

USDA



Nebraska Farm Service Agency

Producers News

July 2004

Comments from Brian Wolford, Nebraska State Executive Director

Our share of bad weather... Our thoughts are with the thousands of Nebraska families impacted by severe storms that occurred during May and June.

Families across the state are dealing with the loss of homes, essential farm buildings and equipment and crop and pasture losses. The Farm Service Agency is working to make emergency conservation programs and loan programs available to meet the needs of producers.

While some in our state are dealing with severe storm damage and flooding, others are still pressured by continued drought.

Twenty-five counties have been submitted for a Secretarial disaster designation request due to drought. This declaration would make the following programs available:

1. FSA Emergency Loan program;
2. FSA Disaster Set-Aside Program - allows existing FSA direct loan borrowers to set-aside their FSA loan payment if they cannot make their payment as a result of the disaster;
3. Small Business Administration Disaster Loan Program for businesses impacted as a result of the disaster;
4. Documentation for the Internal Revenue Service to defer income on forced livestock sales due to drought; and
5. Disaster declarations are sometimes used to determine county eligibility for other FSA disaster programs including Livestock Assistance Program, Livestock Compensation Program or Livestock Indemnity Program.

The Nebraska Farm Service Agency staff wishes you a safe and enjoyable summer.

Sodbuster

Converting erosion-prone grassland to cropland without proper conservation measures spelled out in an approved conservation plan can cause producers to lose their eligibility to participate in a number of farm programs.

Producers who convert non-cropland to cropland, called "sodbusting," must report that change to their local Farm Service Agency county office staff before planting. The staff will share that information with the local Natural Resources Conservation Service staff and request a highly erodible land determination.

If the land is not found to be highly erodible, planting can proceed. If the land is highly erodible, an acceptable conservation system must be in place before planting any commodity crop. Acceptable conservation systems include practices necessary to control all forms of erosion, including gully erosion.

Land with a potential erosion rate equal to or greater than eight times the rate at which the soil can sustain productivity is classified as highly erodible. A field is considered highly erodible if one-third or more of the field is highly erodible or the highly erodible land in the field totals 50 acres or more.

2004 Farm Reconstitutions

A farm, as defined by the Farm Service Agency, comprises one or more tracts of land that have the same owner and operator. When a change occurs in the ownership or operation of a farm, a farm reconstitution is called for, and the county FSA office staff must be promptly notified.

Dividing a farm into two or more resulting farms because of a change in ownership or operation is called a farm division, and there are three methods for dividing a farm's crop acreage base:

- Estate;
- Designation by Landowner; and
- Default (applicable to base acres for farm divisions only).

The estate method is the highest priority method. In this method, the farm's acreage base is divided according to the direction in a will. This method also may be used if all heirs sign a written agreement designating the division of base on the parent farm.

The designation by landowner method is the division of acreage base in the manner agreed to by the parent farm owner and the purchaser or transferee. This method is used when part or all of a farm or a tract is sold.

To use this method, the land that is sold must have been owned for at least three years, and the owner of the parent farm and the purchaser must file a signed memorandum of understand, or MOU, designating bases. The MOU must be filed before the farm is reconstituted or there is any subsequent transfer of ownership. Owners who are thinking about selling any land are advised to obtain a written agreement on the division of base at the point of sale of the land.

When using the designation by landowner method, all sellers and buyers must sign an FSA-155.

The default method of dividing base acreage is used when the higher priority methods of estate and

designation by landowner are not applicable. Using this method of division, each resulting farm receives the base that is allocated to the tracts of land associated with each farm.

To be effective for the current fiscal year, the farm division must be requested by Aug. 1 of the fiscal year for farms subject to the Direct and Counter-Cyclical Program.

A request for a farm division after current fiscal year DCP payments have been made will be processed in the following fiscal year. However, if the producer requests that the reconstitution not be processed in the following fiscal year, all payments shall be refunded. After the payment is refunded, the reconstitution may be processed.

Crop Acreage Reports

Filing an accurate and timely acreage report for all crops and land uses, including failed acreage, can prevent loss of benefits for a variety of Farm Service Agency programs. All cropland on the farm must be reported to receive benefit from the Direct and Counter-cyclical Program, Marketing Assistance Loans and Load Deficiency Payments.

