

For: State and County Offices

Dairy Disaster Assistance Payment (DDAP-III) Program

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Since January 2005, dairy production in many U.S. counties has been severely impacted by widespread and significant destruction caused by various natural disasters such as hurricanes, wildfires, ice storms, heavy rainfalls, floods, severe blizzard conditions, and extreme heat. As a result, many dairy producers incurred devastating decreases in production because of cattle and yield losses and produced milk that had to be dumped because of lack of electricity, closed milk plants, and damaged containment equipment.

The DDAP-III program will provide benefits to eligible dairy producers who suffered dairy production losses as a result of natural disasters occurring during the period of January 1, 2005, through February 28, 2007. Producers will receive direct payments for eligible losses to help relieve economic injuries suffered by the dairy industry in disaster counties throughout the U.S.

B Purpose

This notice:

- provides State and County Offices with the following:
 - policy and procedure on implementing the DDAP-III program
 - signup period for the DDAP-III program
 - eligibility criteria
 - procedure for applying for benefits
 - instructions for completing FSA-747
 - instructions for completing spot checks
- obsoletes Notice LD-588 to correct paragraph numbering and references, and provide a revised FSA-747, dated 11-30-07.

Disposal Date	Distribution
October 1, 2008 11-30-07	State Offices; State Offices relay to County Offices

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2 General Information

A Source of Authority

The DDAP-III program is authorized by Title IX Section 9007 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (Pub. L. 110-28). The legislation provides for the Secretary to make payments to dairy producers for dairy production losses in counties declared a natural disaster during a specified period.

B Regulations

Regulations for the DDAP-III program will be:

- codified at 7 CFR Part 786
- available after publication in FR on the FSA Internet at <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=lare&topic=landing>.

On November 26, 2007, the proposed rule for the DDAP-III program requesting public comments was published in FR. The comment period ends on December 26, 2007. All responses to public comments received will be summarized and included in the final rule.

C Policies and Procedures

The following will be issued through forthcoming LD and PS notices respectively:

- procedural instructions for administering the DDAP-III program
- instructions for recording DDAP-III applications and processing payments by County Offices through a new web-based process called eDDAP.

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2 General Information (Continued)

D Related Handbooks

The following relate to the DDAP-III program.

Purpose	Handbook
Appeals	1-APP
Signatures, estates, trusts, minors, or powers of attorney	1-CM
Scheme, device, or failure to fully comply	4-CP
HELC/WC provisions	6-CP
Misaction, misinformation, equitable relief, or finality rule	7-CP
Issuing payments	1-FI
Offsets	58-FI
Prompt payment provisions	61-FI
Reporting to IRS	62-FI
Assignments and joint payments	63-FI

3 DDAP-III Program Definitions

A Definitions

The following definitions are applicable to the DDAP-III program.

- The application period is the time period established by the Deputy Administrator for producers to apply for program benefits.
- Base year production is the applicable NASS average of milk produced per cow for a dairy operation in the applicable State of the eligible disaster county during the period of January 2, 2005, through February 27, 2007.
- The claim period are the qualifying months during the period of January 2, 2005, through February 27, 2007, following the base month, during which the loss occurred.
- A dairy operation is any person or group of persons who, as a single unit, as determined by FSA, produces and markets milk commercially from cows and whose production facilities are located in the U.S.
- A disaster county is a county included in the geographic area covered by a natural disaster declaration, and any county contiguous to a county that qualifies by a natural disaster declaration.
- A milk handler or cooperative is the marketing agency to, or through which, the producer commercially markets whole milk.

3 DDAP-III Program Definitions (Continued)

A Definitions (Continued)

- Milk marketing is the marketing of milk for which there is a verifiable sales or delivery record of milk marketed for commercial use.
- A producer is any individual, group of individuals, partnership, corporation, estate, trust association, cooperative, or other business enterprise or other legal entity who is, or whose members are, a citizen of, or legal resident alien in the U.S., and who directly or indirectly, as determined by the Secretary, shares in the risk of producing milk, and makes contributions (including land, labor, management, equipment, or capital) to the dairy farming operation of the individual or entity of the proceeds of this operation.
- Verifiable production records is evidence that is used to substantiate the amount of production marketed, including any dumped production or cow purchases that may have increased production, and that can be verified by FSA through an independent source.

