NEWSLETTER

Texas FSA Today

December 2010

An Online Monthly Newsletter Covering the Hottest Topics in Federal Farm Programs

CONSERVATION LOAN PROGRAM

The Farm Service Agency makes and guarantees conservation loans on farms and ranches to help conserve our natural resources. The Conservation Loan (CL) Program provides farmers with the credit necessary to implement conservation measures on their land.

The direct CLs loan limit is up to $300,000 and guaranteed CLs up to $1,112,000 (amount adjusted for inflation), may be available by applying with lenders working with FSA to obtain a guarantee.

Conservation practices must be approved by NRCS before FSA can provide financing. Producers who do not currently have an existing conservation plan should visit NRCS to develop one prior to requesting Conservation Loan Program assistance. Examples of conservation practices include installation of conservation structures; establishment of forest cover; installation of water conservation measures; establishment or improvement of permanent pastures; transitioning to organic production; manure management, including manure digestion systems; etc.

TRADE ADJUSTMENT ASSISTANCE FOR FARMERS – DEADLINE FAST-APPROACHING

USDA recently announced a second petition under the Trade Adjustment Assistance for Farmers (TAAF) program for producers of 2008 shrimp. Producers have until December 23, 2010, to apply for the program that will provide technical training and financial benefits to eligible producers whose crops have been adversely impacted by foreign competition.

Shrimp assistance is approved for Alabama, Alaska, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Texas.

FSA County Offices will accept applications for 2008 shrimp through December 23, 2010. FSA Form 229-1.. Late applications will not be approved.

The application form is available at FSA offices or at: http://www.fas.usda.gov/itp/taa/taaforms.asp

DCP SIGNUP & ADVANCE PAYMENTS

Enrollment for the 2011 Direct and Counter-cyclical Program (DCP) has begun and will continue through June 1, 2011. Direct advance payments of 22% on the 2011 DCP program will be available starting December 1, 2010. The remaining 78% of the direct payment will be issued after October 1, 2011.

Eligible producers receive direct payments at rates established by statute regardless of market prices. DCP contract signatures for enrollment are due by the signup deadline of June 1, 2011. For more information producers can contact their local FSA office.

THE ACRE OPTION

The Average Crop Revenue Election Program (ACRE) provides a safety net based on state revenue losses and acts in place of the price-based safety net of counter-cyclical payments under DCP. A farm's payment is based on a revenue guarantee calculated using a 5-year average state yield and the most recent 2-year national price for each eligible commodity.

An ACRE payment is issued when both the state and the farm have incurred a revenue loss. In exchange for participating in ACRE, a farm's direct payment is reduced by 20 percent, and marketing assistance loan rates are reduced by 30 percent.

The decision to enroll in the ACRE Program is irrevocable. The owner of the farm and all producers on the farm must agree to enroll in ACRE. Once enrolled, the farm shall be enrolled for that initial crop year and will remain in ACRE through the 2012 crop year.

The June 1, 2011, deadline to enroll for the 2011 program is mandatory for all participants. FSA will not accept late-filed applications.

IRS FORM 1099-G

Producers annually receive CCC-1099-Gs detailing payments producers have received from the Commodity Credit Corporation. The annual report of program payments on CCC-1099-Gs is a service intended to help our customers report taxable income. It is not intended to replace the producers' responsibilities to report income to IRS.

FSA staff cannot interpret IRS regulations or advise producers about which payments to report on their income tax returns. However, county office staff can review payments for accuracy.

TEXAS MEETS ACRE PROGRAM TRIGGER FOR NON-IRRIGATED CORN AND NON-IRRIGATED UPLAND COTTON

Texas met the revenue triggers allowing farmers to earn Average Crop Revenue Election (ACRE) program payments on planted acres of non-irrigated corn and non-irrigated upland cotton. However, the farm must also meet the revenue trigger to qualify for payment.

Additionally, wheat and oats met ACRE revenue triggers on August 12, 2010.

States that meet the revenue triggers for other commodities will be determined after the 2009-2010 marketing year average prices are published by the National Agricultural Statistical Service (NASS). The scheduled publishing dates for the 2009-2010 marketing year average prices are as follows:

- Large chickpeas, small chickpeas, sunflower seed, canola, flaxseed, mustard seed, rapeseed, safflower, crambe and sesame seed – November 30, 2010
- Long grain rice, and medium and short grain rice – January 31, 2011

For more information on the ACRE program visit your local FSA office or the website at http://www.fsa.usda.gov/dcp.

