

For: State and County Offices

2005 Final Counter-Cyclical (CC) Rates for Sorghum, Peanuts, and Upland Cotton

Approved by: Acting Deputy Administrator, Farm Programs



1 2005 Final CC Payments for Sorghum, Peanuts, and Upland Cotton

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. First advance 2005 CC payments for sorghum, peanuts, and upland cotton were issued in October 2005 and 2nd advance CC payments were issued in February 2006.

B Purpose

This notice:

- informs State and County Offices:
 - of final CC payment rates for sorghum, peanuts, and upland cotton
 - that software will be transmitted on Friday, September 1, 2006, according to a forthcoming information bulletin
- provides a detailed explanation of how CC payment rates are determined
- provides instructions on issuing 2005 final CC sorghum, peanut, and upland cotton payments
- advises County Offices on how to handle situations involving bankruptcy or deceased producers.

Disposal Date	Distribution
September 1, 2007	State Offices; State Offices relay to County Offices

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2 Calculating 2005 Final CC Payment Rates for Sorghum, Peanuts, and Upland Cotton

A Payment Rates for Sorghum, Peanuts, and Upland Cotton

The final 2005 CC payment rates for sorghum, peanuts, and upland cotton are shown in the following table. Sorghum, peanuts and upland cotton 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. The following table illustrates the calculation for sorghum, peanuts, and upland cotton.

Item	Sorghum	Peanuts	Upland Cotton
	Dollars Per Bu.	Dollars Per Pound	
Target Price	2.57	.2475	.7240
National Average Loan Rate	1.95	.1775	.5200
National Average Farm Price	<u>1/</u>	.1730	<u>1/</u>
Higher of Loan Rate or Farm Price	1.95	.1775	.5200
Direct Payment Rate	<u>.35</u>	<u>.0180</u>	<u>.0667</u>
Effective Price	2.30	.1955	.5867
Final CC Payment Rate (Target Price Minus Effective Price)	.27	.0520	.1373
First Partial Payment Rate	.0945	.0182	.0481
Second Partial Payment Rate	.0945	.0182	.0480
Final CC Payment Rate Less 1st and 2nd Partial Payments	.0810	.0156	.0412

1/ Final market year average prices will be published on September 29, 2006, for sorghum and October 12, 2006, for upland cotton. However, market prices to date have averaged far enough below the loan rate to ensure that the loan rate will be used to determine the effective price.

B National Average Prices Received by Producers

The national average prices received by producers for contract commodities can be found at http://www.fsa.usda.gov/pas/farmbill/mya_entry.htm.

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3 Issuing Payments to Producers With Special Circumstances

A Bankruptcy

County Office shall refer to 58-FI, paragraph 176 for producers who have filed bankruptcy.

B Deceased Producers

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

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
- print the CC Program Parameter file information according to 1-CM.
- **after** completing the instructions in the information bulletin, begin issuing final crop year 2005 CC sorghum, peanuts, and upland cotton payments, as applicable.