Conservation Reserve Program acreage must be reported to receive annual CRP rental payments. And, crop acreage for which Non-insured Crop Disaster Assistance Program

(NAP) may be requested must be reported.

The staff of your local Farm Service Agency county office can accept acreage reports from the farm operator, farm owner, a person authorized by power of attorney and tenants and share-croppers. With respect to tenants and share-croppers, the staff can accept reports only for crop acreage for which the person has a share.

Crop reports, form FSA-578, must account for all cropland on a farm, whether idle or planted. Check with the staff of your local county office for crop reporting deadline.

Prevented planting and failed acreage should also be reported. Producers must be able to establish, to the satisfaction of the county committee, that the crop failed or was prevented from planting because of natural disaster conditions.

Prevented planting occurs when a crop cannot be planted during the established planting period because of a natural disaster. To be timely filed, prevented planted reports must be submitted no later than 15 calendar days after the final planting date for the applicable crop.

Failed acreage comprises tracts of properly-planted and managed crops that did not grow or were destroyed due to a natural disaster. Acreage reports for failed acreage must be filed before destruction of the crop, and producers must be able to establish, to the satisfaction of the county committee, that the crop failed or was prevented from planting because of natural disaster conditions.

Managed Haying and Grazing

Managed haying and grazing are allowed on Conservation Reserve

Nebraska Farm Service Agency

State Committee

Milton Rogers, Chairman

Rob Anderson

Mary Gerdes

Ronald Ochsner

Dennis Richters

Brian Wolford, State Executive Director

Mike Sander, Administrative Officer

Bob Jedlicka, Farm Loan Chief

Greg Reisdorff, Conservation & Environmental Programs

Dan Steinkruger, Production & Compliance Programs

Doy Unzicker, Price Support Programs

Program acreage. Some restrictions and conditions are required of the producer before haying and grazing can be warranted.

CRP participants must request approval from the Farm Service Agency before haying or grazing can occur, and a modified conservation plan must be completed including haying or grazing requirements determined by the Natural Resources Conservation Service or technical service provider.

The same acreage cannot be hayed or grazed under managed or emergency provisions in the two previous years or during the primary nesting or brood rearing season, which is May 1 through July 15. The managed haying and grazing dates for Nebraska are:

Haying – July 16 through Aug. 31
Grazing – July 16 through Sept. 30
Final date to remove bales from CRP – Oct. 15

A payment reduction will be assessed based on the number of acres actually hayed or grazed times the CRP annual rental payment times 25 percent.

Farm Storage Facility Loan Program

Producers considering expanding their on-farm storage should look into the Farm Storage Facility Loan Program, which is available for eligible storage and handling equipment. New structures used to store commodity loan program commodities and having a useful life of at least 10 years are eligible for loan. Permanently affixed grain handling and grain drying equipment is eligible for loan when the county committee determines that the equipment is needed and essential to a producer's storage system.

The maximum amount of any new loan, plus the aggregate balance of all outstanding facility loans, cannot

exceed \$100,000 for each borrower signing the note and security agreement.

Real estate liens are required for new loans and aggregate loan balances exceeding \$50,000.

The loan term is seven years at the Commodity Credit Corporation interest rate determined in the month of application approval.

Requirements for farm facility loans include:

Flood insurance—To protect CCC's interest in collateral, FSA shall determine whether proposed storage facility sites are located in flood hazard areas by viewing national flood insurance program maps. If a facility is to be located in a flood plain, flood insurance will be required before the loan can be made.

Crop insurance—Applicants will be required to provide proof of crop insurance for all insurable facility loan commodities of economic significance on all farms operated by the borrower in the county where the storage facility is located.

Loan application processing can take up to 90 days to review the storage needs, borrower financial data, environmental inspection and lien records. Therefore, producers considering using the FSFL program for 2004 crop storage should be contacting the staff as soon as possible to review the loan eligibility and application requirements.

Guaranteed Loans

Purpose: Obtain up to \$782,000 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 the lender's 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.

Beginning Farmer, Rancher 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 5.50 percent (as of June 1, 2004) or the "limited resource" rate of 5.00 percent (as of June 1, 2004).

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. FSA may charge an interest rate of not less than 4 percent with terms up to 40 years.

Qualification: Beginning farmer applicants must have been farming for at least 3 years and not more than 10 years. Applicants cannot own real

estate that exceeds 30 percent of the average farm size for the county.

