March/April 2009

Milk Income Loss Contract Program Sign-up Continues

The Milk Income Loss Contract Program (MILC) extended the sign-up period until September 30, 2012.

The 2008 Farm Bill reauthorized the MILC Program and made three key changes in program operation. Modifications made to the MILC payment rate and the per-operation poundage depends on when the milk is produced. In addition, a "feed cost adjuster," introduced for the life of the Farm Bill, adjusts the $16.94 per hundredweight (cwt.) benchmark price upward depending on the cost of feed rations. A payment rate percentage that is multiplied by the difference between $16.94 per cwt. and the specific month's Boston Class I price of milk determines MILC payments.

USDA's Commodity Credit Corporation (CCC) issues MILC payments on an operation-by-operation basis up to a maximum of 2.985 million pounds for each fiscal year from October 1, 2008, through Aug. 31, 2012. Beginning Sept. 1, 2012, the production limitation reverts back to the original limit of 2.4 million pounds per fiscal year.

The 2008 Act adjusts the trigger price of $16.94 cwt., depending on the extent to which feed costs increase. The feed cost adjustment takes effect when the monthly National Average Dairy Feed Ration Cost is greater than $7.35 per cwt. beginning January 1, 2008, through August 31, 2012. Calculations from January 1, 2008, through August 31, 2012, will be made at 45 percent of the percentage that the National Average Dairy Feed Ration Cost exceeds $7.35 per cwt.

The extended sign-up selection start month must either be the month the contract is submitted or some later month. Changes in the month may be made from year to year so long as the designation is made by the fourteenth of the month preceding the new start month. Pound limits run from the start month and all pounds for which payment is received count against the limit for that fiscal year, until the maximum eligible quantity is met or the Fiscal Year ends.

Dairy producers commercially producing milk in the United States must enter into a MILC contract with CCC and provide monthly milk marketing data to receive program benefits.

Producers interested in applying for MILC benefits or have questions can contact their local FSA office for more information.

FARM SERVICE AGENCY

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Farm Storage Facility Loan Program

Favorable interest rates and a renewed interest in on-farm commodity storage have resulted in increased interest in Farm Service Agency Facility Loans (FSFL). The program's objective is to provide low cost financing to producers interested in building or upgrading commodity storage. Program provisions include:

Eligible Structures	• Cribs or bins • New and remanufactured oxygen limiting structures • Upright bunker type or open silo structures • Commodity handling and drying equipment • Renovation of existing structures to increase storage • Certain flat storage structures • Electrical equipment & site preparation
Ineligible Structures	• Portable equipment • Used structures • Structures with useful life less than 10 years • Feed handling or processing equipment • Commercial storage
Interest Rate	• Fixed rate • Currently 1.875%
Repayment Term	• Seven annual installments
Maximum Loan Amount	• Limited by producer's storage need formula • 85% of new construction cost • $100,000 per person
Security	• Loans <$50,000 - Security interest in structure • Loans >$50,000 - Real estate mortgage or letter of credit • Additional security as required

The 2008 Farm Bill authorized significant changes to the FSFL program. Regulations have not yet been issued to implement these changes, which increased loan amounts, extended loan terms, and FSFL loans for hay storage.

Opportunities for Beginning Farmers

The Farm Service Agency Down Payment Program assists beginning farmers, female farmers and minority farmers to purchase farms. In addition, this program benefits retiring farmers by allowing transfer of land to future generations.

To qualify, the potential farmer must make a cash down payment of at least five percent of the purchase price. The maximum loan amount must not exceed 45% of the least of either the purchase price of the farm, the appraised value of the farm, or $500,000.

The term of a beginning farmer loan is 20 years with a current interest rate of 1.5%. Any remaining balance may be obtained from a commercial lender or private party. FSA can guarantee up to 95 percent if financing is obtained from a commercial lender, and participating lenders do not have to pay a guarantee fee.

If you are interested in the Down Payment Program or have any questions, please contact your local county FSA office.

Farm Loan Information

The following chart summarizes FSA farm loan information. Additional details are available at local FSA offices or on FSA's website: www.fsa.usda.gov.

