

# Texas FSA Today

*AN ONLINE MONTHLY NEWSLETTER COVERING THE HOTTEST TOPICS IN FEDERAL FARM PROGRAMS*

May 2008

## ***USDA LEVIES STIFF PENALTIES FOR UNAUTHORIZED SALES OF LOAN COLLATERAL***

Recently, USDA's Office of the Inspector General (OIG) investigated unauthorized sales of cattle, crops and equipment used as collateral on FSA loans. In a Texas case, OIG determined that an FSA borrower illegally sold cattle that had been pledged as loan security. As a result of proceedings in a criminal proceeding, significant penalties were imposed.

It is very important for FSA borrowers to understand the terms of the Agreement for the Use of Proceeds/Release of Chattel Security signed when a loan is obtained through FSA. The agreement requires a borrower to obtain written consent before he/she can "sell, exchange, feed to livestock, consume, or in any way dispose of collateral."

FSA borrowers must maintain and protect the FSA security in a responsible manner and promptly report to FSA any losses or other changes in the security.

## ***2008 COC ELECTION INFORMATION***

One of FSA's responsibilities is to conduct County Committee elections in an open manner that ensures accountability. FSA will provide local organizations representing socially disadvantaged groups with detailed information about the COC election process. The agency is reaching out to agricultural communities to get equitable representation on local county committees.

Groups representing socially disadvantaged farmers and ranchers,

will be actively solicited for COC election candidates, and encouraged to fill out a nomination form (FSA-669A). Under-represented farmers and ranchers are encouraged to participate in their county's COC election process. COC election fact sheets can be found online at <http://www.fsa.usda.gov/FSA> under the News & Events tab on the FSA homepage.

## ***FARM RECONSTITUTIONS***

In program terminology, farms are constituted to group all tracts having the same owner and the same operator under one farm serial number. When changes in ownership or operation take place, a farm reconstitution may be necessary. The reconstitution — or recon — is the process of combining or dividing farms or tracts of land based on the farming operation.

The following are the different methods used when doing a farm recon. Currently, to be effective for the current year, recons must be requested by Aug. 1. The new Farm Bill may include a date other than Aug. 1.

- Estate Method — the division of bases, allotments and quotas for a parent farm among heirs in settling an estate;
- Designation of Landowner Method — may be used when (1) part of a farm is sold or ownership is transferred; (2) an entire farm is sold to two or more persons; (3) farm ownership is transferred to two or more persons; (4) part of a tract is sold or ownership is transferred; (5) a tract is sold to two or more persons; or (6) tract ownership is transferred to two or more persons. In order to use this method the land sold must have

been owned for at least three years, or a waiver granted, and the buyer and seller must sign a Memorandum of Understanding;

- DCP Cropland Method — 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;
- Default Method — 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.

If payments have already been issued on a particular farm, the reconstitution will be effective for the next year, unless the payments are refunded.

## ***MEASUREMENT SERVICE***

Farmers who would like a guarantee on their crop plantings and land use acreages can make it official by using the FSA measurement service. Producers must file a request with the county office staff and pay the cost. Measurement service is available using digital imagery or actual ground measurement.

Producers can request ortho-imagery and CLU covering their land (commonly referred to as a clip) at no charge. This would provide the acreage of an entire field.

## ***SODBUSTER REGULATIONS***

The term "sodbusting" is used to identify the plowing up of erosion-prone grasslands for use as cropland. Sodbuster violations are unauthorized tillage practices on highly erodible lands that converted native vegetation such as rangeland or woodland, to

crop production after Dec. 23, 1985.

Farmers and ranchers should be aware that if they use highly erodible land for crop production without proper conservation measures, they risk losing eligibility to participate in Farm Service Agency programs.

Before producers clear, plow or otherwise prepare areas not presently under crop production for planting, they are required to file an AD-1026, indicating the area to be brought into production.

If Natural Resources Conservation Service indicates on a CPA-026 that the area will be highly erodible land, the producer will be required to develop and implement a conservation plan on the affected acreage, before bringing land into production.

In addition, producers and the producer's affiliates have to file an AD-1026 with the staff in the administrative or control county office before any farm program payments can be made. The AD-1026 is the producer's signed certification that HELC, as well as wetland conservation, provisions will not be violated.

### *CONTINUOUS CRP*

The Continuous Conservation Reserve Program is a private lands environmental improvement program that allows participants the opportunity to enroll environmentally sensitive acreages in conservation practices that will reduce soil erosion, improve water and soil quality and provide wildlife habitat and food sources.

The Continuous CRP program is a voluntary enrollment program. Eligible landowners enter into contracts that range from 10 to 15 years in length. In return, the landowners will receive annual rental and maintenance payments, incentive payments for certain activities, and cost share for establishment.

To be eligible for enrollment in the Continuous CRP, participants and acreage must meet certain

requirements. Provided the eligibility requirements are met, FSA will automatically accept enrollments of acreage into Continuous CRP. Landowners may enroll in the program at any time during the year.

For more information on Continuous CRP enrollments or local Conservation Reserve Enhancement Program (CREP) availability, please contact your local FSA office.

### *MAINTAINING CRP COVER*

CRP cover maintenance is the participant's responsibility and must be done according to the conservation plan. All CRP maintenance activity, such as mowing, burning and spraying, must be conducted outside the primary nesting season for wildlife and in accordance with the conservation plan.

Spot treatment of the acreage may be allowed during the primary nesting season if certain criteria are met.