4 Eligibility Requirements

A Eligible Losses

Production losses are eligible losses under the DDAP-III program. Production losses must be:

- directly associated to the loss conditions identified in the declaration or designation during the eligible period
- previously uncompensated by disaster payments from previous dairy disaster assistance payment programs.

B Eligible Counties

DDAP-III program benefits are only applicable to the U.S. counties that were:

- designated a major disaster or emergency by the President of the United States
- declared a natural disaster by the Secretary of Agriculture
- included under an Administrator's Physical Loss Notification.

Only eligible losses occurring in those counties or a contiguous county are eligible for payment.

A listing of eligible counties may be accessed from the Disaster Assistance Programs Home Page at http://www.fsa.usda.gov/Internet/FSA_File/2005_2007eligible_county.xls.

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4 Eligibility Requirements (Continued)

C Eligible Period

The natural disaster declarations by the Secretary or the President **must** have been issued **between** January 1, 2005, and February 28, 2007. Therefore, natural disaster declarations issued on January 1, 2005, or February 28, 2007, are **not** eligible.

Losses occurring during the eligible period are determined from the applicable base year production that corresponds to the natural disaster declaration. Base and claim periods applicable to the calendar year in which the disaster declaration was issued are as follows.

Base Period	Claim Period
2005	January through December 2005
2006	January through December 2006
January/February 2007	January and February 2007

Note: Production losses incurred during each applicable claim period are eligible for benefits if a disaster declaration was issued for a county multiple times during the eligible period.

D Eligible Dairy Operations

An eligible dairy operation for DDAP-III program purposes is any person or group of persons who as a single unit markets milk commercially and whose production and facilities are located in the U.S. and may also include any of the following entities that are engaged in an operation that markets milk commercially in the U.S.

- An individual that has a beneficial interest in a dairy operation, has a financial risk in the dairy operation, and is a citizen of, or legal resident alien in, the U.S.
- A corporation, partnership, joint operation, estate, association, cooperative, or other business enterprise or other legal entity and, whenever applicable, a State, political subdivision of a State, or any agency thereof, and whose members are a citizen of, or legal resident alien in the U.S.
- Indian tribe of the Indian Self-Determination and Education Assistance Act.
- Indian organization or entity chartered under the Indian Reorganization Act.
- Economic enterprise under the Indian Financing Act of 1974.

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4 Eligibility Requirements (Continued)

E Dairy Operation Eligibility for Payment

To be eligible to receive DDAP-III program benefits, producers in a dairy operation **must**:

- have suffered production losses in an eligible county declared a natural disaster during the eligible period
- have produced and commercially marketed milk in the U.S. and commercially marketed the milk produced between January 1, 2005, and February 28, 2007
- be a producer on a dairy farm operation physically located in a disaster county where eligible losses were incurred
- provide proof, to COC's satisfaction, of monthly milk production commercially marketed by all persons in the eligible dairy operation during the applicable base period and claim period
- certify compliance with the highly erodible land conservation (HELC) and wetland conservation (WC) provisions on AD-1026 for the calendar year applicable to the natural disaster declaration and loss claim period
- apply for payment during the application period.

5 Applying for DDAP-III Program Benefits

A Filing FSA-747

Eligible applicants must use FSA-747 to apply for DDAP-III program benefits. A separate FSA-747 shall be filed for each dairy operation that suffered qualifying losses during the eligible period. All persons who share in the risk of a dairy operation's total production must certify to the information on FSA-747 before being considered complete for review by FSA. More than one FSA-747 for benefits is **not** acceptable by the same operation during the eligible period.

Example: Dairy Operation 1 consists of 2 persons who jointly share in the operation 50 percent. Dairy Operation 2 consists of 1 of the persons from Dairy Operation 1, but this person has 100 percent interest in Dairy Operation 2. There will be two FSA-747's.

- Dairy Operation 1 files FSA-747 that includes all milk marketed by both persons on Dairy Operation 1 and FSA-747 is shared 50-50 between the 2 persons.
- Dairy Operation 2 files FSA-747 for all milk marketed on Dairy Operation 2.

Note: One FSA-747 may be completed to apply for eligible losses from multiple natural disasters, when multiple declarations have been issued for a county during the eligible period.

B FSA-747 Availability

FSA-747 is available electronically at either of the following:

- Public eForms web site at <http://www.sc.egov.usda.gov/eforms/mainservlet>
- FFAS Employee Forms/Publications Online Website at <http://intra3.fsa.usda.gov/dam/ffasforms/forms.html>.

