

For: State and County Offices

2004 Final Counter-Cyclical (CC) Payment Calculations for Wheat, Barley, and Oats

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

The Farm Security and Rural Investment Act of 2002 (2002 Act) provides for CC payments for covered commodities and oilseeds beginning with crop years 2002 through 2007. 1st advance 2004 CC payments for wheat, barley, and oats were issued in October 2004, and 2nd advance CC payments for barley and oats were issued in February 2005. Wheat did not receive a 2nd advance CC payment.

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-132 was issued April 26, 2005, which:

- advised State and County Offices that producers receiving 2004 CC 1st advance payment in October 2004 and/or a 2nd advance payment in February 2005 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 starting in October 2005 for producers choosing repayment option 1.

Letters were mailed to producers on May 6, 2005, notifying producers of the repayment options available to them to repay any unearned 2004 CC payments.

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

Notice DCP-135

1 Overview (Continued)

B Purpose

This notice:

- informs State and County Offices:
 - of final CC payment rates for wheat, barley, and oats
 - that software will be transmitted on the evening of July 11, 2005, according to a forthcoming information bulletin
- provides a detailed explanation of how CC payment rates are determined
- provides instructions on issuing 2004 final CC barley payments
- provides instructions on handling overpayments for wheat and oats
- advises County Offices on how to handle situations involving deceased producers or producers who are no longer farming.

2 Calculating 2004 Final CC Payment Rates for Wheat, Barley, and Oats

A Payment Rate for Wheat, Barley, and Oats

Final 2004 CC payment rates for wheat and oats are zero because their effective prices equal or exceed their respective target prices. Barley is entitled to a final 2004 CC payment. The effective price for barley 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	3.92	2.24	1.440
National Average Loan Rate	2.75	1.85	1.330
National Average Farm Price	3.40	1.73	1.480
Higher of Loan Rate or Farm Price	3.40	1.85	1.480
Direct Payment Rate	<u>+0.52</u>	<u>+0.24</u>	<u>+0.024</u>
Effective Price	3.92	2.09	1.504
Final CC Payment Rate (Target Price Minus Effective Price)	0.00	0.15	0.00
First Partial Payment Rate	0.0350	0.0525	0.0056
Second Partial Payment Rate	0.0000	0.0525	0.0056
Final Counter-Cyclical Payment Rate Less First and Second Partial Payments	-0.0350	0.0450	-0.0112

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2 Calculating 2004 Final CC Payment Rates for Wheat, Barley, and Oats (Continued)

B 2004 Advance CC Payments for Wheat, Barley, and Oats

The 2002 Act provides for 2 advance CC payments, in October 2004 and February 2005, and a final payment after the close of the marketing year. 1st and 2nd advance 2004 CC payments were paid on barley and oats, but only a 1st advance payment was paid on wheat. Paragraph 3 provides further information on wheat and oats overpayments.

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.

3 Wheat and Oats Overpayments

A Notice DCP-132

Notice DCP-132 explained about the possibility of CC overpayments.

Wheat and oats producers who received a 1st or 2nd advance 2004 CC payment are now overpaid. Producers were given the following 2 options for repayment of the unearned CC payment, as explained in a letter mailed directly to the producer in May 2005.

- **Option 1.** CCC will automatically reduce any DCP payment received between October 2005 and October 2006, to satisfy the obligation to repay the unearned advance. Any overpayment amount not satisfied by October 31, 2006, will be transferred to receivables and begin normal collection procedures according to 67-FI.
- **Option 2.** The producer may have elected to repay the unearned CC payment by following procedure under the Debt Collection Improvement Act of 1996 (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.

Note: Option 1 is the default method.

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3 Wheat and Oats Overpayments (Continued)

B Repayment of Unearned Payments Under Option 2

Unearned 2004 CC advance payments for wheat and oats shall be collected immediately for producers who have notified the County Office that they wish to repay the amount according to DCIA (option 2).

Take all of the following actions for processing overpayments for producers who choose option 2:

- remove the approval date from CCC-509
- process CC overpayments according to 2-DCP
- transfer CC overpayments to the Common Receivable System
- re-enter the approval date on CCC-509.

Note: This process is for producers choosing option 2 only. The County Office shall follow subparagraph C for producers who choose option 1.

C Repayment of Unearned Payments Under Option 1

Repayment of unearned 2004 CC advance payments for wheat and oats for producers who chose option 1 will not begin until October 2005. A future DCP notice will provide instructions for processing overpayments for option 1 producers.

D Deceased Producers or Producers No Longer Farming

Option 2 will be the default option for deceased producers or producers who no longer have an interest in farming. Follow the instructions in subparagraph B.

4 Issuing Payments to Producers With Special Circumstances

A Bankruptcy

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

B Deceased Producers

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

C Successor-in-Interest

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

5 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 in the forthcoming information bulletin to ensure that the new program parameter file is loaded to the County Office system
- process 2004 CC overpayments according to subparagraph 3 B for producers who chose repayment option 2, are deceased, or are no longer farming
- begin issuing 2004 final CC barley payments, as applicable.