

Direct and Counter-Cyclical Payment Program (DCP) - 2012

Overview

The Direct and Counter-Cyclical Payment Program (DCP) provides payments to eligible producers on farms enrolled for each and any of the 2008 through 2012 crop years. There are two types of DCP payments: direct payments and counter-cyclical payments. Both are calculated using the base acres and payment yields established for the farm. DCP is authorized by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) and is administered by the U.S. Department of Agriculture's Farm Service Agency (FSA). Regulations covering the 2008 Farm Bill provisions for DCP appear at 7 CFR Part 1412.

Eligible Producers

To be eligible for DCP payments, owners, operators, landlords, tenants or sharecroppers must:

- Share in the risk of producing a crop on base acres on a farm enrolled in DCP, and be entitled to share in the crop available for marketing from the base acres or would have shared had a crop been produced;
- Annually report the use of the farm's cropland acreage;
- Comply with conservation and wetland protection requirements on all of their land;
- Comply with planting flexibility requirements;
- Use the base acres for agricultural or related activities and ;
- Protect all base acres from erosion, including providing sufficient cover as determined

necessary by the county FSA committee, and controlling weeds.

Eligible Commodities

Base acres and payment yields are established for the following commodities:

- Wheat;
- Corn;
- Grain sorghum, including dual purpose varieties that can be harvested as grain;
- Barley;
- Oats;
- Upland cotton;
- Long grain rice and medium grain rice (which includes short grain rice), excluding wild rice;
- Soybeans;
- Canola, crambe, flaxseed, mustard seed, rapeseed, safflower, sesame seed and sunflower seed, including oil and non-oil varieties, or any oilseed designated by the USDA secretary;
- Peanuts and ;
- Dry peas, lentils, small chickpeas (Garbanzo bean, Desi), and large chickpeas (Garbanzo bean, Kabuli).

Under provisions of the 2008 Farm Bill, farms with 10 or less base acres are not eligible for DCP payments, except for farms whose owners are socially disadvantaged or limited resource farmers or ranchers.

Direct Payments

Direct payment rates for the eligible DCP commodities are as follows:

- Wheat: \$0.52 per bushel;
- Corn: \$0.28 per bushel;

- Grain sorghum: \$0.35 per bushel;
- Barley: \$0.24 per bushel;
- Oats: \$0.024 per bushel;
- Upland cotton: \$0.0667 per pound;
- Rice, long grain: \$2.35 per hundredweight;
- Rice, medium/short grain: \$2.35 per hundredweight;
- Soybeans: \$0.44 per bushel;
- Other oilseeds: \$0.80 per hundredweight;
- Peanuts: \$36 per ton.

For each commodity, the total direct payment for the 2012 crop year for producers on a farm is determined by multiplying 85 percent of the farm's base acreage multiplied by the farm's direct payment yield multiplied by the direct payment rate.

The following is an example for 2012 corn:

Corn base acres:

100 acres x 85 percent
= 85 payment acres
x 110 bushels direct payment yield
x \$0.28 per bushel direct payment rate
= \$2,618 direct payment

Direct payments are not based on producers' current plantings of covered commodities or peanuts, but instead are calculated using the base acres and payment yields established for covered commodities and peanuts on the farm.

Counter-cyclical Payments

In addition to direct payments, the 2008 Farm Bill authorizes counter-cyclical payments, which provide

FACT SHEET

Direct and Counter-Cyclical Payments

January 2012

income support as part of a “safety net” in the event of low crop prices. Counter-cyclical payments for a commodity are only issued if the effective price for a commodity is below the target price for the commodity. Target prices, as provided by the 2008 Farm Bill, for each commodity are as follows:

Crop	2012 Target Price
Barley	\$2.63/bu
Chickpeas, large (Garbanzo bean, Kabuli)	\$12.81/cwt
Chickpeas, small (Garbanzo bean, Desi)	\$10.36/cwt
Corn	\$2.63/bu
Dry Peas	\$8.32/cwt
Grain Sorghum	\$2.63/bu
Lentils	\$12.81/cwt
Oats	\$1.79/bu
Other Oilseeds	\$12.68/cwt
Peanuts	\$495/ton
Rice, long grain	\$10.50/cwt
Rice, medium/short grain	\$10.50/cwt
Soybeans	\$6.00/bu
Upland Cotton	\$0.7125/lb
Wheat	\$4.17/bu

The counter-cyclical payment rate is the amount by which the target price of each commodity exceeds its effective price. The effective price for each commodity equals the direct payment rate plus the higher of:

- The national average market price received by producers during the marketing year as determined by the USDA Secretary (see Example A) or;
- The national loan rate for the commodity (see Example B).

