

USDA



Nebraska Farm Service Agency

Producers News

February 2004

Comments from Brian Wolford, Nebraska State Executive Director

Competing for your attention. One Internet Web site states that the average American is exposed to 247 commercial messages every day. The author of a book on advertising says the average American is exposed to over 3000 ads every day. The numbers vary but the point is clear. We are all trying to get your attention. In our case, we're trying to get you to read our newsletters—either the periodic newsletter you receive from your local FSA county office or this quarterly newsletter from the Nebraska state office.

Why should you spend your valuable time reading our newsletters instead of the other “junk” mail you receive? Well, consider this—we aren't trying to sell you anything. Our goal is to provide you with information about federal farm programs, including the availability of farm loans and disaster programs, that will have a positive effect on your bottom line.

I have spoken with a few producers who have told me that with their farming and family responsibilities, they just don't have time to read FSA newsletters. I usually hear this after a program sign up deadline has passed. Missing a sign up deadline could result in losing out on program benefits that you deserve.

We publicize important program deadlines and announcements through our newsletters and Web page. We also publicize important information by issuing news releases, but we can't ensure that they will be printed in the papers or carried on the airwaves.

For my money, the FSA newsletters are your best bet for keeping abreast of program news. Please take a few minutes to make sure you are informed about programs that could benefit your operation.

Signup for the 2004 Direct and Counter-cyclical Program will conclude June 1, 2004. The 2002 Farm Bill requires that producers who choose to participate in DCP must enroll on an annual basis. Signup began on Oct. 1, 2003, for the 2004 crop season and producers could elect to receive the first half of their direct payments as early as Dec. 1, 2003. As of Jan. 22,

2004, producers in Nebraska had been paid \$64 million in 2004 direct payments. If you have not enrolled, please contact your local FSA office to schedule an appointment.

Should we expect a 2003 counter-cyclical payment in February? Probably not. The counter-cyclical payment rate is calculated using the following formula:

CCP = Target price minus direct payment minus greater of loan rate or 12-month weighted average price.

During 2003 DCP signup, producers chose from two options to receive potential counter-cyclical payments:

Option A: Three installments beginning with 35 percent of the estimated payment in October, 35 percent of the estimated payment in February and the remaining payment at the end of the crop-marketing year.

Option B: One payment at the end of the crop-marketing year.

In October, Farm Service Agency sent counter-cyclical payments to producers that chose Option A. Payments were as follows: Corn: 7.7 cents; Wheat: 3.15 cents and Sorghum 1.4 cents.

As of this writing, it is estimated that no counter-cyclical payments will be paid for these crops in February.

Will producers have to pay back counter-cyclical payments already received? Possibly, if prices stay at current levels or higher. However, producers will have the option to have the amount due withheld or offset from their remaining 2004 or advance 2005 direct payments.

Attention Direct FSA Borrowers and Guaranteed Lenders: Each year we compete for loan funding with all other states. Last year Nebraska processed over \$189 million in direct and guaranteed loans and had the most approved applications of any state in the nation. Our staff works very hard to contact borrowers as early as possible because the sooner we have an approved loan application the better chance we have of receiving funding for that request. If you

are a current borrower or think you might need FSA assistance please contact your local farm loan manager for an appointment. Lenders desiring an FSA guaranty should also contact their local farm loan manager for assistance.

Crop Disaster Program signup ended on Jan. 30, 2004. Nebraska producers received over \$165 million for crop losses that occurred during the 2001 or 2002 crop season. Thank you for your patience with our staff as they handled thousands of appointments and requests for program benefits. Other disaster program benefits included \$713,089 for the Livestock Assistance Program and \$3.8 million for the Sugar Beet Disaster Program.

Nebraska Farm Service Agency employees wish you a safe and profitable year. We look forward to serving you!

FSA Farm Loans Available Due to Drought

Last summer's drought affected many farmers and rancher's cash flows. The drought may have caused your farm operating expenses to be higher than normal and your yield to be lower, thus reducing your net income. If this reduction in net income will not allow you to pay your creditors, you should contact your lender to see if an FSA guaranteed or direct loan would benefit your farming or ranching operation.