Program	Maximum Loan Amount	Rates and Terms	Use of Proceeds
Direct Farm Ownership (FO)	$300,000	• Up to 40 years • Rates based on Agency borrowing costs • Temporary limited resource interest rates are available for those unable to repay at regular rates • Interest rate 5% if 50% of loan amount provided by other lender	• Purchase farm • Construct buildings or other improvements • Soil and water conservation • Pay Closing Costs
Down Payment Program	The least of: • 45% of the purchase price, • 45% of the appraised value, or • $225,000	• Term: 20 years • Interest rate: Direct FO rate less 4% with a floor of 1.5% • Down payment: 5%	• Purchase farm
Direct Operating (OL)	$300,000	• From 1 to 7 years • Rates based on Agency borrowing cost • Temporary limited resource interest rate is available for those unable to repay at regular rate	• Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies • Soil and water conservation • Refinancing indebtedness with certain limitations
Direct Emergency	100% actual or physical losses $500,000 maximum program indebtedness	• From 1 to 7 years for non-real estate purposes • Up to 40 years for physical losses on real estate • Interest rate: 3.75%	• Restore or replace essential property • Pay all or part of production costs associated with the disaster year • Pay essential family living expenses • Reorganize the farming operation • Refinancing indebtedness with certain limitations
Guaranteed Operating	$1,094,000 (Amount adjusted annually for inflation)	• From 1 to 7 years • Rates not to exceed the rate charged to lenders' average ag loan customers • Interest rate reduction of 4% available for those unable to repay at regular rates (with certain limitations)	• Same as Direct OL except loan may be used to refinance debt
Guaranteed Farm Ownership	$1,094,000	• Up to 40 years • Rates not to exceed the rate charged to lenders' average ag loan customers	• Same as Direct FO except loan may be used to refinance debts

Wisconsin Farm Center Hotline

The Wisconsin Farm Center has financial experts trained in a wide range of farm-related subject areas. They can provide assistance with feasibility analysis, enterprise analysis, as well as restructuring and cash flow projections. These experts can personally assist you, answer your specific questions and provide you with useful resources. Contact the Wisconsin Farm Center at 1-800-942-2474 for free and confidential services.

CRP Continuous Signup

The CRP program has a continuous sign up process for certain high environmental priority practices. These practices include grass waterways, filter strips, riparian buffers and windbreaks, shallow water areas for wildlife, contour grass strips, shelterbelts and living snow fences. Many financial incentives apply to these practices.

Collecting Carbon Credits

Can I collect carbon credits on land enrolled in CRP?

Yes! Collecting carbon credits on land enrolled in CRP is an authorized use of the land. It is not considered a commercial use. You are not required to contact the FSA office if you begin to receive carbon credit payments on CRP land.

Conservation Reserve Program Maintenance Requirements

With spring approaching it is time for producers to review their conservation plan concerning maintenance of Conservation Reserve Program (CRP) acres. Maintenance of these acres is a producer's responsibility for which each contract receives a maintenance payment as part of the annual rental payment for each acre, each year of the contract. CRP contracts require producers to control invading woody vegetation, weeds, and other pests.

On an annual basis, CRP participants are prohibited from mowing an entire field or large amounts of acreage for weed control. However, each year, producers need to survey their CRP to determine if maintenance actions are required. Spot mowing or spot spraying to control invading woody plants or weed patches outside of the primary nesting season is an allowed requirement to comply with the contract. If it is determined there is a major weed problem that threatens to take over the cover that is supposed to be on the contract, and action needs to be taken during the primary nesting season, producers must contact the Farm Service Agency (FSA) office before doing anything. The goal of CRP is not to disturb the cover during the primary nesting season which greatly reduces the habitat benefit. But if it is absolutely necessary to control a large problem, FSA County Committees have authority to approve limited activities during this time period. An example of this is a Canada thistle problem. To control Canada thistle, the plant must be mowed or sprayed before the plant seeds out. However, in most cases, mowing after the primary nesting season is too late. Producers need to contact the county office about conducting maintenance activities on Canada thistle to obtain permission to control it during the nesting season.

It is important for producers to understand the consequences of not maintaining CRP as required. If the problem is so severe that it cannot be corrected, such as a field that has been allowed to be taken over by box elder trees, the contract will be terminated. Termination of a contract requires producers to refund all payments received, plus interest, as well as a liquidated damage charge. Other compliance issues related to maintenance can cause a loss of payment on the violated acreage or all acreage on the contract for that year.

Maintenance is a very serious issue. An agreement was made to conduct maintenance on contracted acres throughout the contract period, thus producers need to ensure compliance. Compliant producers will be rewarded with even greater wildlife use of their property! If producers have any questions concerning maintenance requirements, or actions that can be taken without causing a violation, they should contact their local FSA office before doing anything.

Selling CRP Land

If land enrolled in the CRP is sold, sellers are required to immediately report the sale and the name and address of the buyer to the office.

