



Caldwell County News

January 2009

Issue No 1

Caldwell County USDA Service Center

Caldwell County FSA
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Kingston, MO 64650
816-586-2711 (phone)
816-586-2067 (fax)
www.fsa.usda.gov/mo

Hours
Monday - Friday
8:00 a.m. - 4:30 p.m.

County Committee
Joe Graham, Chair.
Kevin Stonum, Vice
Terry Wright, Member
Wanda Stubbs, Advisor

County Committee
meets the last Thursday
of each month

**County Executive
Director**
Debbie Clevenger

Staff
Betty Dunscombe
Debbie Leeper
Carol Gorham
Mary Finch

Field Assistant
Mark Burnett

Farm Loan Manager
Annette Brandt—
Available in Caldwell
County every other
Tuesday

IRS 1099 Forms

Producers who received a payment in 2008 from FSA should be receiving a CCC-1099 in the mail the last week of January. The CCC-1099 is FSA's report to the IRS concerning payments issued during the 2008 tax year. The 1099 is mailed from KCMO but County Offices have access to the report to be able to assist producers if they have any questions. Any refunds you have made to the FSA Office are NOT included on the 1099 anymore. CCC-1099's can be accessed electronically through the USDA FSA's home page <http://www.fsa.usda.gov/FSA>. You must first register for an e-authentication account through your servicing office.

Dates to Remember

- Jan 19** – Martin Luther King Day – Office Closed
- Jan 31** – Deadline for 2008 Wool, Mohair, Unshorn Pelt LDP's
- March 15** – Final date to purchase NAP
Final date to purchase FCIC crop insurance for spring seeded crops
- May 31** – Final date for 2008 Corn and Soybean Loans
- June 1** – Final date for 2009 DCP Sign-Up
- Ongoing** – CRP and SAFE Continuous Sign-up
- Ongoing** – Farm Storage Facility Loan Sign-up

DCP Sign-up Underway

The Direct and Counter-cyclical Program was extended by the 2008 Farm Bill. The sign-up runs from now until June 1, 2009. Advance direct payments of 22% of the farm's total direct payments are available. The total direct payments per farm for the 2009 program will be approximately 98% of what that farm received in 2008. Direct payments are guaranteed payments for participation in the program. Counter-cyclical payments are also a component of the 2009 DCP. Current price levels suggest there will be no counter-cyclical payments made, but the safety net is still there for participants, likewise Loan Deficiency Payments are still available if

market conditions warrant them. A new option for 2009 is the Average Crop Revenue Election (ACRE). This option's benefits are calculated on crop revenue for each of the farm's base commodities. A participant who chooses this option would forgo any potential counter-cyclical payments, have their guaranteed direct payment reduced by 20% and be subject to a 30% reduction in commodity loan rates. Although the ACRE option will begin in 2009, it is not currently available. More details about this option are at the back of this newsletter.

Supplemental Revenue (SURE)

SURE is a revenue based disaster program which requires the use of the entire marketing year's prices for crops plus the occurrence of natural disasters which affect yields in order for payments under the program to be implemented. It does not offer immediate payments to farmers experiencing losses. Producers are eligible for SURE if they had all crops insured and NAP policies purchased for their non-insurable crops such as hay. It has now been determined that pasture will not be required to be covered by a NAP policy to be eligible for SURE (pasture is required to be insured to retain eligibility for any livestock programs however). NAP fees are due by March 15, 2009 at the FSA Office. Insurable crops must be covered by at least a CAT (catastrophic) level policy, but can be covered by multi-peril, crop revenue coverage, group risk plans, or other policies. These policies must be purchased from a crop insurance agent. NAP policies for uninsurable crops are purchased through FSA (unless you purchased a drought index forage policy through crop insurance). The NAP fee is \$250/crop.

