USDA

Nebraska Farm Service Agency

Producer News

April 2007

From the SED

Brian Wolford
State Executive Director

After one year of considerable research and analysis, the State FSA Committee and I have proposed a revised office structure which will address declining budgets and staff numbers and focus more time on serving producers. The plan calls for the consolidation of twelve FSA Offices which will allow the Agency to more adequately staff remaining offices with the continuing goal of serving producers.

The review of operations was required by the FSA Administrator with the goal of identifying the optimum network of FSA offices, staffing, training and technology within existing budget and staffing resources. Over a decade of declining budgets and reduced staffing levels has resulted in serious challenges for Nebraska FSA and the time to address those challenges is upon us. The following questions and answers will help readers to understand how the proposal was developed and what impacts and opportunities producers will have as a result.

Why was this proposal necessary? Nebraska FSA has 27% fewer County Office employees today than 11 years ago and temporary staffing is down 75% in the last few years. Most every office is considered under staffed and with declining staff levels we are unable to fill all vacancies. Current staff works extremely hard to deliver all programs; however, because of the number and complexity of FSA programs we feel that each office should have its own manager and should be provided with a minimum of three support staff when possible.

What process was followed to review operations? Before our review began, we held meetings with Congressional Staffs, State Senators, Commodity and Livestock groups and various Ag organizations to inform them about our challenges and what we had been asked to do. We then invited over 100 FSA Employees and nearly 250 farmer-elected County Committee Members to attend one of five meetings held around the state to inform them of our challenges and ask for their advice. Surveys were provided to all employees and County Committee Members to help focus on the most important criteria to use when analyzing office structure.

What criteria were used to analyze office structure? Workload was ranked highest by all groups surveyed as the most important criteria to use when analyzing office structure. In all, four criteria were used to analyze structure in Nebraska:

1. Workload should determine office locations.
2. When possible, FSA Offices should be located in Ag trade areas.
3. Distance between offices would remain a factor.
4. Urban sprawl of large metropolitan areas where the current trend identifies decrease in cropland.

Where will impacted producers go to conduct FSA business? Producers will choose which contiguous county to conduct FSA business in. Staff will be assigned accordingly. If you choose the Administrative County that their office is consolidated with you may even be working with the same staff you work with today.

How will this proposal improve service to producers when the workload remains the same? Administrative time will be saved in each location which will allow staff to focus more time on serving producers. Time that was previously spent by staff in both offices on maintaining handbooks, purchasing supplies, operating the server and various other activities will now be completed in one office. Managers overseeing two offices will save travel time and administrative time by now focusing on one office. Creating slightly larger offices with more time to focus on delivering programs will serve producers more efficiently and effectively.

What happens to the FSA Office Employees? Every employee will have a job; however, it will be in a different location. After producers choose what FSA Office they want to conduct business in, staff will be given the option to voluntarily choose a location that needs more staffing.

What is the next step in this process? Congress required that public meetings be held in each community where a consolidation is proposed within 30 days of the announcement. Meetings have been scheduled during the first two weeks of April. After receiving comments, the State Committee and I will take one more look at the proposal and submit a final recommendation to the Secretary of Agriculture for approval. If approval is given, Congress must be notified and given 120 days before an office consolidation occurs.

The State Committee and I understand this is a very difficult situation that impacts producers, employees, partners and communities. However, after months of discussion, research and considering various options, we came to the conclusion that something needed to be done to address the challenges this agency is facing in Nebraska. The decision to sit idly by and do nothing is not a viable option in this situation. We have put forward this proposal with the goal of serving producers and supporting staff with available resources.

To read more about the proposal or to provide comments:

1. Visit our website at www.fsa.usda.gov/ne
2. E-mail: FSA.offices@ne.usda.gov
3. Write to Nebraska Farm Service Agency c/o State Review Plan 7131 A St., Lincoln, NE 68510

Conservation Compliance

The Food Security Act of 1985, as amended by the Food, Agriculture, Conservation and Trade Act of 1990, and the Federal Agricultural Improvement Act of 1996, discourages the production of crops on highly erodible cropland unless the land is protected from erosion by an approved conservation system.

Status reviews are conducted to ensure producers follow a conservation plan, or system, on highly erodible land.

