



# Texas FSA Today

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

**February 2009**

## **DCP SIGNUP CONTINUES**

Signup for the 2009 Direct and Counter-cyclical Payment (DCP) Program continues until June 1, 2009. The June 1, 2009 deadline is mandatory for all participants. FSA will not accept any late-filed applications.

The electronic DCP (or eDCP) service will save you time, reduce paperwork and speed up contract processing at FSA offices. It is available to anyone eligible to participate in the DCP Program and can be accessed at [www.fsa.usda.gov/dcp](http://www.fsa.usda.gov/dcp). To access this on-line service, you must have an active USDA eAuthentication Level 2 account, which requires filling out an online registration form at <http://www.eauth.egov.usda.gov> followed by a visit to the local USDA Service Center for identity verification.

FSA computes DCP Program payments using base acres and payment yields established for each farm. Eligible producers receive direct payments at rates established by statute regardless of market prices. For 2009, you may request to receive advance direct payments based on 22 percent of the direct payment for each commodity associated with the farm. FSA will issue advance direct payments later this month. Counter-cyclical payment rates vary depending on market prices and are issued only when the effective price for a commodity is statutorily set below its target price.

Eligible producers for the DCP Program are also eligible to enroll in the Average Crop Revenue Election (ACRE) Program. The enrollment period for the ACRE Program will begin in the spring. You may first enroll

in the DCP Program, receive advance direct payments and then later modify your enrollment to the ACRE program or you may wait and elect to enroll in DCP or ACRE at the same time in spring 2009 for each specific farm number.

## **CROP DISASTER PROGRAM SIGNUP DEADLINE**

The Farm Service Agency's (FSA) Crop Disaster Program (CDP) signup period for years 2005-2007 will end Feb. 27, 2009.

The ending date of Feb. 27 applies to the receipt of a signed and completed FSA-840 application along with all supporting documentation and required forms at the applicable county FSA office. Sign-up information and required forms are available at each county FSA office. Late filed applications will not be approved after the Feb. 27 deadline.

All application determinations will be made by March 27, 2009. For further questions about CDP and the sign-up deadline, producers may contact their county FSA office or visit FSA's website at <http://www.fsa.usda.gov>.

## **FINE COUNT ADJUSTMENT FOR COTTON**

If you filed cotton LDPs this season you may have noticed that your payment was slightly more than you anticipated. The reason for the increases in cotton LDP payments is that for this year a "fine count adjustment" was applied to the Average World Price (AWP).

The Fine Count Adjustment is a provision of the 2008 Farm Bill. This rate adjustment reduces the amount

of the AWP applied to the repayment for cotton that has a color grade premium for color grade, leaf and staple length greater than 21-2-36 and with a base of 31-3-35. Roughly 25 percent of the cotton being produced this season falls in this color grade premium. Calculations are derived from the Crop Year 2008 Premiums and Discounts tables. A computed difference between 31-3-35 and the premium grade of each bale produced that is above this color grade premium is applied to the weekly announced Fine Count Adjustment factor then subtracted from the AWP to establish the adjusted LDP rate for each bale.

The Fine Count Adjustment is announced weekly along with the AWP announcement. Producers who have high color grade premiums on their cotton may see additional income due to the Fine Count Adjustment. If you have further questions regarding the Fine Count Adjustment please visit with your local FSA office.

## **PAYMENT LIMITS & DIRECT ATTRIBUTION**

For commodity and disaster programs under the new farm bill, the AGI limitation was reduced from \$2.5 million from all sources to a three-year average non-farm AGI of \$500,000 such that a person or entity shall not be eligible for such programs if the non-farm AGI exceeds \$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 issued under the Direct and Counter-cyclical Program.

For conservation programs, the average nonfarm AGI limitation is \$1 million or less for eligibility. However, an individual or entity who has non-farm AGI in excess of \$1 million remains eligible for conservation programs only if 66.66 percent or more of the total AGI is derived from farming, ranching and forestry operations. In addition, the AGI limitation for conservation programs may be waived on a case-by-case basis if it is determined that environmentally sensitive land of special significance would be protected.

Program payments are limited by direct attribution to individuals or entities. Produces a legal entity is defined as an entity created under Federal or State law that owns land or an agricultural commodity, product or livestock. Through direct attribution, payment limitation is based on the total payments received by the individual, both directly and indirectly. Qualifying spouses are considered separate persons for payment limitation purposes, rather than being automatically combined under one limitation.

