USDA

Nebraska Farm Service Agency

Producer News

January 2007

State Executive Director Comments

Brian Wolford
State Executive Director

Seasons Greetings from the employees of Nebraska Farm Service Agency! We hope you have enjoyed the Holidays and we look forward to working with you in 2007. The Farm Bill will be the center of attention for Agriculture in the upcoming year. Meanwhile, our agency will be very busy making sure that we have proper eligibility documentation and signature authorities in place to insure proper payments and we will be talking about the structure of Nebraska Farm Service Agency.

A new office structure proposal will be submitted for initial consideration. After collecting input from over 200 County Committee members and nearly 500 FSA employees, the State Committee and I worked with a group of FSA employees to identify criteria for the State FSA Committee to use when evaluating office structure.

The challenges that this agency is facing cannot be overlooked. We are fortunate to have a tremendous staff across the state that works very hard to serve producers; however, they have been working in understaffed conditions for too long. We are far from able to fill our current vacant positions and are operating with many fewer employees than our workload demands.

Something needs to be done to address these issues and after careful thought and deliberation, the State FSA Committee and I have proposed a plan that does include office consolidations. We believe this plan would help alleviate pressures placed on our employees by positioning staff to better handle our workload demands. The proposal would also maintain good FSA office presence and allow staff to focus more on program delivery. Once the proposal is made public, there will be listening sessions in the impacted locations. After hearing public comments there will be a final decision made. If the plan is approved, all producers impacted by an office consolidation would have a one time chance to choose an adjacent FSA office in which to conduct business. After producers choose where they want to do business, then we would assign staff accordingly.

We have our share of challenges to address in 2007 and we will work hard at keeping you informed along the way. I ask for your patience and understanding and if you have questions please feel free to contact me at (402) 437-5600. I would be glad to visit with you.

My best wishes to everyone for a safe and profitable 2007!

Improper Payments Information Act of 2002

As a result of legislation passed in 2002, FSA is reviewing a number of producer eligibility documents as they relate to 2006 and future year programs. One of the many areas of concern has been documents that provide signature authority for entities and joint operations. Entities include corporations, limited partnerships, trusts, limited liability companies, limited liabilities partnerships and estates. Joint operations include general partnerships and informal joint ventures.

Documents that are being reviewed include corporate documents, trust agreements, partnership documents and Power-of-Attorney forms. These documents must contain information as to who are the members as well as who has authority to conduct and transact business for the entity or joint operation. In addition to reviewing documents for membership and signature authority, FSA is also reviewing how signatures were provided. As a result of this legislation, signatures for entities that are not properly formatted will not be accepted. Examples of signature formatting are “Trustee”, “Personal Representative” and “Executor”.

Final 2005 Counter-Cyclical (CC) Payments for Corn, Sorghum and Soybeans Processed in October 2006

Corn and sorghum are due a final payment because the effective price is below the target price. Soybeans did not earn a payment due to the higher market prices during the 2005 market year.

Item	Corn	Sorghum (dollars per bushel)	Soybeans
Target Price	2.63	2.57	5.80
National Average Loan Rate	1.95	1.95	5.00
National Average Farm Price	2.00	1.86	5.66
Higher of Loan Rate or Farm Price	2.00	1.95	5.66
Direct Payment Rate	0.28	0.35	0.44
Effective Price	2.28	2.30	6.10
Final CC Payment Rate (Target Price Minus Effective Price)	0.35000	0.2700	0.0000
First Partial Payment Rate	0.1400	0.0945	0.0000
Second Partial Payment Rate	0.1400	0.0945	0.0000
Final CC Payment Rate (Less 1st and 2nd Partial Payments)	0.0700	0.0810	0.0000

2006 Advance CC Payments Will Not Be Issued

Farm Service Agency offices will not issue 2006 advance counter-cyclical payments as the projected market prices do not trigger counter-cyclical payments for commodity crops grown in Nebraska. These prices will be reviewed again and a determination made in February 2007.

