USDA

Nebraska Farm Service Agency

Producer News

October 2009

From the State Director

Dan Steinkruger
State Executive Director

It is an honor to be appointed your Farm Service Agency State Director. We hope to have a new State Committee appointed by Secretary Vilsack in the near future.

FSA is continuing to implement the comprehensive Farm Bill disaster programs this fall for 2008 and 2009. Contact your local office for information on these programs. For 2010, you need to participate in the crop insurance or Non-insured Crop Disaster Assistance Program (NAP) to be eligible for disaster programs.

I am proud of our farm and farm loan programs staff and our elected FSA County Committees. They are working to provide you service and assist you in your federal program participation.

Feel free to contact me with your thoughts and concerns. FSA is here to assist you and our agriculture industry in Nebraska.

Marketing Assistance Loans, LDPs

Marketing assistance loans and loan deficiency payments (LDPs) are an important safety net. It is important to meet FSA requirements. To be eligible for loans and LDPs, you must:

- comply with conservation and wetland protection requirements
- report cropland acreage on the farm
- have beneficial interest in the commodity on the date the loan or LDP is requested and, in the case of a loan, retain beneficial interest while the loan is outstanding
- ensure that the commodity meets CCC minimum grade and quality standards.

Beneficial interest means you retain control, which allows you the ability to make day to day decisions about the commodity and retain title to the commodity. Once beneficial interest in a commodity is lost, the commodity is ineligible for loan or LDP, even if you regain beneficial interest.

For commodities to be eligible for loans or LDPs, they must have been produced by an eligible producer, be in existence and in a storage condition and be merchantable as determined by CCC. Producers must maintain the quality of the commodity in farm storage throughout the term of the loan.

Substituted grain is not eligible for price support. If a commodity a producer wants to pledge as collateral for loan or LDP is not the grain produced and harvested by the eligible producer, but was merely exchanged for a quantity of the commodity produced and harvested by the eligible producer, it is ineligible for price support because it is a substitution.

Another example would be where grain is shipped direct delivery off the farm and not dumped at the warehouse but the producer is given a storage position at the elevator. Since the grain is not physically deposited at the warehouse, it would be considered substitution and would be ineligible for price support.

For the 2009 crop, CCC will no longer limit LDPs and market loan gains. However, to be eligible to received a

market loan gain or LDP a person or legal entity must not have average adjusted gross nonfarm income that exceeds $500,000. Participation in the Direct and Counter-cyclical Program (DCP) is not required to be eligible for loans or LDPs. The crop acreage must be certified to FSA. Grain produced on a farm enrolled in ACRE will have a 30% reduction in the marketing assistance loan rate.

Requesting LDP Benefits

Producers must use form CCC-633 EZ, which is a two-part form with multiple pages, to request loan deficiency payments (LDPs). The CCC-633 EZ:

- Page 1 includes terms and conditions, and serves as your intention to request and receive LDP benefits. This must be filed before the loss of beneficial interest in the crop.
- Page 2 is the applicable LDP request for feed grains, minor oilseeds, honey and pulses.
- Page 3 is only applicable to cotton.
- Page 4 is the applicable request for wool, mohair and unshorn pelts.

Page 1 indicates your agreement to receive LDP benefits before losing beneficial interest. Many producers file this page earlier in the year or prior to harvest. However, it must be filed before you lose beneficial interest.

Depending on your commodity, pages 2 through 4 of the CCC-633 EZ must be completed to request the actual LDP benefit. The LDP rate will be based on the earlier of the date beneficial interest is lost or the LDP request date; unless you requested date of delivery. Since the CCC-633 EZ (with a print date of 07-31-09) will be the only LDP form accepted, both pages of the form must be received in the FSA office in order to receive your LDP.

Remember, page 1 must be filed before losing beneficial interest in the applicable crop. You are encouraged to submit the page 1 agreement of the CCC-633 EZ for each crop year whether you plan to subsequently request a loan, LDP, or take no action. Contact your local FSA office for more specifics regarding the form's use.

Early Biomass Crop Assistance Program (BCAP)

The Farm Service Agency recently announced the Biomass Crop Assistance Program (BCAP) which will help increase production of renewable energy. Biomass Conversion Facilities (BCF) can sign up to participate in BCAP. Once the BCF is approved by FSA, financial assistance to Collect, Harvest, Store, and Transport (CHST) can be paid to eligible material owners.

Owners of eligible material can receive financial assistance for delivery to qualified biomass conversion facilities that use biomass for heat, power, bio-based products, or advanced biofuels. Payments are available at the rate of $1.00 per dry-ton equivalent received from a qualified biomass conversion facility not to exceed $45.00 per dry-ton equivalent. Payments are available for two years to eligible biomass material owners.

