Farm Service Agency

Oklahoma Farm Service Agency

USDA

Information Update

Farm Security and Rural Investment Act of 2002

Commodity Program

Eligible Farms

Farms eligible to enroll in the new commodity program are:

- Current participating PFC (Production Flexibility Contracts authorized by the Agricultural Market Transition Act from the 1996 Farm Bill) farms
- Farms that were planted or were approved as prevented planted in crop years 1998-2001 to a covered commodity crop.

Commodity Crops

Covered commodity crops are wheat, barley, oats, corn, grain sorghum, cotton, rice, peanuts, soybeans, and some minor oilseeds that were grown for harvest, grazing, haying, silage, or other similar purposes.

Eligible Acreage (Bases)

Base acreage for each covered commodity crop is either:

- the current PFC contract acreage plus eligible oilseed acreage
- a recalculated base. This recalculation is a four-year average of the planted and approved prevented/planted acreage for each covered commodity crop on the farm from 1998-2001. If an owner elects to recalculate the base for one crop, all crops on the same farm must have recalculated bases.

Payment Acreage

Payment acreage for direct and counter-cyclical payments is equal to 85 percent of the eligible (base) acreage, and is not dependant on the amount of the planted commodity crop acreage.

Types of Payments

Under the new program, there will be two types of payments:

- Direct payments, based on a fixed rate established by the Act;
- Counter-cyclical payments based on the crop's 12-month market price. This payment rate is equal to the Target Price minus the Direct Payment Rate minus (the higher of the loan rate or the 12-month market price), and will only be applicable when the 12-month average is low.

Planting Flexibility

Payments will be reduced if fruits, vegetables, nuts, or wild rice are planted and not destroyed prior to harvest on participating acreage. Other payment reductions or violations may be applicable and will be announced.

Oilseed Provisions

Provisions applicable to oilseeds (soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, or other oilseeds designated by the Secretary):

- Eligible acres will be determined by comparing the 1998 – 2001 average planted and prevented planted acreage to the current PFC contract acreage. The total amount of base acreage may be limited by the amount of cropland.
- The payment yield for oilseeds is:
  - based on the 1998 – 2001 average yields, substituting 75% of the county yield for years which the producer's yield was less than 75% of the county yield
  - adjusted by multiplying the average yield by a factor (78% for soybeans) in order to establish a yield similar to PFC crop yields determined in 1986.
- Counter-cyclical payments are not available for oilseeds other than soybeans.

Direct Payments

Direct payments are:

- Based on the current established yield for the farm. If a yield does not exist, one will be established using similar farms
- Issued as follows:
  - up to 50% beginning on December 1 of the year prior to the year the crop is harvested
  - the balance is issued in October of the year the crop is harvested
- Limited to $40,000 per eligible person per year.

Counter-cyclical Payments

Counter-cyclical payments are:

- Based on either of the following yields:
  - the direct payment yield for the farm.
  - a partially updated payment yield, which is only available to farms which had base recalculations. The partially updated payment yield is determined by a percentage of the four-year average (1998-2001) and excludes zero planted years. If an owner elects to partially update the yield for one crop, all crops must have partially updated yields.
- Issued as follows:
  - up to 35% beginning in October of the year the crop is harvested
  - an additional 35% beginning in February of the year after the crop is harvested
  - the balance is issued after the end of the 12-month marketing period for the specific crop
- Limited to $65,000 per eligible person per year.

Payment Limitation Rules

Payment limitation:

- The current rules on spouses, 3-entities, and actively engaged requirements are retained;
- A $2.5 million adjusted gross income cap for 2003 and subsequent years is established. An individual or entity is not eligible if the average adjusted gross income of the individual or entity exceeds $2.5 million, unless 75 percent or more of the average adjusted gross income is derived from farming, ranching, or forestry operations.

2002 Payments for PFC Farms

Producers on participating Production Flexibility Contract farms who have designated shares by August 1, 2002, may receive their 2002 PFC payment by September 30. If the farm is enrolled in the new commodity program, the difference between the 2002 Direct payment and the 2002 PFC payment will be issued after October 1 when the farm is enrolled in DCP.

Signup

October 1, 2002 – June 2, 2003.

Dairy Program

National Dairy Market Loss

The new national Milk Income Loss Contract Program, MILC, is a 3.5-year dairy program. This program will provide assistance to all dairy producers who share in the risk of producing milk and make contributions (including land, labor, management, equipment, or capital) to the dairy operation. Payments will be made on up to 2.4 million pounds of annual milk production.

