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FSA Implements New Payment Process for Farm Program Payments

Due to a Congressional mandate that USDA enact web-based programs, the Farm Service Agency (FSA) implemented a new centralized payment processing system in October 2009. Payment transaction statements are being mailed to participants for farm program payments such as annual Conservation Reserve Program (CRP) payments, final direct payments under the Direct and Counter-Cyclical Program (DCP) and Average Crop Revenue Election (ACRE) Program, and various livestock programs. FSA encourages participants to keep the payment transaction statements they receive for tax purposes and reconciling the FSA-1099s issued in January 2010.

Since FSA payments are now centralized for the nation, payment reductions will be offset from the **first available payment** without regard to contract number, farm number, program, or administrative county. Payments **will be reduced** for existing FSA/CCC debt. Advance direct payments previously issued under DCP, ACRE, or haying and grazing of CRP may be reduced due to eligibility determinations implemented with the 2008 Farm Bill. For example, direct attribution or failure of members to make contributions of labor and management may reduce your payment.

If a reduction is taken for one of these items, it will appear on the payment transaction statement as a payment reduction to "Commodity Credit Corporation". The program, farm number, contract number, or county may not be clearly stated in the payment transaction statement.

As an example of how the new payment process works, consider the following:

DCP payments earned on three farms for program year 2009:

- Farm 1: the total DCP payment is \$500 and an advance payment of \$110 was received,
- Farm 2: the total DCP payment is \$2,000 and an advance payment of \$440 was received,
- Farm 3: the total DCP payment is \$1,000 and an advance payment of \$220 was received,
- Result: \$770 in advance payments are received prior to October 2009, and total of \$3,500 DCP payments are earned for program year 2009.

Under the old payment system, final payments would normally be issued, less the advance payments, on three farms:

- Farm 1: $\$500 - \$110 = \$390$ final payment
- Farm 2: $\$2,000 - \$440 = \$1,560$ final payment
- Farm 3: $\$1,000 - \$220 = \$780$ final payment
- Result: \$2,730 in additional final payments.

Under the new payment system, the final payments will be issued differently:

- Farm 1: the total \$500 payment will be issued, but entirely applied against the previously issued \$770 total advance payments.
- Farm 2: the total \$2,000 payment will be issued, less the remaining \$270 balance for previously issued advance payments, resulting in a payment of \$1,730 being issued.
- Farm 3: the entire \$1,000 will be issued to the participant, as all the previously issued advance payment amounts have been satisfied.

The final payments will total the correct amount, but the combination of payments will be different than the participant would normally expect. If the participant received a CRP payment (or any other program payment) prior to the final DCP payments, the previously issued DCP advance payments would be satisfied by the CRP payment rather than by the final DCP payments for Farm 1 and 2, as noted in the above example.

Some payments have been delayed as a result of developing a new payment system to handle the implementation of complex policy changes contained in the 2008 Farm Bill. However, FSA is diligently working to resolve these issues and is ensuring delays are minimized. Some business enterprises may initially receive a partial payment, with the balance to be issued as soon as some software issues are resolved.

ACRE participants should also remember that the direct payment will incur a 20 percent reduction. The 20 percent reduction corresponds to the entire DCP payment; therefore, if a 22 percent advance payment was received, the remaining balance to be issued as a final payment is 58 percent, not 78 percent.

For 2009, the new law required DCP payments to be reduced from 85 percent of the base acres to 83.3 percent of the base acres, resulting in a lower payment. This is in effect for 2009 through 2011. Payments are also being routed to the U.S. Department of Treasury to comply with the Debt Collection Improvement Act of 1996. The Department of Treasury will notify the payment recipient of any offset taken for other delinquent Federal debt. Questions regarding Treasury offsets may be directed to the Treasury Offset Program (TOP) call center at 1-800-304-3107 or visit <http://www.fms.treas.gov/debt/top.html> for more information.

If a program participant has not received one or more of the payments, please be patient. It could be that the payment was reduced to pay for an advance DCP payment issued on another farm in another county and the other payment was higher than expected; however, it could be that the payment just hasn't been processed at this time.

We, FSA, greatly appreciate your patience. Our goal in working through the implementation of this new payment processing system today is to be able to deliver a more seamless and user-friendly payment process for you tomorrow.

Thank you for all that you do for American Agriculture!