Individuals and entities must be "actively engaged in farming" with respect to a farming operation in order to be eligible for specified payments and benefits. To be "actively engaged in farming," 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. For more detailed information contact your local FSA office.

### **USDA SETS DATE FOR LAMB REFERENDUM**

The U.S. Department of Agriculture today announced that it will offer lamb producers, feeders, and first handlers the opportunity to vote in a nationwide referendum on whether to continue or terminate the Lamb Promotion, Research, and Information Order, authorized under the Commodity Promotion, Research,

and Information Act of 1996. The referendum will be held Feb. 2-27, 2009.

The referendum will be conducted at USDA's Farm Service Agency (FSA) county offices. To be eligible to vote, persons must certify and provide documentation, such as a sales receipt or remittance form, which shows they have been engaged in the production, feeding, or slaughtering of lambs during the period, Jan. 1, 2008, through Dec. 31, 2008.

Contact your local FSA office for details.

### **KANSAS CITY MAILS 1099-G**

During the last week of January, producers who have received payments from FSA should have also received a CCC-1099-G from the Kansas City office. A CCC-1099-G is a report to the Internal Revenue Service about FSA payments made to you during the previous calendar year. The CCC-1099-G is a service to help participating producers report taxable income. It is not intended to replace the program participant's responsibility to report income to the IRS.

If you received a CCC-1099-G, we recommend that you check the amounts shown with those in your records to see that the amounts are correct. Refunds will no longer be reported on the 1099-G, but will be available online from the FSA Financial Inquiries (FSA-FI) web-based database. Program participants with eAuthentication user ID's and passwords can access their refund information at FSA-FI and select "Inquiry Type 1099/Refund Reports." Refund amounts are displayed on the Producer's Year-to-Date Activity web page.

If you have a question concerning the 1099-G refund information, you may contact your local FSA office for assistance locating the correct payment data. If you choose to visit the office, bring your CCC-1099-G with you.

## **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 \$300,000 each. Currently guaranteed loans can reach a maximum indebtedness of \$1,094,000. Emergency loans are 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, just contact the county office staff for an appointment with a farm loan officer.

### **FSA FARM OWNERSHIP LOANS AVAILABLE TO BEGINNING FARMERS OR RANCHER**

Beginning farmers or ranchers may obtain a farm ownership loan by using funds set aside especially for them by the Farm Service Agency. These loans can be financed up to the \$300,000 loan limit, and the term of the loan can be up to 40 years.

The interest rate is set the first of each month, and is currently 3.75 percent.

Farm ownership loan funds may also be used in joint financing where FSA lends up to 50 percent of the amount financed and another lender provides 50 percent or more.

## DOWN PAYMENT FARM OWNERSHIP PROGRAM

**Purpose:** To finance a down payment of up to 45 percent of the purchase price of a farm. The Farm Service Agency financing cannot exceed 45 percent of the lesser of: the purchase price of the farm, the appraised value of the farm, or \$500,000. The applicant must make a down payment up to 5 percent. The remainder of the purchase price can be financed on contract with the seller or a loan through a conventional lender. The lender can obtain a guarantee from FSA if the customer is eligible.

**Rates:** The FSA loan rate will have a term of up to 20 years, and currently the interest rate is 1.5 percent. Other financing must be amortized over at least 30 years with the interest rate negotiated by the farmer and the lender.

**Qualification:** Applicants must either meet the definition of a "beginning farmer" or a "socially disadvantaged applicant." Beginning farmer applicants must have three years of farm experience, must have farmed for less than 10 years, and cannot own real estate that exceeds 30 percent of the median farm acreage for the county. Socially disadvantaged applicants include women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans, and Pacific Islanders.

## 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 20 years of age
- Comply with FSA's general eligibility requirements
- Reside in a rural area, city or town with a population of 50,000 or fewer people
- 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.

Stop by the county office for help preparing and processing the application forms. The FSA staff can help you with questions you may have about a particular program.

## LOANS FOR THE SOCIALLY DISADVANTAGED

FSA has several loan programs available to assist applicants to begin or continue in agriculture production. Loans are available for operating type loans and/or purchase or improve farms or ranches.

While all qualified producers are eligible to apply for these loan programs, the FSA has provided priority funding for those determined to be Socially Disadvantaged applicants.

