



United States  
Department of  
Agriculture



FARM SERVICE AGENCY

**Montana State  
Producer Handbook**

June 2008

**Fact Sheet  
Direct and Counter-Cyclical Program -  
According to the 2008 Farm Bill**



**Here's What's New:**

- Farms with 10 base acres or less are not eligible for DCP Payments
- 2009 crop year adds pulse crops
- 2009-2011 crop years percentage rate changes to 83.3 percent
- Planting of pulse crops not a FAV violation.

**Overview**

The Food, Conservation, and Energy Act of 2008 was enacted in to law on May 22, 2008. The 2008 Farm Bill provides for the continuation of the Direct and Counter-Cyclical Program (DCP) for 2008 through 2012. Signup takes place from June 25, 2008 through September 30, 2008. Signup for the 2009 crop year is scheduled to begin October 1, 2008.

**Eligible Commodities**

Commodities that are covered by **direct and counter-cyclical payments** include wheat, corn, grain sorghum, including dual purpose varieties that can be harvested as grain; barley, oats, soybeans, canola, flaxseed, mustard, safflower, crambe, sesame seed, rapeseed and sunflowers including oil and non-oil varieties.

Beginning with the 2009 crop year, pulse crops, including chickpeas (both Kabuli (large) and Desi (small), Garbanzo beans), dry peas and lentils will be added as covered commodities.

**Producer Requirements**

- Annually, producers must sign a CCC-509, DCP

contract, designating shares;

- Producers with Level 2 access may use e-DCP and submit a DCP contract electronically. (CCC-509)
- Producers may also visit any local county FSA office and sign a CCC-509 to enroll.
- Producers must have a current CCC-502 (Farm Operating Plan for Payment Eligibility Review for an Individual) and an AD-1026 (Highly Erodible Land Conservation (HELC) and Wetland Conservation Certification) on file to be eligible for payments.

**Planting Flexibility for Direct and Counter-Cyclical Payments**

- Participating producers are permitted to plant all cropland acreage on the farm to any crop, except for some limitations on planting fruits and vegetables. Chickpeas, both Kabuli and Desi Garbanzo beans are not considered a vegetable beginning with 2008.
- Land must be kept in agricultural uses, (which includes fallow and permanent vegetative cover)
- Farmers must comply with certain conservation and wetland provisions
- Annually report the use of all cropland acreage on the farm
- Protect all base acres from erosion, including providing sufficient cover

- as determined necessary by the local FSA County Committee, and
- Control weeds.

**Bases Acres of 10 Acres or Less**

No producer on a farm that has a total of 10 base acres or less shall be eligible to receive payments on that farm unless that farm is wholly owned by a socially disadvantaged or limited resource farmer or rancher. If the farm is owned by a legal entity, such as a corporation, each member of the entity must be a socially disadvantaged or limited resource farmer or rancher.

Socially disadvantaged farmer or rancher is defined as: a farmer or rancher who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities.

The Limited resource farmer or rancher is a producer certification. Both of the following must be met:

- Directly or indirectly have gross farm sales not more than \$100,000 in both of the previous 2 years and;
- Total household income at or below the national poverty level for a family of 4, or less than 50 percent of the county median household income in both of the previous 2 years.

**Eligible Bases**

DCP base acres in effect on September 30, 2007 will be in effect for 2008.

The 2008 Farm Bill also provided for restoring base acreages when a

Conservation Reserve Program (CRP) contract expires or is voluntarily terminated provided there is enough effective DCP cropland acreage on the farm to support the base.

**Payment Acreage**

Payment acreage for 2008 **direct and counter-cyclical payments** is equal to 85 percent of the eligible (base) acreage. For the 2009-2011 crop years the percentage changes to 83.3 percent, returning to 85 percent in 2012.

**Types of Payments**

There are two types of payments:

- **Direct payments**, which are based on a fixed rate established by the Act. Direct payments are not based on producers' current production choices, but are tied to acreage bases and yields.
- **Counter-cyclical payments**, may vary depending on the crop's 12-month market price. This payment rate is equal to the Target Price minus the Direct Payment Rate minus the higher of the loan rate or the 12-month market price.

**[[target price)-(direct payment rate)-(the higher of the loan rate or the 12-month market price payment rate)]**

Each of these payments is discussed independently in detail below.

**Direct Payments**

Payment rates for eligible crops were fixed in the 2008 Farm Bill. Direct payment rates for the covered commodities receiving payments are:

Crop	2008 – 2012 payment rate
Barley	\$0.24/bu
Corn	\$0.28/bu
Grain Sorghum	\$0.35/bu

Oats	\$0.024/bu
Other Oilseeds	\$0.80/cwt
Soybeans	\$0.44/bu
Wheat	\$0.52/bu

**Payment Yields Are:**

based on the current established yield for the farm. If a yield does not exist, one will be established using similar farms. Program payment yields are unchanged for those crops previously covered under the DCP program.

**Payment Schedule**

Issued as follows:

- For FY 2008, the advance payment rate is 22 percent and can be made as soon as practical after contract approval. Final payments are to be made in October of the year the crop is harvested.

The amount of the payment is equal to the product of the payment rate, the payment acres (85 percent of base acres), and the payment yield. For example, the payment for an individual wheat farmer is:

$$[(\text{Direct Payment(DP)})_{\text{wheat}} = ([\text{Base acres}]_{\text{wheat}} \times 0.85) \times (\text{payment yield})_{\text{wheat}} \times (\$0.52)_{\text{wheat}}$$

**Payment Limitation Rules**

The payment limit on **direct payments** is \$40,000 per person, per crop year, and the three-entity rule is retained. Under the three-entity rule, an individual may receive a payment either directly or indirectly from no more than 3 permitted entities. Producers with Adjusted Gross Income (AGI) of over \$2.5 million, averaged over each of the 3 preceding tax years, are not eligible for payments unless at least 75 percent of adjusted gross income is from agriculture.

Payment limitation rules will change significantly beginning with the 2009 crop year as will the AGI limitations.

**Counter-cyclical Payments**

Counter-cyclical payments (CCP) are available for covered commodities whenever the effective price is less than the target price.

**Payment Schedule**

Issued as follows:

The counter-cyclical, if any, shall be made as soon as possible after the end of the crop-marketing year.

The payment amount is equal to the product of the payment rate, the payment acres (85 percent of base acres), and the payment yield.

For example the payment for an individual wheat farmer is:

$$\text{Payment rate}_{\text{wheat}} = (\text{target price})_{\text{wheat}} - (\text{direct payment rate})_{\text{wheat}} - (\text{higher of commodity price or loan rate})_{\text{wheat}}$$

$$\text{CCP}_{\text{wheat}} = ([\text{Base acres}]_{\text{wheat}} \times 0.85) \times (\text{payment yield})_{\text{wheat}} \times (\text{payment rate})_{\text{wheat}}$$

**Payment Limitation Rules**

The payment limit on counter-cyclical payments is \$65,000 per person, per crop year, and the three-entity rule is retained for 2008. Producers with AGI over \$2.5 million, averaged over each of the 3 preceding tax years, are not eligible for payments unless more than 75 percent of adjusted gross income is from agriculture.

**For Additional Information**

Additional information may be obtained at local FSA offices or through the Montana FSA Web site at [www.fsa.usda.gov/mt/](http://www.fsa.usda.gov/mt/)

"The U.S. Department of Agriculture (USDA) prohibits discrimination in all its program and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer."