



From the State Director

As we move into the 2010 growing season it makes sense to put any pending FSA business behind you. This allows you to focus on your field work as weather permits. Have you:



Dan Steinkruger
State Executive Director

- Completed your 2010 Acreage Reports for wheat and forages?
- Enrolled in your 2010 Direct and Counter-cyclical Program (DCP) and Average Crop Revenue Election (ACRE) contracts and completed related paperwork?
- Applied for 2008 Supplemental Revenue Assistance Payment (SURE) disaster assistance and completed paperwork under the livestock disaster programs, if applicable?
- Provided our farm loan staff their requested information for your 2010 borrowing needs?

Please review our program articles. Contact your local FSA office for appointments. We will plan on 2010 being a great year for Nebraska agriculture and our economy in general.

2010 Direct and Counter-Cyclical (DCP) Program Signup

The signup period for 2010 DCP enrollment began in October 2009 and is ongoing. The deadline to provide signatures and enroll farms into this program is June 1, 2010 with no late enrollment period. Enrolled farms involved in a reconstitution are no longer considered enrolled and the resulting farm(s) must be re-enrolled by the later of 30 days from notification or June 1, 2010 whichever date is later.

Advance direct payments are available at a level of 22% of the total direct payments for the farm. During the DCP signup, producers may elect the ACRE option for 2010-2012 on specific farms. As a reminder, farms that elected and enrolled into the ACRE option in 2009, must still enroll into a DCP/ACRE contract for 2010 and following years. Producers are encouraged to contact their county office to schedule an appointment. A DCP fact sheet is available on the National FSA Website at <http://www.fsa.usda.gov>.



Final Loan Availability Date

Producers, remember you remain eligible to obtain loans or receive price support on all or part of your eligible production anytime during the loan availability period if you maintain beneficial interest. The loan availability period runs from when the commodity is normally harvested (or sheared for wool and mohair) until specified dates in the following calendar year. For 2009 barley, canola, crambe, flaxseed, honey, oats, rapeseed, wheat and sesame seed the final loan or LDP availability date is March 31, 2010. For 2009 corn, dry peas, grain sorghum, lentils, mustard seed, safflower seed, small chickpeas, soybeans and sunflower seed the deadline is June 1, 2010. For 2010 wool, mohair and unshorn pelts the deadline is January 31, 2011.

Farm Storage Facility Loan Program Available to Build or Upgrade on Farm Commodity Storage Facilities

Effective August 17, 2009, changes to the Farm Storage Facility Loan (FSFL) Program were implemented in accordance with the 2008 Farm Bill. These changes include increases to the maximum FSFL loan amount, longer loan repayment terms, and the inclusion of hay, biomass, and fruit and vegetables as eligible FSFL commodities. This low interest loan program is available to producers of eligible commodities to help build or upgrade their on-farm commodity storage and handling facilities. Some of the program details include:

- Eligible commodities such as:
 - Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
 - Pulse crops – lentils, small chickpeas and dry peas
 - Hay
 - Renewable biomass
 - Fruits (including nuts) and vegetables – cold storage facilities
- The maximum loan amount is 85% of the net cost of the facility, not to exceed \$500,000 per loan.
- The loan term will be for 7, 10 or 12 years depending on the loan amount.
- The interest rate will be fixed for the term of the loan. The interest rate for FSFLs approved in March 2010 will be 3.125% for a 7 year term; 3.625% for a 10 year term; and 4.00% for a 12 year term.
- A down payment of 15% is required.
- Producers are required to carry property insurance on the storage facility and also crop insurance for the term of the loan.
- Loans over \$50,000 require real estate to be taken for security.
- Eligible bushel capacity is limited to 2 years of production minus the applicant's current available storage, (except fruit and vegetable storage facilities are limited to 1 year of production minus the applicant's current available storage).
- There is a \$100 non-refundable application fee per applicant.
- Eligible facilities include conventional grain bins designed for whole grain storage; oxygen limiting structures designed for whole grain wet storage and

silage; concrete bunker silos; flat storage structures designed for whole grain, hay, or biomass storage; and cold storage buildings designed for fruit and vegetable storage. Permanently affixed handling and drying equipment, safety equipment (ex. ladders), electrical equipment, concrete foundations, site preparation, materials and paid labor, are also eligible.

