

For: State and County Offices

Announcing Preliminary Farm Bill Provisions

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

The Farm Security and Rural Investment Act of 2002 (the Act) was signed by President Bush on May 13, 2002. Many provisions of the Act are effective for the 2002 crop year.

Federal regulations, and program policies and procedures, are currently being drafted and developed, and will be finalized over the next several months.

B

Purpose

This notice provides the following:

- notification that the Act provides for direct and counter-cyclical payments (DCP's)
- directives shall be issued under the DCP series
- a copy of the letter (Exhibit 1) being mailed to all owners, operators, and producers by KC-ITSDO.

Disposal Date	Distribution
January 1, 2003	State Offices; State Offices relay to County Offices

Notice DCP-1

2 Action

A

Owner/Operator and Producer Letters

The letter in Exhibit 1 includes some of the very basic provisions of the Act, and will be mailed from KC-ITSDO beginning May 24, 2002, to owners and operators, followed by a mailing to all other producers.

Note: All owners, operators, and producers will **not** receive their letter on the same day. Letters to owners and operators will be mailed first.

B

Providing Information to Producers

A forthcoming notice will provide preliminary information, and future directives will contain program details as new policies and procedures are developed.

State and County Offices shall:

- **not** mail the letter in Exhibit 1

Note: The letter shall be sent to all owners, operators, and producers by KC-ITSDO.

- continue to advise farm producers and owners of the current production flexibility contract (PFC) provisions, including the importance of the August 1, 2002, deadline to designate (or revise) payment shares and sign PFC
 - ensure that FY 2002 PFC payments are issued to eligible producers on or before September 30, 2002
 - **not** interpret statute for the purpose of providing advice to owners, operators, and producers
 - limit disbursing of information about the Act, to the information contained in directives from the National Office
 - make copies of the letter in Exhibit 1 available in Service Centers for interested parties.
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2002 Act Provisions



Dear Owner/Operator:

May 24, 2002

United States
Department of
Agriculture

Farm and Foreign
Agricultural Services

Farm Service
Agency

1400 Independence
Ave. SW
Stop 0501
Washington, DC
20250-0501

On May 13, President Bush signed into law the 2002 Farm Bill, officially known as the "Farm Security and Rural Investment Act of 2002" (2002 Act), Public Law 107-171. This letter is to acquaint you with the major provisions of the new law and to inform you of plans for its implementation.

The Farm Service Agency (FSA) will be using all available means to provide you with complete and timely information on the new programs and provisions of the 2002 Act. These tools will include direct mailings, news releases, fact sheets, county newsletters, and public meetings. Frequently updated information also will be posted on our web site at: <http://www.fsa.usda.gov/pas/farbill/>.

Production Flexibility Contracts

Producers with Production Flexibility Contracts (PFCs) authorized under the Agricultural Market Transition Act (AMTA) in the 1996 farm law must continue to follow contract requirements. PFC payments for 2002 will continue to be issued, as requested, until September 30, 2002, provided all eligibility requirements are met.

Direct and Counter-Cyclical Payments

Many of the 2002 Act provisions authorizing "direct" and "counter-cyclical" payments are similar to PFC provisions and begin with the 2002 crop year. Direct and counter-cyclical payments will be reduced by the amount of the PFC payment already received. Owners have multiple options, including the opportunity to establish or update bases and yields for wheat, corn, sorghum, barley, oats, upland cotton, rice, soybeans, and other oilseeds ("covered" commodities). Only producers who elect to update their bases will be given the opportunity to update their yields. In addition, peanuts will be eligible for direct and counter-cyclical payments. FSA service centers are compiling acreage data from reports you have already filed to assist you in making your selections. Operators and owners of farms with crops that are eligible for direct and counter cyclical payments soon will be sent this information. Once you receive your notice of acreage history, you will be provided an opportunity to update or revise your acreage reports. A notice also will be sent to you providing guidelines and needed documentation for updating yields.

Until you receive these notifications, it is not necessary for you to contact your county office concerning base and yield updates. In the meantime, I suggest that you begin compiling production records so you can submit them promptly when requested to do so.

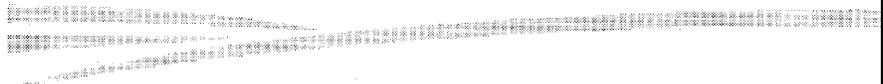
Marketing Assistance Loans

Marketing assistance loans are continued under the 2002 Act and are expanded to include more crops (dry peas, lentils, chickpeas, peanuts, honey, wool, and mohair). County loan rates, to be announced shortly, take effect immediately upon harvest of the 2002 crops. Certain crops planted on all farms are eligible for loans, in contrast to previous provisions that limited loan eligibility for certain crops to PFC farms only.

Payment Limitations

In general, the following per "person" payment limitations become effective beginning with the 2002

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2002 Act Provisions (Continued)

crop year: (1) \$40,000 for direct payments; (2) \$65,000 for counter-cyclical payments; and (3) \$75,000 for marketing loan gains and loan deficiency payments.

Peanut Quota "Buy-Out"

The 2002 Act terminates the Marketing Quota Program for peanuts beginning with the 2002 crop year. Eligible quota holders can receive payments through a "buy-out" program. The quota poundage eligible for the buyout will be based on the 2001 crop quota. Persons eligible for the buyout payment generally will be those who owned the farm with the base quota as of the date of enactment of the 2002 Act. The rate of compensation is 11 cents per eligible pound for each of fiscal years 2002-2006, or one lump sum payment of 55 cents per pound. Payment limitations do not apply to these benefits.

Conservation Reserve Program

Major changes to the Conservation Reserve Program include increasing the acreage cap to 39.2 million acres, allowing for managed haying and grazing, expanding the Farmable Wetlands Pilot Program to all States, and redefining eligible land to include a fixed cropping history requirement four out of the prior six years.

Reconstitutions

The effect of a 2002 farm reconstitution on bases and yields is not certain and will be subject to rules designed to properly implement the statute in accord with its intent. Any expectation of a perceived benefit is premature until the rules are announced.

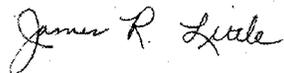
Caution

I want to caution you to not make any final determinations based on the preliminary, nonbinding information in this letter. Final policies and interpretations that may impact your eligibility for program benefits are yet to be determined.

Our Commitment

Let me reaffirm our commitment to make available to you complete and timely information. The most up-to-date information can be found on our web site for those of you who have access to the Internet. Many of your inquiries already may have been answered on the Frequently Asked Questions (FAQ) section of our web site. We know the importance of these programs to you and are dedicated to their timely implementation. We appreciate your patience and your cooperation with the county office personnel.

Sincerely,



James R. Little
Administrator