FSA-747 may also be obtained from the County Office where the dairy operation is physically located as follows:

- in person
- by mail
- by telephone
- by FAX.

FSA-747's must be completed correctly, signed, and returned to the applicable County Office by COB on the sign up end date established by FSA to be considered eligible for DDAP-III program benefits.

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5 Applying for DDAP-III Program Benefits (Continued)

C Separate Dairy Operations

When more than 1 dairy operation uses the same facilities, each operation shall be considered a separate operation when **both** of the following apply:

- milk production is not commingled
- all milk marketing payments and records are separate.

D Period for Accepting FSA-747

Accepting FSA-747's will begin on **December 3, 2007**. An ending date has not yet been established. Eligible applicants may file FSA-747 for benefits anytime during the application period. Completed FSA-747's must be submitted to the County Office where the dairy operation is physically located by the sign-up end date established by DAFP.

E Late-Filed FSA-747's

Late-filed provisions will **not** apply to the DDAP-III program. FSA-747's received after the deadline date will **not** be approved. This includes FAXed FSA-747's.

F Multiple Producers

If a dairy operation consists of more than 1 producer:

- complete one FSA-747 for the entire dairy operation
- include all producers who share in the operation on FSA-747
- obtain signatures of all producers in the operation on FSA-7474 according to subparagraph G.

G Signature Requirements

County Offices shall follow 1-CM for the following:

- producers' signature and authorization provisions
- persons signing FSA-747 in a representative or fiduciary capacity
- payment of amounts due persons who have died, disappeared, or have been declared incompetent.

5 Applying for DDAP-III Program Benefits (Continued)

H HELC/WC Provisions

Eligible producers in a dairy operation must comply with HELC/WC provisions according to 7 CFR Part 12. Dairy producers applying for DDAP-III program benefits must certify to HELC/WC compliance on AD-1026 before FSA-747 for payment is approved. See 6-CP for guidance on HELC/WC provisions.

I Approving FSA-747

COC, or designee, shall:

- be satisfied that all eligibility requirements provided in paragraph 4 have been met before approving FSA-747
- ensure that other applicable forms, production evidence, and any other supporting documentation that substantiates qualifying losses to their satisfaction have been received
- **not** approve any FSA-747 that was requested or received after COB on the signup deadline established by DAFP
- **not** approve FSA-747's for a joint venture **unless** all members of the joint venture or joint operation who share in the milk production from the dairy operation have signed FSA-747.

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6 Completing FSA-747

A Instructions for Completing FSA-747

Complete FSA-747 according to the following.

Item	Instructions
1	COC designee shall enter the applicable State code.
2	COC designee shall enter the applicable county code.
3	COC designee shall enter the date the application is submitted.
4	COC designee shall enter the contract number assigned from the eDDAP software.
Part A – Producer Information	
5A through 5D	Enter the name, address, telephone number, and e-mail address of the contact producer for the dairy operation.
Part B – Cow Number Information	
6	<p>Enter the number of dairy cows in the herd on the first of each month. This number should represent both milking cows and dry cows. Only complete the months applicable for the year(s) being requested.</p> <p>Note: Cows purchased and added to the herd to offset production losses as a result of the declared disaster should not be included in the monthly cow numbers.</p>
Part C – Production Information	
7	<p>Check the year(s) for which the dairy operation wishes to apply. More than 1 year may be requested. However, a declared disaster condition must have occurred in all years in which benefits are being requested.</p> <p>Enter the annual commercially marketed production applicable to calendar year in which benefits are being requested.</p>
Part D – Cow Number Adjustments (For County Office Use Only)	
8	<p>COC designee shall record any changes in cow numbers that are not the result of the declared disaster. This includes cattle sold or deceased that were not as a result of the declared disaster.</p> <p>Note: Normal fluctuations in herd numbers (culls, heifers entering the herd, and deaths related to the disaster) should not be entered.</p> <p>Example: Producer suffers losses in 2005 as the result of a hurricane. The producer loses 5 cows in September as the result of the hurricane. In December he sells 10 cows to another farmer. The sale of the cows in December is unrelated to the hurricane in September.</p> <p>COC determines that the loss of 5 cows in September is hurricane related, but the sale of cows in December is not hurricane related. The County Office will make an entry of 10 in the row for 2005, column for December.</p>

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6 Completing FSA-747 (Continued)