- Used equipment, portable dryers, scales, structures of temporary nature, or structures used for commercial purposes are not eligible.
- Construction of the storage facility cannot begin until after the FSFL application has been submitted to FSA and the loan has been approved.

Producers are encouraged to contact their local FSA office for additional information about the Farm Storage Facility Loan Program.



FSA Farm Loans Available

Direct Operating Loans and Farm Ownership Loans – Farmers and Ranchers may obtain up to \$300,000 for their operation. This includes annual operating and family living expenses, machinery, or breeding livestock purchases, refinance most operating type debts and real estate improvements or repairs for operating loans. Producers can also obtain up to \$300,000 to purchase real estate and real estate improvements or repairs. The interest rate as of March 1, 2010 is 3.00 percent for Operating Loans and 5.125 percent for Farm Ownership. Loans for real estate can be amortized for up to 40 years and for chattels up to 7 years.

Direct Farm Ownership Down Payment Loan Program – The purpose of the program is to provide credit for beginning farmers and ranchers and socially disadvantaged farmers and ranchers to purchase real estate. The applicant must place 5% down; FSA will provide 45% of the purchase price up to a maximum of \$225,000. The balance of the purchase price will be obtained from a conventional lender or seller financing. The interest rate as of

January 1, 2010 is 1.5% fixed for the term of the loan which will be 20 years for the down payment loan program.

In order to qualify you must be a beginning farmer/rancher or a socially disadvantaged farmer/rancher. A beginning farmer/rancher must have been farming/ranching for at least 3 years and not more than 10 years. A beginning farmer/rancher cannot own real estate that exceeds 30% of the median farm size for the county. A socially disadvantaged applicant 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.

Guaranteed Operating Loans and Farm Ownership Loans –

Farmers and ranchers may obtain up to \$1,112,000 in Guaranteed Farm Ownership and /or Farm Operating Loans. Funds can be used to purchase or enlarge a farm, refinance debt or for most operating uses. Under this program your local lender makes the loan and FSA provides a guarantee of up to 95% (depends on the circumstances) on the loan. This allows your local lender to continue to help you even if you are experiencing a decline in your financial condition. The interest rate is negotiated with the lender but should not exceed the interest rate charged to their average customers. You could qualify for Interest Assistance (4% rate reduction) if your cash flow and financial statements show the need. Loans for real estate can be amortized for up to 40 years and for chattel up to 7 years. Contact your local commercial lenders who participate in the guaranteed loan program. Local FSA Service Centers have lists of participating lenders.



Loan Programs for Socially Disadvantaged Applicants

FSA has a number of loan programs available to assist applicants to begin or continue in agriculture production. Loans are available for operating type loans and/or purchase or improvements of farms or ranches. While all quali-

fied producers are eligible to apply for these loan programs, the FSA has provided priority funding for socially disadvantaged applicants. A socially disadvantaged applicant is one of a group whose members have been subjected to racial, ethnic or gender prejudice because of his or her identity as members of the group without regard to his or her individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans, and Pacific Islanders. If producers or their spouses believe they would qualify as socially disadvantaged, they should contact their local FSA office for details. FSA loans are only available to applicants who meet all the eligibility requirements and are unable to obtain the needed credit elsewhere.

Signup for 2008 Crop Revenue Losses (SURE Program) Continues

The Supplemental Revenue Assistance Payment (SURE) program provides benefits for crop losses due to natural disasters. This program is revenue based which accounts for losses in both production quantity and quality, as well as price. Prior crop disaster programs dealt only with production losses and did not account for decreases in revenue. This program was authorized by the 2008 Farm Bill and is legislated through 2011. As of the end of March 2010, approximately \$11 million has been issued in SURE benefits to over 1,200 producers in Nebraska counties.

For the SURE program, a producer's "farm" includes all acres of all crops in all counties. To be eligible, a producer must have at least part of their "farm" located within a Secretarial disaster declared county, a contiguous county or you must have suffered at least a 50% loss of your actual production on the farm. To be eligible for payment, you must have suffered at least a 10% loss of production on at least one crop of economic significance in a declared or contiguous county.

This program does have a Risk Management Purchase Requirement, which means that in order to receive benefits, all crops of economic significance must have been covered by a crop insurance policy or through the Non-insured Crop Disaster Assistance Program (NAP). For 2008, producers were allowed to "Buy-In" or pay an administrative fee to meet this requirement as the program was not legislated until after the sales closing dates for coverage purchases.

