



## Texas FSA Today

August 2012

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

### ALL TEXAS COUNTIES ELIGIBLE FOR FSA EMERGENCY LOANS

As of July 12, 2012, the entire state of Texas was declared a disaster using the new, streamlined Secretarial Disaster Designation process.

The disaster designation was a direct result of several program improvements announced by Secretary Vilsack on July 11, 2012. The program improvements include a streamlined Secretarial Disaster Designation process that automatically qualifies a disaster county once it is categorized as a severe drought for eight weeks according to the U.S Drought Monitor. Other improvements include a reduced interest rate for emergency loans that lowers the rate from 3.75 percent to 2.25 percent.

All Texas counties are eligible to apply for low-interest emergency (EM) loans. Emergency loans help producers recover from production and physical losses due to drought, flooding and other natural disasters or quarantine. The current emergency loan interest rate is 2.25 percent.

Producers have eight months from the date of the declaration to apply for emergency loan assistance. Emergency loan applications will be accepted through March 12, 2013, for production and physical losses.

### 229 Texas Counties Meet CRP Emergency Haying and Grazing Requirements

In Texas, 229 Counties are eligible for Conservation Reserve Program (CRP) emergency haying and grazing because of the new provisions announced by Secretary Vilsack on July 23, 2012.

The following counties are NOT approved for CRP emergency haying and grazing: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Houston, Jasper, Jefferson, Liberty, Matagorda, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, Walker and Waller.

In addition to the 25 percent CRP payment reduction being reduced to 10 percent for all 2012 emergency haying and grazing authorizations, participants may now sell the harvested hay or lease grazing privileges for profit under the new emergency provisions. However, subleasing of the grazing privileges will not be permitted and participants are limited to one hay cutting.

Texas CRP participants who were previously approved for managed haying or grazing may elect to switch to emergency use by contacting their local FSA office to request approval.

Based on a decision made by the Texas FSA State Committee, CRP emergency haying and grazing approval will only be available for those CRP lands that were not utilized for haying or grazing during the previous 12 months.

Eligible CRP land can be used for emergency haying until August 31, 2012, or emergency grazing until September 30, 2012. Please contact your local FSA office to request emergency haying or grazing approval. Eligible producers must also obtain a modified conservation plan from the Natural Resources Conservation Service (NRCS).

### HIGHLY ERODIBLE LAND INITIATIVE SIGN-UP

The Highly Erodible Land Initiative sign-up under the Conservation Reserve Program (CRP) began on July 23, 2012. The purpose of this initiative is to protect up to 50,000 acres of Texas' most highly erodible croplands. Producers may enroll at their local Farm Service Agency (FSA) office. Enrollment will continue until the 50,000 acre limit is reached or September 30, 2012, whichever occurs first.

CRP is a voluntary program designed to help farmers, ranchers and other agricultural producers protect their environmentally sensitive land. Through this Highly Erodible Land Initiative, eligible landowners receive annual rental payments and cost-share assistance to establish long-term, resource conserving covers on eligible cropland for a period of 10 years. Croplands with an erodibility index of 20 or greater are eligible for enrollment. CRP acres that expire on September 30, 2012, are also eligible for enrollment.

For more information producers are encouraged to contact their local FSA office or visit FSA's website at: [www.fsa.usda.gov/crp](http://www.fsa.usda.gov/crp).

### Producers Must Report Crop Losses to FSA

Producers must report crop losses resulting from a weather-related disaster event within 15 days of the disaster or when the loss first becomes apparent, this includes crops covered by crop insurance, the Noninsured Crop Disaster Assistance Program (NAP) and crops without insurance coverage. Prevented planting must be reported no later than 15 days after the final planting date.

Crop losses are acres that were timely planted with the intent to harvest, but the crop failed because of a natural disaster. It is important that producers file accurate and timely loss reports to prevent the potential loss of FSA program benefits.

Producers who have NAP coverage will be required to report crop losses on an FSA form CCC-576 - "Notice of Loss and Application for Payment Noninsured Crop Disaster Assistance Program."

### ADJUSTED GROSS INCOME

USDA and the Internal Revenue Service have established an electronic information exchange process for verifying compliance with the adjusted gross income (AGI) provisions for farm programs. Written consent is 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.

This 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-931- "Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information" 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/efcommon/eFile-Services/eForms/CCC931.PDF>.

### 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.

### ELECTRONIC SERVICES AVAILABLE

If a producer has Internet access, program participants can access many services from home 24 hours a day, seven days a week, and receive approval and payment by direct deposit within 48 hours.

To participate in these services, you must meet all program eligibility requirements. Online services have stringent security measures to protect your private information.

To utilize electronic services a producer needs an active USDA eAuthentication Level 2 account, which requires an e-mail address and filling out an online registration form at [www.eauth.egov.usda.gov/](http://www.eauth.egov.usda.gov/) followed by a visit to the county office for identity verification.

If you have more questions, or would like assistance establishing your account, just contact your local USDA Service Center and talk with our trained FSA personnel.

### SWAMPBUSTER REGULATIONS

The term "swampbusting" means converting a wetland to crop production. To maintain compliance, producers cannot plant an agricultural commodity on a converted wetland or convert a wetland to make it possible to produce an agricultural commodity.

