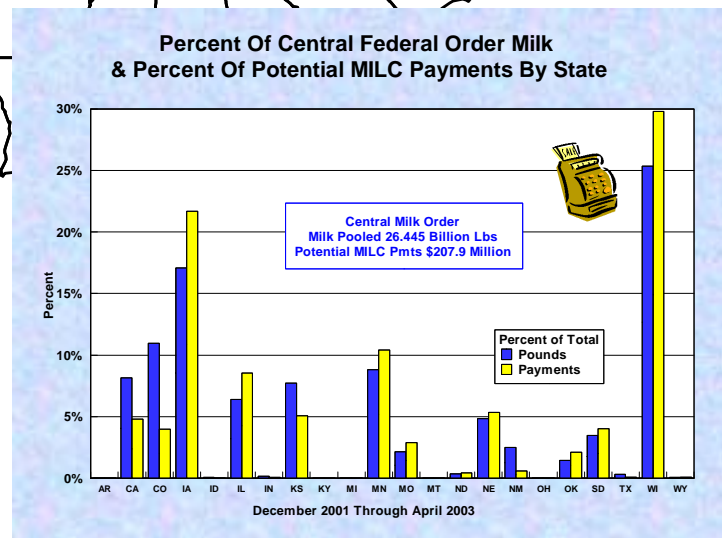
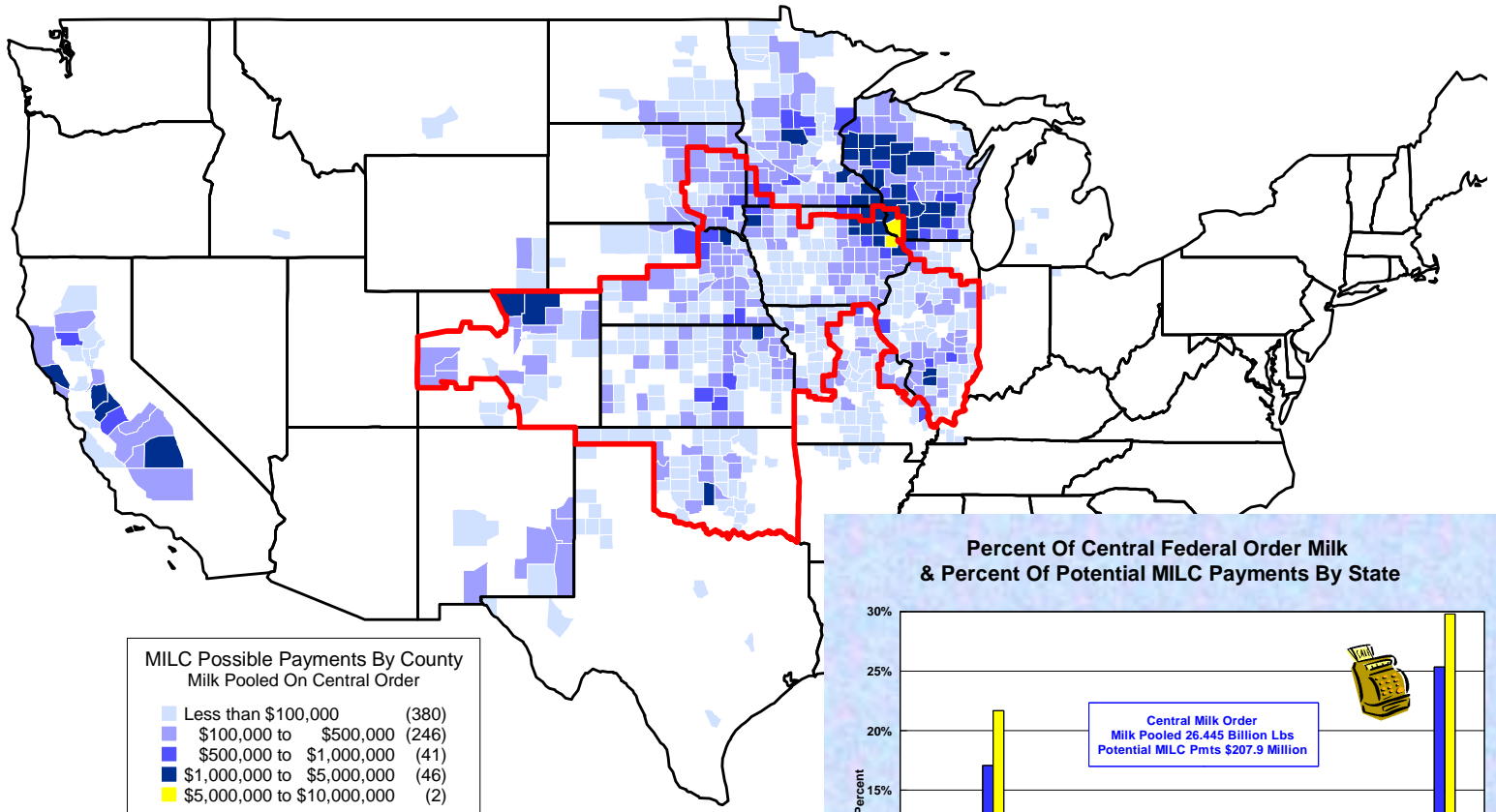
The potential average payment to Central order eligible producers was \$17,292 per farm during the December 2001 to April 2003 period. Producers with marketings less than the 2.4 million pound limit were eligible to receive an average of \$12,740 per farm. Producers whose marketings exceeded the 2.4 million pound limit were eligible to receive an average of \$45,250 per farm.

