



# NEWSLETTER



August 2013

## DCP Deadline

## Adjusted Gross Income

**Lake County  
Farm Service Agency  
17612 Hwy 395  
Lakeview, OR 97630  
(541) 947-2367 Ext 2  
FAX: (541) 947-2070  
www.fsa.usda.gov/OR**

**Hours  
Monday - Friday  
8:00 a.m. - 4:30 p.m.**

**County Committee  
Jim McNeley  
Martin Landa  
Alice Dinsdale**

**Next county  
committee meeting is  
scheduled for  
September 17, 2013 at  
1:00 p.m.**

**Office Staff  
Marti Hamilton**

The sign-up period for DCP has been extended. Producers are encouraged to sign-up before the extended September 16, 2013 deadline.

## NAP Losses

The CCC-576, Notice of Loss, is used to report failed acreage and prevented planting and may be completed by any producer with an interest in the crop. Timely filing a Notice of Loss is required for all crops including grasses. For losses on crops covered by the Non-Insured Crop Disaster Assistance Program (NAP) and crop insurance, you must file a CCC-576, Notice of Loss, in the county office within 15 days of the occurrence of the disaster or when losses become apparent.

If filing for prevented planting, an acreage report and CCC-576 must be filed within 15 calendar days of the final planting date for the crop.

## Compliance Spot Checks

Compliance spot checks will be conducted on 2013 crops. Instead of locally selecting farms, contracts, and deficiency loans, for review, a nationwide selection of producers is employed. Spot check selections are to be conducted based on a producer's participation in the Conservation Reserve Program, Direct and Counter-Cyclical Program, Loan Deficiency Program or other relevant programs.

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. Starting with 2012, a combined overall income exceeding \$1 million excludes participation in DCP or ACRE.

Participants in CCC programs subject to average AGI rules must submit form CCC-933 to the county office to avoid interruption of program benefits. This form may be obtained from local FSA and NRCS offices or online at: <http://forms.sc.egov.usda.gov/eforms/main.servlet>.

## **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;
- The total direct payments received by the legal entity and each of the members can't exceed \$40,000.

## **Successor-In-Interest**

Many FSA programs will allow payments to be made to heirs or successors when a program participant passes away. Additionally, contracts in programs such as CRP must be revised to reflect the successor(s) to a deceased participant's interest.

In the event of an FSA program participant's death, it is important that FSA be notified. Entities and joint operations that participate in FSA programs also need to notify FSA if a shareholder or member passes away. FSA benefits are reported to IRS and maintaining current, accurate records about participants is vital to ensuring that those payments are reported correctly.

## **Foreign Landowner Notification**

The Agricultural Foreign Investment Disclosure Act (AFIDA) requires all foreign owners of U.S. agricultural land to report their holdings to the Secretary of Agriculture. The Farm Service Agency administers this program for USDA.

Foreign individuals who have purchased or sold agricultural land in the county are required to report the transaction to FSA within 90 days of the closing. Failure to submit the AFIDA form could result in civil penalties of up to 25% of the fair market value of the property. County government offices, real estate agents, attorneys and others involved in real estate transactions are reminded to notify foreign investors of these reporting requirements.

## **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 maximum principal amount of a loan through FSFL is \$500,000. Participants are now to provide a down payment of 15%, with CCC providing a loan for the remaining 85% of the net cost of the eligible storage facility and permanent drying and handling equipment. 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 U.S. Treasury Department.

A partial disbursement of loan funds is available prior to the final disbursement. The partial disbursement can occur 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% of the projected and approved total loan amount.

## **Microloan Program**

The Farm Service Agency (FSA) developed the Microloan Program to better serve the unique financial operating needs of beginning, niche and small family farm operations.

FSA offers applicants a Microloan designed to help farmers with credit needs of \$35,000 or less. The loan features a streamlined application process that helps new and smaller producers as well as specialty crop producers and operators of community supported agriculture (CSA).

Eligible applicants can apply for a maximum amount of \$35,000 to pay for initial start-up expenses such as hoop houses to extend the growing season, essential tools, irrigation and annual expenses such as seed, fertilizer, utilities, land rents, marketing, and distribution expenses. As financing needs increase, applicants can apply for a regular operating loan up to the maximum amount of \$300,000 or obtain financing from a commercial lender under FSA's Guaranteed Loan Program.

## **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.

## **Land Contract (LC) Guarantees**

The Land Contract (LC) Guarantee Program is a valuable tool to transfer farm real estate to the next generation of farmers and ranchers. Guarantees will be offered to the owner of a farm who wishes to sell real estate through a land contract to a beginning or socially disadvantaged farmer or rancher. The guarantee reduces the financial risk to the seller.

FSA offers two types of guarantees:

- Prompt Payment Guarantee - A guarantee up to the amount of three amortized annual installments plus the cost of any related real estate taxes and insurance.
- Standard Guarantee - A guarantee of 90% of the outstanding principal balance under the land contract.

The guarantee period is 10 years and the contract payments must be amortized for a minimum of 20 years. The purchase price of the farm cannot exceed the lesser of \$500,000 or the market value of the property.

## **Guaranteed Loan Update**

The Farm Service Agency loan limit for the Guaranteed Loan Program is \$1,302,000. The limit is adjusted annually based on data compiled by the National Agricultural Statistics Service. The lending limit increases every year according to an inflation index. The maximum combined guaranteed and direct farm loan indebtedness has increased to \$1,602,000.

As a reminder, the one-time loan origination fee charged on FSA guaranteed farm ownership and operating loans is 1.5% of the guaranteed portion of the loan.

## 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 FSA, RMA, or the Office of the Inspector General.

<b>Selected Interest Rates for August 2013</b>	
90-Day Treasury Bill	0.125%
Farm Operating - Direct	1.50%
Farm Ownership - Direct	3.625%
Limited Resource	5.00%
Farm Ownership - Direct Down Payment, Beginning Farmer or Rancher	1.50%
Emergency	2.50%
Farm Storage Facility – 7 year	1.500%
Farm Storage Facility – 10 year	2.125%
Farm Storage Facility – 12 year	2.375%
Commodity Loans 1996-Present	1.125%

<b>Dates to Remember</b>	
Aug. 22 <sup>nd</sup> - 23 <sup>rd</sup>	Office closed—employee on leave
Sept. 2 <sup>nd</sup>	Office closed in observance of Labor Day
Sept. 17 <sup>th</sup>	County committee meeting