To apply for a loan, you should contact the local FSA county office where you plan to farm or ranch.

New Farm Business Plan

Farm Service Agency borrowers who have used the old Farm and Home Plan will soon trade it in for more modern technology that will save them time and energy. This summer, FSA will use the new Farm Business Plan, an Internet-based system that will replace the Farm and Home Plan and allow FSA to provide faster and more efficient service to producers.

The Farm Business Plan will allow borrowers to document cash flow, expenses, assets, debts and other important financial information. The system allows borrowers to evaluate their own short- and long-term plans and goals, as well as assess efficiency and demonstrate credit worthiness to lenders.

FSA farm loan officers and guaranteed lending institutions will also benefit from the plan's ability to quickly process information. The system provides borrowers and lending partners with a secure electronic environment that meets USDA and other federal regulations for electronic commerce and lending services.

In the future, the plan will be part of USDA's Customer Statement, which means farmers, ranchers and others will have the ability to see their USDA farm loan and other personal program information online.

Refunding 2003 Counter-cyclical Payments

This spring's welcomed increase in market prices may have a downside for producers who received advance

Dates to Remember in 2004

July 5	FSA offices closed for Independence Day holiday
July 15	Final reporting date for all other crops
Aug. 1	Deadline to request farm divisions for 2004
Sept. 1	NAP application deadline for aquaculture, Christmas trees, nursery crops, turfgrass, value loss crops
Sept. 30	NAP application deadline for alfalfa, fall seeded crops, mixed forage
Sept. 30	Deadline to report changes in farm operations
Dec. 1	NAP application deadline for apples, asparagus, cherries, grass, honey, plums, strawberries

counter-cyclical payments in October and February under the Direct and Counter-cyclical Program. If effective market prices continue near their current levels, producers may be required to refund part or all of the 2003 counter-cyclical payments they received for some crops.

2003 counter-cyclical payments for corn, wheat and sorghum were triggered in October 2003, when projected market prices were below target prices set by the 2002 Farm Bill. If the final effective market price for any of these commodities is above the target price, producers will be required to refund any unearned counter-cyclical payments.

Whether overpayments were made will not be known until after the end of each crop's 12-month marketing year. The 2003 marketing year for wheat runs from June 2003 through May 2004; for corn and sorghum, it's September 2003 through August 2004. Final counter-cyclical payments will be calculated in July 2004 for wheat and in October 2004 for corn and sorghum. Final counter-cyclical payments will be based on the national average farm prices for commodities.

Affected producers will have two options for refunding unearned payments. The default option will be to reduce any DCP payments received between October 2004 and March 2005 to satisfy the obligation. The second option allows producers to write a check to Commodity Credit

Corporation for the unearned payments.

Nebraska producers received advance counter-cyclical payments of 7.7 cents per bushel for corn, 3.15 cents per bushel for wheat and 1.4 cents per bushel for sorghum. In total, state producers received \$54 million in 2003 advance counter-cyclical payments, an amount that could be offset by final 2004 direct and advance 2005 direct DCP payments.

Rural Development Grants

USDA Rural Development has announced the availability of \$22.8 million in grants for Renewable Energy Systems and Energy Efficiency Improvement projects to help farmers and ranchers and small businesses located in communities with a population of 50,000 or less reduce energy costs and consumption.

Renewable energy systems include

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C., 20250-9410, or call 202-720-5964 (voice or TDD).

wind, solar, biomass, biogas and geothermal projects. Energy efficiency improvement projects include improvement to HVAC systems, insulation, refrigeration, lighting, pumping systems, air systems, motor systems and irrigation efficiency improvements.

Farmers and ranchers may be assisted with irrigation system energy improvements, methane digesters for livestock waste, grain handling systems, wind turbines and solar systems.

Grants for renewable energy systems will not exceed \$500,000. Grants for energy efficiency improvements will not exceed \$250,000. Applications for energy grants are due no later than July 19. For details, contact Cliff Kumm at (402) 223-3125, extension 4.

Attention Socially Disadvantaged Farmers

The Farm Service Agency has a number of loan programs available to assist applicants to begin or continue in agriculture production. Loans are available for operating expenses and to purchase or improve farms or ranches.

