



Texas FSA Today

March 2011

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

AGRICULTURE SECRETARY VILSACK ANNOUNCES PROCESS TO RESOLVE DISCRIMINATION CLAIMS OF HISPANIC AND WOMEN FARMERS

As part of continued efforts to close the chapter on allegations that discrimination occurred at USDA in past decades, Agriculture Secretary Tom Vilsack has announced the establishment of a process to resolve the claims of Hispanic and women farmers and ranchers who assert that they were discriminated against when seeking USDA farm loans.

The claims process offers a streamlined alternative to litigation and provides at least \$1.33 billion in compensation, plus up to \$160 million in farm debt relief, to eligible Hispanic and women farmers and ranchers. This announcement follows the Obama Administration's settlement of longstanding litigation brought by African American farmers and Native American farmers.

In conjunction with this announcement, USDA is launching an outreach effort to potential claimants that will include a call center for farmers and ranchers, a website, public service announcements, and in-person meetings around the country. Individuals interested in participating in the claims process may register to receive a claims package, or may obtain more information, by visiting www.farmerclaims.gov. Beginning February 25, 2011, individuals can register to receive a claims package by calling the Farmer and Rancher Call Center at 1-888-508-4429. USDA cannot provide legal advice to potential claimants. Persons seeking legal advice may contact a lawyer or other legal services provider.

DCP SIGNUP & ADVANCE PAYMENTS

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

CRP GENERAL SIGNUP BEGINS MARCH 14

The Conservation Reserve Program (CRP) is offering a general signup period from March 14, 2011 through April 15, 2011. This is the second consecutive year that USDA has offered a general CRP signup.

Landowners enrolled in the CRP program receive annual rental payments and cost-share assistance to establish long-term, resource conserving covers on eligible farmland. Land that is not currently enrolled in CRP can be offered during sign-up if all eligibility requirements are met. CRP participants with contracts expiring this fall can make new contract offers during the signup period. Contracts awarded during this general signup will become effective October 1, 2011. For more information, please contact your local FSA office visit <http://www.fsa.usda.gov/crp>.

THE ACRE OPTION

The Average Crop Revenue Election (ACRE) program 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 re-

main in ACRE through the 2012 crop year. The June 1, 2011, deadline is statutory for all participants.

SURE SIGNUP

Signup for the 2009 Supplemental Revenue Assistance Program (SURE) began Jan. 10, 2011, and ends July 29, 2011. SURE provides benefits for 2008 - 2011 crop year farm revenue losses due to natural disasters.

A farm enrolled in SURE may be eligible for benefits when either:

- farms in counties with Secretarial disaster declarations, including contiguous counties, that have incurred crop production or quality losses, or both, and includes all crops grown by a producer nationwide, except grazed crops.
- any farm in which, for the crop year, the actual production of the farm because of disaster related conditions is less than 50% or less than normal production of the farm.

GRASSLAND RESERVE PROGRAM (GRP) ENROLLMENT

Applications for GRP in FY 2011 must be submitted by March 18, 2011. Rental contracts can be for periods of 10, 15, or 20 years. Permanent easements are also available for producers interested in a long term conservation arrangement. For more information about GRP rental rates or easement payments, just contact your local county FSA office.

LIVESTOCK PROGRAMS AVAILABLE

FSA administers several programs that may be available to assist livestock producers who are dealing with problems caused by the winter weather. Producers need to document the number and kind of livestock that have died as a direct result of these winter storms. There may also be situations where producers are transporting feed to their livestock. Producers should document these additional costs.

Among the key programs are the Livestock Indemnity Program (LIP) and the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP). For livestock death losses to be eligible under LIP, producers must file a notice of loss with their local FSA office within 30 calendar days from when the loss is apparent to the producer.

Contact your local FSA office for additional information.

REMEMBER HAY NET

Producers are encouraged to use Hay Net on the FSA website <http://www.fsa.usda.gov/haynet>. This online service allows producers with hay and those who need hay to post ads so they can make connections. Hay Net is a popular site for farmers and ranchers who have an emergency need, such as the one caused by the current wintry conditions. Individual ads can be posted free of charge by producers who complete a simple online registration form the first time they use the site.

NONINSURED CROP DISASTER ASSISTANCE PROGRAM (NAP)

The noninsured crop disaster assistance program (NAP) is a federally funded program that helps producers reduce their risk when growing food and fiber crops, specialty crops and crops for livestock feed.

These benefits are only available for crops for which the catastrophic level of crop insurance is not available for the crop. NAP is not available for crops when the Risk Management Agency (RMA) offers coverage for the crop in the county. An example could be that RMA offers coverage for corn in the county and special provisions state that the crop must be irrigated. Since corn is covered in the county, NAP cannot be offered on non-irrigated corn.