COMMODITY LOANS

Commodity loans, also referred to as Marketing Assistance Loans, are available to producers who share in the risk of producing the crop. To be eligible, you must maintain beneficial interest in the crop through the time of application. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan — even if you regain beneficial interest.

Violating provisions of a marketing assistance loan may trigger administrative actions, such as assessing liquidated damages, calling the loan and denial of future farm-stored loans. The most common violations are removing or disposing of a commodity being used as loan collateral without prior authorization and providing an incorrect quantity certification. Cops eligible for loan are cotton, grain sorghum, corn, wheat, oats, barley, rice, soybeans and peanuts.

MAINTAINING THE QUALITY OF LOANED GRAIN

This year's large grain crop has its obvious up side, but there is a downside too. Many producers are hard pressed to find adequate storage for every bushel harvested. Overfilled grain storage bins can lead to grain quality problems.

Bins are ideally designed to hold a level volume of grain. When bins are overfilled and grain is heaped up, airflow is hindered and the chance of spoilage increases.

Producers who take out marketing assistance loans and use the farm-stored grain as collateral should remember that they are responsible for maintaining the quality of the grain through the term of the loan.

LDP DEADLINE ON UNSHORN LAMB PELTS

Eligible producers have until Jan. 31, 2011, to apply for Loan Deficiency Payments (LDP) for unshorn pelts produced during the 2010 crop year.

Eligible producers must have beneficial interest in the pelts, owned the lamb for at least 30 calendar days before the date of slaughter and sell the unshorn lamb for immediate slaughter. Producers must also comply with wetland conservation and highly erodible land conservation provisions on all lands they operate or have interest in.

To qualify for payment, pelts must have been produced by an eligible producer from live unshorn lambs of domestic origin in the United States.

FARM STORAGE FACILITY LOAN PROGRAM CHANGES

The Farm Storage Facility Loan (FSFL) program allows producers of eligible commodities to obtain low-interest financing to build or upgrade farm storage and handling facilities.

The new maximum principal amount of a loan through FSFL is $500,000. Participants are required to provide a minimum down payment of 15 percent, with CCC providing a loan for the remaining 85 percent of the net cost of the eligible storage facility and permanent drying and handling equipment. If a participant provides 20% or greater down payment, then the requirement for a severance agreement for loans under $50,000 will be waived. New loan terms of 7, 10 or 12 years are available depending on the amount of the loan. Interest rates for each term rate may be different and are based on the rate which CCC borrows from the Treasury Department.

Payments are available in the form of a partial disbursement and the remaining final disbursement. The partial disbursement will be available after a portion of the construction has been completed. The final fund disbursement will be made when all construction is completed. The maximum amount of the partial disbursement will be 50 percent of the projected and approved total loan amount not to exceed $250,000.

Applications for FSFL must be submitted to the FSA county office that maintains the farm's records. An FSFL must be approved before any site preparation or construction can begin.

- The following commodities are eligible for farm storage facility loans:
- Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
- Corn, grain sorghum, wheat, oats or barley harvested as other-than-whole grain
- Pulse crops - lentils, small chickpeas and dry peas
- Hay
- Renewable biomass
- Fruits (including nuts) and vegetables - cold storage facilities

FINAL AVAILABILITY DATES FOR MARKETING ASSISTANCE LOANS & LOAN DEFICIENCY PAYMENTS

- January 31-Mohair, Peanuts, Unshorn Pelts, Wool
- March 31-Honey, Oats, Wheat
- May 31-Corn, Cotton, Grain Sorghum, Rice, Soybeans

CONTINUOUS CRP

The Continuous Conservation Reserve Program allows participants to enroll acreages in conservation practices that will reduce soil erosion, improve water and soil quality and provide wildlife habitat and food sources.

Continuous CRP program participation is voluntary. 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.

For more information on Continuous CRP enrollments or local Conservation Reserve Enhancement Program (CREP) availability, please contact your local FSA office or visit http://www.fsa.usda.gov/pas /publications/facts/html/crpcont03.htm.

CRP TRANSITION INCENTIVES PROGRAM (TIP)

Retired or retiring land owners or operators are encouraged to transition their Conservation Reserve Program (CRP) acres to beginning or socially disadvantaged farmers or ranchers through the Transition Incentives Program (TIP which provides annual rental payments to the retiring farmer for up to two additional years after the date of the expiration of the CRP contract, provided the transition is not to a family member.

Enrollment in TIP is on a continuous basis. Beginning or socially disadvantaged farmers and ranchers and CRP participants may enroll in TIP beginning one year before the expiration date of a CRP contract. For example, if a CRP contract is scheduled to expire on Sept. 30, 2012, the land may be enrolled into TIP beginning Oct. 1, 2010, through Sept. 30, 2011. The TIP application must be submitted prior to completing the lease or sale of the effected lands.