Signup for 2008 SURE benefits began January 4, 2010 and continues. No ending date has been announced at this time. Producers are encouraged to contact your county office to schedule an appointment. A SURE fact sheet is available on the National FSA Website at <http://www.fsa.usda.gov>.

Average Crop Revenue Election (ACRE) Program

ACRE is a revenue based option available within the Direct and Counter-Cyclical Program (DCP) that replaces **the price based counter-cyclical payments. Revenue addresses both production and price for a crop.** This option was legislated in the 2008 Farm Bill and first became available in 2009. Once elected, this option is not revocable through 2012. In addition, this option requires the agreement of all owners and tenants on the farm. In 2009, just over 16,000 farms were enrolled in ACRE in Nebraska which was 19% of the farms enrolled in DCP. Producers have the opportunity again in 2010 to elect and enroll into this option on farms in the DCP program.

For farms enrolled in ACRE for 2009, county FSA offices will be working with producers over the next several months to establish the farm benchmark yield which is used to set the farm guarantee. This benchmark yield is based on 2004 thru 2008 production records or the use of a county yield. In addition, the 2009 actual farm production will need to be provided to county offices for enrolled farms. The deadline for producers to have the benchmark production (2004 thru 2008) and the actual 2009 production filed with FSA is July 15, 2010.

This program option has two triggers that must be met before ACRE payments are generated. The first trigger is at the State level and requires that the actual state revenue is less than the state guarantee. The second trigger is at the Farm level and requires that the actual farm revenue is less than the farm guarantee. Again both triggers must be met before ACRE payments are generated.

One difference between the ACRE option and the Counter-Cyclical (CC) provisions is the threshold price that is used to determine benefits. For example, when corn has **normal yields**, CC payments begin once the National Average Market Price falls below \$2.35/bu.,

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while ACRE payments begin to trigger at \$3.72/bu. Essentially this option allows a higher safety net. This higher safety net does come with a 20% reduction in DCP direct payments and a 30% reduction in commodity loan rates for production from ACRE enrolled farms.

Another difference between the ACRE option and the CC provisions is how the payments are calculated. Under the CC provisions, crop base acres are used to calculate payments while the ACRE option uses the actual planted acres of a crop, not to exceed the total base acres on the farm. For example if enrolled in DCP, a farm with 60 acres of wheat base and 40 acres of soybean base could plant 80 acres to wheat and 20 acres to soybeans. If CC payments were available for soybeans and not wheat, the soybean CC payment would be calculated on the 40 acres of soybean base. If enrolled in ACRE, in this example, and ACRE payments were triggered for both wheat and soybeans, the ACRE payments would be calculated using the 80 acres of planted wheat and 20 acres of planted soybeans. An ACRE fact sheet is available on the National FSA Website at <http://www.fsa.usda.gov>.

DCP/ACRE Program Planting Flexibility

The DCP program allows the planting of any crop (including acres of Fruit and Vegetables referred to as FAV) on acres of cropland that exceed the farm's base acres. For example, if a farm has 100 acres of cropland and 75 acres of DCP bases, this would allow the planting of any crop such as a FAV on as much as 25 acres without any reduction or violation. However, if more than 25 acres of FAV are planted in this example, there would be an acre-for-acre reduction in payment acres for the amount of acres exceeding 25.0 acres. If the farm or the producer did not have an established history of production FAV, there would also be a planting violation payment reduction.

Cash Lease/Share Lease/Flexible Lease Provisions for 2010 Crop Year

FSA policy in determining whether or not a lease is share or cash is defined as follows:

A cash lease is now defined as a lease with any fixed amount of dollars or production being provided. Cash rent landowners are NOT eligible to receive any share of the DCP contract.

A share lease is now defined as ALL crop and crop proceeds being shared between owner and operator AND there is NO fixed dollar or production guarantee.

In other words, if there is any fixed portion of dollars or production involved in the rental agreement, the lease is considered to be a cash rent lease and the owner/landlord is NOT eligible to receive DCP payments on the farm. Other programs' forms and potential benefits (such as LDP, MAL, MPC, FSA578, etc.) will reflect how the crop is actually divided between the owner and operator.

