March 2009

Livingston FSA Office News

Livingston County USDA Service Center

Livingston County FSA
1100 Morton Parkway
Chillicothe, MO 64601
660 646 6220 (phone)
660 646 4894 (fax)

Hours
Monday - Friday
7:45 a.m. - 4:30 p.m.
The office will be closed on all Federal holidays.

County Committee
David Williams
Mary Smith
Ben Beetsma

County Committee meets the third Thursday each month at 8:30 a.m.

Staff
Program Technicians
Dianna Sewell
Anissa Johnson
Jeannette Straker
Diana Briscoe

County Executive Director
David Meneely

Farm Loan Manager
John McKinny

Farm Loan Officer
Gary Elrod

PRODUCER 'TO DO' LIST

- Read this newsletter—today!
- Complete Crop Insurance decisions for spring crops by March 16, 2009.
- Do you want to be eligible for SURE (disaster program) in 2009? All insurable crops require crop insurance policies. Noninsured crops that exceed 5% of annual farm revenue need coverage by NAP policies by March 16, 2009.
- Want to participate in DCP (annual program with direct payments on crop bases)? Signup through June 1, 2009. Advance payments available and the signup takes 30 minutes or more due to new paperwork for eligibility.
- Interested in ACRE (new farm program provisions that substitute for the countercyclical payments)? Signup hasn't started but may end by June 1, 2009. See the article later in this newsletter for more information.
- Have you finished your repair work from the 2007-2008 flooding under the ECP (emergency conservation program)? Current deadline is May 31, 2009 and funds are being disbursed for completed approved applications on a "first come, first served" basis.
- If you have, or intend to, change bank accounts, remember to change your direct deposit information at the FSA Office. All payments issued by direct deposit will be delayed if incorrect banking information is on file.
- Email the local FSA office at mochillico-fsa@one.usda.gov for a list of links to related articles and sites on the above topics if you want to read more about them.

Farm Program Signup Is No Walk In The Park This Year

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Major changes in crop programs are usually accompanied by uncertainty on the part of farmers. The late passage of the 1996 Farm Bill and its radically new provisions had farmers scratching their heads as they struggled to understand AMTA payments (Agricultural Market Transition Act) and the Marketing Loan Program with its Loan Deficiency Payments and Marketing Loan Gain provisions.

By way of contrast, farm bills, like the 2002 legislation, that make only incremental changes are taken in stride. Farmers, along with their bankers and CPAs, know what to expect and the uncertainty is low.

The 2008 Farm Bill included a new program ACRE (Average Crop Revenue Election) that would reduce Direct Payments (by 20%), replace the Counter-Cyclical Payment program, and lower the rate for marketing loan payments (by 30%). Farmers must decide whether to switch to the ACRE program or continue to use the current set of payment programs.

Several universities have example calculations and/or calculators that farmers can use to see how they would fare with the ACRE program. At this point the most important determinants of ACRE computations are unknown.

One important unknown is the price that

will be used to determine the State Revenue Guarantee. That price for the 2009 crop year is average of the season average prices for the 2007 and 2008 crop years. But the 2008 season average prices won't be available until months after the sign-up deadline.

We have seen reports suggesting that the ACRE program will provide corn farmers with a $50 to $150 per acre advantage over the current program. Given a high enough average of the season average prices for 2007 and 2008 crop years and specific assumptions about benchmark and actual state and farm level yields, those advantages are not out of the realm of possibility.

But carefully consider the numbers that are used in ACRE examples. If the average 2007 to 2008 price for corn is $4.10, say, does that square with what you expect (given the 2007 season average price of $4.20, the $4.10 average would imply a $4.00 price for 2008). Are the yield assumptions likely events, etc.

Deciding whether to convert to ACRE irrevocably through 2012 is not the only headache that farmers are likely to experience on the farm program front this spring.

The legislation also included new payment limits and new rules to determine who is actively involved in farming and who is not. Be prepared to surrender your 1040s.

In addition to the per person payment limits by payment program type, there are now lower eligibility limits based on overall income over a three year period (adjusted gross income of $500,000 per year of non-farm income; AGI of $750,000 per year of farm income). Also the three-entity rule was eliminated.

While by no means thrilled about those payment limitations, farmers we talked with at commodity annual meetings in Texas, Louisiana and Iowa knew beforehand of the payment limitations because they were coded directly into the 2008 Farm Bill.

They were less generous in their evaluation of the paperwork that is required to satisfy Bush administration rules and regulations concerning program eligibility and documentation of acreage and yields for the ACRE program. Hostile is the descriptor that comes to mind.