### *GIS*

As part of a decade long program to digitally map the nation's farms and fields, the United States Department of Agriculture (USDA) has established the Common Land Unit (CLU) as a standardized GIS (Geographic Information Systems) data layer that has allowed mapping to be integrated easily on a nationwide basis. The Farm Service Agency manages this CLU data layer through a distributed database environment at more than 2,500 field service centers throughout the country.

Transitioning to the GIS environment has made good business sense for FSA for a variety of reasons. For one, CLU certification has improved communication between Service Centers and FSA customers through the use of current ortho-photography or NAIP (National Agricultural Imagery Program). For years, FSA had been using hard copy maps that **were** 10 years old or more. During that time span, it was difficult to keep information accurate due to urban development and other land use

changes. USDA Service Centers use NAIP in order to maintain the Common Land Unit (CLU) boundaries and assist with a multitude of other farm programs.

Second, using GIS and GPS (Global Positioning System) provides for more consistent and more accurate land measurements, such as field acreage and acreage boundaries of conservation practices, such as riparian buffers. In conjunction with yearly updated high quality digital imagery, new land use changes (farm transfers and land subdivisions) can be easily updated. Maps can be created in either paper or digital format for FSA customers or the public.

Lastly, the GIS environment provides for the incorporation of data from outside sources for business decision making or environmental planning. Some examples outside data sources include demographic data, satellite imagery, GPS data, elevation data and soil types.

### *FARM LOAN PROGRAMS*

The Farm Service Agency (FSA) offers loans for farmers and ranchers to purchase farmland and finance agricultural operations. FSA loan programs are designed to help producers who are temporarily unable to obtain private or commercial credit. In many cases, applicants are beginning farmers who have insufficient net worth to qualify for financing through a commercial lender. In other instances, borrowers might have suffered setbacks from natural disasters or might be persons with limited resources.

Farm ownership loans or farm operating loans may be obtained as direct loans for a maximum of up to \$200,000. Guaranteed loans can reach a maximum indebtedness of \$949,000. Emergency loans are always direct loans for farmers who may have suffered physical or production losses in disaster areas designated by a Presidential or Secretarial disaster declaration. Rural Youth Loans, Loans to Beginning Farmers and loans for socially disadvantaged applicants are

also available through FSA.

For detailed information about loan eligibility or the different loan programs available, contact the county office staff for an appointment with a farm loan officer.

### ***BEGINNING AND LIMITED RESOURCE FARMERS & RANCHERS***

FSA has funding to assist beginning farmers and or members of socially disadvantaged groups to finance agricultural enterprises. Under these designated farm loan programs, FSA can provide financing to eligible applicants through either direct or guaranteed loans. FSA defines a beginning farmer as a person who:

- Has operated a farm for not more that 10 years
- Will materially and substantially participate in the operation of the farm
- Agrees to participate in a loan assessment, borrower training and financial management program sponsored by FSA
- Does not own a farm in excess of 30 percent of the median farm acreage of the farms in the county where the property is located

Each member of an entity must meet the eligibility requirements. Loan approval is subject to other eligibility requirements.

Additional program information, loan applications, and other materials are available at your local USDA Service Center.

### ***YOUTH LOANS***

The Farm Service Agency makes loans to rural youths to establish and operate income-producing projects in connection with 4-H clubs, FFA and other agricultural groups. Projects must be planned and operated with the help of the organization advisor, produce sufficient income to repay the loan and provide the youth with practical business and educational

experience. The maximum loan amount is \$5000.

Youth Loan Eligibility Requirements:

- Be a citizen of the United States (which includes Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands) or a legal resident alien
- Be 10 years to 21 years of age
- Live in a rural area or in a town of 50,000 people or fewer
- Must obtain a written recommendation and consent from a parent or guardian if the applicant has not reached the age of majority under state law
- Comply with FSA's general eligibility requirements
- Be unable to get a loan from other sources
- Conduct a modest income-producing project in a supervised program of work as outlined above
- Demonstrate capability of planning, managing and operating the project under guidance and assistance from a project advisor. The project supervisor must recommend the project and the loan, along with providing adequate supervision.

### ***ACREAGE REPORTING***

Acreage reporting time will soon be here. Filing an accurate acreage report for all crops and land uses, including failed acreage and prevented planting acreage, can prevent the loss of benefits for a variety of programs.

Failed acreage must be reported within 15 days of the disaster event and before disposition of the crop. Prevented planting must be reported no later than 15 days after the final planting date.

Acreage reports are required for many Farm Service Agency programs. For crops other than NAP (Noninsured

Crop Disaster Assistance Program) crops, acreage reports are to be certified by the (date ) deadline on small grains and a (date) deadline on all other crops.

Acreage reports on crops for which NAP assistance may be paid are due in the county office by the earlier of (date) for small grains and (date) for all other crops, or 15 calendar days before the onset of harvest or grazing of the specific crop acreage being reported.

### ***TIMELY FILE NOTICE OF LOSS***

The CCC-576, Notice of Loss, is used to report failed acreage and prevented planting and may be completed by any producer with an interest in the crop. Timely filing a Notice of Loss is required on for ALL CROPS INCLUDING GRASSES. For losses on crops covered by the Non-insured Crop Disaster Assistance Program (NAP) and crop insurance, you must file a CCC-576 (notice of loss) in the FSA County Office within 15 days of the occurrence of the disaster or when losses become apparent.

If filing for prevented planting, an acreage report and CCC-576 must be filed within 15 calendar days of the final planting date for the crop.

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**Readers are advised that dates for FSA programs in Texas are often county-specific. Please contact your local FSA office for detailed information pertaining to your operation.**

