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KANSAS NEWSLETTER

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Farm Service Agency

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Statewide

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Annual Notification of 2007-Crop Commodity Loans and Loan Deficiency Payments

Annual Program Requirements:

- All acreage on the farm must be reported by applicable deadlines (FSA-578).
- Compliance with sod/swampbuster provisions (AD-1026).
- Person Determination (CCC-502)
- Has beneficial interest in the commodity.
- Shares a risk of producing the commodity.
- Not be convicted under Federal or State law of a controlled substance violation.
- Average Gross Income Provisions apply.
- Not have a Federal non-tax debt.

A payment limitation of \$75,000 for all crops per crop year per person applies to LDPs and market loan gains from cash loan repayments at a rate less than the principal plus interest. A separate payment limitation of \$75,000 applies to wool, mohair, peanuts and honey.

Eligible LDP and Loan commodities are barley, corn, cotton, grain sorghum, oats, oilseeds (canola, crambe, flaxseed, mustard seed, rapeseed, safflower seed, soybeans, and sunflower seed), wheat, wool, mohair, pulse crops, lentils, dry peas, honey and peanuts. Additional LDP commodities are unshorn pelts, silage and hay from an eligible loan commodity. Eligible commodities must:

- Have been produced by an eligible producer.
- Be mechanically harvested (example: combined, baled, silaged) and in a storable condition.
- Not be substituted or purchased.
- Meet specific commodity eligibility requirements for a nonrecourse loan.
- Not contain mercurial compounds, toxin-producing molds, or other substances poisonous to humans or animals.
- Be merchantable for food or feed.
- Meet the definition for the commodity in the Official United States Standards for Grain or Rice.

The final availability date for loans and LDPs is:

- January 31 for wool, mohair, and unshorn pelts.
- March 31 for barley, canola, crambe, flaxseed, honey, oats, rapeseed, and wheat.
- May 31 for corn, cotton, grain sorghum, mustard seed, safflower seed, soybeans, sunflower seed, lentils and dry peas.

Beneficial Interest:

A producer is considered to have beneficial interest in the commodity if all the following remain with the producer:

- Control of commodity - A producer has control of the commodity if the producer retains 1) the ability to make all decisions affecting the commodity; and 2) all risk of loss associated with producing and maintaining the quality and quantity of the commodity.
- Title to the commodity - A producer may be considered to have title to the commodity if the producer has not sold or delivered the commodity, including the delivery of warehouse receipts

A producer must retain beneficial interest from planting, through harvest, and through the date the CCC-633EZ Page 1 is filed or a loan is repaid. The commodity cannot be substituted, transferred, or purchased.

Public Warehouse Definition in Kansas:

The State Law of Kansas, to paraphrase, states "any person or entity that wishes to store commodities on open storage for another person or entity must be licensed and bonded." If the license and bond do not exist, then by law, title passes to the buyer upon delivery. Even though title passes, numerous contracts can exist such as Price Later, Price Deferred, Confirmation of Purchase, and others. State Law also addresses grain bank commodities stating they are considered as storage commodities, and therefore the entity must be licensed and bonded to handle grain bank commodities.

FSA procedure defines a public warehouse as any elevator, seed house, feed store, or other structure that insures the commodity regardless of the commodity ownership, or receives compensation for storage based upon the quantity stored, such as per bushel, hundredweight, etc. Price Support operating procedure requires warehouses to be either State licensed or Federally licensed, plus have a Uniform Grain and Rice Storage Agreement (UGRSA). This enables the warehouse to issue warehouse receipts and the FSA County Office to process the receipts for a commodity loan.

This State Law and FSA procedure means that in Kansas, where almost all feedlots are not licensed and bonded, title transfers from the producer to the feedlot upon delivery. In almost all cases, the CCC-633EZ Page 1 must be filed before any commodities are delivered to a feedlot. The same policy applies for any elevators, dairies, seed houses, or feed stores in Kansas. They must be licensed and bonded to handle commodities on an open storage basis, and if they are not licensed and bonded, title transfers upon delivery and the CCC-633EZ Page 1 must be filed before harvest or delivery to remain eligible for an LDP.

Loan Deficiency Payments (LDP's):

LDPs are payments made to producers who, although eligible to obtain a Commodity Credit Corporation loan, agree to forgo the loan in return for a payment on the eligible commodity.