1099's Will Soon be Arriving

During the last week of January, producers who have received payment from the Farm Service Agency will receive a CCC-1099 in the mail from our Kansas City office. A CCC-1099 is a report to the Internal Revenue Service about FSA payments made to you in 2006. The CCC-1099 is a service to help you report taxable income. It is not intended to replace your responsibility to report income to the IRS.

If you receive a CCC-1099, we recommend that you check the amounts shown against your records to see that the amounts are correct. If you find the amounts are not correct, or if you have a question concerning the form, contact the county office staff. If you choose to visit the office, take the CCC-1099 with you so that the staff may more readily identify the questionable items. If there is an error, Kansas City will provide a corrected form CCC-1099.

Wool, Mohair Loans

The final loan availability date to request a marketing assistance loan or loan deficiency payments for wool, mohair and unshorn pelts is January 31 of the year following the year in which the commodity was sheared or the unshorn lamb was slaughtered.

In simple language, that means you have until January 31, 2007 to request loans or LDPs for 2006 crop wool and mohair that has not been marketed and remain in storage.

To be eligible for a loan or LDP, the **producer** must:

- Meet the definition of an eligible producer by 1) reporting crop acreages if associated with a farm that has cropland, 2) complying with highly erodible & wet land provisions and 3) complying with payment eligibility & adjusted gross income provisions.
- Own the sheep or goats that produce the wool and mohair for a period of not less than 30 calendar days before shearing, or in the case of unshorn lambs, 30 days prior to slaughter of the lambs.
- For unshorn pelt LDPs only, sell the unshorn lamb for immediate slaughter or slaughter the unshorn lamb for personal use.
- Have submitted to FSA page 1 of the CCC-633-EZ before beneficial interest in the commodity was lost if requesting an LDP.

In addition to producer-eligibility as listed above, the wool or mohair must be in existence, in storable condition, and of merchantable quality suitable for a loan. The commodity must have been produced and shorn from live animals of domestic origin in the United States.

Final Loan Availability Date

Producers, remember you remain eligible to obtain loans or receive price support on all or part of your eligible production anytime during the loan availability period if you maintain beneficial interest.

The loan availability period runs from when the commodity is normally harvested (or sheared for wool and mohair) until specified dates in the following calendar year.

For small grains, the final loan-LDP availability date is March 31, 2007 and for feed grains and soybeans, it is May 31, 2007.

Removing CCC Loan Collateral

If you have grain under Commodity Credit Corporation loan, don't forget it cannot be removed without prior written authorization or repayment. Unauthorized disposition or removal, which may include movement from one bin to another, is considered a loan violation and is subject to monetary and administrative penalties.

All loans are subject to spot check. Determined shortages must be repaid with loan principal plus interest, and if you are planning to remove CCC loan grain you must contact the county office staff in person or by telephone to obtain a prior release.

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 December 2006 was 4.625%</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

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.

As of September 27, 2006, all 93 counties in Nebraska have been declared a disaster area due to drought, hail, tornados, fires and other natural disasters as primary or contiguous counties in 2006.

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.

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 December 1, 2006) or the "limited resource" rate of 5.00 percent (as of December 1, 2006).

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.

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.

Direct Operating Loans

Purpose: Obtain up to $200,000 to finance your farm business. This includes annual operating and family living expenses, machinery, or breeding livestock purchases, refinance debts other than FSA (incurred for authorized operating purposes), and some real estate improvements or repairs.

Rates: The interest rate as of December 1, 2006 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

Dates to Remember

Dec. 25, 2006	Christmas Day. FSA offices closed.
Jan. 1, 2007	New Year's Day. FSA offices closed.
Jan. 15	Martin Luther King, Jr. Birthday. FSA offices closed.
Jan. 31	Final loan/LDP availability date for wool and mohair.
Feb. 19	Washington's Birthday. FSA offices closed.
Mar. 15	Final application date for Noninsured Crop Disaster Assistance program for spring seeded crops (vegetables, barley, oats, etc.)
Mar. 31	Final loan/LDP availability date for small grains and honey
May 28	Memorial Day. FSA offices closed.
May 31	Final loan availability date for soybeans and feed grains.

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.