In addition to the highly erodible land, a person may not plant an agricultural commodity on wetland converted after December 23, 1985 or convert a wetland to make agricultural production possible after November 28, 1990.

Failure to comply with these provisions will cause a person to be ineligible for USDA benefits. Farm Service Agency county committees may review noncompliance situations for good faith and provide relief in approved cases.

Deadline to Provide 2006 Production Records for NAP Purposes

In order for producers to qualify for 2006 Non-insured Crop Disaster Assistance Program (NAP) benefits, they are required to certify or provide crop production history and report current crop year production on or before the immediately subsequent crop year acreage reporting date for the crop (i.e. for small grain crops the reporting date is June 30, 2007, for all other crops the reporting date is July 15, 2007, except for grazed forage, controlled environment crops, and value loss crops).

Failure to report production by the production-reporting deadline shall result in the disapproval of any CCC-576, Application for NAP Payment, associated with the current year's production.

Signature Requirements for FSA Programs

Properly formatted legal signatures must be submitted on Farm Service Agency contracts, applications and forms before the document will be considered as filed.

All entities, including revocable and irrevocable trusts, corporations, partnerships, estates, etc., must provide evidence of signature authority stipulating those individuals who are authorized to represent the entity.

FSA cannot accept signatures without such documentation on file. Examples of acceptable evidence include trust agreements, corporate charters or resolutions, partnership agreements and court orders of appointment.

Spouses can sign for one another on most program documents unless written notification denying a spouse this authority has been provided to the county office staff.

An FSA-211, Power of Attorney, may be filed to delegate signature authority for FSA program purposes to another individual.

Reporting Farm and Eligibility Changes

Program participants are responsible for notifying the Farm Service Agency of all changes in their farming operations or entity status. These changes may affect previous payment eligibility and payment limitation determinations.

Changes that need to be reported include, but are not limited to, a change in lease arrangements for land or equipment, changes in sources or contributions of labor and management, changes in sources or contributions of operating capital, additions or deletions of farms in the farming operation, changes in farming interests of a spouse or minor child and changes in entity interests, including members' shares.

FSA must be informed anytime a new entity is established that assumes an interest in the farming operation. This includes entities such as corporations and revocable trusts, where the individual is a member of the entity.

Failure to represent accurately a farming operation's structure, or inputs of capital, land, equipment, labor and management, can result in a determination of ineligibility and demand for refund of FSA payments.

Program eligibility requirements include:

- Person/Actively Engaged/Cash Rent Tenant eligibility based upon filing and updating your Farm Operating Plan for Payment Limitation Review (form CCC-502)
- Highly Erodible Land Conservation and Wetland Conservation Certification (form AD-1026)
- Adjusted Gross Income Certification (form CCC-526)

Please remember that it is your responsibility to report changes to FSA.

Acreage Reporting for FSA Programs

Acreage reporting time is here. Please remember that filing an accurate acreage report for all crops and land uses, including failed acreage, prevented planting acreage, and Conservation Reserve Program (CRP) acreage, can prevent the loss of benefits for a variety of programs.

Failed acreage must be reported within 15 days of the disaster event and before disposition of the crop. Prevented planting must be reported no later than 15 days after the final planting date.

Acreage reports are required if you want to be eligible for Farm Service Agency programs. Acreage reports are to be certified by July 2 for small grains and July 16 for all other crops.

Acreage reports on crops for which NAP assistance may be paid are due in the county office by the earlier of July 2 for small grains and July 16 for all other crops, or 15 calendar days before the onset of harvest or grazing of the specific crop acreage being reported. Acreage reports are required by CRP participants to remain eligible for CRP payments.

Changes in Farming Operations

If you have bought or sold land, or if you have picked up or dropped rented land from your operation, make sure you report the changes to your Farm Service Agency office staff as soon as possible. You need to provide a copy of your deed or recorded land contract for purchased property.

GIS Acreage Reports

All Farm Service Agency offices in Nebraska are using the Geographic Information System Land Use Acreage Reporting software application to take 2007 acreage reports. Nebraska has piloted the application in prior years.