A Instructions for Completing FSA-747 (Continued)

Item	Instructions
Part E – Producer Certification	
9	<p>The contact producer for the operation shall enter a check (✓) in the appropriate box to indicate if a payment was received by the operation under the 2005 Dairy Disaster Assistance Payment (DDAP-II) Program.</p> <p>If the "yes" box is selected, COC designee shall enter the payment amount received by the dairy operation under the DDAP-II Program.</p>
10	Each producer that has a share in the dairy operation must sign this document after carefully reading the information in Part E.
11	Enter the last 4 digits of producer’s taxpayer identification number.
12	Enter the date each producer signed FSA-747.
13	Enter each producers corresponding share percentage of the dairy operation’s production for each applicable year in which benefits are being requested.
14	Check (✓) the appropriate box to identify any producer who elects to receive or not receive payments under the DDAP-III program.
Part F – COC Determination	
15	Print or type the name of COC designee.
16	Enter the title of designee signing in item 15 if someone other than COC.
17	COC designee shall sign.
18	Enter the date the COC designee signed in item 17.
19	The official signing item 17 shall check (✓) the appropriate box to indicate if FSA-747 is approved or disapproved.
20	Enter the name and address of the FSA County Office.
21	Enter the telephone number including area code of the FSA County Office.
22	Enter any remarks that may be pertinent to any information entered on this FSA-747 or related to the operation submitting FSA-747, including amounts received for the same loss under previously administered dairy disaster assistance payment programs.

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6 Completing FSA-747 (Continued)

B Example of FSA-747

The following is an example of FSA-747.

This form is available electronically. Form Approved - OMB No. 0560-0252

FSA-747 (11-30-07)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	1. State Code	2. County Code
DAIRY DISASTER ASSISTANCE PAYMENT PROGRAM (DDAP-III) APPLICATION		3. Application Date	4. Application Number

NOTE: The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting information is the U. S. Troop Readiness, Veterans' care, Katrina, Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. 110-28. The information will be used to establish eligibility of losses and determine payment amounts for dairy operations located in an eligible county declared a natural disaster, and counties contiguous, when requesting benefits under the Dairy Disaster Assistance Payment Program III (DDAP-III). Furnishing the requested information is voluntary; however, failure to furnish the requested information will result in a determination of ineligibility for DDAP-III Program benefits unless this report is completed and filed as required by existing law and regulations provided at 7 CFR Part 786. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal law enforcement agencies, and in response to a court magistrate or administrative tribunal or to other request for information. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001, 1004 and 31 USC 3729, may be applicable to the information provided.

Under the Paperwork Reduction Act of 1995, where applicable, an agency generally may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0252. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.

PART A - PRODUCER INFORMATION

5A. Name of Dairy Operation (Prepare 1 application per dairy operation)	5B. Contact Producer's Name and Address (Including Zip Code)
5C. Email Address	5D. Telephone Number (Including Area Code)

PART B - COW NUMBER INFORMATION

6. Enter the number of dairy cows in the herd on the first of each month. Only complete the months applicable to the year(s) for which benefits are being requested. **NOTE: Do not include in your entry cows purchased to offset production for disaster related reasons that would have otherwise not been normally purchased.**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005												
2006												
2007												

PART C - PRODUCTION INFORMATION

7. Enter total commercially marketed production (pounds) for the relevant year(s). For 2007 losses only enter production for January and February. Applicant must check each applicable year(s) which benefits are being requested.

Year	(1)	(2)	(3)
	<input type="checkbox"/> 2005	<input type="checkbox"/> 2006	<input type="checkbox"/> 2007
Annual Marketed Production			

PART D - COW NUMBER ADJUSTMENTS - (For County Office Use Only)

County Office will record applicable changes in cow numbers for the requested year(s) in this part when applicable.

8. Number of Cows that need to be adjusted by applicable year and month:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005												
2006												
2007												

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its program and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of Discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

7 Supporting Documentation

A Verification of Losses

To establish production history and calculate eligible losses for the dairy operation during the eligible period, DDAP-III program applicants must, to the satisfaction of COC, provide adequate proof of the following:

- dairy herd inventories
- commercial milk production marketed by the dairy operation for the applicable base period and claim period
- dumped or spoiled milk production not marketed
- dairy cows added to the milking herd to offset production losses.