Biomass conversion facilities may become "qualified" by submitting a Memorandum of Understanding (MOU) to the FSA State Office. The MOU generally provides the requirements for becoming a qualified conversion facility. Once a facility becomes qualified eligible material owners or producers who deliver biomass to that facility may be eligible to receive CHST payments.

Eligible material owners or producers who market eligible material to a qualified biomass conversion facility may apply for the matching CHST payment at their local FSA County Office.

Examples of eligible biomass materials include woody biomass from tree trimmings, corn stover, and switch grass hay. Examples of ineligible biomass includes Title I crops from the 2008 Farm Bill and algae. For example, corn is not eligible for BCAP but corn cobs are eligible for delivery to a qualified facility.

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 are:
  - Corn, grain sorghum, rice, soybeans, oats, peanuts, wheat, barley or minor oilseeds harvested as whole grain
  - Corn, grain sorghum, wheat, oats or barley harvested as other-than 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 September 2009 will be 3.250% for a 7 year term; 3.625% for a 10 year term; and 4.000% 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 can not 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, refinancing 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 September 1, 2009 is 3.0 percent for Operating Loans and 4.875 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 Aug 1, 2009 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 then 10 years. A beginning farmer/rancher cannot own real estate that exceeds 30 percent 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 $1,049,000 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 percent (depends on the circumstances) on the loan. The interest rate charged is negotiated between the lender and the customer. You could qualify for Interest Assistance (4 percent 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.

2009 Crop Production Reports for the ACRE Program

Producers that enrolled in the Average Crop Revenue Election (ACRE) program are reminded that they need to be able to document their actual production for all planted ACRE commodities on farms enrolled in this option. For insured crops, production reports for your federal insurance policy will satisfy this requirement. For ACRE commodities that are not insured, you will need to be able to document your actual production. Please contact your local FSA office for specific reporting requirements.

Permanent Disaster Programs

The 2008 Farm Bill enacted a new set of disaster programs that affect producers in Nebraska. These programs are referred to collectively as the Supplemental Agriculture Disaster Assistance programs. The five programs are:

1. Supplemental Revenue Assistance Program (SURE)
2. Livestock Forage Disaster Program (LFP)
3. Livestock Indemnity Program (LIP)
4. Tree Assistance Program (TAP)
5. Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP)

With the exception of the Livestock Indemnity Program (LIP), these programs require the purchase of at least a catastrophic risk protection (CAT) level of insurance on insurable crops and/or Noninsured Crop Disaster Assistance Program (NAP) coverage for non-insurable crops. The requirement to obtain these coverage(s) applies to 2010 and future years. For 2010 and future years, the coverage must be purchased by the specific crop sales closing date.

Contact your local FSA office for additional details.

Sales Closing Dates for 2010 Coverage

There are several crops with crop insurance sales closing dates of September 30, 2009. The predominant crop in Nebraska affected by this date is winter wheat. In addition there are three counties that have rye insurance policies available (Antelope, Pierce and Stanton). The September 30, 2009 closing date also applies to alfalfa, alfalfa-grass mixtures and clover which are insurable under Actual Production History (APH) Forage Production Policies in the following counties:

Boyd, Buffalo, Cedar, Cuming, Custer, Dawes, Dawson, Holt, Howard, Keya Paha, Knox, Sherman and Valley.
For 2010 and future years, the GRP Forage Production Policies have been removed for all counties. The Pasture, Rangeland, Forage pilot insurance program is available for all counties in Nebraska for 2010.
Producers of these crops in the listed counties should contact their crop insurance agent to obtain details about their crop insurance policy options in order to make an informed decision concerning whether to obtain coverage that will meet the 2010 disaster program eligibility requirements. NAP coverage for crops that are not insurable will be available at the local FSA Service Center.

Contact your local insurance agent and your FSA Service Center as applicable for sales closing dates for any additional crops.

2010 NAP Sign-up Deadline

The Non-insured Crop Disaster Assistance Program (NAP) can soften financial losses caused by natural disasters, but only if you've applied for coverage and paid the application fee. The application deadline dates for 2010 NAP crops are as follows:

- September 30, 2009 for fall-seeded annual crops (rye, wheat, and triticale)
- December 1, 2009 for apples, asparagus, cherries, grapes, honey, and plums
- March 15, 2010 for barley, oats, and spring-seeded vegetables, grass, mixed forage, sorghum forage, and alfalfa

NAP kicks in when natural disasters result in a catastrophic loss of production or prevented planting of an eligible crop. NAP coverage is the equivalent to that provided by Catastrophic Risk Protection Plan (CAT) insurance and is available for commercial crops or agricultural commodities produced for food or fiber for which CAT is not available. NAP coverage is not available for livestock.

Producers with NAP coverage must remember to timely file acreage reports and keep track of harvested production using acceptable methods; and file a Notice of Loss within 15 days of when the loss is apparent.