Example: A tenant and the owner have a lease that divides the crop and inputs on a 50/50 share basis. However in this example, the lease requires that the operator pay the owner an additional fixed cash payment of \$2,000. FSA policy would require this lease arrangement to be treated as a "cash lease" for DCP program purposes and the owner is NOT eligible to receive any share of the DCP payments.

Small Base Acreage Enrollment into the Direct and Counter-Cyclical Program (DCP)

The DCP program contains a prohibition against issuing program payments on farms with 10.0 acres or less of DCP bases. For 2010-2012 crop years, the prohibition on payments is still in effect with an exception for Socially Disadvantaged or Limited Resource Producers. These small base farms are allowed to be combined (aggregated) into larger farms in order for the base acreage to exceed the 10.0 acre or less prohibition. In order to combine these farms, normal reconstitution rules and procedures must be met such as all owners must agree to the combination. Contact your local FSA office to discuss your options on these farms.

2010 Acreage Reporting Requirements

As in previous years, it is required that producers participating in FSA programs report all acres to be eligible for benefits. Eligible acres include all cropland, non-cropland, failed, prevented planted and subsequently planted crops. Producers are encouraged to report 2010 crops timely.

The permanent disaster programs require acreage reports

in order to be eligible. Generally the program eligibility is based on the intended use of the reported acreage for either cropland or non-cropland. Accurate reporting of the intended use is critical to administration of these programs. Once recorded, intended use cannot be revised or changed. Acreages with multiple uses must have accurate primary intended use recorded.

Acreage reports may be filed by the operator or owner, though some programs have more restrictive reporting requirements. For example, CRP requires that the report must be provided by a producer that is a signatory to the CRP contract. The Noninsured Crop Disaster Assistance Program (NAP) and the permanent disaster programs have this same procedure. It is important that acreage reports are obtained from the correct producer(s) as directed by the applicable program.

The 2010 acreage reporting deadlines include:

- Small Grains – June 30, 2010
- NAP – The earlier of July 15th or 15 days before the onset of harvest or grazing of the specific crop
- Honey – January 2, 2010 or within 30 days of the date the colonies are acquired
- All Other Crops including CRP unless required by a specific program – July 15, 2010.

If acres are reported after the applicable acreage reporting deadline, a late-filed report may be accepted. A field visit must be conducted to verify the crop and late file fees will be assessed.

Keep FSA Records Accurate

It is critical that program participants keep FSA informed of all changes to a farming operation. This includes changes in an owner, operator, or other producers with an interest in the farming operation, deceased participants, changes in leasing arrangements, sale or purchase of land, changes to members of entities, partnerships or joint ventures, changes in the amount or source of contributions to the farming operation (including land, capital, equipment, labor or management), new land brought into production or land converted to non-agricultural uses, etc.

The 2008 Farm Bill enacted several new permanent disaster programs. To ensure eligibility for these benefits, farming interests must be accurately reported for all acres in agricultural production, including those for perennial crops and non-cropland acres.

Properly Constituted Farms

A farm generally consists of tracts under common ownership that are operated by one individual or entity. Land constituted as an FSA "farm" will be reconstituted as necessary to meet this definition. When FSA farms are divided, DCP base acres may be divided by one of the following three methods: (1) written agreement of all landowners, or buyers and sellers, (2) according to the provisions of a will or written agreement of all heirs, or (3) defaulted to the previously established base acres by tract. Farms under separate ownership, including those with 10.0 DCP base acres or less, may be combined if the resulting farm meets the FSA "farm" definition, all owners agree in writing, and the land is under a lease agreement of at least one year. Prior to requesting a multiple ownership farm combination, producers should consider the fact that any future election to participate in ACRE (Average Crop Revenue Election) will be by "farm."

Member Contribution Rule Change for 2010 and Subsequent Years

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 a regular basis, **must** be identifiable, and separate from the contributions of others. The exception to this rule may apply for a stockholder or member of a legal entity if 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; and

- the total direct payments received, both directly and indirectly, by the legal entity and each of the members cannot exceed \$40,000.

Contact your local FSA office if you have any questions.



Adjusted Gross Income Verification

USDA has a Memorandum of Understanding with the Internal Revenue Service (IRS) to establish an electronic information exchange process for verifying compliance with the adjusted gross income (AGI) provisions applicable to most farm programs. Written consent will be 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. Therefore the County FSA Office(s) will never see any tax information from producers.

