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South Dakota FSA News

FSA WEB SITE – <http://www.fsa.usda.gov>

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Payment Centralization

FSA will now be issuing all program payments via Payment Centralization. All program applications will still be filed at your local FSA office; however, all disbursements will be routed through National Payment Service (NPS) prior to being direct deposited to producers' bank accounts or payment via check received in the mail. Producers shall be advised that payments made via direct deposit will take two to three days to be ACH credited to the applicable bank account and checks received by mail will take 7 to 10 days from the date of issuance.

The Commodity Credit Corporation (CCC) Marketing Loan Program will be significantly impacted by the Payment Centralization system because producers will not receive their checks on the day they apply for a commodity loan. Producers should plan ahead when they anticipate that a Marketing Loan will be obtained as it may take several days to receive the loan disbursement.

2009 Farm Changes

Producers should be reminded that any owner/operator changes shall be reported to FSA timely so that reconstitutions can be completed as needed. This may result in the combining or dividing of tracts or farms.

Reconstitutions commonly result from land ownership changes; there are four specific methods of division.

- The Estate Method which is the division of bases for a parent farm among heirs settling an estate.
- The Designation by Landowner Method which is the division of bases in the manner agreed to by the parent farm owner and purchaser or transferee.
- The DCP Cropland Method which is the division of bases in the same proportion that the DCP cropland for each resulting tract relates to the DCP cropland on the parent tract.
- The Default Method which is the division of bases for a parent farm with each tract maintaining the bases attributed to the tract level when the reconstitution is initiated in the system.

There are also various other types of changes that should be timely reported to your local FSA Office to ensure that program benefits are issued timely. Incorrect farm data may also affect program eligibility resulting in a refund of program benefits. Changes that should be reported include the following:

- Address changes
- Change from cash rent to share rent and vice versa.
- Changes in membership and shares of an entity.
- Changes in how the farming operation is being conducted (Individual transfers all land to a Trust).

Direct Attribution

The 2008 Farm Bill required that beginning in 2009 each payment made to a legal entity will be attributed to the legal entity; and each payment made to a legal entity shall be attributed to those persons who have a direct or indirect ownership interest in the legal entity. Each payment made directly to a person shall be combined with the pro rata interest of the person through payments receive by a legal entity.

The provisions under the 2008 Farm Bill repealed the Person and Permitted Entity Provisions from previous legislation which allowed an individual to earn program benefits as an individual as well as two additional entities in which they held no more than 50% ownership interest.

Three Primary factors affect direct attribution.

- Organizational Structure
- Payment Limitation
- Adjusted Gross Income (AGI)

Adjusted Gross Income (AGI)

AGI is the average of the following:

- Average AGI or Comparable Measure
- Three taxable years preceding the most immediately preceding complete taxable year.

When determining AGI, three AGI amounts are considered.

- Average Adjusted Gross Income
- Average Adjusted Gross Farm Income
- Average Adjusted Gross Non-farm Income (Average Adjusted Gross Income minus Average Adjusted Gross Farm Income)

Three AGI Limitations (Beginning in 2009)

- Exceeds \$500,000 Adjusted Gross Non-Farm Income
 - A person or legal entity is ineligible for all commodity program payments and benefits.
- Exceeds \$750,000 Adjusted Gross Farm Income
 - A person or legal entity is ineligible for DCP Direct Payments.
- Exceeds \$1 Million Adjusted Gross Non-Farm Income

- A person or legal entity is ineligible for all conservation program benefits unless at least 66.66% of total AGI is Average Adjusted Gross Farm Income.
- The Secretary may waive the \$1 Million AGI provision for the protection of environmentally sensitive land or special significance.

Request for Pork Checkoff Referendum

The Request for Referendum on the Pork Checkoff Program will be held Dec. 8, 2008 through Jan. 2, 2009. Producers and importers who were engaged in pork production or in the importation of hogs, pigs, pork, or pork products between Jan. 1, 2007, and Dec. 31, 2007, and were at least 18 years of age on or before Dec. 31, 2007, are eligible to participate.

For producers, the Request for Referendum will be conducted at the USDA Farm Service Agency (FSA) offices where their administrative farm records are maintained. For producers **not** participating in FSA programs, the opportunity to participate will be provided at the County FSA office where the person owns or rents land. Eligible producers may obtain form LS-54-1: Pork Promotion, Research, and Consumer Information Request for Referendum from those offices either in person, by mail or by facsimile. Forms may also be obtained at:

<http://www.ams.usda.gov/LSMarketingPrograms>.

In order to vote, Form LS-54-1 and supporting documentation, where applicable, such as a sales receipt, veterinary bill, feed bill, copies of grower contracts, cancelled check or proof of payment **must** be returned in person, by mail, or by facsimile to the appropriate county FSA office by the close of business Jan. 2, 2009. Form LS-54-1 and supporting documentation returned by mail **must** be postmarked no later than midnight on Jan. 2, 2009, and received by Jan. 9, 2009. The Order is authorized by the Pork Promotion, Research, and Consumer Information Act of 1985, part of the 1985 Farm Bill. The program became effective on Sept. 5, 1986, and assessments began Nov. 1, 1986. This program is designed to strengthen the position of pork and pork products in the marketplace.

