



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1586 (1955)

April 28, 1987

SUBJECT: Inventory Property Involved in the  
ASCS Dairy Termination Program

TO: All FmHA State Directors, Farmer Programs Chiefs,  
District Directors, and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this AN is to establish FmHA policy concerning the addition of a clause in quitclaim deeds to restrict the use of dairy farms that were enrolled by our borrowers in the Dairy Termination Program (DTP).

COMPARISON WITH PREVIOUS AN

This AN is in part contradictory to AN 1348(1962) dated February 28, 1986, AN 1448(1962) dated July 25, 1986, and AN 1419(1962) dated May 29, 1986, all of which expired on August 31, 1986.

IMPLEMENTATION RESPONSIBILITIES

In an effort to support the objectives of the DTP and to help reduce the surplus supplies of milk, FmHA will honor FmHA borrowers' DTP contracts as they relate to FmHA farm real estate inventory properties.

A DTP contract prohibits any person from using a dairy facility on a farm involved in the DTP for producing milk or maintaining dairy cattle during the term of the 5-year DTP contract. FmHA will honor this prohibition by including restrictive clauses in quitclaim deeds when inventory farms under DTP contracts are

EXPIRATION DATE: April 30, 1988

FILING INSTRUCTIONS:  
Preceding FmHA  
Instruction 1955-C



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

sold. The following is an example of the restrictive clause to be included in the deed; however, the Regional Attorney, Office of the General Counsel, should be consulted for guidance with the preparation and recordation of the restrictions to assure compliance with the DTP contract and State law.

In compliance with the Dairy Termination Program authorized by Section 201 of the Agricultural Act of 1949 as amended by the Food Security Act of 1985, the purchaser of the above described real property agrees with the United States, acting by and through Farmers Home Administration, that the milk production facility located on this property will not be used to produce milk or to maintain dairy cattle before (date DTP restriction ends). This covenant shall be binding on the purchaser and purchaser's heirs, assigns, and successors and will be enforceable by the United States in any court of competent jurisdiction.

In the case of credit sales, a similar restrictive covenant will also be included in real estate lien instruments.

FmHA is not party to the DTP contract and future DTP payments will not automatically be assigned to FmHA due to FmHA acquiring title or honoring the DTP contract.

A similar restriction will also be included in a lease of FmHA inventory property previously enrolled in the DTP.

Advertising for the sale or lease of inventory farms will include a notification of the restriction.

Properties will be acquired at values reflective of their highest and best use without regard to DTP contracts. A second appraisal may be required to sell any property for which milk production is its highest and best use.

Future DTP payments due a borrower should be considered with other income before a borrower is released from liability or the account debt settled. An administrative offset in accordance with FmHA Instruction 1951-C or a voluntary assignment of the borrower's future DTP payments should be pursued, if feasible, when the borrower is not released from liability.



VANCE L. CLARK  
Administrator