A socially disadvantaged applicant is one of a group whose members have been subjected to racial, ethnic or gender prejudice because of their identity as members of the group without regard to his or her individual qualities.

For purposes of this program, socially disadvantaged groups include women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans, and Pacific Islanders.

If producers or their spouses believe they would qualify as socially disadvantaged, they should contact their local FSA office for details. FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

## NAP PRODUCTION REPORTING

Production records for individual crops need to be filed with our office to establish an approved NAP yield. If this is the first year you participated in NAP, you can provide production and acreage information from prior years to establish your yield. If you participated in NAP in previous years, you must report your production and acreage on a yearly basis to keep your yield up-to-date. Records submitted must be verifiable or reliable. Records need to show crop disposition. It is recommended producers submit 2008 production records as soon as possible after harvest. All production records must be submitted by the subsequent crop year's final acreage reporting date. Contact your local FSA office for the specific deadlines.

## NAP COVERAGE DEADLINES

Noninsured Crop Disaster applications are due at different times according to the crop being insured. Producers should apply for Noninsured Crop Disaster Assistance Program (NAP) coverage using form CCC-471 (Application for Coverage). Related service fees are due when the application is filed. The application and service fee MUST be filed by the crop deadline date. Contact your local FSA office for the filing dates for your crops.

The service fee is \$250 per crop per county not to exceed \$750 per producer per county. The fee cannot exceed a total of \$1875 per producer for individuals with farming interests in multiple counties. Limited resource

producers may request a waiver for service fees.

To qualify, a producer must be a landowner, operator, tenant or sharecropper who shares in the risk of producing an eligible crop.

### HONEY LOANS AVAILABLE

Marketing assistance loans and loan deficiency payments for 2008 crop year honey are available until March 31, 2009. The national loan rate for honey is \$0.60 per pound. Market prices currently exceed the loan rate; so LDPs are not available right now.

To be eligible for a loan, the producer must have produced honey in the United States during the calendar year for which the loan is requested, and extracted the honey on or before Dec. 31 of the applicable crop year; have continuous beneficial interest in the honey through date of repayment of the loan; and been responsible for the financial risk of keeping the honey. Producers are responsible for maintaining the quality of farm-stored honey during the term of the loan.

The honey must be produced in the United States by an eligible producer, from an approved floral source, and stored in approved containers.

The containers must be marked with the producer's name, type of honey, number of container and net weight. Pre-loan inspections are required before the loans can be disbursed.

Honey used as COLLATERAL may not be disposed of without approval of the county office staff.

### MILC SIGN-UP CONTINUES

Signup for the Milk Income Loss Contract Program (MILC) continues through the program's expiration date, Sept. 30, 2012.

USDA's Commodity Credit Corporation (CCC) issues MILC payments on an operation-by-operation basis up to a maximum of 2.4 million pounds of milk produced and marketed (about

120 cows) from Oct. 1, 2007, through Sept. 30, 2008. The production limit per operation increases to 2.985 million pounds (about 145 cows) for each fiscal year from Oct. 1, 2008, through Aug. 31, 2012. Beginning Sept. 1, 2012, the production limitation reverts back to the original limit of 2.4 million pounds per fiscal year.

Eligible dairy producers are those who commercially produce milk in the United States. To receive program approval, producers must enter into a MILC contract with CCC and provide monthly milk marketing data. Dairy producers can apply for MILC at local FSA offices.

All payments in the program are subject to limits in the contract, regulations, and to changes in statutory provisions for payment.

### COUNTY COMMITTEE ADVISORS

FSA County Committee (COC) Advisors are a valued voice for under represented groups and socially disadvantaged farmers and ranchers.

Eligibility requirements for COC advisor nominee include:

- be actively participating in farming or ranching in the county or area
- be willing and able to serve as an advisor, if appointed
- indicate in writing a willingness and ability to serve

County committee advisors serve for

- for a 12-month period not to exceed 9 consecutive years beginning March 1 each year

Duties and Responsibilities of COC Advisors include:

- attending each COC meeting, including executive sessions
- participating in all deliberations

increasing awareness of and participation in FSA activities, including elections, by eligible voters to ensure that socially disadvantaged group problems and viewpoints are understood and considered in FSA actions

- helping to develop interest and incentives in socially disadvantaged group members for considering FSA work as a career
- actively soliciting candidates from socially disadvantaged groups for nomination during the election process
- able to perform special duties at COC's request

Note: Advisors do not have authority to sign documents.

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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.**