Attention Socially Disadvantaged Farmers

FSA has a number of loan programs available to assist applicants to begin or continue in agriculture production. Loans are available for operating type loans and/or purchase or improvements of farms or ranches.

While all qualified producers are eligible to apply for these loan programs, the FSA has provided priority funding for members of Socially Disadvantaged Applicants.

A socially disadvantaged applicant is one of a group whose members have been subjected to racial, ethnic or gender prejudice because of his or her identity as members of the group without regard to his or her individual qualities.

For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans, and Pacific Islanders.

If producers or their spouses believe they would qualify as socially disadvantaged, they should contact their local FSA office for details. FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

Payment Calculations

The Direct and Counter-cyclical Program provides payments to eligible producers on farms enrolled during the crop years 2002 through 2007. There are two types of payments under the program: direct payments and counter-cyclical payments. Both are calculated using the base acres and payment yields established for the farm.

For each covered commodity, the direct payment for each crop year equals 85 percent of the farm's base acreage times the direct payment rate.

Counter-cyclical payments for covered commodities are only issued if the effective price for the commodity is below the target price (established in the 2002 Farm Bill) for the commodity. The counter-cyclical payment rate is the amount by which the target price of a commodity exceeds its effective price. The effective price for a commodity equals the direct payment rate plus the national average market price received by producers during the marketing year or the national loan rate, plus the direct payment rate for the commodity, which ever is higher.

Planting Flexibility

Producers who participate in the Direct and Counter-cyclical Program may plant cropland in excess of the total base acreage on the farm to any commodity. They are, however, subject to certain restrictions on planting wild rice, fruits and vegetables (WR/FAVs) on base acres. (See the "Planting Restrictions" elsewhere in this issue.)

Producers with a given covered commodity crop base do not have to plant that base in order to receive the direct payments or counter-cyclical payments (if earned).

Planting Restrictions

Participants in the Direct and Counter-cyclical Program are subject to some restrictions on planting wild rice, fruits (including nuts) and vegetables (other than lentils, mung beans and dry peas)—WR/FAV for short.

Planting perennial WR/FAVs on DCP base acres is a violation of the regulations (and will result in reduced payment acres), even if the WR/FAVs are destroyed without benefit before harvest.

In general, planting non-perennial WR/FAVs on DCP base acres is not a violation (and will not result in reduced payment acres) *if* the WR/FAVs are destroyed without benefit before harvest. FSA must verify the WR/FAV destruction through a farm visit paid for by the producer.

There are two exceptions applicable to Nebraska producers if WR/FAVs are planted on DCP base acres:

- The first exception is **farm history,** which applies to WR/FAVs planted on a farm with an established history of planting WR/FAVs.
- The second exception is **producer history,** which applies to a producer with an interest in planting a specific WR/FAV and has an established history of planting that WR/FAV.

These two exceptions will prevent a contract violation; however, an acre-for-acre reduction will apply to the farm.

Information on WR/FAV restrictions is contained in the FSA fact sheet, "Direct and Counter-cyclical Payment Program: Wild Rice, Fruit, and Vegetable Provisions." This fact sheet is available at county offices and on FSA's Web site at www.fsa.usda.gov/pas/publications/facts/html/fav03.htm.

DCP Contract Signatures

All producers, including owners and operators, sharing in Direct and Counter-cyclical Program contract payments on a farm must sign the CCC-509. If a succession in interest takes place, all successors and any other producers must sign a revised CCC-509 no later than Sept. 30 of the current fiscal year.

The final date for participants to provide all necessary signatures on CCC-509, is June 1 of the fiscal year to be eligible for payments for that fiscal year.

CCC-509s on which all required signatures are not obtained by the established deadline of June 1 are not considered timely filed. CCC-509s for which missing signatures are obtained after June 1, but before Sept. 30, will be considered late-filed. These late-filed CCC-509s will be eligible for payment but will be assessed a late-filed fee of $100 per farm.

Supporting documentation, including AD-1026, CCC-502, CCC-526, and any other document necessary for the producer to be eligible for payment, must be received before payments are issued.