FSA & RMA Monitors Federal Crop Insurance Program

FSA is now required to assist the Risk Management Agency (RMA) to improve the integrity of the Federal Crop Insurance Program through the prevention of fraud, waste and abuse. FSA is required to monitor the crop insurance program, report problems to RMA and assist RMA and insurance providers when auditing certain claims.

FSA offices are responsible for the oversight plan which includes close monitoring and oversight of the crop insurance program locally and growing season inspections on a selected number of insured producers. This plan also includes an expanded exchange of data between FSA, RMA and local reinsured companies. Information provided to the FSA office and reinsured companies by insured producers will be reconciled in an effort to research and identify inconsistencies. FSA County Committees have the opportunity to suggest changes to the crop insurance program, but we are not involved with the decision making process.

FSA also assists RMA by gathering facts and reporting observations as they pertain to weather, crop plantings, maintenance and harvest. Producers who become aware of potential crop insurance abuse should report the information to the local FSA office.

Producers must insure they inform agents of entity changes in their farming operations and, changes in the risks and interests in the crops insured. FSA and RMA annually reviews discrepancies between records and found this discrepancy in a number of cases. These often resulted in the loss insurance benefits.

NAP 2009 Crop Reporting and 2008 Production Reporting Requirements

Producers with 2009 Non-insured Assistance Program (NAP) coverage on spring seeded crops, forages, small grains, winter wheat, and some perennial crops are required to report 2009 NAP crop acreage by July 15, 2009. In addition, NAP producers must also certify 2008 crop production at the same time, or prior to, reporting the 2009 crop acreage. The final date to report 2008 production of NAP spring seeded crops is also July 15.

Failure to report your acreage will result in late filing fees and potential loss of benefits under the NAP program. If 2008 production is not reported by the final date, zero yields or yields reduced by established factors will be used in establishing the crop's actual production history for 2009. This normally results in lower NAP crop approved yields. All production certifications are subject to spot-check.

Failure to comply with the NAP requirements could result in a loss or reduction in program benefits.

Producers are encouraged to contact their local FSA office to find out what forms of production evidence are acceptable and to obtain additional information regarding the reporting requirements prior to the deadline. There are some exceptions to the July 15 deadline, so producers who feel they will not be able to meet the deadline should contact their local FSA office.

Reporting Non-Insured Assistance Program Losses

You must report Noninsured Assistance Program (NAP) crop losses within 15 days of the date damage occurred or 15 days from the date damage is apparent. Timeliness of reporting losses is crucial in order to insure your eligibility for benefits and failure to timely report losses could result in loss of benefits. Losses to your crops need to be reported after each occurrence of damage. If damage is such that the crop will not be carried to harvest, you must request an appraisal of the crop prior to destroying the crop or putting the crop to other uses.

DCP Sign-up

Sign-up for the 2009 Direct and Counter-cyclical Payment (DCP) Program continues until June 1, 2009. The June 1, 2009 deadline is mandatory for all participants. All required signatures must be obtained before the deadline to be considered timely filed. There are no late-filed provisions applicable for the program.

Producers must sign DCP contracts annually. Any farm not enrolled in the 2009 DCP program will retain eligibility for the 2010 DCP program. Once contracts are signed, producers have the option of selecting when they want to receive the direct and counter-cyclical payments.

Under the DCP, all producers receive a direct payment based on their historic crop acreage base and yield for eligible commodities. Eligible producers receive direct payments at rates established by statute regardless of market prices. For 2009, you may request to receive advance direct payments based on 22 percent of the direct payment for each commodity associated with the farm. Counter-cyclical payments are made for a commodity only when the commodity's effective price is below its target price, which is set by law.

Producers are encouraged to contact their local FSA service center to make an appointment to enroll in the program.

Eligible producers for the DCP Program will also be eligible to enroll in the Average Crop Revenue Election (ACRE) Program or the Counter-cyclical Program. The enrollment period for the ACRE Program will begin in the spring. You may first enroll in the DCP Program, receive advance direct payments and then later modify your enrollment to include the ACRE program or you may wait and elect to enroll in DCP and ACRE at the same time in spring 2009.

Production Reporting for Hand Harvested Crops

Noninsured Assistance Program (NAP) participants, that have hand harvested crops covered under the program and have notices of losses filed, must contact their local Farm Service Agency (FSA) offices within 15 days after harvest is complete and before destruction of the crop. If an appraisal of the crop acreage is determined necessary by FSA, crop and crop residue should not be destroyed until the acreage is released by FSA. This FSA loss adjuster's appraisal is free to the NAP policy holder in years of loss or when the crop is unmarketable due to poor quality.