At the end of the marketing year after the national average monthly price for each crop is calculated, the SURE program compares actual revenue for a producer's farming operation (all crops in all counties planted or intended to be planted for harvest

including hay) to the revenue that was expected at the beginning of the year. SURE then pays 60% of the difference between the two if revenue is below expectations. There are several points to keep in mind:

Every crop has a deadline to purchase insurance or NAP coverage. For spring crops including hay, the date is **March 15, 2009**. It is too late to purchase CAT or other insurance for 2009 wheat.

In order to be eligible for SURE payments, the county must have had a secretarial disaster declaration or be a contiguous county to one that did, or an individual producer must have incurred a 50% loss in total farm revenue regardless of county designation.

An exception to the requirement to insure all crops are crops that would not have a value of at least 5% of the value of all crops grown by the producer. These crops would not be required to be covered by crop insurance or NAP.

Pay attention to the March 15, 2009 deadline and purchase crop insurance and NAP if you want to make your farm eligible for SURE for 2009.

New Payment Limitation Rules

There has been a lot of news coverage lately about farm program payments and eligibility to receive those payments. The Farm Bill has made some changes in how those determinations will be made. Gone from FSA language this year will be the terms “persons” and “permitted entities” and the “three entity rule”. Each producer now stands alone except in the case of minor children. Program payments are now limited by direct attribution to individuals or entities. Attribution simply means that the portion of each farm’s payment will be attributed to each producer based on their ownership percentage of that farming operation whether it is as an individual or a member of a joint operation such as a partnership, or a member of a corporation, trust, estate, or other entity. This means that if a producer operates as an individual and reaches the payment limitation in that operation, their share of any other entity in which they have an interest would not be paid. Previously this was not always the case because the individual and the entities may have been considered “separate persons” and as such would have had two or more payment limitations. Under the old rules a producer could select up to 3 entities in which they could earn payment. Now a producer can be involved in and earn payment from an unlimited number of entities but is limited to one

payment limitation on the amounts attributed to him.

The payment limitation amounts on various programs are:

DCP Direct Payments - \$40,000

DCP Counter-Cyclical and ACRE payments - \$65,000

NAP - \$100,000

SURE, LIP, LFP, ELAP - \$100,000

CRP Payments - \$50,000

LDP and Market Gains -- *Unlimited*

There are many different scenarios that can apply when a producer is involved in several different types of farming operations.

Producers will still be required to be “actively engaged” in farming, and meet certain other rules such as the cash rent tenant rule. This will require all new forms for 2009.

Banking Changes?

If you have changed banks and not notified FSA, your payment could be delayed. Payments are electronically transferred into your bank account and if we are not aware of changes to your account and routing numbers, there could be problems. In order to make timely payments, you need to notify the office if you close your account, or if another financial institution purchases your bank. It is important that any changes in producer’s account such as type account, bank mergers, routing number or account numbers, be provided to the county office promptly to avoid possible payment delay.

Direct Deposits Get \$ to you Quicker

In early December, FSA’s ability to write checks from the county offices was taken away. Therefore, if you do not have direct deposit, it will take 5-7 days longer for you to receive your Treasury Department issued check. This is especially important when taking CCC loans, and repaying those loans when the buyer’s check is a joint payee. Because we can’t issue checks locally, your initial disbursement, as well as your refund checks for excess bushels, will take longer for you to receive.

Record Changes

If you have bought, sold or are renting different land, make sure you report the changes to the Farm Service Agency office as soon as possible after they occur. For farm ownership changes you will need to provide a recorded deed or recorded land contract. Failure to maintain accurate records with FSA on all land you have an interest in can lead to possible program ineligibility and fines if you are participating in our programs.