Nebraska lenders can submit guaranteed loan requests to help existing or beginning farmer or rancher customers. The FSA guaranteed loan program allows lenders to extend terms longer than normal, which may allow for a positive cash flow. Guaranteed farm ownership loans are available to purchase or refinance debts for terms of 20 to 40 years, and operating loans are available to purchase or refinance chattels for terms up to 7 years. Five-year line-of-credit guaranteed loans are available for annual operating expenses. On term operating loans and line-of-credit loans, interest assistance is available to reduce the interest by 4 percent for customers who are unable to repay at the regular interest rate. Also, balloon payments can be scheduled on operating loans if a longer amortization is needed and there is real estate security or stock cows available for security.

Nebraska FSA encourages the lenders, the farmers and the ranchers to analyze their income and expenses for the past year and review their cash flows to determine their needs for the 2004 operating year.

Any farmer or rancher who may need an FSA guaranteed loan or a direct loan must apply as early as possible because some FSA loan programs may not have adequate funds for the entire year.

Nebraska Farm Service Agency

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Brian Wolford, State Executive Director

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Bob Jedlicka, Farm Loan Chief

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Dan Steinkruger, Production & Compliance Programs

Doy Unzicker, Price Support Programs

FSA Farm Loan Program

The Farm Service Agency makes loans and provides credit when farmers are unable to obtain commercial credit. Some of the loan programs available through the FSA are described below:

Emergency Loans

Purpose: FSA may make Emergency, or EM, Loans to eligible family farmers to 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 as a disaster area.

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

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 Farmer Down Payment Farm 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 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.

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 real estate improvements or repairs (limited to \$15,000 per year).

Rates: The interest rate is the rate in effect at the time of loan approval or loan closing, whichever is lower. Rates are posted on a monthly basis. Refer to FSA staff for information.

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

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.

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 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 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 and 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.

Existing FSA Borrower

It appears FSA may run short of loan funds again this year. Therefore, we encourage each of you to complete your 2003 farm records along with your 2004 farm plans and make an appointment with your loan officer as soon as possible. If you think you may have trouble making payments, there may be programs to assist in reschedul-

ing or reamortizing your payment schedules.

NAP Deadline Approaching

The Non-Insured Crop Disaster Assistance Program (NAP) deadline is fast approaching. NAP is designed to reduce financial losses that occur when natural disasters cause a catastrophic loss of production or prevented planting of an eligible crop by providing coverage equivalent to catastrophic, or "CAT," insurance.

March 15, 2004, is the final date for producers to apply for NAP coverage on spring-seeded annual crops (including, but not limited to barley, oats and vegetables).

Producers who have coverage on 2003 NAP crops may choose to continue coverage on the same crops for 2004, if the applicable service fee is submitted by the application closing date. Producers do not have to sign a new form CCC-471, Application for Coverage, when applying for continued coverage of the same crop or crops.

Producers who choose to add or delete a crop from the previous year's coverage or change crop shares must file a new CCC-471, with signatures, and pay the applicable service fee.

Producers with NAP coverage are required to 1) file a Notice of Loss within 15 days of when a loss is apparent (such as from drought, hail, etc.), 2) timely file acreage reports and 3) keep track of harvested production using acceptable methods.

Crop Disaster Program Linkage Requirements

Producers who participated in the 2001/2002 Crop Disaster Program (CDP) need



NEBRASKA Farm Service Agency

to be aware of the “linkage” requirements. If benefits were received on a crop that was not covered by either a crop insurance or NAP policy in the disaster year, coverage must be purchased in the two subsequent years or CDP payments will have to be refunded with interest.

In the case of insurable crops, crop insurance must be purchased at a level greater than the catastrophic risk protection (CAT). For non-insurable crops, NAP coverage must be obtained through FSA by paying the administrative fee in the applicable county by the application deadline and submitting all additional necessary documents to meet program requirements.

If the sales closing date for crop insurance or NAP coverage occurs after March 1, 2004, you must obtain the required coverage for either of the following:

- 2003 and 2004 crop years
- 2004 and 2005 crop years

If the sales closing date for crop insurance or NAP coverage occurs on or before March 1, 2004, you must obtain coverage for the one of the following:

- 2003 and 2004 crop years
- 2004 and 2005 crop years
- 2005 and 2006 crop years

Linkage applies to all crops included in a CDP “pay group.” Producers should consult the county office staff immediately with any questions regarding specific linkage requirements.