To be eligible, TIP requires that the retired or retiring farmer or rancher:

- Have land enrolled in the Conservation Reserve Program (CRP) that is in the last year of the contract.
- Agree to allow the beginning or socially disadvantaged farmer or rancher make conservation and land improvements.

Agree to sell, or have a contract to sell, or agree to long-term lease (a minimum of 5 years) the land under CRP contract to a beginning or socially disadvantaged farmer or rancher by Oct. 1 of the year the CRP contract expires.

DISASTER ASSISTANCE PROGRAMS

FSA disaster assistance programs include:

- Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP)
- Livestock Forage Disaster Program (LFP)
- Livestock Indemnity Program (LIP)
- Supplemental Revenue Assistance Payments (SURE) Program
- Tree Assistance Program (TAP)

To be eligible for these programs, producers must obtain a policy or plan of insurance under the Federal Crop Insurance Act (FCIA) at a minimum CAT level for all insurable crops, and NAP coverage for non-insurable crops under SURE, TAP, and ELAP.

Farm-Raised Fish means all fish being produced for sale by an eligible producer. In the case of honey, the term "farm" means all bees and beehives in all counties that are intended to be harvested for a honey crop by the eligible producer.

Producers who do not purchase the required coverage will not be eligible for benefits unless an exception applies. The exception allows certain waivers for "Socially Disadvantaged Farmers and Ranchers", as well as "Limited Resource Farmers and Ranchers" and "Beginning Farmers and Ranchers".

It is highly recommended that even producers, who qualify under one of the waiver provisions, purchase the required insurance or NAP coverage. Doing so will increase the farm guarantee utilized in the calculation of the SURE payment.

CCC-927 OR CCC-928 MUST BE SENT TO IRS

Producers who participated in 2009 or 2010 programs subject to adjusted gross income limitations (AGI) had to certify compliance with AGI rules. The average AGI verification process for 2009 and 2010 payment eligibility requires all program participants to provide written consent to IRS for the disclosure of certain information to FSA.

On October 6, 2010, a letter was mailed to producers who have not submitted:

- CCC-927: "Consent to Disclosure of Tax Information-Individual Form"
- CCC-928: "Consent to Disclosure of Tax Information-Legal Entity"

Individuals and legal entities, including members of legal entities, that certified to average AGI compliance for 2009 and/or 2010 payment eligibility must submit a completed CCC-927 or CCC-928 to IRS regardless of whether they received program benefits directly or as a member of a joint operation or entity. These forms must be submitted to IRS in order to avoid a demand for refund of program payments and benefits received.

FARM LOAN YEAR END REVIEWS

Producers that have a farm loan with FSA are reminded they must provide data for their Year-End Analysis to their loan officer each year. Borrowers are urged to provide this information timely so that their files can be maintained.

RURAL 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 $5,000.

BEGINNING FARMERS AND RANCHERS

FSA assists beginning farmers, ranchers 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 great than 30 % of median size farm in the county.

Additional program information, loan applications, and other materials are available at your local USDA Service Center. You may also visit www.fsa.usda.gov

LOANS FOR THE SOCIALLY DISADVANTAGED

FSA has 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 targeted funding for members of 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 his or her identity as members of a group.

FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

SPOUSAL SIGNATURES

Husbands and wives may sign documents on behalf of each other for FSA and Commodity Credit Corporation programs in which either has an interest. This option is automatically available unless a written request for exclusion is made to the county office staff by either spouse.

There are exceptions to the rule, where spouses may not sign on behalf of each other for partnerships, joint ventures, corporations or other similar entities.

Individual signatures are also required on certain Farm Loan Program and Farm Storage Facility Loan documents. For further clarification on spousal signature authority, feel free to contact your local FSA office.

PAPER CHECK CONVERSION (PCC)

Over the next year, the Farm Service Agency (FSA) and the Commodity Credit Corporation (CCC) is moving toward an electronic method for processing producers' checks. This will allow FSA/CCC to process collections faster.

When producers present checks, either in person or through the mail, the checks will be converted into an Electronic Funds Transfer (EFT). The funds will be debited from the producer's account, usually within 24 hours of receipt.

Please see the U.S. Department of Treasury legal notices posted in the Service Center or visit the following U.S. Department of Treasury Internet site for detailed information: https://www.pccotc.gov/pccotc/pcc/using-pcc/Legal%20Notices/legalnotices.htm

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.