Documentation to verify losses must be provided to the County Office with any other supporting documentation available to assist in verifying and calculating production losses for the dairy operation. Acceptable documentation, to the satisfaction of COC, must be provided to the County Office before an applicant can be subsequently approved for payment. If adequate proof is not provided to the satisfaction of COC, the request for benefits will **not** be approved.

B Acceptable Documentation for Production Losses

Documents providing verification of losses and confirming cow herd numbers include, but are not limited to, any of, or a combination of, the following:

- inventory records
- sales receipts/invoices
- State health certificates
- milk marketing statements
- tank records
- milk handler records
- daily milk marketings
- copies of any payments received from other sources for production losses.

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7 Supporting Documentation (Continued)

C Reviewing Documentation

Once the supporting documentation is received, County Office shall:

- make a copy, date stamp the copy, and return originals to the contact producer

Note: Not required for FAX copies.

- review to verify marketed production is for the applicable base period and claim period
- determine if herd inventories are substantiated
- review to verify any dairy cow additions to the milking herd, if applicable
- confirm that production losses are reasonable and attributable to the declared disaster
- determine production losses or cow purchases not resulting from the declared disaster.

Attach all supporting documentation to FSA-747 and provide pertinent comments in item 22.

D Production Losses Not Related to Disaster

COC's will determine production losses that are not caused by the disaster associated with the natural disaster declaration based on COC knowledge of the disaster occurrence and associated conditions. Losses determined by COC not to be disaster related losses must be:

- entered in FSA-747, Part D according to paragraph 6
- adjusted from the calculated production losses for the dairy operation according to subparagraph 9 B
- documented in COC minutes including all factors considered in making the determination of whether losses were unrelated to the natural disaster declaration.

E Discrepancies

All production or cow number discrepancies must be resolved to the satisfaction of COC before DDAP-III program benefits will be approved for payment to the dairy operation. COC must review and determine any of the following:

- good faith
- misrepresentation, scheme, or device.

7 Supporting Documentation (Continued)

E Discrepancies (Continued)

If COC:

- determines good faith, **no further action is necessary**
- cannot determine good faith and determines that misrepresentation, scheme, or device occurred, the dairy operation is not eligible for DDAP-III program benefits and the entire DDAP-III program payment must be refunded.

COC's shall use their knowledge and judgment when determining good faith to ensure that the dairy operation did not intentionally misrepresent information or certify incorrectly.

F Refunding Payments

For dairy operations that must refund DDAP-III program payments because the dairy operation has been determined out of compliance, interest will accrue at the CCC borrowing interest rate from the date of payment through the date the refund is received. Inform the producer of any amounts due according to 58-FI. If refunds are not paid by the due date, establish a claim according to 58-FI in the normal manner.

8 DDAP-III Program Payment Rates

A Funding Availability

Eligible producers in a dairy operation may receive up to a total of \$16 million in direct payments for dairy production losses resulting from natural disasters occurring during the eligible period.

B Payment Rates

Payment rates for production losses are based on the annual average mailbox milk price according to applicable State Marketing Orders where the eligible disaster county is located, as reported by AMS, during the eligible period. Payment rates for States not regulated under a Marketing Order have been determined based on a contiguous or nearby State's mailbox price. Maximum payment rates for eligible losses for dairy operations located in specific States are provided in Exhibit 1.

Each eligible dairy operation's payment is calculated by multiplying the applicable maximum payment rate times the dairy operation's total eligible losses using whole pounds of milk.

Note: If it is determined by FSA at the conclusion of signup that the total value of eligible losses exceeds the available funding, less any reserve, then payments will be made according to the alternative method provided in subparagraph C.

8 DDAP-III Program Payment Rates (Continued)

C Alternative Payment Method

If the total value of losses at the conclusion of the signup period is determined by FSA to exceed the available funding, DDAP-III program benefits will be based on a 20 percent loss threshold of the total estimated base period production for each applicable claim period during the eligible period. When the loss threshold goes into effect, eligible dairy operations will receive a combined payment for eligible losses above 20 percent and eligible losses equal to and below 20 percent. The combined payment to the dairy operation will be based on the following.

Loss Level	Payment Rate
Greater than 20 percent	Applicable payment rate as provided in Exhibit 1.
Equal to or less than 20 percent	Payment rate determined by dividing eligible losses equal to or less than 20 percent by the funds remaining after making payments for all eligible losses above the 20 percent loss threshold.