While all qualified producers are eligible to apply for these loan programs, FSA has provided priority funding for 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 their identity as members of the group without regard to their individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics and Asian Americans and Pacific Islanders.

If producers or their spouses believe they would qualify as socially

disadvantaged applicants, they should contact their local FSA county office staff for details. Regulations prohibit the staff from making a visual determination concerning an applicant's eligibility as a socially disadvantaged applicant.

FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

GIS Implementation

Nebraska county offices are currently implementing the use of Geographic Information Systems to help administer Farm Service Agency programs. This more accurate technology will replace the use of paper aerial photography maps, and will help us to efficiently manage and make data more accessible and improve customer service.

Critical to implementation of GIS is the development of a Common Land Unit layer. The CLU is the smallest unit of land that has a permanent, contiguous boundary; common land cover management; common ownership; and a common operator. A CLU layer has been created for all Nebraska counties to delineate all farm, tract and field boundaries.

Along with the "geo-spatial" information, the CLU also includes information, or "attributes," tied to each area. Attributes include data such as total acreage, crop history, crop yield, erodible land classification and applied conservation practices.

As county office staffs develop the CLU, farm, tract and field acreages will be re-measured. The GIS acres will be the "official acres" for Farm Service Agency program purposes once the acreage has been certified. County offices have also received new official imagery flown during the summer of 2003. Along with

delineating all known farm, tract and field boundaries, county office staffs are reviewing the new imagery for any changes or corrections that have occurred since the last official imagery was flown in 1993 and 1999.

Certification involves sending copies of the new maps with updated GIS acres to all owners or producers in the county. A producer then has the opportunity to review the line work before the GIS acres become official FSA Program Acres.

Reporting Noninsured Crop Losses

If you've applied for coverage under the Noninsured Crop Disaster Assistance Program (NAP) and suffer a loss or damage, don't forget that your local county office staff must be notified within 15 days of the:

- latter of the occurrence of prevented planting or end of the planting period, or
- disaster occurrence or date damage to the specific crop acreage is apparent to the producer.

The timely reporting of a loss or damage is important. Failure to timely file a notice of loss can result in a determination of ineligibility for NAP payments. Late-filed reports may be approved only if the cause and extent of crop damage can be determined by a field inspection.

A notice of loss must be filed on a form CCC-576. Separate CCC-576s must be filed for each crop and type, or variety of the crop, affected by a weather-related event or adverse natural disaster occurrence. Subsequent weather events affecting the same crop must also be reported, but will be documented on the previously filed CCC-576.

A field inspection of your acreage may be necessary. If so, the county office staff will generally schedule one

within five calendar days of the date of the notice of loss. If you plan to destroy the crop, the entire acreage must first be inspected. Acreage destroyed prior to an inspection or with out consent of the county office staff will be ineligible for payment.

Farm Record Changes

If you've made changes in your farm operation, please visit your local Farm Service Agency county office to report them to the staff before Sept. 30. Changes that warrant reporting include operator changes, whether you're farming new land or dropping some land, changes in ownership (purchasing land or selling land, settlement of estates), cash renting vs. share cropping, and name and address changes.

Maintaining accurate farm records will help ensure you remain eligible for programs and avoid penalties.

For farm ownership changes, please provide the staff with a recorded deed or recorded land contract.

If there is to be a division on contract acres, one of the options available is "Designation by Landowner Method," which is the division of contract acres in the manner agreed to by the parent farm owner and purchaser or transferee. This method may be used when all or part of a farm or tract is sold or ownership is transferred.

Report Prevented Planted Acreage

If you were unable to plant crops this spring due to a natural disaster, you should report these prevented planted acres to your local county office staff.

Crop and acreage reporting is required for participation in many FSA programs, and it is a good way to

maintain cropping history. Certified crop reports are used by your county office staff to determine compliance with certain farm programs and, perhaps, eligibility for future programs.

If a crop could not be planted because of a natural disaster, report it to the county office staff within 15 days of the crop's established final planting date to maintain eligibility for some FSA programs. Contact your local county office staff for the final planting dates for crops.

For crops for which federal crop insurance is not available, you may be eligible for assistance on prevented planted acres under the Non-Insured Crop Disaster Assistance Program. The acres of non-insurable crops that are kept from being planted must be reported within 15 days of the end of the normal planting period for the specific crop.

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