Producers are required to file an AD-1026, agreeing not to convert wetlands. Therefore, before a producer plants or converts a determined or an undetermined wetland for possible

crop production, they are required to notify FSA. FSA and NRCS will determine whether the area is a wetland.

Producers who convert wetlands to possible crop production without proper conservation measures could be ineligible for all USDA benefits on any land they own or operate.

### FARM SAFETY

Flowing grain in a storage bin or gravity-flow wagon is like quicksand, it can kill quickly. It takes less than five seconds for a person caught in flowing grain to be trapped.

The mechanical aspects of grain handling equipment, also presents a real danger. Augers, power take offs, and other moving parts can grab people or clothing.

These hazards, along with pinch points and missing shields, are dangerous enough for adults; not to mention children. It is always advisable to keep children a safe distance from operating farm equipment. Always use extra caution when backing or maneuvering farm machinery. Ensure everyone is visibly clear and accounted for before machinery is engaged.

FSA wants all farmers to have a productive crop year, and that begins with putting safety first.

### FARM STORAGE FACILITY LOAN PROGRAM

The Farm Storage Facility Loan Program (FSFLP) 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 now required to provide a 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. Additional security is required for poured-cement open-bunker silos, renewable biomass facilities, cold storage facilities, hay barns and for all loans exceeding \$50,000. 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.

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.

For more information about FSFL please visit your FSA county office or [www.fsa.usda.gov](http://www.fsa.usda.gov).

### MARKETING ASSISTANCE LOANS

Marketing Assistance Loans, also referred to as Commodity 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.

### CONTINUOUS CRP AVAILABLE

Continuous Conservation Reserve Program (CCRP) practices are available for specific conservation practices where needed.

Producers offering environmentally sensitive acreage under the CCRP provisions may qualify for annual rental payments and practice cost-share incentives of up to 50 percent of the cost for installing the approved practices. This conservation program will remain funded, and as implemented will continue to provide heightened environmental benefits on select areas.

### DIRECT AND GUARANTEED LOANS

The Farm Service Agency is committed to providing family farmers with loans to meet their farm credit needs. If you are having trouble getting the credit you need for your farm, or regularly borrow from FSA, direct and guaranteed loans are currently available.

Ask your lender about an FSA loan guarantee if you've had a setback and your lender is reluctant to extend or renew your loan.

Farm ownership loans or farm operating loans may be obtained as direct loans for a maximum of up to \$300,000. Guaranteed loans have a maximum limit of \$1,214,000. This makes the maximum combination of direct and guaranteed loan indebtedness \$1,514,000.

The one-time loan origination fee charged on FSA guaranteed farm ownership and operating loans is 1.5 percent of the guaranteed portion of the loan.

To find out more about FSA loan programs, contact the county office staff.

### BEGINNING FARMER LOANS

FSA has a program 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 than 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
- Except for operating loan assistance, does not own farm acreage in excess of 30 percent of the county's median size

Each member of an entity must meet the eligibility requirements. Loan approval is not guaranteed.

Additional program information, loan

applications, and other materials are available at the local USDA Service Center or visit [www.fsa.usda.gov](http://www.fsa.usda.gov).

### RURAL YOUTH LOANS

FSA 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.

### PREVENTING FRAUD

The Farm Service Agency supports the Risk Management Agency in the prevention of fraud, waste and abuse of the Federal Crop Insurance Program. FSA has been, and will continue to, assist RMA and insurance providers by monitoring crop conditions throughout the growing season.

FSA will continue to refer all suspected cases of fraud, waste and abuse directly to RMA.

Producers can report suspected cases to the FSA office, RMA, or the Office of the Inspector General.

**FSA MOVES TO ELECTRONIC CHECK PROCESSING**

FSA is moving towards an electronic method for processing check payments from customers. All paper checks submitted for payment, either in person or through the mail, will be converted into an Electronic Funds Transfer (EFT) using Over the Counter Channel (OTCnet), a web-based application.

The electronic transfer of funds could occur within 24 hours. FSA will hold the paper check for up to 14 calendar days to ensure that the transaction was successfully processed and then the check will be shredded. The producer will not receive the paper check back from FSA.

During 2012, OTCnet will be implemented in a select number of counties throughout the state, but all counties will be transitioned into OTCnet by the end of 2013.

The new electronic check processing system will benefit the Agency and producers. The new system will reduce the possibility of losing or misplacing checks, speed up the check clearing process and reduce the potential for human error.

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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.**

| Dates to Remember |  |
|-------------------|--|
| Aug. 31, 2012     | CRP Emergency Haying Ends                            |
| Sept. 30, 2012    | CRP Emergency Grazing Ends                           |
| Sept. 30, 2012    | CRP Highly Erodible Land Initiative Sign-up Deadline |
| March 12, 2013    | Emergency Loan Application Deadline                  |

| Selected Interest Rates for August 2012                                 |       |
|---|-------|
| 90-Day Treasury Bill  | .125% |
| Farm Operating Loans — Direct   | 1.25% |
| Farm Ownership Loans — Direct   | 3.00% |
| Farm Ownership Loans — Direct Down Payment, Beginning Farmer or Rancher | 1.50% |
| Emergency Loans   | 2.25% |
| Farm Storage Facility Loans (7 years)                                   | 1.00% |
| Sugar Storage Facility Loans  | 2.00% |
| Commodity Loans 1996-Present  | 1.25% |