DCP & Farm Reconstitutions

A farm resulting from a reconstitution may be enrolled in the Direct and Counter-cyclical Program if all signatures on CCC-509 are obtained by the later of June 1 or 30 calendar days following producer notification of the reconstitution.

Farms resulting from a reconstitution are not deemed to have a DCP contract, even if the parent farm had been enrolled during the prescribed annual sign-up period. A resulting farm that is not signed up during this period is not eligible for DCP benefits unless the farm is enrolled before Sept. 30, and a late-filed sign-up fee of $100 is paid.

Payment Limitations, Eligibility

Producers are reminded that no program benefits may be provided until all the necessary payment limitation and payment eligibility determinations have been made. Producers will remain ineligible until all required forms for the specific farming operation are provided to the county office staff.

Any determinations already made for your farming operation as a result of previously filing a CCC-502 will remain in effect for the current and subsequent years, and you will not be required to file a new farm operating plan unless a change occurs that could affect the determination.

Determinations are based on the facts as submitted by the producer. As a program participant, you are responsible for promptly notifying the county office staff of any change that would affect a “person”, “actively engaged in farming,” cash rent tenant, adjusted gross income or foreign person determination. Any unrevealed circumstances could require the application of a more restrictive rule.

Spouses may be considered as separate “persons” for payment limitation purposes if they request to be separate by the April 1 status date, and they meet the requirements to be considered separate “persons”.

The determinations may be initiated by the county committee or by the producer. If requested by the producer, the request may be filed anytime before the final date for submitting CCC-502s, Farm Operating Plan for Payment Eligibility Review.

Any entity earning program benefits must provide to the county committee the names, addresses and ID numbers of the entity’s members. Also, the entity must inform the members of the requirements for designating “permitted entities”.

Producers are further reminded that all CCC-501s, Member’s Information, and CCC-502s, Farm Operating Plan for Payment Eligibility Review, are subject to spot check through the end-of-year review process. If selected for spot check, producers may be required to provide sufficient evidence of their actual contributions to the farming operation so the county committee can determine whether the farming operation is actually being performed as stated on the applicable CCC-501 or CCC-502 forms.

Producers who are determined as “not actively engaged in farming” will be ineligible for Direct and Counter-cyclical Program payments, marketing loans gains and loan deficiency payments, Conservation Reserve Program annual rental payments and any other applicable payment or benefit.

Payment limitation affects several programs administered by FSA. The payment limitation amounts for DCP are $40,000 for direct payments and $65,000 for counter-cyclical payments; market gains and LDPs are $75,000; CRP is $50,000; EQIP is $450,000 total (FY 2002 through FY 2007); and the Non-insured Crop Disaster Assistance Program is $100,000.

Producers must also comply with the $2.5 million adjusted gross income requirement to remain eligible for certain program benefits. The Farm Security and Rural Investment Act of 2002 provides that an individual or entity shall not be eligible to receive certain payments and benefits as specified in the Act if the average of AGI of the individual or entity exceeds $2.5 million. Each participant and each member of any entity participating in the program is required to submit information and documentation about AGI to be eligible for payments and benefits.

Producers should contact their local county FSA office staff for additional information on payment eligibility.

Status Date

The status of an individual or entity on April 1 of the applicable program year is the basis for determining the number of "persons" for payment limitation purposes for that year. Actions taken by an individual or entity after that date to increase the number of "persons" will not be recognized for the current program, but such actions will be used to decrease the number of (persons) for the current program. For example, if an individual holds more than 50 percent interest in a corporation, as of the status date, the individual and entity will be considered one "person" for the applicable year.

Farm Record Changes

Program participants are asked to inform FSA of all changes in their farming operations to insure that federal farm program benefits are distributed properly and legally. This includes formation or the dissolution of entities such as corporations, limited liability companies, estates or different types of partnerships and joint ventures. FSA also must be advised of ownership changes and changes in lease agreements and arrangements. This includes changes that occur between family members. Most federal farm programs require that payments be directed to the person or entity with the risk in the production for the farm operation. Failure to properly inform FSA of farm changes will usually result in a refund of the farm program payments plus interest.

