



July 2007

State Executive Director Comments

Greetings,

It appears that we have finally broken out of the extremely wet weather pattern. While the rains were welcome relief in parts of the State, they have caused considerable problems in other areas.

FSA has begun work on implementing the 2005 and 2006 Crop and Livestock Disaster Programs. It appears that signup will not begin for several months. We have been told to expect a signup somewhere around November or December. The Crop Disaster Program will be similar to previous disaster programs except that only insured acreage, or acreage covered by a Non-insured Crop Disaster

Assistance Program (NAP) will be eligible. The payment rate will be 42 percent of the established price and producers will be paid on losses in excess of 35%. If you had losses in both 2005 and 2006, you will have to pick one year to receive payment. There will be payments for quality losses as well.

For livestock producers, the legislation includes funding for a Livestock Compensation Program and a Livestock Indemnity program.

We will provide additional details as they become available.

Gary J. Nelson, FSA State Executive Director

DCP Contract Reminder

Producers who are interested in participating in the 2007 DCP Program may file the 2007 DCP contract (CCC-509) anytime between now and August 3, 2007. The DCP contract can be signed after August 3 and before September 30, 2007, however the farm must be assessed a late signing fee of \$100.

By signing the CCC-509, the participant is agreeing to:

- comply with highly erodible land conservation and wetland conservation provisions on all of their land;
- devote acreage equal to the base acreage to an agricultural or conserving use;
- effectively control noxious weeds and otherwise maintain base acres according to sound agricultural practices;
- not harvest annual FAVs (other than lentils, mung beans, and dry peas) on base acres;
- file acreage report with respect to all cropland on the farm; and
- notify the county office staff when there is a transfer or change of interest of a producer.

Maintaining DCP Acres

DCP participants are required to protect all base acres from erosion and weeds. Fields designated as "base acres" must have an eligible cover such as crop residue or volunteer grasses.

Weeds are not an acceptable cover and must be maintained. Failure to control weeds on base acres may result in a reduction of program benefits if the County Committee determines that a good faith effort to control weeds and/or erosion was not made.

DCP Contract Succession-in-interest

The statute provides that a transfer of, or change in, the interest of the producers on a farm for which DCP payments are made shall result in the termination of the payments with respect to the base acres, unless the transferee or owner of the acreage agrees to assume all obligations under the contract. All successors and any other producers shall sign the revised CCC-509 no later than **September 30** of the current fiscal year. Failure to do so will result in the loss of DCP payments for that FY.

After the CCC-509 is approved, changes made to the contract for any of the following are successions-in-interest:

- A transfer or change in the interest of a producer on the farm
- Sale of land
- Change of operator or producer
- Foreclosure, bankruptcy, or involuntary loss of the farm
- Change in producer share to reflect changes in shares originally approved on CCC-509.

Each affected producer or owner must inform the COC of the changes in interest not later than **September 30** of the current fiscal year, if:

- Producers remain the same but shares change
- A new producer is being added to the contract.

If a change in interest occurs requiring a succession to the CCC-509, but the COC is not informed of the change **by September 30** of the current fiscal year:

- Neither the predecessors nor the successors are eligible for the current year DCP payments on the farm
- CCC-509 will be terminated for the current year with respect to the predecessors
- The successors may sign a CCC-509 for subsequent fiscal years, if applicable.

2007 DCP Rates

The Farm Security and Rural Investment Act of 2002 established the following payment rates for 2007 for each of the eligible commodities:

| | |
|----------------|----------------|
| Wheat | \$0.52/bushel |
| Corn | \$0.28/bushel |
| Grain Sorghum | \$0.35/bushel |
| Barley | \$0.24/bushel |
| Soybeans | \$0.44/bushel |
| Oats | \$0.024/bushel |
| Other Oilseeds | \$0.0080/lb |

FSA Loan Program to Socially Disadvantaged Farm Producers

USDA's Farm Service Agency wants Socially Disadvantaged Farm Producers to know more about its farm loan programs. FSA makes direct and guaranteed farm loans to family farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. A socially disadvantaged (SDA) farmer, rancher, or agricultural producer is one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of his or her identity as a member of the group without regard to his or her individual qualities. SDA groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders. In Fiscal Year 2006, the Agency made 86 loans totaling 3.3 million to North Dakota Socially Disadvantaged Farm Producers.