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The only form applicable for all LDPs in 2007-crop year is the CCC-633EZ. The CCC-633EZ Page 1 must be filed before beneficial interest is lost (prior to shearing, combining, haying, silage, ginning). Filing a timely CCC-633EZ Page 1 allows the producer to later file the CCC-633EZ Page 2 request for LDP payment, even after beneficial interest is lost.

To request the LDP payment, file the CCC-633EZ Page 2 anytime up to the final loan/LDP availability date, as long as a CCC-633EZ Page 1 was filed before beneficial interest is lost. Use CCC-633EZ Page 3 for cotton and CCC-633EZ Page 4 for wool, mohair and unshorn pelts. If the CCC-633EZ Page 2/3/4 is filed before beneficial interest is lost, then the LDP rate is the rate in effect on the date of application. Applications filed while beneficial interest is maintained can be on warehouse open storage commodities. With those applications, the storing warehouse is required to enter a statement regarding title and control remaining with the producer. If the CCC-633EZ Page 2/3/4 is filed after beneficial interest is lost, but before the final loan availability date, then the LDP rate would be the rate in effect the date beneficial interest was lost.

LDP applications may be faxed to the FSA county office. Faxed applications are considered complete when all required items are completed correctly, form is signed and dated and received in the applicable county office. The producer is responsible for ensuring the correct form is used, completed correctly, signed, dated and received by the FSA office. Producer must have proof of a successful fax transmission for any appeals. If the requirements of a faxed LDP are not met, then the LDP request will not be accepted.

Commodity Loans:

Nine-month commodity loans may be obtained by placing the eligible commodity in approved:

- Farm storage, and either requesting a measurement service or certifying the loan quantity on CCC-666.
- Warehouse storage, and obtain a loan on 100 percent of the net quantity on the warehouse receipt.

The county loan rate will be:

- If farm stored, the rate applicable in the county where the commodity is stored, adjusted for applicable discounts.
- If warehouse stored, the rate applicable in the county where the commodity is stored, adjusted for premiums and discounts. For warehouse receipts under merged warehouse code agreements the receipt must show location and county where the commodity was originally delivered, and the loan rate in the county where the commodity was delivered will apply.

Interest is based on the interest rate announced by Commodity Credit Corporation (CCC) for the month in which the loan is disbursed plus one percent, and is adjusted January 1 based on the interest rate announced for January by CCC, plus one percent.

A nonrecourse loan is a loan for which the commodity offered as collateral for the loan meets the quality eligibility requirements, and may, therefore, be delivered or forfeited to CCC, at loan maturity, in satisfaction of the loan indebtedness. A recourse loan is a loan, for which the commodity offered as collateral does not meet the quality eligibility requirements, and:

- May not be delivered or forfeited to CCC in satisfaction of the loan indebtedness, and
- Must be repaid in full on or before the loan maturity date.

In addition to these requirements, Kansas has additional Farm Stored policies dealing with stored grain for loans. Some of the policies include: the storage structure must have permanently installed ladders and allow for safe measurement and proper treatment, and grain must be in a measurable position. Check with FSA before harvest if you are considering a Farm Stored commodity loan. Ensure you know all the policies before harvest.

2007 GRAZE-OUT Payment Program:

Grazed acreage of wheat, barley, oats and triticale are eligible for a GRAZE-OUT payment only if the acreage is certified as intended for grazing only and the acreage is not harvested by any mechanical means. Applications can begin to be filed after the established mechanical harvest date for these commodities.

Reminders

March 15 - Noninsured Crop Disaster Assistance application date for certain crops.

March 31 - Final date for loans and LDPs on 2006 wheat, oats, barley, honey.

May 28 - Federal Offices Closed

May 31 - Final date for loans and LDPs on 2006 feed grains, minor oilseeds, cotton.

May 31 - Final date to certify small grain acreages.

June 1 - Final date to sign a Direct & Counter-Cyclical Contract for 2007, without paying late fee.

July 4 - Federal Offices Closed

On-Going:

- Direct and Guaranteed Farm Ownership and Operating Loans
- Beginning Farmer and SDA Loans
- Rural Youth Loans
- Farm Storage Facility Loans
- Continuous CRP
- Milk Income Contract Program Extensions

1-888-518-4983 - Toll Free Number for Status of Account for Direct Loan Customers.