Example A:

If the 2012 national average market price for soybeans is \$11.21 per bushel:

\$0.44 direct payment rate
+ \$11.21 average market price*
= \$11.65 effective price

(*Average market price is used since it is higher than the 2012 national loan rate of \$5.00/bu)

\$6.00 target price
-\$11.65 effective price
= \$0.00 counter-cyclical payment rate because the effective price is above the target price

Example B:

If the 2012 national average market price for corn is \$1.90 per bushel:

\$0.28 direct payment rate
+\$1.95 national loan rate*
= \$2.23 effective price

(*National loan rate of \$1.95/bu is used since it is higher than the average market price)

\$2.63 target price
\$2.23 effective price
= \$0.40 counter-cyclical payment rate

For each commodity, the total counter-cyclical payment for producers on a farm is determined by multiplying 85 percent of the farm’s commodity base acres multiplied by the farm’s commodity counter-cyclical payment yield multiplied by the counter-cyclical payment rate.

An example for 2012 soybeans (using the counter-cyclical payment rate of \$0.26) is:

100 base acres of soybeans
85 payment acres
x 30 bushels per acre counter-cyclical payment yield
x \$0.26 per bushel counter-cyclical payment rate
= \$663 counter-cyclical payment

The DCP payment schedule for the 2012 crop year is in the table located on page 3 of this fact sheet.

Timing of Payments

For 2012, no advance direct or advance CC payments are authorized.

Producers will receive the entire 2012 direct payment in October 2012.

Final counter-cyclical payments will be made beginning Oct. 1, 2012, or as soon as practicable thereafter, after the end of the marketing year for the crop.

Sign-Up Period

The DCP sign-up period for the 2012 crop begins Jan. 23, 2012 and ends June 1, 2012. The CCC-509 sign-up form, “Direct and Counter-cyclical Program Contract,” includes base acres, payment acres, payment yields, producer payment shares and signatures of the producer and county office representative.

All owners and operators who will share in the DCP payments on the farm must sign form CCC-509 by June 1, 2012.

The following documents are required and applicable determinations must be made before the county committee can approve a producer’s share on the CCC-509 for payment:

FACT SHEET

Direct and Counter-Cyclical Payments

January 2012

- A farm operating plan (CCC-902 and related forms);
- An average adjusted gross income certification (CCC-931);
- A certification of compliance with highly erodible land and wetland conservation provisions (AD-1026).

A certification of the acreage of all cropland on the farm (FSA-578) is needed before final payments can be issued.

Planting Flexibility Provisions

Producers who participate in DCP may plant cropland in excess of the total base acreage on the farm to any commodity. However, producers are subject to certain restrictions on the planting of wild rice, fruits and vegetables (other than mung beans and pulse crops). Information on wild rice, fruits and vegetable restrictions is contained in the FSA fact sheet "Direct and Counter-cyclical Payment Program: Wild Rice, Fruit, and Vegetable Provisions." A 2012 fact sheet is available on FSA's Web site at: <http://www.fsa.usda.gov>; click on "find FSA fact sheets."

Planting Transferability Pilot Project

The 2008 Farm Bill provides for the development of a pilot project for certain states to permit the planting of cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn and tomatoes grown for processing on base acres during each of the 2009 through 2012 crop years. DCP base acres on a farm for a crop year will be reduced by one acre for each acre planted under the pilot program.

The number of base acres eligible during each crop year for the pilot year for the pilot project is:

Illinois: 9,000
Indiana: 9,000
Iowa: 1,000
Michigan: 9,000
Minnesota: 34,000
Ohio: 4,000
Wisconsin: 9,000

The 2008 Farm Bill directed USDA to prepare a report assessing the Planting Transferability Pilot Project, which can be found at: <http://www.fsa.usda.gov/FSA/fbapp?area=home&subject=cmdt&topic=landing>. This url contains additional Congressional reports that may be of interest.

For More Information

Further information on DCP and other FSA programs is available at local FSA offices or on FSA's website at: <http://www.fsa.usda.gov/dcp>.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all of its programs 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, political beliefs, genetic information, reprisal, or because all of part of an individual's income is derived from any public assistance program. (Not all bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotope, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

2012 Scheduled Timetable for DCP Payments						
Month/Year	Commodity					
	Barley Oats Wheat	Dry Peas Lentils	Peanuts Rice Upland Cotton	Corn Sorghum Soybeans	"Other" Oilseeds	Large Chickpeas Small Chickpeas
Marketing Year	June 1 - May 31	July 1 - June 30	August 1 - July 31	September 1 - August 31	Varies by crop	September 1 - August 31
Beginning October 2012	Final Direct		Final Direct	Final Direct	Final Direct	
Beginning October 2013	Final CC	Final CC	Final CC for Peanuts & Upland Cotton	Final CC		
Beginning December 2013					Final CC	Final CC
Beginning February 2014			Final CC for Rice			

1/ By statute, counter-cyclical (CC) payments for crop year 2012 can be made no earlier than October 1, 2012.