March 15, NAP Closing Date

The Non-Insured Crop Disaster Assistance Program, or NAP, provides financial help to producers of noninsurable crops when a low yield, loss of inventory or prevented planting occurs because of natural disasters. NAP also provides coverage for crops when the catastrophic level of multi-peril insurance is not offered.

Producers must apply for coverage using Form CCC-471, "Application for Coverage," and pay the service fee at the county office. The application and service fee must be filed by March 15, the application closing date for most spring-seeded crops. The service fee is $100 per crop per county or $300 per producer per county. The fee cannot exceed a total of $900 per producer with farming interest in multiple counties. Limited resource producers may request a waiver of service fees.

To qualify, a producer must be landowner, tenant or sharecropper who shares in the risk of producing an eligible crop. In addition, the producer's annual gross revenue cannot exceed $2 million. A payment limitation of $100,000 per crop year is in effect.

Conservation Compliance

All producers must have an approved conservation plan in place before planting an agricultural commodity on highly erodible land, or they must be applying a conservation system on the highly erodible land that is planted to an agricultural commodity. Producers with approved conservation plans must be actively applying the conservation systems contained in the plan.

Producers farming highly erodible land without an approved plan or conservation system to control erosion may be considered ineligible for USDA program benefits. These producers must work with Natural Resources Conservation Service to develop an approved consideration plan and fully apply the required conservation system to the highly erodible land before they can be determined eligible for USDA program benefits.

Sodbuster Rules

Highly erodible land may be brought into crop production only under provisions set forth and implemented in a Conservation Plan of Operation developed for the specified acreage.

Before producers clear, plow or otherwise prepare areas not presently under crop production for planting, they are required to file an AD-1026 with FSA indicating the area to be brought into production. Following this, the Natural Resources Conservation Service makes a determination.

NRCS indicates on a form CPA-026 that the area will be highly erodible land, the producer will be required to develop and implement a conservation plan on the affected acreage, before bringing land into production.

Producers must file an AD-1026 certifying compliance with above provisions prior to applying for program benefits. Program benefits include, but are not limited to price support, Direct and Counter-cyclical Program, Conservation Reserve Program, Environmental Quality Incentive Program, USDA farm operating and real estate Loans and catastrophic and buy-up Multi-Peril Crop Insurance.

Producers must complete a new AD-1026 each time a change in the farming operation occurs, either in the land farmed or operating arrangement or structure.

NRCS Has Programs for New Farmers/Ranchers, Limited Resource Farmers/Ranchers & Minority Producers

The Natural Resources Conservation Service (NRCS) is trying to reach select Nebraska farmers and ranchers to share conservation program information with them.

The deadline to apply for funding in these programs is Jan. 31, 2007. Applications received after Jan. 31, will be considered if there are funds remaining or will be held for next year.

Steve Chick, State Conservationist for the NRCS, says we want to insure conservation program details are getting to beginning farmers and ranchers, limited resource farmers, and minority farmers.

"NRCS offers free technical assistance to plan and install conservation practices. Through the Environmental Quality Incentives Program & Conservation Security Program, producers in these categories can qualify for an added 20% cost-share above the standard practice rate," Chick said.
Other conservation programs to restore wetlands or protect wildlife habitat are available. "We may be able to offer assistance to producers who may have a 'side' business like tourism, crafting, or other income generating business through the Resource Conservation & Development program," said Chick.

NRCS defines a beginning farmer/rancher as an individual or entity who has not operated a farm or ranch for 10 consecutive years or less (applies to all members of an entity) and will materially and substantially participate in the operation. Limited resource farmers/ranchers must not have gross farm sales more than $116,800 the two previous years and has a total household income below with the national poverty level or county median income in the previous two years. (There is a quick on-line financial self-determination tool at http://www.lrftool.sc.egov.usda.gov/tool.asp.)

People should contact their local Natural Resources Conservation Service office to apply for any of these programs. People don't have to "identify" themselves for any of the programs until they make an application, and then only for the EQIP or CSP added cost-share funds.

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

United States Department of Agriculture

PRESORTED STANDARD
U.S. POSTAGE PAID
LINCOLN, NEBRASKA
PERMIT #1359