### Central Federal Order Avg Potential MILC Payments Per Hundredweight By Marketing Size Category



The estimated average rate per hundredweight (cwt) for Central order eligible producers was \$0.79 during the December 2001 to April 2003 period. Producers with marketings less than the 2.4 million pound limit were eligible to receive an average rate of \$1.26 per cwt. while producers whose marketings exceeded the limit were eligible to receive an average rate of \$0.48 per cwt. The table (next page) provides a breakdown by average marketing size category.

## Potential MILC Payments by County for Milk Pooled on Central Federal Order December 2001 Through April 2003



### Potential Payments

All dairy producers have the "potential" to sign up for and receive MILC Program payments. All data contained herein is calculated as if all producers participated. There are dairy producers who have chosen not to participate. The impact of these producers on the data is not known.

## Central Federal Order: Selected Statistical Data & Potential MILC Calculations December 2001 Through April 2003

Average Monthly Marketing Range	Pooled Pounds	Potential MILC Payment	Avg Lbs Per Farm	Avg Pmt Per Cwt	Number Farms	Avg Pmt Per Farm	Percent Farms	Percent Pounds	Percent Payment
0 - 50,000	1,388,134,701	\$17,354,159	376,903	\$1.2502	3,683	\$4,712	30.64%	5.25%	8.35%
50,001 - 75,000	2,043,644,742	\$25,686,104	850,456	\$1.2569	2,403	\$10,689	19.99%	7.73%	12.36%
75,001 - 100,000	1,966,132,490	\$24,791,243	1,206,957	\$1.2609	1,629	\$15,219	13.55%	7.43%	11.93%
100,001 - 125,000	1,709,658,028	\$21,662,312	1,593,344	\$1.2671	1,073	\$20,189	8.93%	6.46%	10.42%
125,001 - 150,000	1,399,090,486	\$17,683,916	1,880,498	\$1.2640	744	\$23,769	6.19%	5.29%	8.51%
150,001 - 175,000	1,110,492,187	\$14,035,588	2,308,716	\$1.2639	481	\$29,180	4.00%	4.20%	6.75%
175,001 - 200,000	833,101,081	\$10,484,883	2,571,300	\$1.2585	324	\$32,361	2.70%	3.15%	5.04%
<b>Subtotal</b>	<b>10,450,253,715</b>	<b>\$131,698,204</b>	<b>1,010,956</b>	<b>\$1.2602</b>	<b>10,337</b>	<b>\$12,740</b>	<b>86.00%</b>	<b>39.52%</b>	<b>63.36%</b>
200,001 - 600,000	5,258,869,575	\$50,353,318	4,490,922	\$0.9575	1,171	\$43,000	9.74%	19.89%	24.23%
600,001 - 1,000,000	2,298,347,616	\$10,124,349	10,260,480	\$0.4405	224	\$45,198	1.86%	8.69%	4.87%
1,000,001 - 1,400,000	1,828,796,823	\$5,747,643	15,765,490	\$0.3143	116	\$49,549	0.97%	6.92%	2.77%
1,400,001 - 1,800,000	896,821,785	\$2,250,393	18,683,787	\$0.2509	48	\$46,883	0.40%	3.39%	1.08%
1,800,001 - 2,200,000	737,942,306	\$1,666,267	26,355,082	\$0.2258	28	\$59,510	0.23%	2.79%	0.80%
2,200,001 - 2,600,000	638,751,268	\$1,363,313	27,771,794	\$0.2134	23	\$59,274	0.19%	2.42%	0.66%
2,600,001 plus	4,335,246,358	\$4,651,264	59,386,936	\$0.1073	73	\$63,716	0.61%	16.39%	2.24%
<b>Subtotal</b>	<b>15,994,775,731</b>	<b>\$76,156,548</b>	<b>9,503,729</b>	<b>\$0.4761</b>	<b>1,683</b>	<b>\$45,250</b>	<b>14.00%</b>	<b>60.48%</b>	<b>36.64%</b>
<b>Total</b>	<b>26,445,029,446</b>	<b>\$207,854,752</b>	<b>2,200,086</b>	<b>\$0.7860</b>	<b>12,020</b>	<b>\$17,292</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	5/2003	4/2003	5/2003	4/2003	5/2003	4/2003
Pacific Northwest	10.38	10.21	0.67	0.80	28.07	28.05
Western	10.19	9.95	0.48	0.54	14.69	16.27
Arizona-Las Vegas	10.45	10.34	-----	-----	28.89	29.15
<b>Central</b>	<b>10.41</b>	<b>10.22</b>	<b>0.70</b>	<b>0.81</b>	<b>27.12</b>	<b>27.41</b>
Southwest	11.30	11.19	1.59	1.78	35.59	36.67
Upper Midwest	10.11	9.87	0.40	0.46	17.90	18.15
Southeast	11.99	11.81	-----	-----	62.38	60.38
Mideast	10.63	10.47	0.92	1.06	36.68	36.18
Appalachian	12.11	12.04	-----	-----	66.40	65.89
Northeast	11.60	11.45	1.89	2.04	42.14	41.29
Florida	13.10	12.96	-----	-----	79.13	77.76

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