Conservation Program

Conservation Reserve Program

The Conservation Reserve Program has been re-authorized. This program offers 10 to15-year contracts for producers to retire highly erodible land and plant it to a conservation cover to reduce erosion and optimize wildlife benefits. Eligibility is extended to highly erodible land that has been cropped in four of the six years prior to 2002 and marginal pastureland if devoted to trees or near riparian areas. A national signup will be announced in the future for all farmers and ranchers to submit offers to enroll eligible acreage.

Environmental Quality Incentives Program

The Environmental Quality Incentives Program (EQIP) has been re-authorized with increased funding for the length of the farm bill. EQIP is a program that provides cost-share assistance to farmers and ranchers to solve their conservation concerns on agricultural land. EQIP requires the development of a conservation plan and contract with various lengths from 1 to 10 years. Signup for the program is continuous each year and is jointly administered by the Natural Resource Conservation Service with assistance from the Farm Service Agency. Changes in the program include:

- Shorter contract lengths (1-10 years instead of 5-10 years);
- No annual payment limitation. However, the sum of all EQIP payments to an individual or entity cannot exceed $450,000 during FY 2002-07;
- Ability to receive cost-share payments in the first year after the conservation practice is installed.

Conservation Security Program

The Conservation Security Program (CSP) provides payments to agricultural producers for adopting or maintaining a wide range of management, vegetative, and land based structural practices that address one or more resources of concern, such as soil, water, or wildlife habitat. Producers will receive payments based on the level of resource plan they agree to implement or continue. Contracts are between 5 and 10 years long, depending on the level of the resource or tiered level plan. There will be a signup for this program in the future when procedures and administrative rules are completed.

Special Provisions for 2001 Crop Loan Deficiency Payment (LDP)

Special 2001 Crop Year LDP Eligibility

The Act provides special provision for 2001 crop year LDP's. The special provisions extend 2001 crop year LDP eligibility to producers who:

- Produced eligible contract commodities on non-Production Flexibility Contract (PFC) farms (these contracts were part of the 1996 Farm Bill);
- Lost beneficial interest in an eligible commodity produced on a non-PFC or PFC farm. Eligible commodities: wheat, corn, barley, oats, sorghum, rice, upland cotton, oilseeds.

Because the Act provided authority to accept LDP requests on commodities produced on non-PFC farms beyond the final loan availability date, the provision was extended to include PFC farms to ensure program equity among all producers of eligible contract commodities.

2002 Through 2007 Marketing Assistance Loans and Loan Deficiency Payment (LDP)

Nonrecourse Marketing Assistance Loans and LDP's

Section 1201 of the Act provides that the Secretary shall make available to producers on all farms for each of the 2002 through 2007 crop years, nonrecourse marketing assistance loans and LDP's for the following commodities:

- Wheat
- Corn
- Barley
- Honey
- Grain Sorghum
- Dry Peas
- Lentils
- Oats
- Soybeans
- Peanuts
- Rice
- Small Chickpeas
- Wool
- Mohair
- Upland Cotton
- Oilseeds

Section 1205 of the Act provides that the Secretary may make LDP's available to producers of hay and silage. Effective for the 2002 through 2007 crop years, hay and silage are not eligible for marketing assistance loans.

County loan rates have been announced and are posted on the Internet at the FSA website (www.fsa.usda.gov/dafp/psd/loanrate.htm). The wheat loan rates have changed from one rate to five rates based on the class of the wheat. The classes are durum, hard red spring (HRS), hard red winter (HRW), soft red winter (SRW), and soft white (SWH).

GRAZE-OUT Payments

Section 1206 of the Act authorizes the Secretary to provide GRAZE-OUT payments instead of LDP's for each of the 2002 through 2007 crop years, to eligible producers who:

- Elect to use acreage planted to wheat, barley, oats or triticale, for grazing by livestock;
- Agree to forgo any other harvesting of the commodity on this acreage during the applicable crop year.

Limitation on Marketing Loan Gains and LDP's

Section 1603 (d) of the Act provides that during each of the 2002 through 2007 crop years, there is a combined $75,000 payment limitation for marketing loan gains and LDP's for wheat, corn, barley, grain sorghum, dry peas, lentils, small chickpeas, oats, soybeans, rice, upland cotton and minor oilseeds.

For each of the 2002 through 2007 crop years, there is a separate combined $75,000 payment limitation for marketing loan gains and LDP's for wool, mohair, peanuts and honey.

For More Information

For more information, contact your local USDA Farm Service Agency Office or USDA Service Center. Updated information is also being posted on the USDA website (www.usda.gov/farmbill/) and the FSA website (www.fsa.usda.gov/pas/farmbill/). Specific guidelines and other details will be provided as they become available. The information is not intended to be definitive interpretations of farm legislation. Rather, it is preliminary and non-binding. To the extent that they interpret or construe new legislation, those interpretations and constructions are subject to change as the Department develops implementing policies and procedures.

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