Alfalfa Seed/Grass Seed NAP Eligibility

FSA offers NAP Coverage on both alfalfa acreage intended for seed as well as perennial grass acreage intended for seed. Producers should be reminded that to be considered alfalfa seed, the stand in which the seed is harvested from must meet the definition of alfalfa according to the FCI-35 Special Provisions utilized by Multi Peril Crop Insurance. Please be advised that seed harvested from acreage classified as Alfalfa Grass Mix or Grass Mix Alfalfa will not be considered Alfalfa Seed.

The provisions of the NAP Program also state that in order for a perennial grass acreage to be eligible for NAP coverage one of the following requirements must be met:

- The acreage is seeded to a perennial grass, with intent of producing certified grass seed; the certified grass seed shall be grass seed produced by an individual, firm, or corporation that produces certified seed and/or plants. The eligible producer must have a license to produce certified grass seed.
- The acreage is seeded to a perennial grass, with an intent of producing commercial seed, for which a grass seed contract was executed on or before the acreage reporting date for the applicable crop with a seed company that is a business enterprise that possesses the following:
 - All applicable licenses required for marketing commercial grass seed.
 - Facilities with enough storage and drying capacity to accept and process the covered crop within a reasonable amount of time after harvest.
- The acreage was planted to the same forage type and harvested for seed in at least 3 of the 5 years before the Application for NAP Coverage was filed.

Livestock Indemnity (LIP)

The Food, Conservation, and Energy Act of 2008 provides for a new permanent disaster program to assist livestock producers who suffer losses because of an adverse weather event or disaster on or after January 1, 2008 and before October 1, 2011.

LIP will compensate producers for livestock death losses that are in excess of the normal mortality

rate for South Dakota. The normal mortality rates will be established by livestock type and weight range for the state. Payment rates are per head and based on 75% of the fair market value of the livestock as determined by CCC.

A sign-up period has not been announced, but due to recent losses because of severe snowstorms, producers are encouraged to document their livestock losses. This documentation must provide sufficient data that supports the kind/type and number of livestock that died because of a natural disaster. Producers should consider keeping detailed documentation of the beginning inventories as of January 1, 2008 and maintain records of sales, purchases, and losses (Running Account of your inventory). Acceptable documentation could include accounting/bank records, Veterinary records, and rendering truck receipts.

Milk Income Loss Contract Program (MILC)

The Food, Conservation, and Energy Act of 2008 extends the MILC program through September 30, 2012. The regulations also provide an adjustment to the payment rate to compensate for feed prices when the National Average Dairy Feed Ration Cost for a month is greater than \$7.35/cwt. The Feed Ration Cost is based on the feed components of a 16% protein dairy feed ration using a combination of barley, corn, and alfalfa NASS monthly prices.

A signup period will be announced in the near future and dairy operations will be allowed to enter into a contract with CCC, at which time producers will be required to submit verifiable monthly production records to their local FSA Office

NAP Sales Closing Dates for 2008

Upcoming NAP Sales Closing Dates for 3/15/2009
Alfalfa Seed
Grass Hay
Mixed Hay
Grazing Forage
Grass Seed
All Other Spring Seeded Crops

Continuous CRP Sign-Up

The purpose of the Conservation Reserve Program (CRP) is to help safeguard environmentally sensitive land. CRP offers are taken on a continuous sign-up basis and are automatically accepted provided the acreage and producer meet certain eligibility requirements. Acceptance is not determined by a competitive offer process. Producers can make offers at the local USDA/Farm Service Agency County Office/Service Centers.

Incentives of Continuous CRP

Producers may receive the following types of payments:

- Up to 50% cost share for establishing permanent cover
- Annual rental payments for 10-15 year period.
- An additional incentive equal to 20% of the weighted average soil rental rate.
- Upfront CRP signing incentive (SIP) payment of \$100 per acre
- Practice incentive payment (PIP) equal to 40% of the eligible costs of installing the practice

Beginning in November, 2008, the PIP, SIP and 20% incentive were authorized for the wetland practices in addition to the other CRP practices. The practices recently approved for the incentives payments are:

- CP23: Wetland Restoration (Floodplain)
- CP23A: Wetland Restoration (non-floodplain)
- CP37: Duck Nesting Habitat

During the summer of 2008, Soil Rental Rates (SRR) for counties were reviewed and increased rates were approved and authorized for most counties beginning October 1, 2008.

SAFE Acres Available

In March 2008, South Dakota was approved for two SAFE (State Acres for Wildlife Enhancement) projects. SAFE acres are still available in many counties in South Dakota.

IMPORTANT DATES

Continuous Continuous CRP Signup
Continuous FSFL Loans

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To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202)-720-6382 (TDD). USDA is an equal opportunity provider and employer.