This system utilizes the Common Land Unit layer along with the previous year's digital imagery in GIS to take an acreage report. Crop field boundaries are drawn in using the GIS Land Use Acreage Reporting software based upon the information provided by farm operators and owners.

The new reporting system improves the accuracy of acreage reports. You can review current CLU field boundaries and the image of how fields were cropped in the previous years. The system will automatically calculate acres for all fields. Acreages reported by you will be accepted.

Taking acreage reports through the Land Use system creates a permanent layer of the year's cropping history for the county. The acreage reporting history is also saved from year to year and can be rolled over if there are no changes to fields.

DCP Sign-Up Continues

The Direct and Counter-cyclical Payment Program sign-up period for fiscal year 2007 continues to June 1, 2007.

The CCC-509, Direct and Counter-cyclical Program Contract, includes base acres, payment acres, payment yields, producer payment shares, advance direct and counter-cyclical payment selections and signatures of the operator, owner(s) and Farm Service Agency representative.

The CCC-509 must be submitted by June 1, 2007. **All owners and operators** who will share in the DCP payments on the farm must sign the CCC-509. Forms with signatures that are obtained after June 1, 2007, but before September 30, 2007, will be accepted, but the farm will be assessed a late-filed fee of $100.

If there are changes in who will have a risk in crops produced on the farm, these must be reported prior to September 30, 2007, or the contract is at risk of being invalid with a refund of all payments being required.

Changes in producers on the farm after enrollment may affect all parties involved, including producers who no longer have an interest, as well as new producers on the farm. **All changes in interest on the farm should be made known to your FSA office staff.**

Producers must file (or have on file a current version of) the following documents to be eligible for DCP payments: the CCC-509, a Farm-Operating Plan (CCC-502 and related forms), an Average Adjusted Gross Income Certification (CCC-526), and a Highly Erodible Land Conservation and Wetland Conservation Certification (AD-1026). A Report of Acreage (FSA-578) of all cropland on the farm is needed by the acreage reporting deadlines before final payments can be issued.

Second 2006 Crop Counter-cyclical Payments Announced

USDA has announced that most crops will not have a second 2006 counter-cyclical payment due to higher market prices. Producers with barley, corn, grain sorghum, oats, soybeans, wheat, or other oilseed base acreage enrolled in DCP will not receive payments. Market prices are well above the triggering levels.

Peanut and cotton base acreage will be receiving second CC payments. Questions on USDA determinations for counter-cyclical payments may be directed to your local FSA office.

Combination Leases for DCP Contracts

Regulations require that leases containing provisions where there is a guaranteed amount plus an additional amount based on the amount of production or the proceeds of the crop be considered a share lease. This share lease requires that the DCP payments be shared between the operator and owner.

In many instances, producers have not informed the FSA office of these combination leases as they were not aware of the ramification of these leases. It is strongly encouraged that your local FSA office be informed of these leases. Failure to properly share DCP payments could result in a determination of a contract violation.

Dates to Remember

May 28	Memorial Day Holiday. FSA offices closed.
May 31	Final application date for 2006 commodity loans and LDPs on feed grains, soybeans, and pulse crops.
July 2	Final acreage reporting date for small grains.
July 4	Independence Day Holiday. FSA offices closed.
July 16	Final certification date for all crops except NAP and small grains.
Aug. 1	Final date to request a 2007 farm reconstitution.
Aug. 3	Final date to sign 2006 Direct and Counter-cyclical Program
Sept. 1	NAP final application date for value loss crops, nursery crops, turf grass sod, Christmas trees and aquaculture.
Sept. 30	NAP final application date for alfalfa, mixed forage, fall seeded annual crops (rye, wheat, triticale) and grass.

FSA and RMA Coordinate 2006 Crop Monitoring Activities

The Farm Service Agency (FSA) and the Risk Management Agency (RMA) are jointly monitoring activities to detect and prevent program fraud, waste and abuse. The RMA provides oversight for private insurance companies that issue crop insurance policies. With the crop acreage reporting functions provided by FSA, these two USDA agencies are partners to coordinate program integrity for both agencies.