The FSA loans to family sized farmers can be used to purchase land, livestock, equipment, feed, seed, and supplies. FSA loans can be used to construct buildings or make farm improvements.

Direct Farm Ownership loans are limited to \$200,000 with terms up to 40 years. The loans can be used for land purchase, construction of buildings and corrals, plus other improvements, and for soil and water conservation. Interest rates are based on Agency borrowing costs. There are special rates available on a temporary basis for limited resource producers who are unable to repay at regular rates.

Direct Operating loans are limited to \$200,000 with terms usually from 1 to 7 years. Direct Operating funds can be used to purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies, soil and water conservation, and for refinancing indebtedness with certain limitations. Interest rates are based on Agency borrowing costs. There are special rates available on a temporary basis for limited resource producers who are unable to repay at regular rates.



FSA also has Beginning Farmer Down Payment Farm Ownership and Guaranteed Farm Ownership loans.

The maximum loan amount for a Beginning Farmer Down Payment Farm Ownership loan is the lesser of 40 percent of the purchase price or appraised value. Interest rate and terms are 15 years with an interest rate of 4 percent. The proceeds can be used to purchase a farm or ranch. The maximum amount for a Guaranteed Farm Ownership loan is \$899,000 (amount adjusted annually for inflation) for up to 40 years, rates not to exceed the rate the lender charges its average agricultural loan customer.

FSA encourages you to contact your county Farm Service Agency Office to learn about our programs and the information you will need to complete an application. Many FSA loan application forms are available on the following website: www.fsa.usda.gov

Loan Grain Removal

Producers are reminded that grain under CCC loan cannot be removed without prior authorization or repayment. Unauthorized removal and unauthorized disposition of loan collateral is considered a violation and is subject to monetary and administrative penalties.

Producers who are removing 2006 crop grain in preparation for harvest of the 2007 crop must obtain approval from the county FSA office prior to moving the grain if the commodity is under CCC loan. That includes movement from bin to bin, or movement off the farm to a warehouse or any other location.



The loans are subject to spot check. Determined shortages must be repaid with principal plus interest, and additional monetary penalties plus loss of future loan eligibility may apply. Producers planning to remove CCC loan grain should contact their local county FSA office for additional information.

CCC-633 EZ

Producers must file the CCC-633 EZ page 1 prior to loss of beneficial interest in order to maintain eligibility for LDP's. The page 1 must be filed before the page 2, request for payment is filed. Wool is currently earning LDP's. Dry pea and lentil market repayment rates are close to loan rates.

Completion of the CCC-633 EZ page 1 does not cause a producer to lose loan eligibility. However, when the CCC-633 EZ page 2 payment request is filed, the requested quantity on the page 2 is no longer eligible for loan. A loan and LDP cannot be obtained on the same quantity. Additional information may be obtained at the local county FSA office.

Preventing Crop Insurance Fraud, Waste, and Abuse

The Farm Service Agency has joined with the Risk Management Agency to prevent fraud, waste and abuse in 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. In addition, FSA will refer all suspected cases of fraud, waste and abuse to RMA. Producers can report suspected cases to the county office staff, RMA office, or the Office of the Inspector General.

2007 Compliance Process

County Offices annually perform a variety of compliance reviews and spot checks. A new process has been developed to select producers for program compliance reviews and spot checks for the 2007 crop year. Instead of locally selecting farms, contracts, deficiency loans, etc. for spot check and review, a nationwide selection of producers was made using a statistical sampling method.