DCP Planting Flexibility

DCP participants are subject to certain restrictions on the planting of wild rice and fruits and vegetables (FAVs). Producers who anticipate planting FAVs in 2004 should contact FSA first to determine the potential effect on DCP contracts. Under the old Production Flexibility Contracts, planting fruits, vegetables or wild rice on contract acres was a violation.

Under DCP, non-perennial fruits, vegetables and wild rice are still prohib-

Dates to Remember in 2004

Feb. 16	Washington’s Birthday -- Federal offices closed
Mar. 15	NAP application closing for spring seed crops (e.g., vegetables, barley, oats) Spring sales closing date for crop insurance
Mar. 31	Deadline to apply for honey loans, LDP Graze Out application deadline Deadline to apply for loans, LDPs for small grains, canola, crambe, flaxseed, rapeseed and sesame seed
April 1	Status date for payment limitation determinations
May 31	Deadline to apply for loans, LDPs for pulse crops, feed grains, soybeans, safflower/sunflower seed Hard White Wheat Incentive Program Application
June 1	DCP signature deadline
June 30	Final reporting date for small grains
July 15	Final reporting date for all other crops

ited crops on base acres when no farm or producer history exists. However, these crops may be destroyed without benefit before harvest and not considered a DCP violation if all of the following occur:

- * The producer notifies the county committee that the commodity has been or will be destroyed;
- * The producer requests and pays for an FSA farm visit to verify that the commodity was destroyed without benefit before harvest; and
- * The producer modifies form FSA-578 to record the acres as destroyed without benefit.

These actions must be taken timely to avoid possible reductions to FSA payments and penalty assessment. FAVs planted for forage or green manure are not prohibited if properly reported and an FSA farm visit is requested and paid for to verify final use.

Payment Eligibility, Limitation

Determinations. Payment eligibility and payment limitation determinations must be made before most FSA program benefits can be issued. These determinations may be initiated by the county committee or requested by the producer. In order to make these determinations, FSA requires producers to provide all necessary information regarding their

farming operations in the current year. Although new forms are not mandatory every year, a producer is responsible for reporting any changes that could affect previous payment eligibility/limitation determinations. This could include, but is not limited to, changes in the land involved in the operation, other farming interests, cash or share lease arrangements, shares of an entity and contributions of land, capital equipment, labor and management to the farming operation. Entities earning program benefits subject to payment limitation are required to provide the names, addresses and ID numbers of the entity members. Entity members must designate their shares to receive payments for applicable programs. The information provided by program participants to make these determinations is subject to verification through a spot check process.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited 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 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).

Programs and Payment Limits.

Direct and Counter-Cyclical Program

- * Direct payments - \$40,000 per year
- * Direct payments for peanuts - \$40,000 per year
- * Counter-cyclical payments - \$65,000 per year
- * Counter-cyclical payments for peanuts - \$65,000 per year

Price Support

- * Market loan gains and loan deficiency payments - \$75,000 per year
- * Market loan gains and LDPs for honey, peanuts, mohair or wool - \$75,000 per year

Conservation Programs

- * Conservation Reserve Program (CRP) rental and incentive payments - \$50,000 per fiscal year
- * Environmental Quality Incentive Payments (EQIP) - \$450,000 through the life of the farm bill

Other Programs

- * Emergency Conservation Program (ECP) - \$200,000
- * Noninsured Crop Disaster Assistance Program (NAP) - \$100,000 per crop year
- * Milk Income Loss Contract (MILC) - There is no payment limitation for MILC. These payments are limited to 2.4 million pounds of production per year.

The status of an individual or entity on April 1 of the applicable crop, program or fiscal year is the basis on which "person" determinations for payment limitation are made. This includes, but is not limited to, factors such as marital status, shares in an entity and status as a minor. Husbands and wives who wish to request to be separate "persons" must do so by April 1 if both have a farming interest as of that date. Actions taken after the status date will not increase the number of "persons" for payment limitation purposes in the applicable year, but may be used to determine a decrease in "persons."

