

For: State and County Offices

**2004 Final Counter-Cyclical (CC) Payment Calculations
for Corn, Sorghum, and Soybeans**

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 beginning with crop year 2002. The 1st advance 2004 CC payments for corn, sorghum, and soybeans were issued in October 2004, and the 2nd advance CC payments were issued in February 2005.

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, issued April 26, 2005:
 - 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
- DCP-135, issued July 11, 2005, advised County Offices that overpayments for wheat and oats would be computed when 2004 final CC payment rates were available for corn, sorghum, and soybeans in October 2005

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

Notice DCP-141

1 Overview (Continued)

A Background (Continued)

- DCP-139, issued September 26, 2005, outlined:
 - producer repayment options
 - changes to CC overpayment and accounting software.

B Purpose

This notice:

- informs State and County Offices:
 - of final CC payment rates for corn, sorghum, and soybeans
 - that software will be transmitted on the evening of Tuesday, October 4, 2005, according to a forthcoming Information Bulletin
 - that final CC payments will **not** be issued for soybeans because the effective price exceeds the target price
- provides a detailed explanation of how CC payment rates are determined
- provides instructions on:
 - issuing 2004 final CC corn and sorghum payments
 - handling overpayments for wheat, oats, and soybeans
- advises County Offices on how to handle situations involving bankruptcy, deceased producers, or successors-in-interest.

Notice DCP-141

2 Calculating 2004 Final CC Payments

A Calculating 2004 Final CC Payments for Corn, Sorghum, and Soybeans

The following table:

- shows calculations of final 2004 CC payment rates for corn, sorghum, and soybeans
- provides final 2004 CC payment rates for corn, sorghum, and soybeans.

Note: Corn and sorghum are due a final 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 final payment rate is the target price minus the effective price.

Item	Corn	Sorghum	Soybeans
	Dollars Per Bushel		
Target Price	2.63	2.57	5.80
National Average Loan Rate	1.95	1.95	5.00
National Average Farm Price	2.06	1.79	5.74
Higher of Loan Rate or Farm Price	2.06	1.95	5.74
Direct Payment Rate	<u>.28</u>	<u>.35</u>	<u>.44</u>
Effective Price	2.34	2.30	6.18
Final CC Payment Rate (Target Price Minus Effective Price)	.2900	.2700	0.0000
First Partial Payment Rate	.1400	.0945	.0910
Second Partial Payment Rate	.1400	.0945	.0910
Final CC Payment Rate Less 1st and 2nd Partial Payments	.0100	0.0810	-0.1820

B 2004 CC Partial Payments for Wheat, Oats, and Soybeans

The Act provides for the following:

- 2 partial CC payments in October 2004 and February 2005
- final payment for the crop after the close of the marketing year.

The 1st and 2nd partial 2004 CC payments were paid on wheat, oats, and soybeans. Paragraph 3 provides further information on the wheat, oats, and soybeans partial payments and repayments.

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-141

3 Crop Overpayments

A Notices DCP-132, DCP-135, and DCP-139

Notices DCP-132, DCP-135, and DCP-139 explained about possible overpayments of several DCP crops.

Wheat, oats, and soybeans that received 2004 advance CC payments were overpaid \$0.035 a bushel for wheat, \$0.0112 for oats, and \$0.1820 a bushel for soybeans. 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 2005 and October 2006, to satisfy the obligation to repay the unearned advance. Any overpayment amount not satisfied by October 2006, will be transferred to receivables and begin normal collection procedures according to 67-FI.
- **Option 2** - The producer elects to repay the unearned CC payment by following procedure under Debt Collection Improvement Act of 1996 (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 1st demand letter.

Note: Option 1 is the default method. Producers were mailed a letter from Kansas City explaining these options in May 2005.

Notice DCP-139 outlined the software changes for processing 2004 CC overpayments because of unearned 2004 CC payments.

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
- 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 successors-in-interest.

Notice DCP-141

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
- compute and transfer 2004 CC overpayments before issuing direct or CC payments.

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
- immediately process 2004 CC overpayments according to Notice DCP-139
- begin issuing the following payments after 2004 CC overpayments are calculated and transferred to the common receivable system:
 - 2004 final CC
 - 2005 final direct.