Spot checks will be conducted on all programs in which the selected producers participate, including, but not limited to, Conservation Reserve Program (CRP), Direct and Counter-cyclical Program (DCP), Commodity Loan/Loan Deficiency Payment (LDP), and Non-insured Assistance Program (NAP). The actual spot check process has not changed. All planted acreage for the selected producers will be verified and, where applicable, loan/LDP production will be measured and contract maintenance checks will be conducted.

| Selected Interest Rates for July 2007 | |
|---|--------|
| 90-Day Treasury Bill | 4.875% |
| Farm Operating - Direct | 5.125% |
| Farm Ownership - Direct | 5.375% |
| Limited Resource | 5.000% |
| Farm Ownership - Direct Down Payment, Beginning Farmer or Rancher | 4.000% |
| Emergency | 3.750% |

Acreage Reports

The deadline for timely filing an acreage report in North Dakota is July 16, 2007. Acreage reports must be filed for all cropland on the farm before any 2007 DCP or CRP payments can be made or before eligibility can be established for marketing assistance loans and LDP's. Additionally, participants of the Conservation Reserve Program (CRP) and the Non-insured Assistance Program (NAP) must report the specific acreage for which benefits are being requested.

A late-filed acreage report may be accepted if the producer pays the late filing fee, physical evidence of the crop exists, and the crop's use can be verified.

Late-Filed Prevented Planting Requests

To be considered timely, acreage reports for prevented planted acreage must be filed no later than 15 calendar days after the final planting date for the applicable crop

If the prevented planting acreage report is filed beyond the period identified above, the County Committee can consider the request provided FSA has the opportunity to:

- make a farm visit to verify the eligible disaster conditions which prevented the specific acreage from being planted
- determine, based on information obtained by visual inspection of the specific acreage or crop, that eligible disaster conditions, such as damaging weather or other adverse natural occurrences, opposed to other factors, prevented the acreage or crop from being planted.

Conservation Compliance

Federal regulations discourage the production of crops on highly erodible cropland unless the land is protected from erosion by an approved conservation system. Status reviews are conducted to ensure producers follow a conservation plan on highly erodible land.

In addition to the highly erodible land, a person may not plant an agricultural commodity on a wetland converted after Dec. 23, 1985, or convert a wetland to make agricultural production possible after Nov. 28, 1990. Failure to comply with these provisions will cause a person to be ineligible for USDA benefits. County Committees may review noncompliance situations for good faith and provide relief in approved cases.

County Committee Election Information

Agricultural producers throughout the state can nominate eligible candidates to serve on USDA Farm Service Agency (FSA) county committees beginning June 15 through Aug. 1, 2007 for the county committee elections to be held in the fall. Farmers and



ranchers have an important opportunity to ensure that their FSA county committees represent them by participating in the county committee election process. Agricultural producers across the state are encouraged to nominate eligible candidates, especially minorities and women, to serve on their local county committees and to vote this fall.

Farmers and ranchers who serve on county committees help make decisions necessary to administer federal farm programs offered in their communities. County committees make decisions on agricultural issues such as commodity price support loans and payments, conservation programs, disaster payments and employing county executive directors.

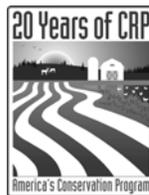
Agricultural producers who participate or cooperate in programs administered by FSA and live in the local administrative area conducting an election may be nominated for candidacy for a committee. Farmers and ranchers can obtain a complete list of eligibility requirements by visiting a local USDA Service Center or online at:

<http://www.fsa.usda.gov/pas/publications/facts/html/cocelig06.htm>

Individuals may nominate themselves or others as candidates. Additionally, community based organizations representing minorities and women may nominate candidates. To become a nominee, eligible individuals must sign nomination form FSA-669A. The form includes a statement that the nominee agrees to serve if elected. An information meeting will be held in each county office. Contact your local office for time and location or you may call the North Dakota State Office at 701-239-5224. Nomination petitions and fact sheets are available at <http://www.fsa.usda.gov/pas/publicatons/elections>, at your County FSA office, and in our April Newsletter which can also be found on-line at <http://www.fsa.usda.gov/nd/>. Information regarding which LAA is holding the election in your county may be found at <http://www.fsa.usda.gov/nd/> or by contacting your local FSA Office. Farmers and ranchers should keep the following important dates in mind during the 2006 county committee election process:

- June 15: Nomination period begins
- August 1: Deadline to file nomination (forms available at your USDA Service Center)
- November 2: USDA will mail ballots to eligible voters
- December 3: The last day to return voted ballots to local USDA Service Center
- January 1, 2008: Newly elected county committee members take office

Early Land Preparation



CRP participants may destroy CRP cover before the contract expiration date in order to prepare for future crop production. To prepare for a spring-seeded crop, the CRP cover may be chemically destroyed after August 1. Tillage of the CRP acreage must not occur until October 1 when preparing for a spring-seeded crop.

Cover may be destroyed by tillage and/or by chemical application to prepare for a fall-seeded crop beginning July 1. If using this provision, the failure to plant the fall-seeded crop will be considered a CRP contract violation.

Before using either of these provisions, the participant must obtain written approval from FSA. A conservation plan must be followed if the land is highly erodible or the method of destruction could cause adverse environmental effects.

Some land is ineligible for either of these provisions. Ineligible land includes Wetland Restoration Practice (CP23), acreage considered a wetland and acreage required as a buffer for wetlands, streams and permanent bodies.

Managed Haying and Grazing of CRP

Managed haying and grazing of CRP cover is allowed on certain CRP contracts after August 1. Obtain written approval from FSA before haying or grazing any CRP acreage.

FARM SERVICE AGENCY –FARM LOAN INFORMATION

| Program | Maximum Loan Amount | Rates and Terms | Use of Proceeds |
|--|--|---|---|
| Direct Farm Ownership | \$200,000 | <ul style="list-style-type: none"> ▪ Up to 40 years ▪ Rates based on Agency Borrowing Cost ▪ 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 | <ul style="list-style-type: none"> ▪ Purchase Land ▪ Construct buildings or other improvements ▪ Soil and Water conservation |
| Beginning Farmer Down Payment Farm Ownership | Lesser of 40% purchase price or appraised value | Term: 15 Years Interest Rate: 4% | Purchase Farm or Ranch |
| Direct Operating | \$200,000 | <ul style="list-style-type: none"> ▪ From 1 to 7 Years ▪ Rates based on Agency Borrowing Cost ▪ Temporary Limited Resource Interest Rates are available for those unable to repay at regular rates | <ul style="list-style-type: none"> ▪ Purchase livestock, poultry, equipment, feed, seed, farm chemicals and supplies ▪ Soil and Water Conservation ▪ Refinancing indebtedness with certain exceptions |
| Direct Emergency | 100% Actual or Physical Losses \$500,000 Maximum Program Indebtedness | <ul style="list-style-type: none"> ▪ From 1 to 7 Years for non real estate purposes ▪ Up to 40 years for physical losses on real estate ▪ Interest Rate 3.75% | <ul style="list-style-type: none"> ▪ Restore or replace essential property ▪ Pay all or parts of production costs associated with the disaster year ▪ Pay essential family living expenses ▪ Reorganize the farming operation ▪ Refinancing indebtedness with certain exceptions |
| Guaranteed Operating | \$899,000 | <ul style="list-style-type: none"> ▪ From 1 to 7 years ▪ Rates not to exceed those charged lenders' average farm customers ▪ Interest rate reduction of 4% available for those unable to repay at regular rates | Same as direct operating except loan may be used to refinance debt |
| Guaranteed Farm Ownership | \$899,000 | <ul style="list-style-type: none"> ▪ Up to 40 years ▪ Rates not to exceed those charged lenders' average farm customers | Same as direct farm ownership except loan may be used to refinance debt |