D Loss Threshold Example

Producer A in Florida for 2005 has a total estimated base period production of 2,000,000 pounds and actually produced during the claim period 1,200,000 pounds. Total eligible losses for Producer A’s dairy operation equals 800,000 pounds (total estimated base period production minus actual marketed production). The total estimated base period production multiplied times 20 percent equals 400,000 pounds. Therefore, 400,000 pounds of the dairy operation’s total eligible losses (800,000 lbs.) qualifies as losses above 20 percent and is eligible at the 2005 Florida payment rate of \$0.1758 and the remaining 400,000 pounds will be paid at the factored rate determined for losses at or below 20 percent. Producer A will receive a combined payment of the 2 calculations.

E Payment Limitation

Gross revenue and per person payment limits do **not** apply. However, in no event shall the dairy operation’s payment exceed the value determined by multiplying the producer’s total eligible loss times the average price received for commercial milk production in their State.

In addition, no DDAP-III program participant may receive benefits that in combination with the value of production not lost would result in an amount that exceeds 95 percent of the value of the expected production for the disaster period if there had been no loss.

8 DDAP-III Program Payment Rates (Continued)

E Payment Limitation (Continued)

Ninety-five percent of the value of the production in the absence of the loss is calculated by multiplying:

- dairy operation's cows, times
- annual NASS data of milk produced per cow for the applicable State, times
- applicable mailbox milk price, times
- 95 percent.

Note: The total production value is determined by adding the calculated DDAP-III payment plus the value of the production not lost.

F Offsets and Withholdings

The DDAP-III program is subject to any of the following as applicable:

- administrative offset
- assignment
- withholding.

G Prompt Payment Interest

Prompt payment provisions are applicable to the DDAP-III program.

H Advance Payments

Advance payments will **not** be issued for the DDAP-III program.

I Direct Deposit

The Debt Collection Improvement Act of 1996 requires that any recipient of Federal payments receive the payment by electronic funds transfer (EFT). All producers receiving benefits under the DDAP-III program must file SF-1199A according to 1-FI, Part 3.

J Issuing Payments

DDAP-III program benefits cannot be issued until **all** of the following have occurred:

- signup period has ended
- total eligible losses are determined
- final rule is published in FR
- authorization is provided by DAFP.

9 Calculating DDAP-III Benefits

A Determination of Losses

Eligible production losses will be determined by establishing an estimated base year production for the base period. Estimated base year production is determined based on data obtained from NASS for milk production per cow in the State in which the eligible disaster county is geographically located during the applicable base period. The average number of cows in the dairy operation's herd during the applicable base period is multiplied times the applicable NASS State average to determine the estimated base year production for the dairy operation. Actual marketed production is subtracted from the estimated base year production to determine the dairy operation's production loss eligible for payment.

Actual production that exceeds the estimated base year production means that the dairy operation incurred no eligible production losses for the corresponding claim period as a result of the natural disaster.

B Loss Adjustments

Actual production losses determined according to subparagraph A, may be adjusted by COC to the extent the reduction in production is:

- not certified by the producer to be the result of the disaster identified in the natural disaster declaration
- determined by FSA not to be related to the natural disaster identified in the natural disaster declaration.

COC must calculate production adjustments for losses unrelated to the natural disaster declaration by:

- determining, on a monthly basis, the number of cows in the dairy operations' dairy herd during the applicable month or months during the claim period determined to be ineligible to generate claims for benefits
- multiplying the milk produced per cow for the month, as determined from monthly data obtained from NASS, applicable to the State, as available.

Note: If monthly NASS data for the State in which the disaster county is located is unavailable, the annual average for the State will be divided by 12 to determine an average of milk produced on a monthly basis for that State.

9 Calculating DDAP-III Benefits (Continued)

C Loss Adjustments for Dairy Operations No Longer Conducting Business

Dairy producers that cease dairying and do not resume dairy operations during the applicable claim period after the qualifying disaster and no longer commercially produce milk are only eligible for DDAP-III program benefits through the end of the last month the dairy operation commercially produced milk.

Months remaining in the applicable claim period that follow the last month the dairy operation was in business do not qualify as a loss and the dairy operation will not receive DDAP-III program benefits for those months in which the producer has no production evidence of commercial milk marketings. Estimated production for the average number of cows for the dairy operation during the ineligible months must be included:

- in FSA-747, Part D, item 8 for the applicable year and months according to paragraph 6
- as a production adjustment to not calculate as a loss.

