

For: State and County Offices

**2003 Final Counter-Cyclical (CC) Payment Calculations for Rice**

Approved by: Deputy Administrator, Farm Programs



**1 2003 Final CC Payment for Rice**

**A Background**

The Farm Security and Rural Investment Act of 2002 (the Act) provides for CC payments for covered commodities and peanuts beginning with crop years 2002 through 2007. 1<sup>st</sup> advance 2003 CC payments for rice were issued in October 2003 and 2<sup>nd</sup> advance CC payments were issued in February 2004.

Producers signing a Direct and Counter-Cyclical Program (DCP) contract agree to refund any unearned CC payments received that exceed the amount actually earned under the contract.

Notice DCP-109, issued on April 29, 2004:

- advised State and County Offices that producers receiving a 1<sup>st</sup> advance 2003 CC payment in October 2003 could be overpaid once final payment rates were calculated
- outlined options available to producers for repayment of the unearned payment
- advised producers and FSA Offices that repayment of the unearned payment would be required once the final payment rate was determined.

Letters were mailed to producers on May 3, 2004, notifying producers of the repayment options available to them to repay any unearned 2003 CC payments.

<b>Disposal Date</b>	<b>Distribution</b>
February 1, 2006	State Offices; State Offices relay to County Offices

## Notice DCP-127

### 1 2003 Final CC Payments (Continued)

#### B Purpose

This notice:

- informs State and County Offices that:
    - the final CC payment for rice is \$0.0007 per pound for crop year 2003
- Important Note: Producers who received advance CC payments are required to refund a portion of the advance.**
- software will be transmitted on the evening of Thursday, February 3, 2005, according to a forthcoming information bulletin
  - provides a detailed explanation of how counter-cyclical payment rates are determined
  - provides instructions on issuing 2003 final CC rice payments, if no advance payment was issued
  - provides instructions on handling overpayments for rice
  - advises County Offices how to handle situations involving bankruptcy and deceased producers.

**2 Calculating 2003 Final CC Payment for Rice**

**A Payment Rate for Rice**

The final 2003 CC payment rate for rice is \$0.0007 per pound because the effective price is below the target price. The effective price equals the direct payment rate, plus the higher of the national average loan rate or the national average price received by producers. The final payment rate is the target price minus the effective price. The following table illustrates the calculation for rice.

Item	Rice (Dollars per lb.)
<b>Target Price</b>	.1050
National average loan rate	.0650
2003 National average price received by producers	.0808
Higher of loan rate or price received by producers	.0808
Direct payment rate	<u>.0235</u>
<b>Effective Price</b>	.1043
<b>Final Counter-Cyclical Payment Rate</b>	.000700
<b>Less 1<sup>st</sup> advance</b>	.005775
<b>Less 2<sup>nd</sup> advance</b>	<u>.000525</u>
<b>Equals balance</b> (if first or second advance received)	-.005600

**B 2003 CC Partial Payments for Rice**

The 2002 Act provides for 2 partial counter-cyclical payments, in October 2003 and February 2004, and a final payment after the final season average price is determined on January 31, 2005. A first and second partial payment was issued for rice. Paragraph 3 provides further information on the rice partial payment and repayment.

**Important Note: If a producer elected to receive both advance payments, the producer has been overpaid by \$0.0056 per pound. The producer must repay that amount according to the procedure in paragraph 3.**

**C National Average Prices Received by Producers**

The national average prices received by producers for contract commodities can be found at: <http://usda.mannlib.cornell.edu/reports/nassr/price/pap-bb/2005/agpr0105.pdf>.

## Notice DCP-127

### 3 Processing Rice Overpayments

#### A Notice DCP-109

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

Rice producers that received a 2003 1<sup>st</sup> or 2<sup>nd</sup> advance CC payment are now overpaid. Producers were given 2 options for repayment in a letter directly mailed to them in May 2004.

- **Option 1** provided for FSA reducing DCP payments earned from October 2004 to March 2005 to repay the 2003 unearned CC payment. This option required no action by the producer and was the default method. Any overpayment amount not satisfied by March 31, 2005, will be transferred to receivables and begin normal collection procedures according to 67-FI.
- **Option 2** provided for the producer repaying the unearned payment by following procedures under the Debt Collection Improvement Act of 1996 (DCIA). The producer may elect to repay the unearned CC payment by following procedure under DCIA. Under DCIA, the producer will be sent an initial notification, followed by a first demand letter.