For crops that have not suffered losses, post harvest appraisals are available for use as evidence for a crop's actual production history. This is a paid for measurement service and the fee is $46 per farm for the first hour and $8 for every hour there after.

Maintaining Farm Stored Grain Quality

As temperatures rise with the impending spring season, producers are reminded to check the quality of their stored grain since spring is often when maintaining quality can be difficult. Quality problems can quickly affect grain value. Producers with marketing assistance loans and using farm-stored grain as collateral are responsible for maintaining the quality of the commodity for the term of the loan. The Commodity Credit Corporation (CCC) is not responsible for any quality loss.

Producers are also responsible to ensure payment is received prior to feeding or selling any commodity under CCC loan. County offices will be conducting spotchecks over the next several months to verify that the quality and quantity of the loan collateral is being maintained by the borrower.

Inform FSA of Changes to Your Farming Operation

This spring, all producers signing up for USDA programs will be required to complete new payment limitation forms. Producers also need to provide FSA with copies of their organizational papers such as partnership papers, or corporation documents and any resolutions to the original corporation papers. This includes documents for LLCs or LLPs and operating agreements for these types of entities. For trusts, documentation is needed to verify the grantor(s), beneficiaries, and trustees. If you have already provided this information to the county office in the past, the documents will not have to be submitted again. However, you should review the documents previously submitted to ensure accuracy.

FSA wants to stress the importance of keeping your local county office informed of any changes to the makeup of your farm that you certified, such as:

- Who the members of the farming operation/entity are and their individual shares
- Who has the authority to sign on behalf of the farming operation/entity
- Any restrictions of authority in the documents that would need to be addressed.

Another item to remember is report to your local FSA office in a timely manner when a member of the farming operation or entity passes away. This is important to ensure that program eligibility continues to be met and that future program payments are made correctly.

Farm Bill Changes in Payment Limitations and AGI

For many years, payment limitation rules have been part of eligibility requirements for various programs. However, the 2008 Farm bill brought some significant changes and some of these rule changes are listed below.

- Payment limits will no longer be limited by the definition of “persons.” Payment limitation will be limited by direct attribution to an individual natural person.
- Payment limitation will be controlled at the entity level first and once the criteria are applied, then payment earned is attributed to the individual members based on their individual entity shares.
- There are no longer restrictions on the number of entities that an individual can receive payment through as long as the individual payment limitation is not exceeded.

The Adjusted Gross Income (AGI) provisions have also changed, whereas the rule was the average AGI of the individual or entity could not exceed $2.5 million unless 75% of the income was from farming.

The new rule has three different AGI limits.

- If a person or legal entity has an average adjusted gross nonfarm income that exceeds $500,000, the person or legal entity is ineligible for all commodity program payments and benefits.
- If a person or legal entity has average adjusted gross farm income that exceeds $750,000 the person or legal entity is ineligible for direct payments under the Direct Counter-cyclical Program.
- If a person or legal entity has average adjusted gross nonfarm income that exceeds $1,000,000 the person or legal entity is ineligible for all conservation program benefits unless two thirds of the total AGI is average adjusted gross farm income.

The rules regarding what is included in gross farm income have expanded.

Another major change in the 2008 Act is the requirement that each partner, stockholder, or member with an ownership interest in an entity such as a corporation, LLC, LLP, LP, or other similar legal entity must make a contribution of active personal labor, active personal management or a combination of the two that is:

- performed on a regular basis
- identifiable and documentable
- separate and distinct from contributions of any other partner, stockholder, or member.

If this requirement is not met, the individual’s share in the entity will be ineligible for payment. Contact your local county office for more details regarding these policy changes.

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Dates to Remember	
May 25	Offices will be closed for Memorial Day
May 31	Deadline to apply for 9-month loans and LDPs for corn and soybean
June 1	2009 Direct and Counter-cyclical Payment (DCP) Program sign-up
June 1	Deadline to offer 2008 expiring CRP with the same cover in place
July 3	Offices will be closed for Independence Day
July 15	Deadline for NAP producers to certify 2008 crop production
July 15	Deadline to report 2009 crop acreages on spring seeded crops, forages, small grains, winter wheat & some perennial crops
August 1	Final date to request 2009 farm divisions or combinations
Continuous	-Conservation Reserve Program (CRP) continuous sign-up -CREP sign-up -SAFE sign-up -Farm Storage Facility Loans -MILC sign-up

FSA FARM SERVICE AGENCY