With an FSA statewide presence, this provides additional opportunities to detect possible crop insurance program fraud, waste and abuse that will be reported to RMA for follow up action. Producers are encouraged to report suspected cases to their local FSA Service Center, RMA office or the Office of Inspector General (OIG). FSA provides assistance to RMA by completing growing season inspections as well as assistance in auditing claims. A small number of Nebraska policy holders will be subject to FSA growing season inspections. Affected producers will be notified in advance of the inspections.

MILC-X Program

Congress extended the MILC Income Loss Contract Program on March 13, 2006 with some minor changes. The initial enrollment period for the program, referred to as the MILCX, ended May 17, 2006 with the extended sign-up period starting May 18, 2006 through the duration of the MILCX program ending on September 30, 2007.

When you initially sign up for the program, you must select a month of commercially marketed production when the Commodity Credit Corporation will begin issuing payments to your operation for fiscal year 2007. You may select the month the initial CCC-580X is submitted or from the remaining months in FY 07 in which CCC-580X is submitted for which the payment rate is not known.

You may change the start month designation prior to the 14th of the month prior to the month already designated.

MILCX payments will be issued based on the selected month's production and for each consecutive month's production thereafter, with a payment rate in effect, until the maximum payment quantity of 2.4 million pounds is reached, or September 30, 2007, whichever comes first.

When the Boston Class I milk price falls below $16.94 payments kick in. Payments are calculated by subtracting the BCI milk price per hundredweight from $16.94 from October 1, 2005 to August 1, 2007, the difference is multiplied by 34 percent. From September 1, 2007 to September 30, 2007 the difference is multiplied by 0 percent.

Maintaining Beneficial Interest

Marketing assistance loans and loan deficiency payments can mean the difference between a good year and a not-so-good year. With that in mind, it's important to comply with the rules, especially the rule regarding beneficial interest.

To be eligible for loans and LDPs, you must have beneficial interest in the commodity and, in the case of a loan, you must retain beneficial interest while the loan is outstanding.

Beneficial interest means retaining the control and ability to make all daily decisions about the commodity, being responsible for loss or damage to the commodity and maintaining title to the commodity. When a producer receives payment for the commodity is not the only consideration. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan or LDP, even if you regain beneficial interest.

Delivery of a commodity to a location not under the control of the producer or to other than an approved warehouse will result in the loss of beneficial interest.

The delivery to an entity such as a dairy, feedlot, ethanol plant, feed mill, wool pool or unapproved storage facility will result in the loss of beneficial interest as of the date of delivery, regardless of other actions or agreements between such entity and the producer.

Removing CCC Loan Collateral

Producers are reminded, if you have grain under Commodity Credit Corporation loan, it cannot be removed or disposed of without prior county office staff authorization or repayment. If movement is initiated on a weekend or holiday, you obtain the release by the following workday.

The county office staff may issue release authorizations based on a telephone or in person request when you are ready to move the grain.

A loan violation is subject to monetary and administrative penalties, such as repaying the loan at principal plus interest, liquidated damages, calling the loan and denial of future farm-stored loans and loan deficiency payments.

All commodity loans are subject to spot check. Locking in a market loan repayment rate is not a marketing authorization. If you are planning to move CCC loan grain, contact the county office staff for additional information.

Deadline for Loans, LDPs

May 31 is the final availability date for requesting a commodity marketing assistance loan or loan deficiency payments for 2006 crop year corn, grain sorghum, soybeans and oilseeds.

To qualify for loans, you must retain beneficial in the commodity from the time of harvest through the date the loan is redeemed or the Commodity Credit Corporation takes title to the commodity.

Farm Storage Facility Loan Program

Producers considering expanding their on-farm grain storage should look into the Farm Storage Facility Loan Program. This low interest loan program is available to all producers of eligible commodities to help build or upgrade commodity storage and handling facilities. Eligible commodities include corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, or minor oilseeds harvested as whole grain. Also eligible are corn, grain sorghum, wheat, oats or barley harvested as other than whole grain. Some of the program details include:

- Items eligible for loan are conventional bins designed for whole grain storage, oxygen limiting or upright silos designed for whole grain wet storage and silage, flat storage structures used primarily to store grain, and bunkers. Permanently affixed grain handling and drying equipment, safety equipment (ex. ladders), electrical equipment, concrete foundations, site preparation, materials and paid labor, are also eligible.
- Used equipment, portable dryers, scales, structures of temporary nature, or structures used for commercial purposes are not eligible.
- The loan amount will be up to 85% of the net cost of the facility, not to exceed $100,000 per producer.
- The loan will be for a 7 year term with annual installments.
- The interest rate will be fixed for the term of the loan. <u>The interest rate for Farm Storage Facility Loans approved in March 2007 will be 4.750%</u>.
- A down payment of 15% is required.
- Producers are required to carry property insurance on the storage facility and also crop insurance on all commodities of economic significance on all farms operated by the borrower for the term of the loan.
- Loans over $50,000 require real estate to be taken for security.
- Eligible bushel capacity is limited to 2 years of production minus the applicant's current available storage.
- There is a $45 non-refundable application fee.

FSA Farm Loans Available

Beginning Farmers or Ranchers Loans

Beginning farmers or ranchers can get a "regular" farm ownership loan by using funds set aside especially for them by the Farm Service Agency. These loans finance up to 100 percent of the land's purchase price (up to the $200,000 loan limit), and the term of the loan can be up to 40 years.

The interest rate can be either the "regular" rate of 5.375 percent (as of March 1, 2007) or the "limited resource" rate of 5.00 percent (as of March 1, 2007).

The regular farm ownership loan funds may also be utilized in joint financing where FSA lends up to 50 percent of the amount financed and another lender provides 50 percent or more. The current interest rate is 5 percent with terms up to 40 years.

Direct Operating Loans

Purpose: Obtain up to $200,000 to finance your farm business. This includes annual operating and family living expenses, machinery, breeding livestock purchases, refinancing most operating type debts and some real estate improvement or repairs.

Rates: The interest rate as of March 1, 2007 is 5.125 percent or the Limited Resource rate of 5.0 percent.

Terms: The term of the loan can not exceed seven years from the date the loan is closed.

Guaranteed Loans

Purpose: Obtain up to $899,000 in Guaranteed Farm Ownership and/or Farm Operating loans. Funds can be used to purchase or enlarge a farm, refinance debt or for most operating uses.

Under this program your local lender makes the loan and FSA provides a guarantee of up to 95 percent (depends on the circumstances) on the loan. This allows your local lender to continue to help you even if you are experiencing a decline in your financial condition.

Rates: The interest rate is negotiated with the lender but should not exceed the rate charged to their average customers. You could qualify for Interest Assistance (4 percent rate reduction) if your cash flow shows the need. If you qualify for the 4 percent reduction, it will be reviewed yearly until your cash flow shows sufficient improvement to pay the full rate.

Terms: Loans for real estate can be amortized for up to 40 years and for chattel up to 7 years.

Land Contract Pilot Loan Program for Beginning Farmers and Ranchers

The pilot program provides the seller of the land a 10-year "prompt payment" guarantee of the sale to the beginning farmer or rancher (buyer).

If the buyer does not pay an annual installment due on the contract, or pays only part of an installment, USDA's Farm Service Agency

provides the scheduled payment or the unpaid portion to the seller through an escrow agent after the seller unsuccessfully attempts collection. The defaulted amount then becomes a federal debt of the buyer.
If the buyer does not restructure the debt into a repayment plan or other FSA-approved plan, FSA may use other means to collect the buyer's debt.

The guarantee is limited to the total of two annual installments and also covers the amount of unpaid taxes and insurance for a period of two years.

To be eligible for the Beginning Farmer and Rancher Land Contract Guarantee Pilot Program, a prospective buyer must:

- Have been farming for at least 3 years and not more than 10 years;
- Not own real estate that exceeds 30 percent of the average farm size for the county;
- Provide at least 5 percent cash down payment;
- Be unable to obtain sufficient credit elsewhere without a guarantee to finance actual needs at reasonable rates and terms;
- Have an acceptable credit history demonstrated by satisfactory debt repayment; and
- Meet other requirements of the program.

Under the pilot program, the purchase price of the farm, ranch or other agricultural operation, cannot exceed the lesser of $500,000 or its current market value as determined by FSA.

The interest rate charged to the buyer for the 10-year term of the guarantee cannot exceed FSA's direct farm ownership loan interest rate in effect at the time the guarantee is issued, plus three percentage points.

The direct farm ownership interest rate is 5.375 percent as of March 1, 2007. Rates change monthly and can be found at http://ww.fsa.usda.gov/dafl/rates.htm.
Contract payments must be amortized for a minimum of 20 years.

In addition, balloon payments are prohibited and payments on the contract must be of equal amounts.

Beginning Farmer Down Payment Ownership Program (10-40-50)

Purpose: Obtain help financing the purchase of a farm up to $250,000 of the purchase price or the appraised value whichever is less. The applicant must put down 10 percent. FSA finances up to 40 percent of the purchase price. The remaining 50 percent of the purchase price can be financed on contract with the seller or through a conventional lender. The lender can obtain a guarantee from FSA if the customer is eligible.

Rates: The FSA loan for 40 percent will be locked in for the full 15 years. Currently the rate is
4 percent. The loan for the balance of 50 percent should be the rate the contract holder or lender would charge an average customer.

Qualification: Beginning farmer applicants must have been farming for at least three years and not more than ten. Applicants cannot own real estate that exceeds 30 percent of the average farm size for the county.

Emergency Loans

Purpose: The FSA may make Emergency Loans to eligible family farmers which will enable them to return to their normal operations if they sustained qualifying losses resulting from natural disasters. To be eligible for these loans, you have to have farmed in a county designated or contiguous to a disaster area.

Emergency loans are available in all 93 counties in Nebraska due to drought, hail, tornadoes, fire and other natural disasters that occurred during 2006. In addition, emergency loans are available in 67 counties in Nebraska due to the severe winter storms that occurred from December 18, 2006 through January 1, 2007.

Rates: The interest rate for the emergency loan is 3.75%.

Terms: Most EM loans may be for up to seven years; however, if the loan is secured only on crops, it must be repaid when the next crop year's income is received. Loans to replace fixtures to the real estate may be scheduled for repayment up to 40 years.

Deadline: The final date for making an application for an EM loan is eight months after the disaster is declared.

Receiving Payments by Direct Deposit

The Debt Collection Improvement Act of 1996 required that most federal payments be issued by electronic funds transfer. Payments issued by FSA or the Commodity Credit Corporation (CCC) are included in this requirement. If you are currently receiving your FSA or CCC benefits by check, you are encouraged to begin receiving your payments via the Electronic Funds Transfer method, commonly referred to as Direct Deposit.

When selecting Direct Deposit to receive FSA or CCC program benefits, you have the option of choosing which financial institution you would like to have payments deposited into. A financial institution can be a bank, credit union, savings bank, or a thrift account.

Producers who elect to receive payments by Direct Deposit are required to complete Form SF-1199A. Only one designation may be made by county. Consequently, all payments that a producer may receive through the County FSA Office will be deposited into the specific account as designated by the producer. Producers who receive payments from more than one FSA county office may establish separate Direct Deposit accounts on a county by county basis.

Remember, producers are required to receive FSA and CCC payments by the Direct Deposit method. This requirement may be waived if you identify that receipt of payments by Direct Deposit would cause a hardship.

Direct Deposit is a safe, convenient, and reliable way to receive FSA and CCC benefits. Please see your local FSA county office for more details or to establish a Direct Deposit account.

Freedom of Information Act (FOIA) & Privacy Act (PA)

The Farm Service Agency and other federal agencies operate under FOIA/PA to determine the release of information. By law, FSA is required to release certain records. Other types of records and information cannot be released without your consent.

If you have questions about the Privacy Act and Freedom of Information Act as it relates to your records, contact your local FSA office.

**Late Announcement* - DCP Deadline Extended*

The sign-up deadline for the 2007 Direct and Counter-cyclical Program (DCP) has been extended to Friday, August 3, 2007. The extension is due to issues involving the problems in performance of the FSA web-based computer system. The late-file fee of $100 will only be assessed for farms that are enrolled after August 3, 2007 and before September 30, 2007.

Other areas of this newsletter refer to June 1, 2007. As noted above, this 2007 deadline is now Friday, August 3, 2007.

Nebraska Farm Service Agency
7131 A Street
Lincoln, Nebraska 68510-4202