

For: State and County Offices

**2003 Final Counter-Cyclical (CC) Payment Calculations
for Peanuts, Corn, Sorghum, and Soybeans**

Approved by: Deputy Administrator, Farm Programs



1 2003 Final CC Payments

A Background

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

B Purpose

This notice informs State and County Offices that:

- final CC payments will:
 - be made for peanuts for crop year 2003 because their effective prices exceed their respective target prices
 - be issued for corn, sorghum, or soybeans because their effective prices exceed their respective target prices
- software will be transmitted on the evening of Friday, October 1, 2004.

This notice provides a detailed explanation of how CC payment rates are determined.

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

Notice DCP-115

2 Calculating 2003 Final CC Payments for Peanuts, Corn, Sorghum, and Soybeans

A Payment Rate for Peanuts, Corn, Sorghum, and Soybeans

Final 2003 CC payment rates are calculated in the following chart. The effective price equals the direct payment rate, plus the higher of the national average loan rate or the national average farm price. The final payment rate is the target price minus effective price. The following illustrates the calculation for peanuts, corn, sorghum, and soybeans.

Item	Peanuts Per Ton	Corn Per bu	Sorghum Per bu	Soybeans Per bu
Target Price	495.00	2.60	2.54	5.80
National average loan rate	355.00	1.98	1.98	5.00
National average farm price	386.00	2.42	2.39	7.02
Higher of loan rate or farm price	386.00	2.42	2.39	7.02
Direct payment rate	<u>+36.00</u>	<u>+.28</u>	<u>+.35</u>	<u>+.44</u>
Effective price	422.00	2.70	2.74	7.46
Final Counter-Cyclical Payment Rate	73.00	0	0	0
Less 1st advance	<u>36.40</u>	<u>0.077</u>	<u>0.014</u>	
Equals	36.60	-0.077	-0.014	
Less 2nd advance	<u>15.40</u>	<u>0</u>	<u>0</u>	
Equals balance (if first and second advance received)	21.20	-0.077	-0.014	0

Notes: Peanuts will be paid in pounds at a rate of \$0.0365.

Final rice payment rates will be announced in February 2005.

Final cotton payments will be announced later this month.

B 2003 CC Partial Payments for Peanuts, Corn, and Sorghum

The Act provides for the following:

- 2 partial CC payments in October 2003 and February 2004
- final payment after the close of the marketing year.

First and second partial 2003 CC payments were paid on peanuts. A first partial payment was issued for corn and sorghum. See paragraph 3 for further information on the corn and sorghum 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/farmbill/mya_entry.htm.

Notice DCP-115

3 Corn and Sorghum Overpayments

A Notices DCP-109 and DCP-114

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

Corn and sorghum producers that received 2003 1st advance counter-cyclical payments are overpaid \$0.077 a bushel for corn and \$0.014 a bushel for sorghum. The producer had the option of selecting 2 methods for repaying the unearned CC payment.

- **Option 1.** CCC automatically reduces 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 elects to repay the unearned counter-cyclical payment by following procedure under DCIA. Under DCIA, the producer is 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.

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

Notice DCP-114 outlined the software changes for processing 2003 CC overpayments because of unearned 2003 CC payments.

B County Office Action

County Offices shall:

- immediately process 2003 CC overpayments according to Notice DCP-114
- issue final 2003 CC payments for peanuts, after 2003 CC overpayments are calculated and transferred to CRS.