

For: State and County Offices

2003 Final Counter-Cyclical Payment Calculations for Wheat, Barley, and Oats

Approved by: Deputy Administrator, Farm Programs



1 2003 Final Counter-Cyclical Payments

A Background

The Farm Security and Rural Investment Act of 2002 provides for counter-cyclical payments for covered commodities and oilseeds beginning with crop year 2002. DCP regulations were published on October 21, 2002, at 7 CFR Part 1412.

Final counter-cyclical payments will **not** be made for wheat, barley, and oats for crop year 2003 because their effective prices exceed their respective target prices.

B Purpose

This notice provides:

- instructions on handling overpayments for wheat
- a detailed explanation of how counter-cyclical payment rates are determined.

Disposal Date	Distribution
August 1, 2005	State Offices; State Offices relay to County Offices

Notice DCP-113

2 Calculating 2003 Final Counter-Cyclical Payments for Wheat, Barley, and Oats

A Zero Rate for Wheat, Barley, and Oats

Final 2003 counter-cyclical payment rates for wheat, barley, and oats are zero because their effective prices exceed their respective target prices. The effective price equals the direct payment rate, plus the higher of the national average loan rate or the national average farm price. The following table illustrates the calculation for wheat, barley, and oats.

Item	Wheat	Barley	Oats
	Dollars Per Bushel		
Target Price	3.86	2.21	1.400
National average loan rate	2.80	1.88	1.350
National average farm price	3.40	2.29	1.480
Higher of loan rate or farm price	3.40	2.29	1.480
Direct payment rate	<u>+0.52</u>	<u>+0.24</u>	<u>+0.024</u>
Effective Price	3.92	2.53	1.504
Final Counter-Cyclical Payment Rate	0.00	0.00	0.00

B 2003 Counter-Cyclical Partial Payments for Wheat, Barley, and Oats

The 2002 Act provides for 2 partial counter-cyclical payments, in October 2003 and February 2004, and a final payment after the close of the marketing year. First and second partial 2003 counter-cyclical payments were not paid on barley and oats. A first partial payment was issued for wheat. Paragraph 3 provides further information on the wheat partial payment and repayment.

C National Average Farm Prices

The national average farm prices for commodity crops can be found at http://www.fsa.usda.gov/pas/farbill/mya_entry.htm

Notice DCP-113

3 Wheat Overpayments

A Notice DCP-109

Notice DCP-109 explained about possible overpayments of several DCP crops.

Wheat producers that received a 2003 1st advance counter-cyclical payments are now overpaid. The producer will have 2 options for repaying the unearned CC payment.

- **Option 1.** CCC will automatically reduce any DCP payment received between October 2004 and March 30, 2005, to satisfy the obligation to repay the unearned advance. Any overpayment amount not satisfied by March 30, 2005, will be transferred to receivables and begin normal collection procedures according to 67-FI.
- **Option 2.** The producer may elect to repay the unearned counter-cyclical payment by following procedure under DCIA. Under DCIA, the producer will be sent an initial notification following the end of each crop's marketing year notifying them of the debt and followed by a first demand letter.

Option 1 is the default method. Producers were mailed a letter from Kansas City explaining these options on May 3, 2004.

B County Office Action

Remind producers of these options through newsletters and other means available.