#### B Repaying Unearned Payments for Producers Who Chose Option 1

Unearned 2003 CC advance payments for rice will be reduced from the following DCP payments until March 31, 2005, or until the overpayment has been collected back, whichever is earlier.

- 2003 Final CC
- 2004 Final Direct
- 2004 Advance CC
- 2005 Advance Direct.

As of April 1, 2005, any outstanding 2003 CC overpayments will be collected using procedure established in DCIA. A forthcoming FI notice will provide guidance on the changeover from automatic offset to normal receivable processing.

Notice DCP-127

3 Processing Rice Overpayments (Continued)

C Processing Overpayments

Process 2003 CC rice overpayments according to the following table.

Step	Action	Result
1	On Primary Selection Menu FAX250, ENTER "3" or "4", "Application Processing".	Application Selection Menu FAX07001 or Office Selection Options Menu FAX09002 will be displayed
2	<b>IF option...</b>	<b>THEN...</b>
	"3" is selected	Menu FAX07001 will be displayed. Go to step 3.
	"4" is selected	Menu FAX09002 will be displayed.  <b>Note:</b> Select the appropriate county and continue to Menu FAX07001.
3	On Menu FAX07001, ENTER "11", "PFC/DCP/Compliance".	PFC/DCP/Compliance Menu M00000 will be displayed.
4	On Menu M00000, ENTER "10", "Direct and Counter-Cyclical Program".	DCP Year Selection Menu MZYEAR will be displayed.
5	On Menu MZYEAR, ENTER "2", "2003 Program Year".	2003 DCP Application Selection Menu MZA000 will be displayed.
6	On Menu MZA000, ENTER "3", "Counter-Cyclical Payment Processing".	2003 Counter-Cyclical Payments Menu MZABPO will be displayed.
7	On Menu MZABPO, ENTER "2", "Overpayment Processing".	2003 CC Overpayment Processing Menu MZABO1 will be displayed.
8	On Menu MZABO1, ENTER "1", "Compute Overpayments".	Printer Selection Screen MZABPRT2 will be displayed.
9	On Screen MZABPRT2, enter printer selection.	All overpayments will be calculated. The user will be returned to menu MZABO1.
10	On Menu MZABO1, ENTER "3", "Transfer Overpayments to CRS".	All overpayments will be transferred to CRS. The user will be returned to Menu MZABO1.

**3 Processing Rice Overpayments (Continued)**

**D Processing Overpayments**

Users will not be able to select a specific producer or range of farms to process. All producers for all farms will be processed when the overpayment option is taken.

**E Debt Basis Code**

All overpayments processed with the 2003 CC Overpayment software will be issued a debt basis code of "10-320". The user will not be able to change the debt basis code.

**F Transferring Overpayments to CRS**

From Menu MZABO1, ENTER "3", "Transfer Overpayments to CRS". This will transfer all overpayments to CRS automatically without user intervention. The typical transfer screens that allow the user to view a list of all producers with overpayments or allows the user to change certain information on the overpayment record will not be displayed or available to the user.

**G Overpayment Register and Reports**

No change has been made to the processing or printing of any registers or reports.

**H Offset From DCP Payments**

Overpayments will automatically be offset from DCP payments according to subparagraph B. The County Office will not be required to print manual checks and deposit the funds.

**I Bankruptcy**

The County Office shall follow procedures already in place for producers who have filed bankruptcy. The County Office shall refer to 67-FI.

**J Deceased Producers**

County Office shall follow the policy in 1-DCP, paragraph 394, for deceased producers.

**K Successor-in-Interest**

County Office shall follow the policy in 1-DCP, paragraph 393, for successor-in-interest.

**L Overpayments Less Than \$35**

All 2003 CC rice overpayments less than \$35 will be transferred to CRS and offset from DCP payments.

**4 State and County Office Action**

**A State Office Action**

State Offices shall ensure that County Offices:

- are informed of the contents of this notice
- follow directions in the forthcoming information bulletin for loading the program parameter file.

**B County Office Action**

County Offices shall:

- follow directions outlined in the forthcoming information bulletin to ensure that the new program parameter file is loaded to the County Office system
- **after** completing the instructions in the information bulletin, immediately process 2003 CC overpayments according to subparagraph 3 C.
- begin issuing final crop year 2003 rice payments **after** processing 2003 CC overpayments.