Reporting Non-insured Crop Losses (NAP)

If you have applied for coverage under the NAP and suffer a loss or damage, don't forget that your local county office must be notified within 15 days of the latter of the occurrence of prevented planting or end of the planting period, or disaster occurrence or date damage to the specific crop acreage is apparent to the producer. The timely reporting of a loss or damage is important. Failure to timely file a notice of loss can result in a determination of ineligibility for NAP payments. Late-filed reports may be approved only if the cause and extent of crop damage can be determined by a field inspection.

A notice of loss must be filed on a form CCC-576. Separate CCC-576's must be filed for each crop and type, or variety of the crop, affected by a weather-related event or adverse natural disaster occurrence. Subsequent weather events affecting the same crop must also be reported, but will be documented on the previously filed CCC-576. A field inspection of your acreage may be necessary. If so, the county office staff will generally schedule one within five calendar days of the date of the notice of loss. If you plan to destroy the crop, the entire acreage must first be inspected. Acreage destroyed prior to an inspection or without consent of the county office staff will be ineligible for payment.

Livestock Indemnity Program (LIP)

The Livestock Indemnity Program is a permanent program and will continue to be available to eligible livestock producers on farms/ranches that have incurred livestock death losses in excess of normal mortality because of adverse weather, during the 2009 through 2011 calendar year. The eligible adverse weather events include losses because of floods, blizzards, disease exacerbated by adverse weather, wildfires, extreme heat, and extreme cold.

This program does not require a county trigger or disaster designation. LIP payments are based on 75% of a fair market value, at a rate determined by the Secretary, for each specific kind and type of livestock and the individual producers' eligible losses. Application for LIP is a two part process where a producer must file a notice of loss within 30 days of each apparent livestock loss.

The notice of loss is as easy as a phone call or fax to the county office to complete. An application for payment along with documentation of the loss may then be filed anytime up to January 30 of the following year. A producer may file multiple notice of loss and applications for payment. There are no late filed application provisions for LIP. Accurate records will assist in compiling satisfactory livestock death loss documentation.

To be eligible for LIP, a producer must provide verifiable and reliable documentation of the livestock deaths and inventory at the time of the adverse event. In some circumstances producer records and independent third party certifications may be accepted.

SURE Program

The Supplemental Revenue Assistance Program (SURE) applies to losses occurring on acres located within geographic areas declared as a disaster by the Secretary or an overall production loss greater than 50% on the farm. It is important to note that for this program, the farm means the sum of all crop acreages in all counties that the producer has an interest in the crop(s). This includes acres that are hayed.

Benefits under this program are calculated by determining a farm's program guarantee and the total farm revenue. The program guarantee includes the price election for an insurable crop or the established price for NAP crops, the producer's acres of that crop and the yield. The total for all crops within the farm make up the farm's program guarantee. Total farm revenue is comprised of the harvested acres, actual yield, national average market price, indemnities (insurance or NAP) and program payments from commodity programs such as DCP or commodity loan benefits (gains or LDPs). Payments will be based on 60% of the difference between 90% of the program guarantee and the total farm revenue. The SURE program is designed to be a total farm revenue program and not a specific crop by crop disaster program.

Conservation Compliance Changes

The Food, Conservation, and Energy Act made certain changes to Highly Erodible Land Compliance (HELC) and Wetland Conservation (WC) provisions.

In order to be eligible for USDA benefits each producer is required to sign an AD-1026, Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) certification. Under this certification the producer agrees to:

- Not plant or produce an agricultural commodity on highly erodible fields unless actively applying an approved conservation plan or maintaining a fully applied conservation system.
- Not plant or produce an agricultural commodity on wetlands converted after December 23, 1985.
- Not convert wetlands by draining, dredging, filling, leveling, land clearing or any other means that would allow the planting of any crop, pasture, agricultural commodity, or other such crop.
- Not use proceeds from any FSA farm loan insured or guaranteed, or any USDA cost-share program, in such a way that might result in negative impacts to wetlands, except for those projects evaluated and approved by NRCS.

Any time a producer considers breaking out non-cropland or potentially draining a wet area, you need to report these changes to FSA on an AD-1026 form. NRCS will evaluate the changes and determine how the changes will affect your HELC/WC compliance.

Each year NRCS completes status reviews in each county to evaluate conservation compliance for individual tracts of land. USDA is also required to investigate whistle blower complaints.

Under the 2008 Farm Bill, the County Committee no longer has the sole authority to grant "good faith" if you are determined to be out of compliance by NRCS. The case files must now be referred to the FSA State Executive Director (SED) and the NRCS State Conservationist for concurrence. Also, under the 2008 Farm Bill, if FSA ultimately issues a good faith determination, there will be a graduated payment reduction (GPR) of $1,000 to $10,000.