D Calculating Payment

Each dairy operation's payment is calculated by multiplying the applicable payment rate provided in Exhibit 1 times the operation's total eligible losses, less any of the following:

- production adjustments
- amounts received for the same loss from other dairy disaster assistance programs for the same eligible period.

Note: Payments for amounts received from other dairy disaster assistance programs for the same loss **must** be indicated in FSA-747, item 9.

10 Spot Checks and Compliance

A When to Perform Spot Checks

Spot checks shall be performed to verify the producer's losses. Implement procedures to perform spot checks beginning the day after the last day of the signup period established by DAFP.

B Spot Check Procedures

County Offices shall use the following procedures to implement spot checks:

- select 1 out of every 20 dairy operations approved for the DDAP-III program
- inform each contact producer of the selected dairy operation by telephone, that a spot check is being completed for the operation
- conduct spot checks on any operation where the applicant or a person in the operation is any of the following:
 - STC
 - COC members
 - FSA employees.

C Completing Verifications

Verifications of FSA-747's selected for spot check must be:

- completed within 60 calendar days after the end of the announced application period
- documented in FSA-747, item 22
- conveyed to the State Office, including the number of applications selected and the results of the verification.

Note: If spot check findings reveal that any of the criteria established for eligibility according to paragraph 4 and spot check discrepancies in subparagraph D do not comply with the certification of information on FSA-747, then the dairy operation may be determined ineligible for the DDAP-III program.

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10 Spot Checks and Compliance (Continued)

D Spot Check Discrepancies

Spot checks shall be performed to determine the accuracy of reported milk losses. See paragraph 8 for acceptable supporting documentation. Discrepancies that result in changes found as a result of a spot check shall be handled according to the following.

IF the eligible losses are...	THEN...
increased	no further action is necessary.
5 percent or less of dairy operation's reported losses	<p>COC may do either of the following:</p> <ul style="list-style-type: none"> • determine good faith and adjust the eligible losses • consider the producer ineligible for benefits if COC determines that the producer: <ul style="list-style-type: none"> • adopted any scheme or other device that tends to defeat the purpose of the DDAP-III program • made any fraudulent representation or misrepresented any fact affecting a program determination.
more than 5 percent of dairy operation's reported losses	<p>COC shall determine the producer ineligible for benefits, but may submit a request for relief to STC.</p> <p>Note: STC shall approve request for relief only if it can be determined that extenuating circumstances prevented the dairy operation from providing an accurate application.</p>

E State Office Spot Check Reports

Within 5 workdays of receiving spot check information, the State Office shall:

- prepare a written report describing the results
- FAX a copy of the report to PSD at 202-690-1536.

F Misrepresentation, Scheme, or Device

Any person who is determined by STC or COC to have committed any of the following violations shall be ineligible to receive payments under the DDAP-III program:

- adopted any scheme or device that tends to defeat the purpose of the DDAP-III program
- made any fraudulent representation
- misrepresented any fact affecting a program determination.

G Maintaining Records

Dairy operations requesting payments under the DDAP-III program shall maintain records for 3 years after the date of the payment to document that eligibility requirements are met.

10 Spot Checks and Compliance (Continued)

H Verifying Dairy Operation Records

As applicable, when contacting agencies, organizations, or facilities to verify the dairy operations supporting documents and records, the County Office shall be specific in the information requested. The request should include, but is not limited to, the following:

- dairy operation's name and address
- why the request is being made
- what information is being requested.

This request for information may include providing the agency, organization, or facility with a signed statement from the contact producer for the dairy operation authorizing the release of the information to the County Office.

I County Office Action

County Offices shall:

- review and compare FSA-747 with supporting documentation for any discrepancies
- request additional information from the dairy operation, as necessary for verification
- verify that eligible losses occurred during an eligible month in an eligible county
- record pertinent information of spot check findings in FSA-747, item 22.

11 Responsibility and Action

A FSA Responsibility

FSA has primary responsibility through STC's and COC's for administering the DDAP-III program.

B STC Action

STC's shall supervise and monitor the DDAP-III program to ensure that policies and procedures in this notice are being uniformly followed by County Offices.

C COC Action

COC's shall:

- administer the DDAP-III program at the County Office level under STC supervision
- inform producers about the eligibility requirements for DDAP-III program benefits
- approve or disapprove requested DDAP-III program benefits according to this notice or may delegate the authority to approve or disapprove to a COC designee.