This process helps ensure that payments are not issued to producers whose AGI exceeds certain limits and ensures that payments are issued to those producers who are eligible to receive them. 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.

Participants in CCC programs subject to average AGI rules must submit form CCC-927 (Individual) and/or CCC-928 (Legal Entity) to the Internal Revenue Service by June 15 to avoid interruption of program benefits. These forms may be obtained from local FSA and NRCS offices or online at: <http://forms.sc.egov.usda.gov>.

Livestock Indemnity Program (LIP)

LIP is available to eligible livestock producers on farms that have incurred livestock death losses in excess of normal mortality because of eligible adverse weather events

during the 2010 calendar year. Eligible losses as determined by the Secretary include losses incurred as a direct result of floods, blizzards, lightning, tornado, disease only if exacerbated by an eligible adverse weather event, wildfires, extreme heat, and extreme cold. Producers must file a Notice of Loss with their administrative county office within 30 days of the livestock loss. Producers who experience a livestock loss can call their local FSA office to complete their Notice of Loss. A LIP Application filed for a 2010 calendar year loss, all supporting documentation of the livestock inventory, required proof of livestock death loss and producer signatures must be filed at the producer's Administrative County office no later than January 31, 2011. LIP payments will be based on 75% of a fair market value as determined by the Secretary for each specific livestock category and the individual producers' eligible losses.

Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP) Program

The ELAP program will provide emergency relief to producers of livestock, honey bees, and farm-raised fish because of feed loss, additional costs incurred, honey bee or farm-raised fish death losses during calendar year 2010 as a direct result of adverse weather, such as blizzards, tornados, floods, lightning and wildfires, as determined eligible by the Secretary for the claimed loss. To be eligible for the ELAP program, the producer must have purchased or enrolled in the following:

- an insurable crop on the farm: a policy or plan of insurance under the Federal Crop Insurance Act by the state's sales closing date
- non-insurable commodity on the farm: filed the required paperwork and paid the fee by the applicable deadline for the Non-insured Crop Disaster Assistance Program (NAP).

The ELAP program is intended to cover disasters that are not adequately covered by any of the other disaster programs. Producers must file a Notice of Loss within 30 days after the loss event. ELAP applications filed for a 2010 calendar year loss and all supporting documentation must be filed no later than January 31, 2011.

Deadline to Provide 2008 Production

April 2010

Records for NAP Purposes

In order for producers to qualify for 2009 Non-insured Crop Disaster Assistance Program (NAP) benefits, they are required to certify or provide crop production history and report current crop year production on or before the immediately subsequent crop acreage is reported. For example, if a producer certifies 2010 alfalfa acreage on May 1, 2010, the 2009 production records are required to be provided by May 1, 2010. The exception is for grazed forage, controlled environment crops, and value loss crops.



NAP Basic Provisions Available for Producers

FSA issued Basic Provision (BP) for the NAP program and it is available to NAP producers and the public. The CCC-471 BP provides the basic information needed for the Non-insured Crop Disaster Assistance Program (NAP). Interested producers can obtain a copy at the local USDA Service Center or they are available through the FSA website located at <http://www.fsa.usda.gov>. After accessing the website CLICK "Disaster Assistance Program" located on the left under "Browse by Subject". On the Disaster Assistance Programs Home Page, CLICK on Non-insured Crop Disaster Assistance Program (NAP) located on the right under "Related Topics". On the next screen CLICK "View CCC-471 NAP Basic Provisions" located under "I Want To..."

Nebraska FSA Website

Producers are encouraged to visit the Nebraska FSA website for current program information, newsletters and news releases. Visit the site at:
<http://www.fsa.usda.gov/FSA/stateoffapp?mystate=ne&area=home&subject=landing&topic=landing>

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Dates to Remember

May 31, 2010
Memorial Day. FSA Office closed.

Jun 1, 2010
DCP/ACRE Sign Up Deadline

Jun 1, 2010
Final Loan Availability Date for Feed Grains and Soybeans

Jun 30, 2010
2010 Small Grain Acreage Reporting Deadline

Jul 5, 2010
Independence Day (Observed). FSA Offices closed.

Jul 15, 2010
2010 All Other Crops Acreage Report Deadline

Jul 15, 2010
2009 ACRE Production Report Deadline

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