Average Adjusted Gross Income

Limitation. Individuals and entities whose previous 3-year average adjusted gross income (AGI) exceeds \$2.5 million are ineligible for many program

benefits unless they can establish that at least 75 percent of their AGI is derived from agriculture. The AGI limitation applies to DCP direct and counter-cyclical payments, loan deficiency payments, marketing loan gains, Agricultural Management Assistance Program, Conservation Security Program, Conservation Reserve Program, Environmental Quality Incentives Program, Farmland Protection Program, Grassland Reserve Program, Ground and Surface Water Conservation Program and Wetland Reserve Program. All participants must certify to AGI compliance, including entity members. Program benefits to an entity or joint operation will be reduced by a member's commensurate share if that member is not in compliance with the AGI requirements. Participants are also responsible for notifying FSA if their AGI compliance status changes in a future year.

GIS Implementation

Nebraska county offices are currently implementing the use of Geographic Information Systems (GIS) and Global Positioning Systems (GPS) for FSA programs. This more accurate technology will replace the use of paper aerial photography maps. The Common Land Unit (CLU) layer has been created for all counties to delineate and attribute all farm, tract and field boundaries. Acres will be re-measured as a result of this process. The GIS acres will be the "official acres" for FSA program purposes. Producers will be notified of the GIS acres on their farms, and provided a 30-day opportunity to request a review of the boundaries and revised measurements.

Trade Adjustment Assistance

If you are a producer of a commodity that has recently suffered from low prices due to increasing imports, you may be eligible for technical assistance and a financial payment under the Trade Adjustment Assistance Program. To be eligible, you must be part of a group that has filed a petition requesting eligibility for yourself, as well as for your neigh-

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**Have you signed your
Direct and Counter-cyclical
contract for 2004?**

bors who produce the same commodity, in your state or region. If your petition is certified, you may apply immediately to FSA for benefits. Producers of wild blueberries, Pacific salmon, shrimp and catfish in certain states have all ready been approved.

For a petition to be approved, the secretary of agriculture must determine that the national average price in the most recent marketing year for the commodity is less than 80 percent of the national average price in the preceding five marketing years and that increases in imports of that commodity contributed importantly to the decline in price.

For information about TAA, contact the county office staff or visit the Foreign Agricultural Service's TAA Web site at www.fas.usda.gov/itp/taa/taaindex.htm.

Hard White Wheat Loan Rates

The 2002 Farm Bill provides that wheat loan rates be announced by class. Loan rates are based on the following classes of wheat: hard red spring (HRS), hard red winter (HRW), soft red winter (SRW), soft white wheat (SWW) and durum (DUM).

According to a notice issued in mid-January, loan rates for hard white wheat, which is missing from the list, will be equal to loan rates for hard red winter wheat (HRW).

Disaster Debt Set-Aside Program

When FSA borrowers who are located in designated disaster areas or contiguous counties are unable to make their scheduled payments on any debt, FSA can consider setting aside some payments to allow the operation to continue. When a county is named as a disaster area, borrowers who are currently indebted to FSA are notified

that they may be eligible for the program. Borrowers have eight months from the date of the disaster designation to apply for the program.

Visit the FSA county office for information about eligibility criteria or check out the program fact sheet on the FSA Web at www.fsa.usda.gov/pas/publications/facts/html/debtset02.htm.

CCC-1099s Forms

Producers who have received payments from FSA in 2003 should have started receiving their CCC-1099s in late January. 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.

When you received a CCC-1099, check the amount shown with your records to see that it's correct. If the amount is not correct or if you have a question concerning the form, contact your local county office staff. If you choose to visit the office, take the CCC-1099 with you so that we may more readily identify the questionable items. If there is an error, we will furnish you with a corrected CCC-1099.

If you received a program payment from FSA during 2003 but did not receive a CCC-1099, be sure to contact your local county office.

The Beginning Farmer and Rancher Conference: *Realities and Opportunities*



March 27, 2004
Holiday Inn and Convention Center
Kearney, Nebraska
9:00 a.m. to 5:00 p.m.

Sponsored by: For more information:

College of Rural Affairs Land Stewardship Program Risk Management Agency, USDA University of Nebraska-Lincoln	July 2003 Conference Coordinator Genevieve Kuntz 402.475.4223 kuntz@rfa.unl.edu
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www.cfra.org/inline/default.htm



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