

For: State Offices and Service Centers

2004 2nd Advance Counter-Cyclical (CC) Rates

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The Farm Security and Rural Investment Act of 2002 (the Act) provides for CC payments for covered commodities and peanuts.

Advance counter-cyclical payments are to be issued in October and February following the crop year. Producers are eligible for:

- 35 percent of the difference between the effective price and the target price in October
- 70 percent of the difference between the effective price and the target price in February, minus the first advance, if the producer took a first advance.

Software for the 2004 counter-cyclical 1st advance payments was included in County Release No. 547. A program parameter file containing the 2nd advance payment rates will be broadcast to County Offices on February 10, 2005. Information about the broadcast will be included in a forthcoming information bulletin.

B Purpose

This notice:

- informs State and County Offices:
 - that a 2nd advance CC payment will be issued for crops according to the table in subparagraph 2 B
 - that software will be transmitted on the evening of Thursday, February 10, 2005, according to a forthcoming information bulletin
 - to issue 2nd advance CC payments
- provides a detailed explanation of how counter-cyclical payment rates are determined.

Disposal Date	Distribution
February 1, 2006	State Offices; State Offices relay to County Offices

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2 Calculating 2004 2nd Advance CC Payment Rates

A 2004 Crops and Rates

The following table indicates eligible crops to receive a 2nd advance CC payment and the payment rate for that crop. 2004 crops that have been determined to receive a 2nd advance CC payment are eligible for a payment 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 2nd advance CC payment rate is 70 percent of the result of the target price minus the effective price. The following tables illustrates the payment rate calculation for the eligible crops.

Item	Wheat	Corn	Sorghum	Barley	Oats
	\$ per bu				
Target Price	3.92	2.63	2.57	2.24	1.440
National average loan rate	2.75	1.95	1.95	1.85	1.330
Projected national average price received by producers	3.38	1.95	1.70	1.75	1.400
Higher of loan rate or price received by producers	3.38	1.95	1.95	1.85	1.400
Direct payment rate	.52	.28	.35	.24	.024
Effective Price	3.90	2.23	2.30	2.09	1.424
2nd Advance Counter-Cyclical Payment Rate	.0140	.2800	.1890	.1050	.0112
Less 1st advance	.0350	.1400	.0945	.0525	.0056
Equals balance (if first advance received)		.1400	.0945	.0525	.0056

Item	Upland Cotton	Rice	Soybeans	Peanuts
	\$ per lb	\$ per lb	\$ per bu	\$ per lb
Target Price	.7240	.1050	5.80	.2475
National average loan rate	.5200	.0650	5.00	.1775
Projected national average price received by producers		.0740	5.10	.2000
Higher of loan rate or price received by producers		.0740	5.10	.2000
Direct payment rate	.0667	.0235	.44	.0180
Effective Price	.5867	.0975	5.54	.2180
2nd Advance Counter-Cyclical Payment Rate	.0961	.00525	.1820	.020650
Less 1st advance	.0481	.00315	.0910	.012775
Equals balance (if first advance received)	.0480	.00210	.0910	.007875

Notes: Wheat producers who did not elect to receive the 1st advance payment of \$0.035, but elected to receive the 2nd advance, will receive only \$0.014. If the actual price received by producers equals the projected price, wheat producers who elected the 1st advance will be required to refund a portion of the advance. The final payment rate for wheat will be determined July 2005.

The nonpayment register may reflect the message, "Prior Payments Exceed Current Payments", for producers that elected a 1st advance payment for wheat. This message prints as a result of the difference between the 1st advance and 2nd advance payment rate and does not require any action by the County Office. Also, these producers will not print on the overpayment register as producers that elected to receive a 1st advance payment will not be considered overpaid until the final rate for wheat is determined July 2005.

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3 Action

A State Office Action

State Offices shall ensure that County Offices:

- are immediately informed of the contents of this notice
- follow directions outlined in the forthcoming information bulletin.

B County Office Actions

County Offices shall:

- follow directions in the forthcoming information bulletin for loading the 2nd advance CC rates in the program parameter file
- begin issuing 2004 2nd advance CC payments, as applicable.