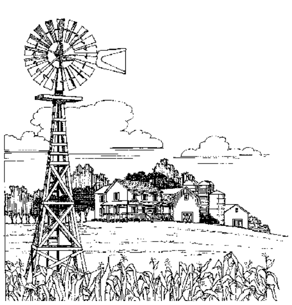
If you have not been to your local Farm Services Agency (FSA) office, you may be in for an unpleasant shock. The complexity of the signup requirements has increased exponentially. While the comment period on the payment limitations and eligibility procedures has been extended, those comments will likely be used by the Obama administration to prepare rules and regulations for 2010 and beyond--probably not for 2009.

Given this climate of complexity and uncertainty, we suggest the following: First, June 1 is closer than you think. Head out to your FSA office and get the papers that will have to be filled out to participate in the program. Ask questions and get all of the information you can. Take your time filling out the paperwork.

Do not hesitate to get your lawyer involved when addressing certain questions, especially questions concerning "active involvement." If your operation is a partnership, a lawyer is probably a must. [*in this columnist's opinion]*

Second, start getting all of your records in one place so you can substantiate yields, acreages, and other requirements in preparation for ACRE participation.

Third, work through a number of different scenarios using data from your farm. Be sure to calculate worst-case scenarios as well as ones that give you favorable responses.



We are concerned that many may be overestimating the 2008 season average price, making the ACRE program appear more lucrative than it might turn out to be. Run a set of calculations using prices from the low end of the range of the USDA monthly price projections for the 2008 crop year.

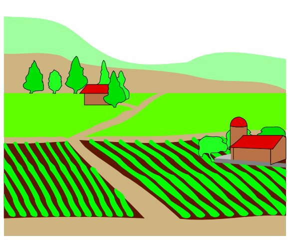
Those calculations will give you an estimate of the lower bound for the price portion of the income protection that you can expect from the ACRE program for any given yield event.

Do not make your decision based on the calculations of others. Your situation may be different, depending on your farm size and your yields compared to your state average. [emphasis added]

Fourth, sit down and talk to your banker and CPA. They are likely to have made these calculations for a number of other farmers. What they have learned may help you understand the potential risks and benefits of the program when it comes to your operation

This year the decision of whether to/how to participate in the 2009 farm program is not a matter of showing up at the FSA office and leaving all signed up a short time later. Bottom line: Start early and don't hesitate to secure professional advice.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865)974-7407; Fax: (865) 974-7298; dray@utk.edu; http://www.agpolicy.org.
Daryll Ray's column is written with the research and assistance of Harwood D.Schaffer, Research Associate with APAC.



Risk Management Assistance

USDA's Risk Management Agency (RMA) regulates and supervises the Federal crop insurance program. More farmers and ranchers participate in and have more at stake in the crop insurance program than any other USDA program. RMA also helps farmers and ranchers learn how to improve their risk management skills.

To assist producers with this task, RMA has provided information on Risk Management Planning, Better Marketing Planning, New Enterprise Planning, and a Farm Planning Library at the following website: **http://farm-risk-plans.usda.gov**

This site also provides access to a Risk Management Checklist and a SWOT (strengths, weaknesses, opportunities, and threats) Analysis.

New AGI Rules

For 2009-2012 commodity and disaster programs, the Average Adjusted Gross Income (AGI) limitation to qualify for program benefits was reduced from $2.5 million AGI from all sources to a three-year average non-farm AGI of $500,000. Also, under the new regulations, an individual or entity must have a 3-year average AGI less than or equal to $750,000 per year from farm income in order to qualify for direct payments but that doesn't affect counter-cyclical payments.

For conservation programs, the average nonfarm AGI limitation is $1 million or less for eligibility. Also individuals or entities with non-farm AGI in excess of $1 million remain eligible for conservation programs if 66.66 percent or more of the total AGI is derived from farming.

The three entity rule is out - program payments are now limited by direct attribution to individuals or entities. . Through direct attribution, payment limitation is based on the total payments received by the individual, both directly and indirectly. Also - spouses are eligible to be considered separate persons for payment limitation purposes,

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USDA United States Department of Agriculture

rather than being automatically combined under one limitation.

Individuals & entities must be "actively engaged in farming" with respect to a farming operation in order to be eligible for payments & benefits which means - the individual or entity must make significant contributions to the farming operation of: (1) capital, equipment, land, or a combination; and (2) personal labor or active personal management, or a combination.

The rule requires each partner, stockholder, or member with an ownership interest to make a contribution of active personal labor or active personal management. The contribution must be regular, substantial, and documented as separate and distinct from any other member's contribution. This may limit the ability of passive stockholders to receive benefits.

Dates to Remember	
March 16	Final date to purchase NAP Ins. on Hay, Pasture & other NAP Crops
March 16	Final date to purchase FCIC Crop Insurance on Corn-Grain Sorghum-Soybeans
Continues	Farm Storage Facility Loans
Continues	CRP Continuous Signup