Always make sure you are in compliance with the conservation compliance provisions. If you believe you may have a compliance problem contact NRCS so they can develop possible alternatives to assist you.

Deadline for Price Support on Wool and Unshorn Lamb Pelts

Eligible producers have until January 31, 2010 to apply for loans and loan deficiency payments for wool or unshorn pelts produced during the 2009 crop year. Eligible producers must have beneficial interest in the wool or pelts, owned the lamb for at least 30 calendar days before the date of slaughter and sell the unshorn lamb for immediate slaughter.

Producers must also comply with wetland conservation and highly erodible land conservation provisions on all lands they operate or have interest in. A CCC-633EZ page 1 must be filed before beneficial interest is lost. The LDP request on page 4 of the CCC-633 EZ to request any LDP benefits must be completed. Loans

should be applied for at the FSA Office where your farm is administered. It is not too early to consider filing a CCC-633EZ page 1 for the 2010 crop.

FSA Program Payments Issued to Producers

There are two methods in which FSA program payments are issued; by issuance of a treasury check or direct deposit into your account. There are two changes producers will see with the Treasury Implementation Project which began in August.

The first will be that all payments we make by direct deposit will be transmitted to Treasury. This is required for FSA to be compliant with the Debt Collection Improvement Act of 1996 (DCIA). All federal payments will be processed through the Treasury Offset Program (TOP) so that any delinquent federal debt can be offset.

This new process will result in a delay of direct deposit payments to customers by one business day. All payments will be matched against debt referred to Treasury, including payments made by treasury check. Payments will be subject to TOP offset if there is a delinquent federal debt in the TOP database. If the TOP database finds a match for taxpayer identification number (TIN) and name, the payment will be offset for the delinquent debt. Treasury will notify the payment recipient of any offsets taken for debts due other agencies. FSA will not receive notification of the offset.

If there are questions about a TOP offset, the payee may call the TOP Call Center at 1-800-304-3107 to obtain the contact information for the offsetting agency. The TOP Call Center only has access to provide the name of the offsetting agency and their contact information. The payee will need to call the offsetting agency to determine the origination of the debt.

The other change will be the description on Bank Statements of Direct Deposit Payees. After August 3, 2009 the description on the bank statement will read, "FSA TREAS 310" for all payments that are disbursed by the Treasury Department.

COC Election Coming Soon

County Offices statewide will soon be conducting County Committee (COC) member elections. Each county or area assigned to a county office is divided into multiple Local Administrative Areas, (LAA) with a current COC member residing in each LAA. The COC election is for the specific LAA of which the member's 3-year term has expired. In many cases, the member may be eligible for re-election to the committee.

The election of agricultural producers to FSA county committees is important to ALL farmers and ranchers, whether beginning or long-established, with large or small operations. It is crucial that every eligible producer participate in these elections because FSA county committees are a link between the agricultural community and the U.S. Department of Agriculture (USDA). COC members are a critical component of the operations of FSA. They help deliver FSA farm programs at the local level. Farmers and ranchers who serve on COCs help with the decisions necessary to administer the programs in their counties. They work to make FSA agricultural programs serve the needs of local producers. COCs provide local input on:

- Commodity price support loans and payments
- Conservation programs
- Incentive, indemnity and disaster payments for some commodities
- Emergency programs
- Payment eligibility

FSA county committees operate within official regulations designed to carry out federal laws. COC members apply their judgment and knowledge to make local decisions.

Agricultural producers of legal voting age may be eligible to vote if they participate or cooperate in any FSA program. A person who is not of legal voting age but supervises and conducts the farming operations of an entire farm may also be eligible to vote. Ballots will be mailed to voters by November 6, 2009 and must be returned to the FSA county office or postmarked by December 7, 2009. Eligible voters must contact their local FSA office before the final date if they did not receive a ballot.

For more information about FSA COCs, visit a local FSA or USDA Service Center or the website at http://www.fsa.usda.gov/elections

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Dates to Remember

October 2009
2009 final direct DCP payments issued.Anticipated start of 2010 DCP and ACRE enrollment.

Oct. 12, 2009
Columbus Day Holiday. FSA offices closed.

Nov. 6, 2009
COC election ballots mailed to eligible voters.

Nov. 11, 2009
Veterans Day Holiday. FSA offices closed.

Nov. 26, 2009
Thanksgiving Day Holiday. FSA offices closed

Dec. 1, 2009
NAP application closing date for apples, asparagus, cherries, grapes, honey and plums.

Dec. 7, 2009
COC election ballots to be returned to FSA or post marked.

Dec. 25, 2009
Christmas Day Holiday. FSA offices closed.

Jan. 1, 2010
Newly elected county committee members take office.

Jan. 1, 2010
New Year's Day Holiday. FSA offices closed.

To Be Announced
2008 SURE application period.