Production records for all crops must be reported to FSA no later than the final acreage reporting date for the crop for the following year. FSA requires that any production reported in a loss year be verifiable according to Agency specifications. NAP Losses must be reported within 15 days of a disaster event or the date the loss becomes apparent.

ADJUSTED GROSS INCOME

USDA has a Memorandum of Understanding with the Internal Revenue Service to establish an electronic information exchange process for verifying compliance with the adjusted gross income (AGI) provisions for farm programs. Written consent will be required from each producer or payment recipient for the tax review process. No actual tax data will be included in the report that IRS sends to FSA.

The agreement ensures that payments are

not issued to producers whose AGI exceeds certain limits. The limits set in the 2008 Farm Bill are \$500,000 nonfarm average AGI for commodity and disaster programs; \$750,000 farm average AGI for direct payments; and \$1 million nonfarm average AGI for conservation programs.

Participants in CCC programs subject to average AGI rules must submit form CCC-927 (Individual) and/or CCC-928 (Legal Entity) to the Internal Revenue Service by June 15 to avoid interruption of program benefits. These forms may be obtained from local FSA and NRCS offices or online at: <http://forms.sc.egov.usda.gov/eforms/mainservlet>.

ACTIVELY ENGAGED

USDA has amended the rules that govern the requirements to be 'actively engaged' in farming. These rules apply to eligibility for payments under the Direct and Counter-cyclical Program (DCP) or Average Crop Revenue Election (ACRE) program administered by FSA.

Normally the stockholder or a member of a legal entity must make contributions of active personal labor and/or active personal management for the farming operation. The contributions are to be performed on regular basis, must be identifiable, and separate from the contributions of others.

The exception to this rule for a stockholder or member of a legal entity only occurs when both of the following apply:

- At least half of the interest in the legal entity is held by stockholders or members who are providing active personal labor or active personal management; and
- The total direct payments received by the legal entity and each of the members can't exceed \$40,000.

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.

MARKETING ASSISTANCE LOANS

A Marketing Assistance Loan (MAL) is available to producers who share in the risk of producing a crop. To be eligible, a producer must maintain continual beneficial interest in the crop from harvest through the earlier of the date the loan is repaid or CCC takes title to the commodity.

Beneficial interest means retaining the ability to make decisions about the commodity; responsibility for loss or damage to the commodity; and title to the commodity. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan — even if the producer regains beneficial interest.

Commodity loan eligibility also requires compliance with conservation and wetland protection requirements; beneficial interest requirements, acreage reporting and ensuring that the commodity meets Commodity Credit Corporation minimum grade and quality standards.

For commodities to be eligible they must have been produced by an eligible producer, be in existence and in a storable condition and be merchantable for food, feed or other uses as determined by CCC. The quality of the commodity in farm storage must be maintained throughout the term of the loan.

Producers do not have to participate in the Direct and Counter-Cyclical and/or ACRE Programs to be eligible for commodity loans.

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.

FINAL AVAILABILITY DATES FOR MARKETING ASSISTANCE LOANS & LOAN DEFICIENCY PAYMENTS

- March 31-Honey, Oats, Wheat
- May 31-Corn, Cotton, Grain Sorghum, Rice, Soybeans

HONEY LOANS

Honey loans are a type of marketing assistance loan, and they are available until March 31, 2011. Market prices currently exceed the loan rate, so LDPs are not available at this time.

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. Producers are responsible for maintaining the quality of farm-stored honey during the term of the loan.

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.

CREP, SAFE & CONTINUOUS CRP AVAILABLE

Environmentally sensitive acreage qualifying for the Conservation Reserve Enhancement Program (CREP), Conservation Reserve Program State Acres For Wildlife Enhancement (SAFE) Practice, and Continuous CRP are eligible for enrollment. These targeted programs remain funded, and continue to provide a heightened environmental benefit on select areas.

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

FARMING OPERATION CHANGES

If you have bought or sold land, or if you have added or dropped rented land from your operation, make sure you report the changes to the office as soon as possible. You need to provide a copy of your deed or recorded land contract for purchased property.

Failure to maintain accurate records with FSA on all land you have an interest in can lead to possible program ineligibility and penalties. Making the record changes now will save you time in the spring. Update signature authorization when changes in the operation occur. Producers are reminded to contact the office of a change in operations on a farm so that records can be kept current and accurate.

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.

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

are required to report your production and acreage on a yearly basis to keep your yield up-to-date. Records submitted must be reliable or verifiable. Records need to show crop disposition. We recommend producers submit production records as soon as harvest is complete. All production records must be submitted by the subsequent crop year's final acreage reporting date.

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.