



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN NO. 1348 (1962)

February 28, 1986

SUBJECT: ASCS Dairy Termination Program

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

PURPOSE/INTENDED OUTCOME

The purpose of this AN is to provide guidance for dealing with Farmers Home Administration (FmHA) borrowers who wish to participate in the Agricultural Stabilization and Conservation Service (ASCS) Dairy Termination Program (DTP). This is also referred to as the Whole Herd Buyout Program.

COMPARISON WITH PREVIOUS AN

There has been no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES

The DTP program enrollment began February 10, 1986, and will close March 7, 1986. It is likely that some of our borrowers may contact FmHA to determine whether FmHA will permit their participation.

The program is very complex. FmHA personnel will not take the responsibility of advising farmers to enroll or how to bid, etc. Questions raised about the details of the program shall be referred to the ASCS. Farmers should seek professional advice before they consider entering the DTP program. Severe adverse financial impact could result from a poor decision. Some of the areas which should be explored are the farmer's future income needs and debt and tax obligations. If the farmer's bid is accepted and he/she fails to live up to the contract, severe penalties could be imposed.

A borrower with FmHA chattel security, who decides to enroll in the DTP program and wishes to continue farming, must complete a Form FmHA 431-1, "Long-Time Farm and Home Plan", which shows a positive cash flow and debt repayment for the 5-year contract period. A new Farm and Home Plan and a Form FmHA 1962-1 that accounts for the use of proceeds from the sale of the dairy herd and the DTP payments will be developed. FmHA servicing options, to include reamortization, rescheduling, deferral and limited resource interest rates must be considered. The use of proceeds and release of liens will be in accordance with Section 1962.17 of FmHA Instruction 1962-A. If it is necessary to assure debt repayment, DTP payments must be assigned to FmHA through ASCS on Form ASCS-36 which will be available by April 20, 1986.

EXPIRATION DATE: August 31, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1962-A



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

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Whether or not an assignment is taken, the County Supervisor will attempt to obtain a new Security Agreement which includes the DTP payments.

A borrower with FmHA chattel security, who decides to enroll in the DTP program but wishes to discontinue farming, will be reviewed under Section 1962.40 of FmHA Instruction 1962-A. A borrower who discontinues farming is in default as defined by Seciton 1962.4 (g)(2).

A borrower who has FmHA real estate security only and who decides to enroll in the DTP program will be serviced in accordance with FmHA Instruction 1965-A. If the borrower requests FmHA consent for a deed restriction, consent will be given only if all requirements of FmHA Instruction 1965-A, Section 1965.13 are met. If the borrower leases the security property, reference should be made to Section 1965.17 and 1965.26(d).

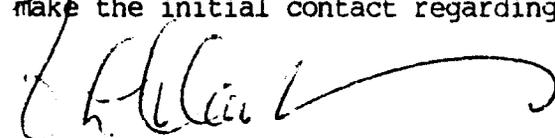
Voluntary conveyance deeds will not be accepted with a deed restriction which provides that the property cannot be used for certain types of farming operations. If the borrower conveys the property and will be receiving future DTP payments, this income should be considered in determining whether the borrower should be released from liability or the account debt settled.

Dairy producers who are leasing FmHA inventory farms may participate in the DTP program but FmHA will NOT restrict the use or sale of the farm. If a farmer has been renting buildings on an inventory farm, and the farmer decides to participate in the program, FmHA may be able to sell the inventory property subject to the lease on the buildings, if the County Supervisor determines the buildings are non-essential and that the lease will not adversely effect the sale of the FmHA inventory property.

Situations not covered under FmHA Instructions 1951-A, 1962-A or 1965-A, may be submitted to the National Office for consideration under the appropriate exception authorities.

County Supervisors will contact ASCS after March 7, 1986, to obtain a list of all FmHA borrowers who have submitted bids.

Attached is a guide letter to send to borrowers with dairy operations to make the initial contact regarding this program.


VANCE L. CLARK
Administrator

Attachment

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Attachment

Dear Farm Borrower:

The Dairy Termination Program (Whole Herd Buyout Program) is now being implemented by the ASCS. Details on the program should be obtained from the ASCS; the Extension Service will provide information and assistance for determining how much to bid.

If you are considering participating in the program, it is very important you contact this office for an appointment to discuss the handling of your debt.

Sincerely,

County Supervisor