Adjusted Gross Income

The Farm Bill has made major changes in the maximum adjusted gross income a producer can have and still qualify for farm payments. The following questions will have to be answered by all producers signing up for program benefits:

1. Was the average adjusted gross **nonfarm income \$500,000 or less** for the 3-year period of 2005, 2006, & 2007?
A. YES B. NO
2. Was the average adjusted gross **farm income \$750,000 or less** for the 3-year period of 2005, 2006, & 2007?
A. YES B. NO
3. Was the average adjusted gross **nonfarm income \$1,000,000 or less** for the 3-year period of 2005, 2006 & 2007?
A. YES B. NO
4. Was the average adjusted gross farm income for the 3-year period of 2005, 2006, & 2007, at least 66.66 percent of the average adjusted gross income (that is, both farm and nonfarm income)?
A. YES B. NO

If “Yes” is checked on number 4 above, and if income includes the sale of farm equipment or production inputs and services to farmers, ranchers, foresters, and farm operations, see definition of Farm Income below:

Farm income means income related to the following: production of crops, livestock, fish and aquaculture for food; the feeding and rearing of livestock; products produced or derived from livestock; production of specialty crops and unfinished raw forestry products; processing, packing, storing and transporting farm, ranch and forestry commodities including renewable energy; production of farm-based renewable energy; the sale of land used for agriculture; sale of land or sale of easements and development rights to agricultural land, water and hunting rights, and environmental benefits; rental or lease of land or equipment used in farming, ranching, forestry operations; payments and benefits from risk management practices, crop insurance indemnities, catastrophic risk protection plans, conservation programs and government farm program payments. Proceeds from the sale of farm equipment and from production inputs to farmers and ranchers are generally considered nonfarm income. However, if for a year not less than 66.66 percent of the average adjusted gross income of the person or legal entity is derived from farming, ranching, or forestry operations, the person’s or legal entity’s farm income shall also include the sale of equipment to conduct farm, ranch, or forestry operations, and the production inputs and services to farmers, ranchers, foresters, and farm operations.

All producers will be spot checked within the next three years and will be required to submit evidence such as tax records, business documents (for review only, not for retention), or a signed third-party verification deemed acceptable by CCC to verify the average adjusted gross income, average adjusted gross farm income, and average adjusted gross nonfarm income. Producers will be required to take the necessary actions to provide such documents or certification.

If you would like the county office to mail you the certification form and a worksheet so that you can look over your income tax forms prior to your certification (or get advice from your tax preparer) please feel free to call us and we will mail it to you.

Average Crop Revenue (ACRE)

ACRE is a new component of the Farm Bill that protects against a shortfall resulting from price and/or production declines at the state and farm level. With ACRE, you will become familiar with two terms, “election” and “enrollment”. You can only elect ACRE once. Once the farm is in, it is always in. However, each year, by June 1, you can enroll the farm in ACRE. If you do, your DCP (Direct Counter-Cyclical) payments are reduced by 20%, and the loan rate for any crop on which you want to obtain a CCC marketing loan is reduced 30%. In return, you could receive both DCP payments and ACRE payments. Payments are based on planted acres, but the planted acres on which payment is made cannot exceed the total base acres on the farm. Five years of production data will be needed to establish yields and production evidence will be required annually.

ACRE payments are made when two “triggers” are met. 1) The actual state yield for that crop times the higher of a calculated average market price or 70% of the national loan rate falls below 90% of the benchmark state yield (5 year Olympic average yield) times guarantee price (2 year national average market price); and 2) The actual farm

ACRE (Continued)

yield for a crop times a calculated national average market price or 70% of the national loan rate falls below the farm's expected yield (5 year Olympic average planted yield times guarantee price (2 year national average market price) plus the per acre producer paid crop insurance premium. If you can fight through the jargon, actual revenue on the farm for the crop actually planted must fall below what was expected early in the crop year. This could be due to price or production or both.

Enrollment in ACRE means that you are giving up some benefit in DCP and marketing assistance loan rates in return for protection against a drop in crop price or a disaster causing low yield or both. This does not eliminate the counter-cyclical payments on the DCP. It is simply another option in farm management. There are still decisions to be made, such as which years to use for guarantees and benchmarks. When we know what those decisions are, we will let you know. Without that information, you can go ahead and enroll your farm(s) in the 2009 DCP and make an "election" to switch into ACRE by 6-1-09.

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