

For: State and County Offices

2006 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 CC 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 1st advance, if the producer elected a 1st advance.

Software for the 2006 CC 1st advance payments was included in County Release No. 596. A program parameter file containing the 2nd advance payment rates will be broadcast to County Offices on February 12, 2007. Information about the broadcast will be included in a forthcoming information bulletin.

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

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1 Overview (Continued)

B Purpose

This notice:

- informs State and County Offices:
 - that a 2nd advance CC payment will be issued for crops according to subparagraph 2 A
 - that software will be transmitted on Monday, February 12, 2007, according to a forthcoming information bulletin
 - to issue 2nd advance CC payments
- advises County Offices on how to handle situations involving bankruptcy, deceased producers, or succession-in-interest
- provides a detailed explanation of how CC payment rates are determined.

2 Calculating 2006 2nd Advance CC Payment Rates

A 2006 Crops and Rates

The following indicates eligible crops to receive a 2nd advance CC payment and the payment rate for that crop. 2006 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 illustrates the payment rate calculation for the eligible crops.

Item	Upland Cotton	Peanuts
	\$ per lb	\$ per lb
Target Price	\$0.7240	\$0.247500
National average loan rate	\$0.5200	\$0.177500
Projected national average price received by producers		\$0.177000
Higher of loan rate or price received by producers		\$0.177500
Direct payment rate	\$0.0667	\$0.018000
Effective Price	\$0.5867	\$0.195500
2nd Advance CC Payment Rate	\$0.0961	\$0.036400
Less 1st advance	\$0.0481	\$0.015225
Equals balance (if 1st advance received)	\$0.0480	\$0.021175

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3 Issuing Payments to Producers with Special Circumstances

A Bankruptcy

County Offices shall follow procedure in 1-DCP, paragraph 450 and 2-DCP, subparagraph 99 C for producers who have filed bankruptcy.

B Deceased Producers

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

C Successor-in-Interest

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

4 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 for loading the program parameter file.

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
- print and verify the CC program parameter file information according to 1-CM
- review notices issued that identified County Office review program findings, and provided policy and procedure references for each finding, to ensure that applicable program procedures are being implemented
- follow internal controls and procedures to reasonably ensure that payments and disbursements are valid and sufficiently supported to prevent improper payments
- begin issuing 2006 2nd advance CC payments, as applicable.