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11 Responsibility and Action (Continued)

D County Office Action

County Offices shall:

- inform all dairy producers in eligible counties of the DDAP-III program requirements through any of the following:
 - over-the counter discussion
 - newsletters
 - other methods of communication, as applicable
- make FSA-747 available to dairy operations during the signup period
- accept FSA-747's according to paragraph 5
- conduct spot checks of DDAP-III program applicants according to paragraph 10
- refer questions to the State Office price support specialist.

E State Office Action

SED's shall ensure that County Offices immediately notify producers of the contents of this notice using all available sources. State Offices shall refer any DDAP-III program policy questions to the National Office according to subparagraph G.

F Training

A training module has been developed and will be available for viewing on AgLearn following the issuance of this notice. State Office specialists will be notified when the training modules are available for viewing.

G Contact

State Offices shall direct questions about this notice or the DDAP-III program, to either of the following in PSD.

Name	Telephone Number	Email Address
Dani Cooke	202-720-1919	Danielle.Cooke@wdc.usda.gov
Toni Williams	202-720-2270	Toni.Williams@wdc.usda.gov

Maximum DDAP-III Payment Rates**A Payment Rates**

The following provides maximum payment rates per pound for production losses for dairy operations located in specific States applicable to each claim period.

State	Mailbox Price 2005	Mailbox Price 2006	Mailbox Price Jan/Feb 2007
Alabama	0.1596	0.1443	0.1615
Alaska	0.2040	0.2010	0.0000
Arizona	0.1388	0.1128	0.1282
Arkansas	0.1596	0.1443	0.1615
California	0.1388	0.1128	0.1282
Colorado	0.1403	0.1214	0.1407
Connecticut	0.1539	0.1344	0.1538
Delaware	0.1539	0.1344	0.1538
Florida	0.1758	0.1603	0.1739
Georgia	0.1596	0.1443	0.1615
Hawaii	0.2700	0.2600	0.0000
Idaho	0.1402	0.1215	0.1388
Illinois	0.1514	0.1283	0.1476
Indiana	0.1503	0.1294	0.1460
Iowa	0.1507	0.1285	0.1479
Kansas	0.1403	0.1214	0.1407
Kentucky	0.1527	0.1349	0.1545
Louisiana	0.1596	0.1443	0.1615
Maine	0.1539	0.1344	0.1538
Maryland	0.1539	0.1344	0.1538
Massachusetts	0.1539	0.1344	0.1538
Michigan	0.1478	0.1264	0.1438
Minnesota	0.1512	0.1277	0.1502
Mississippi	0.1596	0.1443	0.1615
Missouri (Northern)	0.1403	0.1214	0.1407
Missouri (Southern)	0.1467	0.1254	0.1445
Montana	0.1512	0.1277	0.1502
Nebraska	0.1403	0.1214	0.1407
Nevada	0.1388	0.1128	0.1282
New Hampshire	0.1539	0.1344	0.1538
New Jersey	0.1539	0.1344	0.1538
New Mexico	0.1323	0.1108	0.1324
New York	0.1539	0.1303	0.1489
North Carolina	0.1527	0.1349	0.1545
North Dakota	0.1512	0.1277	0.1502
Ohio	0.1506	0.1302	0.1496
Oklahoma	0.1596	0.1443	0.1615
Oregon	0.1402	0.1215	0.1388
Pennsylvania (Eastern)	0.1539	0.1340	0.1538
Pennsylvania (Western)	0.1539	0.1302	0.1487

Maximum DDAP-III Payment Rates (Continued)**A Payment Rates (Continued)**

State	Mailbox Price 2005	Mailbox Price 2006	Mailbox Price Jan/Feb 2007
Puerto Rico	0.2550	0.2570	0.0000
Rhode Island	0.1539	0.1344	0.1538
South Carolina	0.1527	0.1349	0.1545
South Dakota	0.1512	0.1277	0.1502
Tennessee	0.1527	0.1349	0.1545
Texas	0.1405	0.1194	0.1398
Vermont	0.1539	0.1344	0.1538
Virginia	0.1527	0.1349	0.1545
Washington	0.1402	0.1215	0.1388
West Virginia	0.1506	0.1302	0.1496
Wisconsin	0.1535	0.1305	0.1505
Wyoming	0.1403	0.1214	0.1407

Note: Payment rates and calculations are rounded to 7 decimal places.